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INTELLECTUAL PROPERTY LAW

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PATENTS

PATENTS PREVENT THE UNAUTHORIZED USE BY OTHERS OF AN INVENTOR'S DISCOVERIES; THEY ARE THE FORM OF LEGAL PROTECTION FOR INVENTIONS. ALTHOUGH "MERE IDEAS" ARE NOT PATENTABLE, PATENTS COME CLOSER THAN ANY OTHER FORM OF INTELLECTUAL PROPERTY EXCEPT TRADE SECRETS TO PROTECTING IDEAS, BECAUSE THEY CAN PROTECT THE ESSENCE OF A PRODUCT OR MANNER OF ACCOMPLISHING A TASK.

A.	What Is a "Patent?"	2
B.	Types of Patents	2
C.	Rights Granted by Patents	3
D.	Requirements for Patentability	3
E.	The Patent Search	4
F.	The Patent Application	6
G.	Duration of Patent Protection	10
H.	Ownership Issues: The Employed Inventor	11
I.	Commercializing the Invention	12
J.	Enforcement of Patent Rights	13
K.	Defending Against Claims of Patent Infringement	14
L.	Summary	15

PATENTS

A. What is a “Patent?”

Patents are the primary source of legal protection for inventions. A patent is a grant from the United States Patent and Trademark Office that prevents the unauthorized production, sale, or use of an invention for a fixed period of time. Although “mere ideas” are not patentable, patents come closer than any other form of intellectual property, aside from trade secrecy, to protecting ideas, because they can protect the essence of a product or manner of accomplishing a task.

B. Types of Patents

Generally, patents fall into three categories:

1. Utility Patents

Utility patents can be granted to persons who invent or discover new and useful machines, compositions of matter, products, or processes that function in a unique matter, or improvements of any of these. The “machine” and “product” categories are self-explanatory. Examples of “compositions of matter” for which patents have been issued include laboratory-created life forms and new drug formulations. “Processes” have included not only methods of making products and machines, but also computer software. In general, utility patents protect the way an invention is used and works; these are what most people mean when they refer to “a patent.”

2. Design Patents

Design patents can be granted to persons who invent new, original, and ornamental designs for articles of manufacture. In contrast to utility patents, which protect the functionality of an invention, design patents protect the way an invention looks. They can protect the ornamental appearance of all types of products, from socks to lollipops. Design patents can cover anything from the shape of a dining table, to the appearance of a pair of grass clippers, to the design of a computer terminal or even the icons that appear on the screen as a part of many computer programs.

Because design patents protect an entirely different aspect of a product than do utility patents, it may be possible to obtain both types of protection for a new device that has a new, ornamental appearance.

3. Plant Patents

Plant patents can be granted to persons who invent or discover and asexually reproduce distinct and new varieties of plants. Plant patents cover new varieties from ornamental rose bushes and Christmas cactuses to vegetable and other crop plants. This form of patent can be very important to our agricultural and ornamental plant industries.

C. Rights Granted by Patents

1. Right to Exclude

A patent grants the owner the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States and the right to prevent others from importing the invention into the United States. Although this often is referred to as a “monopoly,” it is more precise to say that a patent grants to the owner a right to exclude.

2. Limitations

Because the patent grants only a right to exclude others from practicing the invention, it does not guarantee to the patent owner any right to actually practice the invention. That is, a patent owner’s ability to make the patented product, use the patented process, or sell or offer these for sale is not an absolute right guaranteed by law, nor is it guaranteed within the patent itself. Instead, the owner’s right to make, use, or sell the patented invention is dependent upon the rights of others, because someone else could own a prior patent on some essential part or element of the invention. If so, the owner of a patent covering the later invention will not be able to utilize the invention until either the earlier patents have expired, or the owner of the earlier patents grants permission.

Consider the following example: Inventor A is the first to invent the rocking chair and has applied for a patent. If no prior patents exist for the invention, or any part thereof, then Inventor A typically would be able to freely exploit the invention, or license others to use it; furthermore, Inventor A’s patent would prevent others from duplicating the invention. However, suppose that at the time Inventor A applies for a patent, Inventor B already holds a valid patent on the basic structure of a chair. The new rocking chair invention inherently incorporates the basic structure of a chair, and adds rockers to the base. As a result, the rocking chair is covered by Inventor B’s patent on the basic chair and unless Inventor A obtains permission from Inventor B to use the standard chair design, the rocking chair will not be produced until the basic chair patent expires. Inventor A’s patent is not valueless during this period, however. The patent would prevent Inventor B from taking advantage of A’s improvements on the basic chair design. In other words, B could not go into the rocking chair business without A’s permission.

