MANAGING PATENT AND TRADE SECRET ASSETS

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I. Assuring ownership of valuable ideas

A. The most important step in managing intellectual property assets is making sure that your client owns them. This is accomplished by making the proper agreements with the sources of the intellectual property. Sometimes, the intellectual property will be bought from another company, and of course, it is important that the agreement with the selling company makes clear what the rights and responsibilities are of the seller and the purchaser. Normally, the purchaser will want all rights to the intellectual property, including the exclusive right to sue for past, present and future infringement, the right to control the prosecution of any pending patent applications, and the exclusive right to sublicense (or not sublicense) others.

1. Prior to acquiring a patent portfolio developed by another company, the patents and patent records should be studied to determine:

PURCHASING AN IP PORTFOLIO

a. That the selling company properly has free and clear title to the patents. Were the inventions claimed therein invented by employees of the selling company? Were the inventions invented by contractors of the selling company? Were the patents acquired from a third company? Has the selling company been part of a corporate reorganization, a merger, an acquisition or a name change? Does a third party have a security interest in the patents? Is there an unbroken and

CHECK TITLE

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properly recorded chain of title of the inventions from the inventors to the selling company?

CHECK SCOPE

-The problem most likely to arise at the last minute in negotiations for a transfer of intellectual property assets is a discovery of some defect in the chain of title. It behooves any company that owns intellectual property to be careful about properly effecting and recording ownership of its intellectual property, so that title problems do not arise at the last minute of a deal. Even if the company has no intention of selling its intellectual property, the intellectual property may be used as collateral for a loan, and the company would need to show good title.

b. That the patents are valid, or that any pending patent applications are directed to patentable subject matter. The acquiring company should conduct its own search of the prior art to determine the patentability of the subject matter. In particular, the acquiring company should determine whether the Patent and Trademark Office (PTO) in issuing a patent overlooked any prior art more material than the prior art considered by the PTO or whether the selling company overlooked any prior art in preparing the applications. Of course, other possible bases for invalidity should be considered (some of which are easier to check than others): Have the maintenance fees (and the annuities for foreign patents and patent applications) been paid? Is the specification of each patent or application enabling? Does the specification disclose what the inventors' considered to be the best mode? Have the correct inventors been listed? Was the most relevant prior art known to the patentee disclosed to the PTO? Has there been any misuse of the patent?

CHECK VALIDITY

c. That the claims of the patents cover all the valuable subject matter to which the patentee is entitled . . . and that the claimed subject matter is valuable to the

purchasing company. Sometimes the different perspective of the acquiring company allows the acquiring company to appreciate that additional subject matter could be or could have been claimed. It is easy enough to obtain such additional subject matter if the additional subject matter can be pursued in a pending application.

2. The acquiring company may wish to file a reissue application to enhance an issued patent. If the patent's claims are too broad, a narrowing reissue may be pursued. If the claims are too narrow, and if the patent issued less than two years ago, a broadening reissue may be possible to pursue (as long as a good faith mistake can be shown by the applicant). (Pursuant to 35 U.S.C. Sec. 251, a broadening reissue may not be used to recapture subject matter given up during the prosecution of the patent.) If certain material prior art had not been considered by the PTO, and if it is believed that the claims do not have to be narrowed in light of this prior art, the acquiring company may wish to request a reexamination to have the PTO consider these additional references and thereby strengthen the patent.

CONSIDER REISSUES

-Since the reissue and reexamination procedures typically take a year or more to complete, they cannot practically be completed prior to the transfer of the patents, and therefore must be undertaken by the acquiring company after the transfer. The acquiring company must consider the likelihood of success of these procedures in evaluating the worth of the patents.

4. Sometimes the fields and/or the goals of the selling company and the acquiring company are sufficiently different that the former may have obtained patents directed to subject matter of limited or no value to the latter. Thus, the scope of the claims must be studied to determine what the value of the patents may be to the acquiring company.

-The presence of pending applications in a patent portfolio that is being transferred provides the acquiring company an ability to shape the scope of the patent portfolio to suit its purposes. Of course, there is greater uncertainty about the value of pending application than an issued patent, since it is not clear what the PTO may allow. A nice situation is where the portfolio contains issued patents having valuable scope, as well as pending applications that are continuations or divisionals of the issued patents. In such a situation, the acquiring company has some certainty about the scope of the portfolio, while also having the ability to pursue broader coverage.

