Strategic Legal Planning for eCommerce Sellers

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Intellectual property, being intangible, presents a unique challenge in terms of memorializing and safeguarding it. Patents, which safeguard inventions, stand out as the most intricate and least comprehended form of protection.

The three other tools of intellectual property protection

Patents are one of four tools the law affords intellectual property protection, too. Compared to patents, the other intellectual property tools are relatively straightforward to weave together to build a web of protection.

Trademarks protect brands. By securing trademark registration, you essentially have exclusivity to use the brand. Coca-Cola is an example of a great brand, and they have used trademarks extensively. Trade dress is a form of trademark that protects the ornamental aspect of the brand. For example, a Louis Vuitton bag has a really unique look that almost any luxury bag purchaser would immediately identify it. That design has no functionality (it isn't a better zipper or pocket), so the protectable element is ornamental.

Trade Secret law protects aspects of the business that are not generally known. There is generally a written agreement and related approach to limit the trade secret information, which need to know employees, vendors, etc., execute before being exposed to the secret. Coca-Cola Corp. has used trade secret law to protect its formula since it invented Coca-Cola.

Copyright protects original works of art in any fixed media. Companies generally protect their websites, photos, marketing copy, and even film clips using US Copyright Registration.

> ***Pursuing Patent Protection Can Be Both Complicated and Expensive. Whether It is Right For Your Business Requires a Careful Analysis.***

Circumstances really matter when it comes to patents

There are a lot of legal considerations for entrepreneurs to consider before obtaining patent protection.

Most inventors seek to obtain a utility patent that protects new, nonobvious, and useful products, processes, machines, and devices. There are also design patents that protect new, original, and ornamental designs of manufactured articles. If a design were functional, it would be considered a utility patent.

Generally speaking, a patent is only issued upon review by a patent examiner who is an expert in the field for which the patent is sought.

So, for example, if you have, e.g., a new drug to cure cancer, securing a patent is a no-brainer. However, for most of my clients, patents are not economically valuable unless they can be or are commercialized. In other words, an inventor may have the greatest invention, but if no one can sell a good or a service with a wall of exclusivity created from that patent, the patent is basically worthless from a business perspective. So, while any qualifying invention is eligible for patent protection, from my experience, it is not a no-questions-asked/slam-dunk strategy to protect our client's inventions.

Whether pursuing patent protection for a particular entrepreneurial play is a good idea requires a detailed analysis that takes into account the strength of a particular invention, commercial play, prior art (related inventions in that field), and the value a patent will bring. I do know that most of my clients build successful businesses with an IP strategy that does not include a patent portfolio. But I also know many wealthy entrepreneurs who have built their businesses by either licensing their patents or building a company around their patents.

Steven Weigler's 6 points to think about when analyzing if a patent makes sense

1. ***Publishing a Patent Can Act as a How to Guide for Counterfeiters.***
2. ***Patent Prosecution Is Not Cheap Nor Certain***
3. ***Patent Enforcement is Not Cheap Nor Certain***
4. ***The Window of Opportunity to Seek Protection Closes Quickly***
5. ***Patents Are Not That Easy For Businesses To Explain to Investors and/or Acquirers***
6. ***Cheeping Out (Such as One and Done) Generally Do Not Achieve Good Results***

Steven Weigler's 6 points to think about when analyzing if a patent makes sense

1. **Publishing a Patent Can Act as a How to Guide for Counterfeiters.**
   The patent registry is a knock-off artist's The patent registry is a knock-off artist's dream. To obtain a patent, the invention has to be described and then published. So, at least in my experience, obtaining a patent does not help and may even hurt your chance of protecting against counterfeiters who, in their very nature, are lawbreakers. Sure, they may find your product to knock off by using other means like scouring Amazon, but patent applications are the only source that provides an actual blueprint to the unique aspect of the goods. Is your patent written well enough to avoid the risk of infringement while still adhering to the legal requirements of filing? There is an art to that.