D. Requirements for Patentability

An invention must be new and (in order to qualify for utility patent protection) useful, and must not have been obvious in light of existing knowledge in the specific field of endeavor at the time the invention was made. A patent will not be granted on an invention that can be used only for illegal purposes.

1. Novelty Requirement

For an invention to be considered “new,” another person cannot have invented it prior to the date of the claimed invention. Additionally, the invention cannot have been published, used, sold or offered for sale, or made publicly known, anywhere in the world, for more than one year prior to the date when the application is filed.

United States patent law gives the inventor a one-year grace period from the time of public disclosure to apply for a patent. Most other countries do not have such a grace period. Thus, if an inventor is considering applying for foreign patents, total secrecy up to the time of application for the first patent should be maintained. Bear in mind that Canada is a foreign country; many inventors seem to forget this because cross-border marketing is so common.

If only U.S. protection is of interest, the inventor can market and sell the invention, describe it in printed publications, or otherwise disclose it for some other purpose, for up to one year before deciding to pursue patent protection. The one-year grace period will protect these activities and shield them from voiding the “novelty” requirement. After one year has elapsed, however, it will not be possible to file a patent application, even where protection is to be limited to the United States.

Because the requirement of novelty can be the decisive factor in settling competing claims to the same invention, it is an excellent idea for all inventors to keep dated and witnessed records (such as lab notebooks) showing the progress of their work.

2. Usefulness Requirement

The requirement that the invention be “useful” means the invention must be capable of use for some beneficial purpose, and must actually work. Applications to patent “perpetual motion” machines are routinely rejected by the examiners on grounds that they will not work as claimed. Vague ideas are not “useful” and hence are not patentable. There must be enough detail to enable others to make and use the invention.

Utility patent protection is not available for decorative features, because they are not useful. For design patents, however, there is no “usefulness” requirement. Instead, the invention must be “ornamental.” Thus, where a novel device is useful and has decorative features that can fairly be called ornamental, it may qualify both for utility patent protection and for design patent protection.

3. Non-obviousness Requirement

The third requirement for patentability is that the invention be “non-obvious.” This means that the invention would not have been readily apparent to someone who was familiar with what others have done in the same field, at the time of the invention. For example, in evaluating a new eyeglass frame, one would probably look to the relative skill and capabilities of an average optician or eyeglass manufacturer, and ask whether such a person would have known how to make the invention in question if he had wanted to do so at the time the invention was made.

E. The Patent Search

Deciding whether inventions are “new,” “useful” or “ornamental,” and “non-obvious” is a task that requires familiarity both with the technology involved, and the technicalities of the patent law. Before filing a patent application, and sometimes even before investing tremendous resources in developing a new product, it is advisable to have a patent search performed.

1. What is a “Patent Search?”

A patent search is an examination of what has been done before, in areas relevant to the invention, to assess the novelty and non-obviousness of the invention. Typically, it involves an investigation of earlier patents and possibly of other relevant publications in the field, and seeks to learn whether aspects of the invention have been disclosed in these documents. Expanded searching may look at catalogs and other trade literature, both printed and electronic, for the same purposes. Based on the search results, a patent attorney or experienced patent litigator can give an opinion as to the scope of coverage of prior patents, and whether it does or does not appear likely that a patent could be granted for the new invention. Often, the search results will not only tell the inventor what has been done in the past, but may suggest possible modifications to the new invention which may improve it and make it more likely to be patentable.

2. Conducting the Patent Search

The extent of any patent search will depend on the client’s budget, the invention’s value, and the degree of certainty required. Law firms may do all or some of the search in-house and may use the services of companies that specialize in patent searches. Different patent firms have different resources available to them for in-house searching. These resources may include copies of summaries of patents, issued weekly by the United States Patent and Trademark Office; copies of patent information on optical disks; access to on-line computer databases of patent and other scientific literature; paper copies of patents; and other material.