B. Of course, most of the ideas that a company will come to own will be the ideas of its employees. Therefore, it is critically important that any company seeking to develop an intellectual property portfolio put agreements in place with its employees.

EMPLOYEE AGREEMENTS

1. It is essential that agreements be put in place at the time of hiring any employee who may be involved in the generation of ideas for the company, and preferably with all employees. You never know from where a good idea may come, and since an employee's responsibilities may change within the company, it is preferable to avoid having to keep track of which employees have and have not signed employment agreements.
2. It is important that the company have the discipline to have the employee agreements signed before or on the first day of work. It is surprising how often employment agreements are not signed until months or years after the commencement of employment or are never signed at all.
3. It is also important that the employment agreement be safely filed. It is surprising how often such agreements are lost. A copy should be kept in the employee's personnel file, but since the employee has the right to

inspect his or her own personnel file, it may be wise to file a copy in a separate location as well.

4. It is much preferable to discuss with the employee the terms of the employment agreement before the employee is actually hired. Surprising a new employee with an employment agreement--and in particular, when the agreement includes a post-employment non-competition provision or an unusual provision--on his or her first day of work may make it more likely that the agreement will be signed by the employee, but may make the agreement harder to enforce.

5. The employee should agree to:

   a. disclose to the employer all inventions and other ideas pertaining to the employer's business (which the employer should define as broadly as possible);

   b. keep in confidence all trade secrets and other confidential information, and obtain written permission from the appropriate person or persons at the company before disclosing any confidential information;

   c. not use any trade secrets or other confidential information except in furtherance of the employer's business;

   d. assign all inventions and other ideas pertaining to the employer's business to the employer;

   e. execute any documents necessary for perfecting or recording the employer's title to the invention or other idea;

   f. cooperate with the employer to protect any invention or other idea by patent or trade secret;

   g. not compete with the employer during employment and for, say, two years thereafter (or some other reasonable period of time);

   h. not solicit any customers or employees of the employer during employment and for, say, two years thereafter (or some other reasonable period of time);

i. not use any trade secrets or other confidential information of a third party, or otherwise breach any duty owed to a third party; and

j. disclose to the employer, prior to employment, any restrictions from prior employers.

[See the Employee Noncompetition, Nonsolicitation, Nondisclosure and Assignments of Inventions Agreement, included at the end of this article.[2]]

-The company should consider whether it is reasonable to have the non-competition provision apply to all employees, or whether such a provision is appropriate for only certain employees. Different levels of employees may also have different time periods for the non-competition and non-solicitation provisions.

6. The employer needs to make sure that the agreement is not too narrowly drafted, such that certain trade secrets are not covered. In an attempt to be specific, companies sometimes draft an employee agreement listing specific trade secrets that are to be kept confidential. Unfortunately, such an agreement may not cover all the trade secrets with which the employee may come into contact. A list of specific trade secrets should be included only as an example.

7. It is important that the agreement permits successor companies to enforce the agreement.

8. It is also important that any provisions limiting the employee's post-employment activities be reasonable and directed to protecting the company's legitimate interests. For instance, having a shorter time period for the non-compete provision, a smaller geographic area for the non-compete provision and/or a more narrow field of non-

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[2]The author thanks his partner Bruce Sunstein for permitting the use of the sample agreements included at the end of this article.

competition will mean that a court is more likely to enforce the provision.

9. An arbitration provision can save your client significant litigation costs and often can speed the resolution of any disputes.

10. A new employee should have on his or her first day, preferably after the employee has reviewed the agreement and before the employee signs the agreement, an interview where the employer can specifically question the employee about any pre-existing obligations from prior employment and where the employer can discuss the terms of the employment agreement and their importance.

11. Departing employees should have exit interviews where they are reminded of the obligations of the employment agreement, where they are reminded of some examples of especially valuable trade secrets they must be careful not to disclose, and where the employer can find out the employee's plans and future employer.

12. Similar agreements should be made with any contractors with which the company may be dealing and which may engage in development for the company.

