

Patents for Small Businesses

NOTE: This Brief is a general overview of patents. Please check the U.S. Patent Office website, uspto.gov, for the most up to date information.

Caution: Note for Small Business Owner:

In general, patents are seldom obtained by small businesses due to the (detailed herein) overall cost of from \$100,000 to \$150,000. An issued patent is of value when it is: (1) sold; (2) scares a competitor from using the patented concept or (3) when the patent is violated by someone else and it becomes the basis for a law suit. To pursue a legal defense of a patent can cost from \$75,000 to \$100,000 in legal fees. In general if the small business owner cannot fund the above potential costs, perhaps alternative methods to profiting from an idea (such as superior marketing, sales, or customer service) should be considered.

General

The granting of patents is based on Article 1, Sec 8 of the Constitution. Its purpose is to promote science and the useful arts.

Inventors in return for making public their invention with a patent are granted a property right which excludes others from making, using, selling, or importing the invention. This right lasts for 20 years from the date of filing for the patent.

Obtaining a patent can be time consuming, frustrating and very expensive. Accordingly, it should always be remembered that a patent is a tool and each situation must be carefully evaluated with respect to whether this tool should be utilized. Inventors should consider the commercial value of their invention before starting the patenting process. They should also consider the possible legal fees needed to defend their inventions against infringement after their patent issues.

What is a Patent?

A patent is a grant by the Federal Government to exclude others from making, using, selling, or importing the invention for a period of 20 years from the date of filing. However the inventor is responsible for policing and defending her/his patent. A patent is often referred to as "the right to sue".

Some persons mark articles sold with the terms "Patent Applied For" or "Patent Pending." These phrases have no legal effect, but only give information that an application for patent has been filed in the Patent and Trademark Office. The protection afforded by a patent does not start until the actual grant of the patent. False use of these phrases or their equivalent is prohibited.

What Can Be Patented?

There are three types of patents:

1) **Utility patents** may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof;

2) **Design** patents may be granted to anyone who invents a new, original, and ornamental design for an article of manufacture; The design patent protects only the appearance of the article and not the structure or other features. The design patent term is 14 years from the date of issue.

3) **Plant patents** may be granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant. The patent term is 20 years from the date of filing.

The invention must be new. A patent cannot be issued for anything that was known or used by others in this country, or patented or described in a printed publication in this country or a foreign country or in public use or on sale in this country more than one year prior to the application for the patent.

"Useful" means the subject of the patent has a useful purpose. For example a "useful" machine must be operable and produce the intended result. The application should state the benefit the invention provides.

A "process" is primarily a technical or industrial process such as a reaction that produces a new chemical or substance. "Manufacture" refers to articles that are made and includes all manufactured articles. The term "composition of matter" relates to chemical composition, mixtures of ingredients as well as new chemical compounds.

The invention must be shown to work. A patent cannot be granted on an idea or suggestion.

Search To Determine Novelty

It's advisable for the prospective inventor to find out if his/her idea is really new and, if manufacture is contemplated, whether there are any patent infringement questions. One way to do this is to search the patent files at the Public Library of Cincinnati and Hamilton County. This library is a Depository for all U. S. patents. Look at the claims. Claims point out and distinctly claim the subject matter of the invention. They define the scope of the protection of the patent.

The library will help the inventor determine the invention "classification". The inventor can use this to search the files for similar patents. He/she should keep a record of patents already issued that are similar to the prospective invention. The Patent Office will reject a patent application if the differences between existing patents and the patent applied for are minor and would be readily apparent to anyone familiar with the technology.

An inexpensive way to do a search for US patents is to visit the USPTO website at www.uspto.gov which provides a site for searches. The website also provides a wealth of other information including many special sites including a site for inventors.

Keep Records

It is important for the inventor to keep timely and accurate records of her/his work in a permanently bound book. (A composition book available for \$1 - \$2 in drug and discount stores will do just fine). The description and results of all work done should be written in ink in the book. Include sketches and photos where appropriate. Sign and date each entry, each photo and sketch. Have each page witnessed and dated by someone familiar with the work but who is not one of the inventors. A well kept book will establish the date when the idea was made to work. This can be very useful in situations when the same invention from several different sources is being considered by the Patent Office. It's also very useful in a law suit over the validity or ownership of the patent.