3. Search Resources for “Self-Service” Inventors

While attorneys and law firms will have resources that make searching more efficient and effective, there are various searching resources open to budget-conscious inventors:

- **The Patent Office**—The Scientific and Technical Information Center of the United States Patent and Trademark Office located at 1C35 Madison West, 600 Dulany Street, Alexandria, VA, has available for public use over 120,000 volumes of scientific and technical books in various languages, about 90,000 bound volumes of periodicals devoted to science and technology, the official journals of 77 foreign patent organizations, and over 40 million foreign patents on paper, microfilm, microfiche, and CD-ROM. In addition, the Patent Search Room located at Madison East, First Floor, 600 Dulany Street, Alexandria, VA, is where the public may search and examine U.S. patents granted since 1790 using state of the art computer workstations. A complete patent backfile in numeric sequence is available on microfilm or in optical disc format. Official Gazettes, Annual Indexes (of Inventors), the Manual of Classification and its subject matter index, and other search aids are available in various formats. Patent assignment records of transactions affecting the ownership of patents, microfilmed deeds, and indexes are also available.

- **Patent and Trademark Depository Library System**—Located in 52 states and territories of the United States, these library depositories provide users with access to copies, on computer and/or microfilm, of United States patents. The libraries receive current issues of patents and maintain collections of earlier issued patent and trademark information. In many of these libraries, reference librarians will help the inventor try to determine which of the Patent Office’s subject classifications best describes the invention, and then review abstracts or complete copies of each patent in the identified subject areas. This is an excellent, inexpensive way to get an idea of prior patents related to an invention. The number, location, and scope of these libraries varies from state to state. In North Carolina, there is an excellent patent depository, located at N.C. State University’s D.H. Hill Library, in the Government Documents section, and a newer patent depository located in the University of North Carolina at Charlotte. Puerto Rico has two such depositories, one each in the General Libraries of the University of Puerto Rico campuses at Bayamón and at Mayagüez. California has five, most located in public libraries around the state. More specific information about each state’s libraries, including telephone numbers, can be obtained at <http://www.USPTO.gov/web/offices/ac/ido/ptdl/>, which is part of the United States Patent and Trademark Office’s website.
- **U.S Patent and Trademark Office’s Online Database**—This online service is available at <http://patents.USPTO.gov/patft/index.html>. It allows anyone to perform searches of all patents published since 1976, as well as patent applications published since March 15, 2001. In addition, one can download the images of any United States patent issued since 1790; however, the pre-1976 patents are not formatted for text searching. While obviously not entirely comprehensive, this free database does provide a useful tool for beginning a search.

F. The Patent Application

In return for granting exclusive rights in his invention to a patent owner, the law requires a complete disclosure of the invention so that the public will know how to take advantage of the invention once the patent expires. This disclosure is set forth in the patent application.

1. Preparing and Filing a United States Patent Application

A utility patent application must include a detailed description of how the invention works, drawings (in most cases), and an explanation of the best way known to the inventor of making and using the invention. The applicant must also disclose any known similar products or methods which exist, and which would be relevant to examination of the claims of the patent application.

Depending on the type of patent being sought (i.e., utility, design, or plant), the specifics for each of these elements of the application may vary. For example, consider the “description” element. A utility patent application requires a detailed written description of

how to make and use the invention. A plant patent application, on the other hand, must include a detailed botanical description of the plant, together with a description of the invention that is “as complete as is reasonably possible.” A design patent must include very detailed drawings that show the entirety of the design for which protection is claimed.

Once it has been prepared, the application must be submitted to the Patent and Trademark Office along with a signed declaration attesting to the truth of everything set forth. The inventor or the inventors ordinarily must sign the application. Corporations and other business entities that may own patents or patent rights are not considered inventors. However, individual inventors may assign all their rights to corporations; and although the corporation cannot ordinarily sign the actual application, the corporate assignee is entitled to own the patent application and any patent that ultimately may issue, and can direct how the application is to be handled.

The Patent and Trademark Office has very specific rules about the content and style of a patent application, as well as who can file and handle a patent application. Because these rules can be complex, and because the legal concepts that apply to patents also can be complex, most patents are filed by patent attorneys on behalf of individual or corporate clients.