C. Joint development arrangements sometimes lead to interesting patent ownership issues.

JOINT DEVELOPMENT

1. In the absence of an agreement to the contrary, any invention invented only by the employees of one of the two companies in the joint development is owned entirely by that company, and any invention that is invented by the employees of both companies is jointly owned by those two companies.

   a. In joint development situations where this is the case, a company preparing a patent application should consider whether valuable claims can be drafted that list only that company's employees instead of claims that must list employees from both companies. If such claims can be drafted, then a patent application should

be drafted that contains only those claims, so that the company can be the sole owner of the patent.

-There may be an obligation to provide a license to the other company, however.

If it is valuable enough to the company, a separate application may also be prepared with different claims having inventors from both companies.

-Joint ownership of a patent presents serious difficulties in enforcing the patent. Therefore, joint ownership should be avoided, and where it cannot be avoided the parties should agree ahead of time about enforcement issues.

II. Identifying valuable ideas

A. Audit

1. Regular audits

a. Annual audits - For many companies having audits more than once a year is not practical. However, if the audits are not performed at least once a year, one runs the risk of bring statutorily barred from obtaining patent protection in the U.S.

b. Quarterly audits - For small, new companies, having intellectual property audits more than once a year may be a good investment. The more patent applications that are filed, the more valuable the new company will appear to be to potential investors or acquirors..

c. Product reviews - One can "audit" the intellectual property in each product before that product is announced or released. Once a product is made publicly available, one may be barred from obtaining patent protection in many foreign countries. By reviewing what valuable intellectual property may be associated with a product before it is announced, one can avoid losing foreign patent rights. This is a good time to also perform searches to determine whether the product creates any

PRODUCT REVIEWS

clearance problems with respect to the intellectual property of third parties. Of course, it makes sense to do clearance reviews earlier in the development of the product, so as to avoid wasting valuable development resources and any last minute problems.

B. Idea submission program

1. A program should be put in place for collecting and evaluating ideas. These ideas do not have to be associated with a product.

a. Different techniques may be used to provide incentive to employees or otherwise urge employees to submit their ideas.

b. Audits can provide regular reminders to employees of the importance of submitting ideas.

C. A committee or committees should be set up for evaluating the submitted ideas. (Different committees may be used for different divisions within a company.) These same committees may also be used to evaluate the intellectual property discovered in the audits or product reviews.

INVENTION EVALUATION COMMITTEES

1. The composition of an idea evaluation committee is important. The committee needs to understand (i) the business goals of the company, (ii) the technology, and in particular what aspects of the technology are the most important to protect, (iii) what the competition is doing and what the competition may want to do and (iv) what can be adequately protected by patents or trade secrets.

2. The idea evaluation committee needs to understand the company's policy with respect to intellectual property:

UNDERSTANDING THE GOALS OF THE BUSINESS

a. A defensive policy, wherein patents are obtained primarily to improve the company's ability to prevail in an intellectual property dispute initiated by another company and/or to settle such a dispute.

b. A protective policy, wherein the company will pursue competitors that sell a competing product improperly incorporating features that the company has protected as intellectual property.

c. A royalty policy, wherein the company will protect intellectual property not incorporated into its own products, with an aim to license the technology to other companies that may or may not be direct competitors.

d. A visionary policy, wherein the company will protect intellectual property outside of its present product line while considering whether to develop the technology further itself or to license the technology.

e. A company can pursue several or all of these policies with different standards for determining whether and how to protect a given intellectual property asset depending on which policy the asset relates to.

f. It is important to understand what competitors are doing. Are the competitors aggressively filing for and prosecuting patent applications? Are the competitors relying on other forms of intellectual property, such as trade secret, copyright and/or trademark? Are the competitors litigious in enforcing their intellectual property rights? Do the competitors regularly engage in cross-licensing?

D. The methodology is straightforward for determining whether it is worth pursuing patent protection for the invention or how much royalty should a licensee pay for the invention; however, the methodology frequently requires making difficult projections.

THE VALUE OF AN INVENTION

1. How much additional profit is the invention expected to generate for the company or for the licensee?

To estimate how much additional profit an invention may bring, one should look at how much the selling price of the product may be increased and/or how much the production cost of the product may be decreased, as well as how much sales of the product

may be increased with the incorporation of the invention. These estimates may need to be discounted to take into account the amount of risk involved in introducing the invention into the market. (E.g.: Does the invention require a large capital expenditure? How certain is market acceptance of the invention? How likely is it that competitors will develop competitive technology?)