Disclosure Document

Inventors may establish the dates of conception of their invention by filing a "Disclosure Document" with the Patent Office. The document should contain a statement about the first conception of the invention, a description of the invention along with drawings and photos. This is kept by the Patent Office for two years then destroyed. The fee for this is \$10. Disclosure is not a substitute for filing a patent application. An application and instructions on how to do this can be obtained from the Commissioner of Patents and Trademarks, Washington, D. C. 20231.

Provisional Application for a Patent

A provisional application is a way to establish an early filing date and allows the use of "Patent Pending" on the article or process being marketed. It is also a way to extend the life of a patent from 20 to 21 years. The provisional application must be made in the name(s) of the inventor(s). It can be filed up to one year following first sale, public use or publication. The application must contain a description of the invention, any necessary drawings and the names of all inventors. An application for a patent must be filed within 12 months of the provisional application filing date. The Patent Office does not examine provisional applications for validity. There is a filing fee for a provisional application.

Check the library or website for the latest fee. If the inventor takes no further action, the application will automatically be abandoned 12 months after the filing date.

Applying For A Patent

A patent application is a legal document and must follow strictly the guidelines of the Patent Office. The inventor may file the application using forms from the patent office, however it is wise to have a registered patent attorney write and file the patent application and represent the inventor before the Patent Office. The cost for this service can be several thousand dollars. The inventor should carefully consider the value of the invention before investing in legal fees. It's wise to make a preliminary search in the library before proceeding to hire an attorney to write the application.

Since only the inventor can apply for a patent the true inventor's name must be shown on the application. If there are several inventors all names must show on the application. The patent will be invalid if the inventor's name is not shown.

The application must contain a full description of the invention, claims which state what is being patented, any drawings and a declaration by the inventor that he/she is the first inventor. The application must be complete enough so the invention can be duplicated by someone familiar with the field. If it cannot be duplicated, the patent is not valid.

All business with the Patent and Trademark Office including an application should be addressed to: Commissioner of Patents and Trademarks, Washington, D.C. 20231.

Fees

A filing fee must accompany the application. Check with the library or website for the latest fee schedules. Utility patents carry maintenance fees that are due at 3.5, 7.5 and 11.5 years after issue. All these fees can be reduced by 50% for small businesses or individual inventors. All fees are subject to change. Check the USPTO [www.uspto.gov] website includes the latest fee schedule.

Application Process

Applications, other than provisional applications, filed in the USPTO and accepted as complete applications are assigned for examination to the respective examining technology centers having charge of the areas of technology related to the invention. In the examining technology centers, applications are taken up for examination by the examiner to whom they have been assigned in the order in which they have been filed or in accordance with examining procedures established by the Director.

The examination of the application consists of a study of the application for compliance with the legal requirements and a search through U.S. patents, publications of patent applications, foreign patent documents, and available literature, to see if the claimed invention is new, useful and nonobvious and if the application meets the requirements of the patent statute and rules of practice. If the examiner's decision on patentability is favorable, a patent is granted.

On the average, patents are granted in of about two out of every three applications for patents which are filed.

Allowance and Issuance

If, on examination of the application, or at a later stage during the reconsideration of the application, the patent application is found to be allowable, a Notice of Allowance and Fee(s) Due will be sent to the applicant, or to applicant's attorney or agent of record, if any, and a fee for issuing the patent and if applicable, for publishing the patent application publication is due within three months from the date of the notice. If timely payment of the fee(s) is not made, the application will be regarded as abandoned.

Patent Rights

The patent is issued in the name of the United States under the seal of the United States Patent and Trademark Office, and is either signed by the Director of the USPTO or is electronically written thereon and attested by an Office official. The patent contains a grant to the patentee, and a printed copy of the specification and drawing is annexed to the patent and forms a part of it.

The grant confers "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States" and its territories and possessions for which the term of the patent shall be generally 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application, from the date of the earliest such application was filed, and subject to the payment of maintenance fees as provided by law.

Patent Marking

Patented articles must have the word "Patent" followed by the number of the patent. The terms "Patent Pending" or "Patent Applied For" have no legal standing. Protection does not start until the patent is actually issued.

Ownership

A patent is personal property. It can be bought, sold and licensed. Frequently the application will show who owns the patent. It's common for inventors working for companies to assign patents to their employers.

Warning

There are firms who, for a fee, will apply for a patent and then market the invention. Their marketing success rate is low and their fees are high; these are SCAMS. Watch out. Contact the Better Business Bureau and The Chamber of Commerce for information.