2. Provisional Applications: An Alternative When the Need is Urgent or Cash is Low

A potentially less complex procedure is available if rapid filing is desired. This is the filing of a **provisional patent application**. **A provisional patent application is not the same as a regular patent application.** The provisional application essentially gives an inventor a twelve-month extension to file a formal patent application. For a provisional application, there are slightly fewer technical requirements. However, the application still must contain a complete written description of the invention, and any drawings necessary to understand the invention, each of which must meet requirements set by the Patent Office. An inadequate disclosure in a provisional application will afford little or no benefit.

If a formal application is properly filed no more than twelve months after the provisional application, and correctly references the earlier provisional application, then the formal patent application will assume the benefit of the earlier filing date of the provisional application—but only as to the information that was clearly disclosed in that earlier provisional application and now is claimed in the formal application. Assuming the provisional application clearly disclosed the invention, the application then can proceed through the regular examination process. However, if a formal patent application is not filed within the twelve-month time frame, then the provisional application is deemed abandoned and any benefit from filing it is lost.

While the provisional application seems simple, it is important that it be comprehensively written and meet the Patent Office’s guidelines. There also are some complex issues surrounding how to “convert” from a provisional application to a regular application. Thus, most experts in the field recommend that a provisional patent application

ordinarily should be prepared with care similar to that used for a regular application, and that competent patent counsel be consulted.

3. Options for the Self-Help Inventor

Individual inventors are allowed to file their own applications if they choose to do so, just as defendants are allowed to represent themselves in court if they choose. For most individuals, because of the complexity of the rules and the importance of linguistic nuances, this is not a wise choice. Instead, it is better for a budget-conscious inventor to work closely with a selected patent attorney and to do as much of the leg-work and as many of the drawings as possible to reduce the cost. This is true even when filing a provisional patent application, where the rules are fewer and where typically.

Inventors who chose to “go it alone” should be aware that the requirements for obtaining patents, the stylistic requirements, and the fees, are subject to change, often with little notice. While there are many self-help manuals available (including a manual published by Nolo Press that can be purchased online or in bookstores, and other material that may be included in the reference material available at an inventor’s local Patent Depository Library), it would be unwise to assume that the latest changes have been incorporated into these references. An inventor should verify the current requirements before filing an application. If an inventor files an incomplete application, it may not be accepted by the United States Patent and Trademark Office and this may result in the loss of intellectual property rights by the applicant. If the one-year grace period was close to expiring, or if foreign protection was sought, the result could be a complete or partial loss of rights to the invention.

4. Filing Fees

Whether filed by a patent attorney or by an individual inventor, filing fees must be submitted with the application. The filing fees, as well as most other fees charged by the Federal government in connection with patent applications, currently are lower for individual inventors, nonprofit entities, and small companies than for businesses with over five hundred employees. Hence, individuals and “small entities” should indicate with their application that they meet the criteria for these reduced fees. The fees for provisional applications are lower than those for a regular patent application, since those applications essentially act only as place-holders and are not subject to examination.

Self-help inventors should particularly note that filing fees are subject to change and do increase with unfortunate frequency. Inventors who are filing a patent application without the assistance of an attorney, should check the current fee schedule and be certain to enclose the correct amount.

5. The Examination Process

If a regular patent application meets the initial application requirements, it will be assigned a serial number and filing date, and the examination will commence. Provisional applications are assigned a number and filing date, but are not examined until a regular (formal) application has been filed.

There are approximately two thousand patent examiners in the United States Patent and Trademark Office. They are divided into groups, each with responsibility for a particular type of invention. Each application is assigned to one of these specialty technology groups, and to a particular examiner within the group. The examination process may take from one to four years, with the average being around two years. During that process, it is not uncommon for the examiner to change, but the examination group ordinarily remains the same.

Applicants are understandably concerned with what occurs during the process: how secrecy is handled, when and how applications are published, and what happens when an application is rejected or approved.

a. Secrecy of Application Contents

During the first eighteen months of examination, all patent applications are kept secret. No one outside the Patent Office, other than the inventor or the inventor's designated representative, will be told the title of the application, the name of the inventor, the subject matter of the invention, or anything else concerning the application. If no patent ever issues, the invention is never revealed to the public.