2. The estimated amount of additional profit--taking into account probabilities--can be weighed against the cost of obtaining a patent to determine whether patent protection should be considered. [See the timetable of patent costs at the end of this article.]

3. To determine a royalty rate, the estimated amount of additional profit should be split between the licensor and licensee. Whether the split should be 50-50 or 70-30 or some other split will depend on factors such as how much the licensor has invested and the risks the licensee will be undertaking.

III. Identifying whether valuable ideas have been misappropriated

A. Institute an organized competitor research program to keep track of the competitors' products and features of those products. Aside from its benefits for the enforcement of intellectual property rights, such a program is useful for marketing and strategic planning purposes. The information collected in a competitor research program may be useful for the idea evaluation committee.

TRACKING COMPETITORS' PRODUCTS

1. Informal or *ad hoc* competitor research programs (e.g., comments and observations by customers and salespeople trickling up through the organization to upper management and intellectual property counsel) often fail, because important information is often not appreciated by the

recipient and, thus, is not passed onto someone who can analyze it properly.

-Such failures can result in laches or estoppel problems that can jeopardize the client's intellectual property rights.

2. Such a program should also track competitors' patents, which may be listed on the competitors' products and which may be discovered by checking the PTO database and other databases. Competitors' patents should be reviewed to determine whether they pose any clearance problems for your client's products.

TRACKING COMPETITORS' PATENTS

B. Records should also be kept of the companies that former employees (or contractors) move to and the trade secrets to which those employees (or contractors) had access. This information can be compared to information about the competitor companies' products to determine whether the employees (or contractors) may be disclosing trade secrets.

TRACKING FORMER EMPLOYEES

IV. Identifying potential licensees of ideas

A. One category of potential licensee includes those companies that have been identified as misappropriators of ideas. These companies can become licensees instead of defendants in a suit for patent infringement or trade secret misappropriation.

-One needs to carefully consider the wording of any overture to such a potential licensee/defendant and the risk that such a potential licensee/defendant may bring a declaratory judgment action against your client and thereby choose the forum in which the enforcement action is heard.

B. Another category of potential licensee includes other companies that may be interested in using the protected ideas.

-Sometimes these companies may have intellectual property assets that you client may be interested in cross-licensing.

V. Patents or trade secrets?

A. Many ideas simply cannot be adequately protected in the long run as trade secrets, as they will be apparent from or can be reverse engineered from a widely marketed product.

B. All valuable ideas should be considered trade secrets until they are introduced to the public.

C. In some fields, there is regularly so much movement of employees among competing companies, and the companies are so closely matched in terms of development capabilities, that it may be difficult and impractical to determine--and to prove--whether a secret was misappropriated or was independently developed. This is especially true when the idea seems susceptible to independent (albeit later) development. Patent protection may be preferred over trade secret protection in such a situation.

D. In some cases, where an idea for, say, a manufacturing process may be protected by either trade secret or patent, it may be difficult to determine whether a competitor is using the same manufacturing process. In such a situation, a patent would disclose the process to competitors, but the patentee would not know whether the competitors are using the patented process. Thus, a trade secret may be a preferable form of protection, since it would force the competitor to independently develop process.

1. However, if the process is for manufacturing a patented product, the competitor will be subject to an infringement suit for infringing the product patent. In

such a case, infringement of the process patent can then be determined during discovery.

2. Of course, depending on the nature of the process, there may be ways of determining whether it is likely that a product is made according to a patented process.

-For instance, if a process of manufacturing a chemical compound employs an unusual intermediate compound, the patentee can analyze the final compound for trace amounts of this intermediate compound.

E. If the technology is expected to have a very short useful life before it becomes obsolete, trade secret protection may suffice. It typically takes a couple of years for a patent to issue, and perhaps the technology's useful life will not last much longer than the period that the patent was pending. If a competitor perceives that a technology has a short useful life, the competitor may decide it is not worth attempting to independently develop that technology.

PRE-ISSUANCE DAMAGES

1. Pursuant to the American Inventors Protection Act of 1999, if a patent applicant notifies a competitor of the applicant's published patent application, and if a claim from the published application issues substantially unchanged, and if such a claim covers the competitor's product, the patentee may be able to collect a reasonable royalty from an infringer for activities after the notification and before the issuance of the patent, as well as obtain damages that arise after issuance of the patent. Normally, patent applications will be published eighteen months after filing, but an applicant can request an accelerated publication. An applicant can also request accelerated examination of the application. Thus, patent protection may be used aggressively to protect technology with a short useful life . . . as long as the useful life is not too short. However, the protection is limited to monetary damages, as injunctive relief cannot be obtained based on a patent until after the patent issues.

