

**PROTECTING THE CROWN JEWELS -
INTANGIBLE COMPANY ASSETS
PATENT PROTECTION¹**

Broadly stated, intellectual property law deals with patents, trademarks, copyrights and trade secrets. A companion article discusses trademark protection. This article is on patents. We leave copyrights and trade secrets for another day.

Assume that your client has invested a lot of time and money to design, develop, manufacture and advertise a product, such as a wheel cover. What kinds of legal protection are available to protect those investments?

The surface features can be protected from a copier by a design patents. The structure and function of the wheel cover and its method of manufacture can be protected by a utility patent, or may be the subject matter of a trade secret. The drawings which were made to communicate to manufacturing what the designer had in mind can be protected by copyright and a trade secret. The name adopted and used in marking the wheel cover can be protected by a trademark. Patents, trademarks, trade secrets and copyrights can cooperate to give coordinated legal protection for various aspects of the wheel cover.

This article explores the patent branch of “intellectual property law.” A framework of rights and remedies is built from the four main branches, which offers a spectrum of protection and enforcement alternatives to the inventor, author, businessman, designer, and artist. In a world where there’s been a tremendous increase in resources allocated to research and development, these rights and remedies, if understood and used correctly, provide ways to protect those resources against wrongful appropriation by others.

Patents result from a negotiated bargain between the inventor and the federal government. In return for the inventor disclosing details of his invention, he or she is given a limited period of exclusivity. During that period, when he can stop others from making, using, or selling it. The right to exclude others is an incentive for creative individuals and corporations to invest their resources in the process of inventing.

a. Patentable Subject Matter

What in the world can be patented?

i. Statutory Scheme

An invention may be patented only if it fits in one of the statutory classes of subject matter. These are defined in 35 U.S.C. § 101:

Whoever invents or discovers any new or useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . .

These four classes of statutory subject matter cover “utility” patents, and have proved to be quite flexible. They have been interpreted so as to cover most of the new technologies that have evolved during the last 200 years.

A *process* is an operation or series of steps leading to a useful result. For example, a method for making ice cream. In a sense, a process is a way of getting somewhere else from where one starts. It may either be a way of getting to something inventive, or it may be an inventive way of getting to something already known. No valid patent can issue for a product derived from a new process if the product is substantially the same as a known product. A valid patent may only issue for the new process.

A *machine* or an “apparatus” is an entity that does something. It usually consists of parts, components, or elements which are so arranged and organized as to cooperate when set in motion to produce a predetermined result. Examples include a machine for stretching rawhide leather, a sewing machine, and a hinged staple remover.

Compositions of matter are “things.” By definition, they must be composed of other “things.” It is the composition that may be the invention. If the inventor discovers that he or she can compose a new substance from a basic material, and that substance is otherwise patentable, the new composition of matter may be eligible subject matter. An inventor can take basic and well known things such as carbon, hydrogen, and oxygen. If he combines them in a particularly novel and non-obvious form, which is something useful, such as a chemical compound which cures cancer, the inventor may patent the resulting chemical.

An *article of manufacture* is a residual class which encompasses any thing or article which is made by human beings, such as a paper clip or staple.

The United States Supreme Court has stated that statutory patentable subject matter includes “anything under the sun that is made by man.” *Diamond v. Chakrabarty*, 100 S. Ct. 2044 (1980).

ii. Judicial Exceptions to the Statutory Scheme

There are a few judicially carved out exceptions to these classes of potentially patentable subject matter.

Section 101 of the Patent Statute uses the phrase “whoever invents . . .”. This requires that the claimed invention be man-made and lays the foundation for the general rule that

phenomena of nature, mental processes and abstract intellectual concepts are not patentable. Einstein, had he applied at the time, could not have gotten a patent on $E=mc^2$.

iii. Boundaries of Patentability

The United States Supreme Court has observed that new technologies, such as genetics are eligible for patent protection. *Diamond, supra*. In that case, the Supreme Court held that a live, genetically altered microorganism constituted patentable subject matter.

In 1988, the Patent and Trademark Board of Patent Appeals confirmed that patentable subject matter clearly includes man-made life forms, holding that genetically altered oysters are non-naturally occurring manufactures or compositions of matter which are patentable subject matter under 35 U.S.C. § 101. Patent protection, therefore, is available for genetically altered, or gene-spliced animals.