After the first eighteen months, however, secrecy is not automatic except in the case of applications filed before November 29, 2000, or for design patent applications. Plant and utility patent applications filed on or after that date will in most cases be published eighteen months after their filing dates. (and, as is typical, the Patent Office will assess a publication fee for each published application, which the inventor must pay before any patent will be issued). There are two ways to avoid publication:

- **No-Foreign-Filing Certification**—The inventor can file a certification that the disclosed invention has not been and will not be the subject of an application filed in another country, or under a multilateral international agreement, that requires publication of applications eighteen months after filing. If this is done, the application will be kept secret for the entire time until either a patent issues, or the application is abandoned.
- **Abandonment**—The inventor can abandon the application. In that case, unless the application is relied on for purposes of another application that ultimately issues as a patent, the abandoned application will be kept forever secret.

b. Early Publication of Application and Its Claims

It may seem counter-intuitive, but there are circumstances in which an inventor may want an application published early. This typically occurs when **infringement** is occurring or likely (see the discussion of Enforcement of Patent Rights in Section G, below). As a result, for an additional fee, applicants are allowed to request early publication of their application. In such cases, the applicant will want to be as certain as possible that at least some of the claims to be published are likely to issue in substantially unmodified form, and that those claims—even if very narrow and specific—cover the

infringer's activities. This can require a great deal of advance planning in drafting the application, and in handling the prosecution stage, so any applicant in this circumstance should notify the patent attorney at the earliest possible time.

c. The Examination Process

Most utility patent applications are initially rejected, either on technical grounds or because the examiner has found a patent that is similar to the claimed invention. Once a patent application has been rejected, the task becomes one of amending claims and arguing with the examiner about why prior inventions do not render the present invention unpatentable. A good search conducted prior to filing the application increases the chances that potential objections will be known in advance, and can be dealt with, but no search is perfect, and it is not possible to predict an examiner's actions with certainty.

Although it is safe to say that far more applications are filed than patents are issued, the numbers fluctuate and there is disagreement on those numbers. For example, in 2005, the Patent Office reported that approximately 406,000 patent applications were filed, and approximately 165,000 patents were issued. An independent tally suggested that the number of issued patents was closer to 143,000. In any event, it is clear that the number of patents issued is far fewer than those filed. This is due not only to rejections and to abandoned applications, but also to Patent Office backlog. Well-drafted patent applications increase the chance of ultimate success, but there are no guarantees.

d. Once the Application is Approved: Issue and Other Fees

Once an application is approved, the Patent Office sends a notice listing any last formalities that must be complied with, and requires payment of an issue fee before the patent actually will be issued to the patent owner. Any publication fee that has not already been paid also must be paid before the patent will be issued. After these fees are paid, a notice is sent that lists the date (always on a Tuesday) when the patent will be issued. When that date comes, the patent will be issued.

A patent owner must pay periodic maintenance fees to keep the patent in force. These are paid at four, eight, and twelve year intervals from the date the patent was issued. If these fees are not paid, the patent will lapse and the patent rights will be lost. If a patent does not appear to be commercially valuable, the owner may choose not to pay the maintenance fee, and thereby let the patent lapse.

G. Duration of Patent Protection

1. Usual Term of Patents

Utility patents and plant patents give the owner the right to exclude others from making, using or selling the patented invention or plant for twenty (20) years following the date the application was filed. This term applies to patents based on applications filed on or after June 8, 1995. Patents resulting from earlier-filed applications have a term which varies depending on exactly when they were filed and how long they were in the processing stage. The term can be either seventeen years from the date of issue, or twenty years from the date the application was filed. In some cases, where successive related patent

applications have been filed, the date for measuring the start of the twenty-year term may be earlier than the filing date of the current application. If it is important to know the precise expiration date of a patent, an experienced practitioner should be consulted for advice.

In the case of a design patent, the term is fourteen (14) years from the date the patent is issued.

2. Extension of Patent Terms

No patent terms may be renewed. This is true for all types of patents, whether utility, plant or design. In special cases, however, the term of a patent may be extended for a limited period. Extensions are granted in order to compensate the patent owner for delays caused by government regulatory processes. Other reasons for term extensions include delays in issuance of a patent due to Patent Office delay or to appeals, or the existence of government secrecy orders which prevented commercial exploitation of a patent. The longest amount of time presently granted for a patent extension is five years.