F. Today, patents are generally considered to be more valuable than trade secrets.

1. Pursuant to the patent statute, patents are presumed to be valid, and courts usually uphold the validity of patents against all different types of defense charges, such as obviousness in view of the prior art, failure to provide an enabling disclosure, failure to disclose the best mode, and that the nature of the invention is not proper subject matter for a patent. Indeed, business method patents have been upheld--which is something that was somewhat hard to imagine twenty years ago.

PRESUMPTION OF VALIDITY

2. Patents are typically viewed as being somewhat more tangible, since they are embodied in documents issued by the U.S. government.

3. Trade secrets are based on state law, and accordingly relief usually must be sought through state court and the law varies from state to state. Patent law is, of course, based on the Federal Constitution and on Federal statute, and patents are enforced in Federal court or in the International Trade Commission. To ensure uniformity, the Federal Circuit Court of Appeals was instituted in the early 1980s to hear the appeals of all patent infringement cases. The Federal Circuit has been much friendlier to patents than most of the other Circuits had been. The percentage of patents being upheld increased significantly with the advent of the Federal Circuit.

UNIFORMITY OF PROTECTION

4. Patents are better suited for cross-licensing with several different companies. Cross-licensing a trade secret with several different companies will disseminate a trade secret and thereby weaken it. Future potential cross-licensees will be much less inclined to want a license to a weakened trade secret.

5. Most importantly, a competitor can independently develop the subject matter of a trade secret and then practice it without infringing any rights of the trade secret owner. However, a competitor is not permitted to practice the subject matter of a patent, even if the competitor independently developed the subject matter of the patent.

INDEPENDENT DEVELOPMENT

G. If the technology has a worldwide market, and particularly if the technology is being developed in several countries, special attention needs to be paid to how foreign countries treat trade secrets. It may simply be easier to protect an idea in several different countries by patent rather than by trade secret.

GLOBAL CONCERNS

1. For instance, in Germany, a country that is considered to be respectful of intellectual property rights, protective orders, procedural safeguards such as exclusion of the public, *in camera* inspections or the withholding of any information from the defendant is not permitted in civil suits. Thus, a party seeking redress for misappropriation of trade secrets must essentially allow the trade secret to be disclosed to the public. Therefore, in Germany, trade secret owners usually seek a settlement with the misappropriator and/or seek to have a prosecutor bring criminal charges being against the misappropriator and then join a damages claim to the criminal proceeding.
2. Of course, there is non-uniformity in how patents are treated from country to country. However, the non-uniformity seems greater with respect to trade secrets.
3. Obtaining patent protection in many countries is very expensive.

H. In general, obtaining patent protection is more expensive than keeping secret a trade secret. However, that expense may very well be worth it, since, as discussed above, it is usually easier to enforce a patent than a trade secret.

I. In exceptional cases, the patentee can recover attorney fees, and, where there has been wilful infringement the patent may be able to obtain treble damages. Some state trade secret laws permit the award of attorney fees in exceptional cases. There are also, at both the Federal and state levels, some criminal provisions for the misappropriation of trade secrets. Criminal prosecution for trade secret misappropriation is rare; thus, the possibility of criminal prosecution should not affect the calculus of whether a given idea should be protected by patent or trade secret.

ENHANCED DAMAGES

J. When a decision is made to protect an idea as a trade secret, that decision should be documented, and of course, steps should be taken to keep the idea confidential. Documenting that an idea is a valuable trade secret before it is misappropriated will make the trade secret seem more legitimate.

VI. Pursuing patent and trade secrets for technologies related to the same product.

A. U.S. patent law (35 U.S.C. § 112, 1st para.) requires that the patent specification include an enabling disclosure and a disclosure of the best mode of carrying out the invention. These requirements limit the ability to safely protect some aspects of a new product by trade secrets and other aspects by patents. If an important aspect of a patented invention is not disclosed in a patent, the patent may be subject to a validity attack for failure to disclose the best mode.

