

Patenting for the Small Company

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 D&R IP-SOC DAYS



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Patent Strategist at SoundHound

Author of *Patenting for the Small Company*

20 years at small IP provider

Lexra

Ultra Data

ARC

Tensilica

Arteris

Inventor on several patents



People involved

Business leader

Engineer

Legal professional



Important

Conserve your cash carefully, but...

Do not miss your one-time opportunity to capture a future large market.

You must patent before

1. Publishing your invention online, to investors, or at a conference,
2. Offering your product to anybody even under NDA.



4 stages of small companies

1. Desperation

In need of a patent to get funding

2. Disregard

Too busy on product development to spend time patenting

3. Exuberance

Behind a competitor in the patent race

Patent, patent, patent

4. Discipline

Managing patenting costs

Rational patenting decisions



Your application

Drafting → Prosecution → Grant

Detailed description and Claims

Prosecution is the process of negotiating with the patent office to turn an application into a granted patent.

Prosecution takes 2+ years.

Prosecution happens one or more times in each country, and most mistakes can be corrected.

Drafting (writing) happens once and cannot be corrected, invest in good quality drafting.



Practitioners

Patent **agents** and patent **attorneys** are equally legally qualified to **prosecute** patent applications.

No formal credential is needed to **draft** a patent application.

The drafter does not need to be a person who prosecutes.

Experience and relevant technological knowledge are most important.

Ask for samples of granted patents.

Good drafting has a clear Detailed Description section.

Good prosecution has clear Claims.



Costs

\$6-10k for drafting

\$3-6k review, translation, and filing in each country

\$5-15k prosecution 2 years later

Anything less is low quality work and will produce a worthless patent.

Doing it by yourself will produce a worthless patent.

Big law firms provide small companies low quality work for high prices.

A small company needs a small firm with an experienced practitioner.



Deciding

Patenting is a business decision

CTOs have poor intuition about what is patentable

Lawyers have poor intuition about what is worth patenting

Be rational, dispassionate, and quantitative

1. Search prior art

Ignore practitioners who advise against searching prior art

2. Objectively envision the broadest claim that is not in the prior art

3. Estimate the marginal price or volume resulting from having the feature that the claim captures, subtract the incremental cost of the feature to find the profit, accumulate that for 3 to 20 years out, discount it by 100x, and discount that for the company's time-value of money

4. If that exceeds \$25k then call the practitioner



Provisionals

A provisional application followed by a non-provisional 1 year later defers patent office fees, but...

Practitioner fees are much higher than patent office fees.

Good drafting is needed from the beginning.

Practitioner fees for filing are duplicated.

It delays getting a granted patent by 1 year.

Provisionals are good for practitioners, but usually bad for companies.



Efficiency

Patents should be a byproduct of creative product engineering

Rate of producing inventions worth patenting varies depending on market focus

1 patent per 100 employee-years is a reasonable target

Example: A 50-person company applies for 1 patent every 2 years

1 patent per 50 to 200 employee-years is a reasonable range



Going global

You need separate review and filing in each country.

Europe+UK has a unified patent office so can count as 1 country.

US practitioners tend to forget about the rest of the world.

Large companies file about 1 to 3 patent applications outside the US for each one inside the US.

Example: 1 invention filed in the US only and 1 filed in US, China, and Europe



Going global

Expected patenting costs

\$3-6k review, translation, and filing in each country

\$5-15k prosecution 2 years later

For each country where your competitors, customers and potential customers, and suppliers will earn profits from your invention,

1. Estimate the marginal price or volume resulting from having the feature that the claim captures, subtract the incremental cost of the feature to find the profit, accumulate that for 3 to 20 years out, discount it by 100x, and discount that for the company's time-value of money.
2. If that exceeds the expected patenting costs, then file in the country.



Becoming big

After growing beyond 1,000 employees:

- Hire an in-house patent specialist,

- Setup a harvesting process,

- Build a portfolio.



Ask me

I enjoy discussing patents, free of charge, any time.

If you want to discuss strategies or check your practitioner's advice, email me.

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Good luck.