H. Ownership Issues: The Employed Inventor

1. The Invention Made at Work—Who Owns It?

The inventor of a patentable invention normally will own the invention, the patent application and, ultimately, any issued patent. Employed inventors are in a different situation. If they have been “hired to invent”—hired specifically for the purpose of creating new products or methods, or specifically assigned such duties as part of the duties of employment, then the employer ordinarily will own the invention and any subsequent patent. In such cases, the employee ordinarily would not be entitled to any rights in the application or the patent, nor to receive any special payment.

If an employee is not hired specifically as an inventor, but nonetheless uses the employer’s time and materials to invent, the resulting invention will ordinarily belong to the inventor. However, the employer often will have what is called a “shop right” to use the invention without paying the inventor anything.

2. Creation of Employer Rights in Inventions

In most states, employers can give themselves additional rights in their employees’ inventions by use of employment contracts and invention assignment agreements. Several states, including California, Illinois, Minnesota, North Carolina, and Washington, have laws that restrict the terms of such agreements, to protect employees. At least one other state, North Dakota, has a statute that seems to provide even greater rights to employers. Thus, if an ownership issue arises, it is important to review the laws of the states involved. From a planning perspective, it is important for employers concerned with these issues to consult counsel to draft appropriate employment agreements, before disputes arise—and then to use these agreements consistently and appropriately.

In North Carolina, employers can require employees to assign to their employer all inventions which were developed in whole or in part during the employee’s work hours; or

which were developed with the employer's facilities, supplies, equipment or trade secret information; or which relate to the employer's business or to its present or demonstrably anticipated research or development; or which result from any work performed by the employee for the employer. In addition, employers may require that their employees grant all rights in certain inventions to the United States government.

Employers also can require that employees disclose all their inventions. This allows the employer to make its own determination whether inventions should belong to the company, the Federal government, or to the inventor.

Attorneys experienced in the field best handle drafting these employment agreements. Restrictions on employees are not favored. Overly broad agreements, even those that are acceptable in all but one respect, can be entirely invalidated by the courts. Properly drafted, however, and signed by employees who receive something of real value in exchange (continuation of an existing employment relationship ordinarily is not enough), such agreements can be a significant business asset.

I. Commercializing the Invention

Patents have a big gold seal with a red ribbon and look attractive, but their value is not as wall decor. It is difficult to market unpatented technology, because such technology gives little competitive advantage. Even if the technology is not known to competitors initially, once an unpatented product is placed on the market, it usually can be copied freely. Unprotected ideas may give a head start, but that usually is all. A patent, however, gives the patent owner and anyone he may license, a monopoly over the patented technology. Even a pending application, because it gives rights of priority, typically adds value to an invention and enhances commercialization opportunities.

1. Selling or Licensing the Rights to an Invention

A patent owner can license or assign (sell) the patent rights. Patent rights frequently are licensed or assigned (sold entirely), at royalty rates ranging from two percent to six percent in the manufacturing industries, or even more depending on the industry, the nature of the invention, and the terms of the license.

It is important to recognize that joint owners of a U.S. patent have the right to exploit the patent *independently*, without consulting the other owner(s), unless there is an agreement to the contrary. Therefore, one owner can compete with the other owner(s) when seeking licensees and does not have to split any income that is received, absent an agreement to the contrary. This principle remains true even if the one receiving the greatest income actually contributed least to the invention—or even received a share of the patent ownership as a gift without doing anything. In contrast, joint owners of foreign patent rights typically are required to act jointly. The American result is not the one most co-inventors expect, and can result in unanticipated competition from one who was thought to be a trusted colleague. Properly drafted **agreements** can help avoid disagreements and resulting diminution in patent value.

It is not necessary to wait until a patent issues. It is not uncommon for inventors and owners of inventions to enter into licenses after their patent applications have been filed but before the patents issue. These licenses are based on an expectation that some type of patent protection eventually will be granted, and usually include options (such as a reduced royalty, or no future royalty) in the event that a patent is not granted. Licenses sometimes are entered, or inventions sold, even before any application has been filed, based on trade secrecy and inventor's providing information of value to the recipient.

The United States Patent and Trademark Office publishes a listing of United States patents that are available for licensing or sale. Inventors who have no other contacts may choose to try this avenue of publicizing the availability of their patent rights.