PATENT DISCLOSURE REQUIREMENTS

1. For instance, there is one school of thought that it is unnecessary to include the source code in a patent application for computer software--a flow chart should provide sufficient disclosure--and that therefore the source code should not be included in the patent

application. There is another school of thought that–even though it may not be absolutely necessary--the source code should nevertheless be included so as to minimize the risk the patent being invalidated for failure to provide an enabling disclosure or the best mode.

2. Whether one should include the source code in a patent application depends on (i) how important is the source code to understanding the invention and how to practice the invention, (ii) how important is it that the validity of the patent be upheld, (iii) how important is it that the litigation not be complicated by dealing with the issue of whether the source code needed to have been included, and (iv) how valuable would it be if the present version of the source code were kept secret.

   -There is no need to disclose versions of the source code developed after the application is filed.

3. The same analysis can be applied to other aspects of the product which are arguably related to the claimed invention. The patent law clearly does not require that every aspect of the product and the process of making the product be disclosed. A judgment call is necessary as to whether a certain aspect needs to be disclosed. By not disclosing the aspect, that aspect can be protected by trade secret. If the aspect is disclosed, it may be that that aspect is separately patentable.

   -For instance, in a patent application for a feature of a product, it may be debatable whether some aspect of the process of making the product needs to be disclosed. One needs to decide whether to disclose this aspect and whether to try to claim this aspect, or whether one wants to protect this aspect by trade secret. The same questions need to be asked as with the source code example above.

4. When a client is reluctant to disclose too much for fear that too much will be disclosed to the competition (a common occurrence), I like to point out that the more detailed and thorough our description the easier it will be

for us to discredit a close prior art reference that may arise later during the prosecution of the application or during an infringement suit on the patent.

-It is much easier to argue that a prior art publication is not sufficiently enabling if the patent's specification is much more detailed.

-If the patent's specification is skimpy, it may be difficult to argue that someone of ordinary skill in the field would be able to make and use the invention without undue experimentation (which is the standard of enablement) based on the patent's specification, but would not be able to do so based on the prior art publication.

Furthermore, during prosecution of the application, the additional detail may form the basis for additional limitations in the claims.

B. The patent application needs to include what the inventors believe to be the best mode for carrying out the invention at the time the application is filed. Accordingly, the application does not have to be supplemented with any improved modes developed after the application is filed. Therefore, any improvements developed after the application is filed may be protected by trade secret or by patent, if the applicant believes that is preferable.

POST-FILING IMPROVEMENTS

1. This ability to chose patent or trade secret protection for post-filing improvements suggests that there is a second significant advantage to filing patent application early in the development of a product.

-The first advantage is, of course, that having an early filing date may eliminate certain prior art and puts the applicant in a stronger position *vis-a-vis* other inventors--especially in foreign countries, which have a first-to-file

BENEFITS OF EARLY FILING

priority rule, unlike the first-to-invent priority rule of the U.S.

2. By filing a regular patent application early in the development of a product, one preserves the option of using trade secret to protect future improvements without risking a best mode defense.

-The disclosure still must be enabling, i.e., someone of ordinary skill in the field must be able to make and use the invention without undue experimentation based on the patent's specification. It is not an excuse to say that when the application was filed, the inventor did not fully understand how to make and use the invention until after the application was filed. It is only improvements to the best mode developed after the application's filing date that need not be disclosed. With regard to enablement, a patent may be stronger if an application is filed after the product has been fully developed.

-However, it is unusual for a patent to be invalidated for lacking an enabling specification. Serious best mode issues tend to come up more frequently, because defense counsel frequently find through discovery that there is some aspect of a product that was not disclosed in the application. Defense counsel frequently use such information as the basis for a best mode defense.

3. Unfortunately, it is more difficult to determine whether an invention will be valuable early in the development cycle, and companies frequently like to wait until it is clear that an invention will be successful. Thus, despite the clear advantages of early filing, companies frequently wait until the last minute--i.e., just before the product is to be announced, if the company is interested in foreign patent protection, or almost one year after is announced, if the company is not interested in foreign coverage--to file a patent application.

4. A compromise solution is to file a provisional patent application early on in the development cycle. The

provisional application must be followed up within one year by a regular application if the provisional application is to have any effect, and--although the law is not clear--the regular application should include any improved best modes developed between the filings of the provisional and regular applications. Thus, the patent applicant loses the ability to protect as a trade secret improvements to the best mode developed between the provisional and regular applications' filing dates. However, the applicant gets the benefits of the early filing date of the provisional application.