2. **Patent Prosecution Is Not Cheap Nor Certain**
   To avoid the risk of a USPTO Office Action denying patent registration, patent counsel generally needs to search for prior art (to determine if the applied-for art has existed before). They next need to draft patent claims that both strategically describe the invention to balance the application requirements and describe the invention without giving away the keys to the castle to any potential infringer. Between the software and legal time, a well-drafted application (specifically in utility patents), especially if done properly, tends to be very expensive.
   Then the patent may receive an Office Action (generally a threat of rejection) that drives up the cost even more. The application may ultimately fail which means you have published an invention that the USPTO has essentially discounted. In my opinion, you only know if the exercise is worthwhile by analyzing the data. So, you need to be able to invest the time and money to do so.

3. **Patent Enforcement is Not Cheap Nor Certain**
   In the United States, patent registration only creates a license to sue an infringer. The patent itself really only creates the rights leading to the lawsuit. Patent litigation is expensive and super complicated, and most holders I have worked with do not even have close to the funds it takes for enforcement. And then, for those that may, the cases are so complicated and lengthy that they tend to favor the party with the deeper pockets. Because of the complexity, most patent litigators do not work on contingency. So, you may be able to get the patent but not have the money to enforce it. That is generally not a good situation for patent holders.

4. **The Window of Opportunity to Seek Protection Closes Quickly**
   Many entrepreneurs experience a lot of expense and little revenue during a rollout phase, so seeking patent protection is not top of mind. By the time they get around to the strategy, the window is closed.

   Patent applications must be filed within one year of the first offer of selling the invention or within one year of the first public use or disclosure of the invention. There are strategies to tack on time by, e.g., filing a provisional patent and then tacking on claims. Regardless, especially that strategy involves a lot more than just filing away and hoping for the best. In summary, to use patent protection effectively, you need to have the basis, strategy, prior art analysis and related funding to pursue all at an early stage or the window closes.

5. **Patents Are Not That Easy For Businesses To Explain to Investors and/or Acquirers**
   When a business is about to sell, it generally goes through a process called due diligence, where the investor or buyer hires counsel to look over every aspect of the business, including the patent claims. While having patent claims looks favorable on the surface, the deep dive sometimes leads to the analysis that the patent claimed does not pair with the commercial usage, that the patent has been violated and subject to litigation, that there are other third-party patented claims that affect the validity of the patent, that the patent has been boxed in through filings in other countries and/or a host of other issues. Again, if pursued strategically and timely, a patent is an excellent tool to protect an invention. But if it is difficult to provide a nexus between the business plan and the patent, and/or if any holes can be poked out, it can actually impede as opposed to support the business growth.

6. **Cheaping Out (Such as One and Done) Generally Do Not Achieve Good Results**
   Clients sometimes come to us with multiple trademarks, copyrights, and trade secret elements, along with one patent filing. Especially with design patents, one-and-done generally doesn't work. In other words, if you are going to claim an invention, there is generally more than one element/claim to that invention, especially if you are trying to productize it. One patent does not generally equal a strategy.

Summary

Patent is a lot about perspective. There is a lot of money to be made in patenting a product. There are also a lot of risks. And many times the patent exercise is going to lead to nothing perhaps phallic value. I am glad to connect any of my contacts to a patent attorney who understands the specific art. Just give me a call.

About the Author

After years of corporate counsel experience with a Fortune 100 company, Steven Weigler built and managed a startup where he was able to create and institute a protective intellectual property strategy, commercialize the resulting products and protect the intellectual property, build and manage a sales, marketing and operations team under a “lean startup” budget, and secure both angel and A round financing, and finally negotiated an exit.

Steven’s combination of legal, entrepreneurial, governmental and corporate experience gives him a unique, focused perspective on what entrepreneurs who are starting up or emerging their businesses need but rarely have: a) someone who zealously protects their interest and b) someone who has the empathy to understand each entrepreneur’s vision and motivation as well as their business plan. Steven has a passion of e-commerce and advises many clients on all aspects of the industry.

About EmergeCounsel

EmergeCounsel strategizes with a worldwide clientele in the focus areas of protection of intellectual property and business assets for eCommerce business. Our TotalTM® provides trademark guidance, search, appeals of office actions and denials, and trademark monitoring at flat and affordable rates. In addition, EmergeCounsel has an extensive network of professionals who provide co-counsel and services for businesses of all sizes.

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