2. License Terms

In negotiating any license, a patent owner must consider a whole host of very basic considerations, including such issues as:

- Whether to grant exclusive rights (so that the invention can be exploited by one and only one licensee) or nonexclusive rights;
- What type of payment provisions to include (for instance, a lump sum payment or an advance and then regular royalty payments based on sales);
- Whether future patent rights also are included in the license;
- The patent owner's desired long-term relationship with the licensing company;
- Term and termination provisions;

and much more. An experienced attorney should review (and preferably draft) all agreements, even "letters of intent," to prevent binding and unfavorable contracts.

J. **Enforcement of Patent Rights**

1. "Patent Infringement"

Patent infringement occurs when someone makes, uses, offers for sale, or sells a patented invention, without the permission of the patent owner, during the life of the patent.

2. Remedies for Infringement

Patent owners, and the holders of exclusive patent licenses, have the right to sue patent infringers. U.S. patent statutes provide very harsh penalties for willful violations of patent rights, and our federal courts are able to enforce these. Even if the infringer can show that the infringing product was developed without knowledge of the patented product or process, the infringer still is subject to suit.

If the court is satisfied that infringement occurred, the infringer may be ordered to stop making the infringing product, or to stop using the infringing process. In addition, the

court can require the infringer to pay the patent owner an amount equal to all the damages caused. Damages can include lost sales and even loss of sales of related products, if this can be proven to have occurred due to the infringement. If the patent owner has not lost any money, but the infringer has made or saved money, the damage award may be based on these benefits to the infringer. The infringer also can be ordered to pay the patent owner's attorneys' fees, where infringement was willful; and damages may be trebled.

3. Period for Which Damages Can Be Awarded

The damage award can go back for a period of six years before the date suit was filed. It may include all damages incurred from the date the patent issued or, if later, the date the infringer received notice of the patent's existence. In certain circumstances, where the patent application was published and the claims were substantially in the same form as later issued, damages in the nature of a "reasonable royalty" can be awarded for infringement that occurred between the publication date and the date the patent ultimately issued. This is why some applicants opt for early publication of their applications, as discussed earlier, and why it is so important to work closely with the patent attorney on the form of the claims if infringement is suspected while the application still is in process.

4. Pre-Requisite for Relief

In order to recover damages, the patent owner must prove that the infringer "knew" there was (or, in the case of a published application, would be) a patent on the item or process. Actual knowledge is not required. Patent law provides a means for the patent owner to give legal notice to the whole world by placing the patent number on each and every product covered by the patent. If for some reason the patent owner failed to do this (e.g., if the patent owner has not yet sold any products), sufficient notice can be given by sending a letter advising of the existence of the patent. Such letters must be carefully drafted. Otherwise they can result in a lawsuit before the patent owner is ready, in a part of the country the patent owner did not choose.

K. Defending Against Claims of Patent Infringement

1. What to Do When Sued or Threatened With Suit

A claim of patent infringement should not be taken lightly, and competent counsel should be consulted at the earliest opportunity. If threatening letters or verbal accusations are received, it is not wise to wait until suit is actually filed. As noted above, the damages that can be awarded can be substantial, and an injunction could put a product line, or even an entire firm, out of business.

2. Defenses

By law, patents are presumed valid. Nonetheless, there may well be valid defenses to the claim of infringement. For instance, it may be that the claims of the patent, which define the scope of the protection granted, do not actually cover the allegedly infringing product or process. In that case, there is no infringement. Even if infringement is clear, there may still be defenses related to the patent's validity. A defense of invalidity attempts to show that for some technical or legal reason, the patent issued should not have been allowed and it is, in fact, an invalid patent. If either non-infringement or patent invalidity is

proven, then infringement has not occurred and the suit must be dismissed. Other defenses also can be explored by counsel, depending on the facts of the specific case. For example, a law passed in 1996 gives physicians an exemption from infringement liability in many cases when they use patented medical or surgical procedures to treat their patients.

L. Summary

The holder of a valid U.S. patent can prevent others from making, using, or selling the invention in the United States for the life of the patent. The patent owner ordinarily may make, use or sell the patented item or process, or license others to do so, so long as he does not infringe the prior patent rights of others. Stringent remedies are available against infringers, which enhance the value of the patent owner's exclusive rights. While obtaining patent rights can be a fairly lengthy and somewhat expensive process, these rights can be the backbone of a business and ensure an exclusive position in the market.