B. Foreign Filing

1. Pursuant to the American Inventors Protection Act of 1999, all patent applications will be published eighteen months after the earliest claimed filing date (or earlier if so requested by the applicant), unless the applicant certifies that the invention disclosed therein will not be the subject of any foreign patent applications. (Most foreign patent applications are published eighteen months after filing anyway.)

2. As discussed above, there is an advantage to having an application published if a competitor is notified of same: the patentee may be able to obtain pre-issuance damages if any claim issues that is substantially the same as a claim in the application and that covers the product of the competitor.

3. However, if one wishes to keep an idea as a trade secret unless and until sufficiently good patent protection is allowed by the USPTO, one will have to forego foreign patent protection.

VII. Patent Filing and Prosecution Strategies

A. One should consider filing patent applications for all aspects of a product, not just for what are considered the most “revolutionary” features. Sometimes a patent on a seemingly insignificant feature turns out to be the most important in preventing competition.

B. The more important the feature, the more important that it be covered by different claims. Consider product claims, process claims, product-by-process claims, broad claims, claims of varying narrowness, means-plus-function claims, non-means-plus-function claims, claims directed to the entire system, claims directed to a remote node of the system, and claims directed to the disposable portion of a product.

1. Claims directed to a remote node of a system--for instance, a web-based computer system--can be very important for establishing jurisdiction and infringement, if the hub of the system can be located in a foreign jurisdiction.
2. Claims directed to a disposable portion of a system can be very important, since typically that is where most of the profit is made.
3. The more claims there are for a feature and the more variety there is amongst the claims, the more likely the claim will cover a product and the more likely the claim will survive an attack based on prior art.

C. In view of the recent decision in *Festo Corporation v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.,* No. 95-1-66, 2000 WL 1753646 (Fed. Cir., Nov. 29, 2000), which curtailed the patentee's ability to rely on the Doctrine of Equivalents when the claim has been amended during prosecution in order to overcome a patentability problem, it is much more important to draft claims that can survive review by the PTO without having to be amended. Therefore, it is more important now to conduct patentability searches before the application is filed, so that the claims an be drafted prior to filing so as to avoid the prior art.

D. Since patents last 20 years from their earliest effective filing date, one should consider filing--as the product evolves--a series of provisional or regular applications, each of which includes additional subject matter.

FILE EARLY, FILE OFTEN

Later filed regular applications--assuming they do not claim priority from earlier applications, and assuming as they claim subject matter that is not obvious in light of the earlier claimed subject matter--should expire later than the earlier filed applications. Accordingly, when the earliest patents expire, competitors may copy the earliest embodiments, but may not copy later embodiments covered by the later patents. Thus, the protection for the product can be extended by these later filed patents.

-Of course, if the later improvements are directed to, say, improved methods of making the product, which methods can be protected as trade secrets, it may make sense to use trade secret protection for these later improvements.

E. Continuation-in-part applications make less sense now that patents expire 20 years after the earliest effective filing date, i.e., the filing date of a parent application. However, if the improvement over the subject matter in the earlier filed application is minimal, it may be important to file a continuation-in-part application in order to remove the earlier patent as a reference.

-Sometimes it may make sense to file two applications concurrently, wherein one of the applications is a continuation-in-part and includes claims that are close in scope to the subject matter of the prior application, and wherein the other application is not a continuation and includes claims that are significantly different from the subject matter of the prior application.

F. If the PTO rejects some of the claims of an application in light of the claims of an earlier patent under the Doctrine of Obviousness-type Double Patenting, consider canceling the claims that have been so rejected and pursuing them in a continuation application. By canceling these claims that have been so rejected, the patent that issues will not have to be subject to a terminal disclaimer, which may be necessary to overcome the double-patenting rejection. The

DOUBLE PATENTING

continuation application may be subject to such a terminal disclaimer, but at least some can be obtained without a terminal disclaimer.

G. Traversing a restriction requirement almost never makes sense. Say the PTO requires a restriction to either product claims or method claims, by traversing the restriction requirement, one is essentially arguing that the two sets of claims are not patentably distinct. It is conceivable that--unbeknownst to the applicant during the pendency of the application--the one set of claims (e.g., product claims) are anticipated by some prior art that will not be uncovered until the patent is involved in infringement litigation. There may be an argument that the other set of claims (e.g., method claims) are not so anticipated. This argument is undercut if a restriction requirement has been successfully traversed. Therefore, the restriction requirement should not be traversed, and one set of claims should simply be pursued in a divisional application.