A computer may be patentable as a machine, if it is otherwise inventive. The burgeoning of computer software has forced the courts to define more precisely which inventions involving the use of computers or mathematical formulas are disqualified from patent protection.

If a new technology can be described as either an article of manufacture, composition of matter, or machine, it is potentially patentable. Patent law and its requirement that inventions be novel and non-obvious invites new technologies, which therefore may accommodate unforeseen categories.

iv. Design Patents

Proprietary protection for designs is potentially available under 35 U.S.C. § 171.

A design patent protects a new, original, and ornamental design. The design may consist of surface ornamentation, or configuration, or a combination of both.

b. Objectives in Procuring a Patent

Why go for a patent? Some patents are merely expensive pieces of paper. But others are effective enforcement tools. For analysis, the life of a patent can be divided into two periods. The first period covers the steps involved in procuring a patent, the “patent pending” period. The second period covers what you can do with the patent after it has issued.

i. Patent Procurement Procedure

After an invention is developed, the patent process is begun by the inventor disclosing what he believes his invention to be a patent attorney or agent.

The patent application includes claims which are carefully drafted to define the applicant's invention so as to distinguish it over the prior art and maximize the changes of staking out allowable subject matter. Each claim in a patent is analogous to a metes and bounds description of land which defines property rights in a deed to real estate.

Uncomplicated patent applications may cost the inventor upwards from \$5,000, depending on the subject matter. There are governmental filing fees and discounts available to the small business and to the individual inventor.

After filing the patent application, it is studied in the Patent Office. A patent examiner searches in the Patent Office's collection of over 30 million documents which include prior United States patents, together with patents and publications of foreign countries. The invention as defined by the claims is potentially patentable if it is new, useful and unobvious to a person of ordinary skill in the art to which the invention pertains.

ii. Enforcement

The enforcement period begins with issuance. During its life (usually 20 years from the filing date), the patent can be used to prevent others from making, using, or selling the claimed the invention. When the patentee is in a position to manufacture and sell his own invention, the right of enforcement is important, since it enables him to deter or prevent others from competing with him. This right to exclude others has resulted in major industries being formed where none existed previously.

Nowadays, it is increasingly had for companies totally to disregard a competitor's patent rights. It is often wiser for the accused infringer to negotiate a license agreement than try to design around the patent. To be found guilty of patent infringement can prove to be more costly than ever, since the patent owner may now, in some cases, collect for profits lost on sales made by the infringing company, not just lost royalties. Punitive damages also are more common, and the losing company (willful infringer) may have to pay three times as much as it otherwise would, including the patentee's legal fees.

Patents can be used for defensive purposes in at least three ways. First, the patent is evidence of the inventor's independent activities which is a defense against an accusation of copying or derivation. Second, patents can be used in cross-licensing and to settle patent conflicts with others who may allege infringement of their patents. Third, published application and a patent are publications that can bar others from patents on the subject matter disclosed, as well as obvious variations of the subject matter.

Patents may be asserted offensively against present or potential infringers. A patent infringement suit is usually brought with the objectives of recovering money damages for past infringement and obtaining an injunction prohibiting the infringer from further practice of the patented invention. An injunction forces the infringer to either design around the patent or

drop the product line. Consequently, the threat of a patent infringement suit against a present or potential infringer can be used to protect the market for the patented product. In a licensing program, a patent portfolio can be used to derive royalties which can be used to offset the cost of research and development.

iii. Bars to Patentability

The single most important and most frequently litigated aspect of substantive patent law focuses on 35 U.S.C. § 102, which defines certain events which can bar the inventor from obtaining a patent. Those such events include an issued patent, a printed publication appearing anywhere, and knowledge or use of others in this country. For example, if the invention is in public use or on sale in this country prior to one year before the U.S. filing date, the applicant is barred from obtaining a valid patent.

These rules act as an incentive to inventors to get their inventions in the procedural mill in the PTO as promptly as possible, with the objective of giving the public early knowledge of the invention.

The message to the inventor is that, if he seeks patent protection, he should proceed promptly toward patenting the invention, because any number of barring events may develop, of which he may be completely unaware, that will imperil its right to obtain a patent.

I hope this article has covered enough of the background to provide a representative sampling of patent law and that it has introduced what legal protection is available, together with the circumstances to which such protection may be applicable.

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