RESTRICTION REQUIREMENTS

-When a client complains of the added cost of filing a divisional application, I note, first of all, that it is very unusual for a traversal of a restriction requirement to be successful, and secondly, that two patents are more valuable than a single patent.

H. When the technology is important enough, I like to keep filing continuation applications as patents issue. For instance, the first application is allowed, I then file a continuation application before the first application issues as a patent. I can usually think of some different claims to pursue in the second application. When these new claims are allowed, I then file another continuation application before the second application issues as a patent. Et cetera, et cetera. Eventually, we will approach the twentieth anniversary of the filing of the first application, and it will

no longer make sense to continue filing continuation applications.

1. Such a strategy has some obvious advantages where the application is directed to particularly important technology:

   a. As time goes on, we usually become wiser, and we may come to appreciate that additional features of the product should be claimed that had previously only been disclosed.

   b. We may learn of some prior art after the first patent issues, and this prior art may be addressed without necessarily having to pursue a reissue or a reexamination.

   c. Competitors may think of some imaginative ways of designing around the original claims, and these design-arounds can be dealt with in a pending continuation application.

   d. I have had situations where I have employed this strategy for a client whose patent portfolio became the subject of due diligence (as when a client is to be acquired by another company or when the client is seeking to attract additional investors). The attorney conducting the due diligence in each case prepared a report stating that the scope of coverage provided by the portfolio was deficient in some way. I was able to address these alleged deficiencies by drafting new claims, and the attorney conducting the due diligence felt good about having made a constructive recommendation.

   e. Of course, such a strategy is no substitute for trying to prepare the best set of claims possible in the original application. The claims that might be thought of later will be limited by the disclosure of the application as originally filed.

   -To support broad coverage, it is important to include many diverse example of the invention in the application.

I. It is critically important to have a robust docketing system for tracking all the deadlines that arise in connection with obtaining a patent. Computer Packages Inc. (www.computerpackages.com or 301-424-8890) provides a good package that our firm uses. Some of the dates that are important to docket are:

1. The date the product or invention is to be made publicly available. For most foreign countries, one needs to have a priority date that is prior to the date that the invention became publicly available. Therefore, if one is interested in pursuing foreign patent coverage, one needs to get on file somewhere (such as the USPTO) before the invention becomes publicly available. Typically, an application will be filed in the U.S., and then, within the next year, the application can be filed in any country that is a member of the Paris Convention or that otherwise has a reciprocal arrangement with the U.S. (which is almost any country your client will probably be interested in). One can use the Patent Cooperation Treaty to file a single international application for many countries, so as to postpone the very large expense of pursuing foreign patent coverage in several different countries.
2. The one-year anniversary of when the invention was published, in public use or on sale. If one is not interested in foreign patent protection, one can take advantage of the one-year grace period provided by U.S. patent laws and not file until the one-year anniversary of the earliest of the events of publication, public use or on sale. Nevertheless, there are advantages to filing as soon as possible; in particular, filing as soon as possible reduces the risk that the activities of a third party may become prior art.
3. The first anniversary of a U.S. filing. This is the deadline for taking advantage of the Paris Convention and filing a foreign application claiming priority from the U.S. filing date or an international application filed under the Patent Cooperation Treaty claiming priority from the U.S. patent application's filing date. As discussed above,

in order to obtain a valid patent in most foreign countries, one needs a priority date prior to when the invention was publicly available. If the U.S. filing was a provisional application, the first anniversary of the provisional application's filing is the deadline for filing a regular U.S. application, as well as for foreign filings.

4. The various deadlines associated with a Patent Cooperation Treaty Application: requesting preliminary examination, entering the national phase, etc.

5. The deadlines for filing any responses to an action by the PTO.

6. The deadlines for filing any continuation or divisional applications. To play it safe, I try to file any continuation or divisional application prior to the payment of the issue fee of the parent case.

7. The deadlines for filing maintenance fees for an issued patent.

J. Finally, returning to the first point made in this article . . . one should also use the docketing system to ensure that an assignment has been executed and filed for each patent application.