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Evaluating Your Intellectual Property Protection Options

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When you see the rate at which the leading technology companies churn out patents, it is easy to think that if you follow their lead, you're doing the right thing. In reality, though, the patent strategy for each company—and even each invention—should be evaluated on an individual basis. It is wise to consider and weigh all the options available for protecting commercially valuable products of the mind, otherwise known as intellectual property (IP).

What vehicles for protecting IP should you evaluate?

While patents are the most commonly used form of protection, sometimes filing a patent application is not the most prudent way to protect a particular invention. The process includes publishing in the public domain instructions on how to make the invention in exchange for exclusive limited-term rights to exclude others from making, using, importing or selling the invention. Particularly in the software arena, other options are worth considering.

Trade secrets are the natural monopoly you have as long as you keep your secret and no one else figures it out on their own. Essentially, every invention is a trade secret before a copyright is registered or a patent application is published.

- **Pros:** As long as you control the concept and no one figures it out, you have an unlimited-term monopoly. There are many practical steps you can take to limit dissemination of information and protect your secret. Beyond the costs associated with controlling information flow, there are no filing or legal fees.
- **Cons:** The efforts required to keep the secret can be burdensome in ways other than financially, and may be impossible or impractical. If someone else discovers the secret on their own, you have no recourse against the discoverer. Of course, if the secret is leaked by someone who was supposed to keep the secret, recovery for some of the loss may be possible. But at that point, it may be too late to contain the secret.

Registered copyrights provide protection on a form of expression for 95 years from first publication.

- **Pros:** You can register for a copyright as soon as the expression, such as software, is coded and stored on a computer-readable medium. Copyrights are less expensive than patents and provide a longer term of protection. If a copyright of your expression has been registered with the Copyright Office and the expression is copied, the available statutory damages—up to \$150,000 per infringement—may offer a better recovery than calculating actual damages and lost profits (there are no statutory damages for patent infringement). The copy of your expression deposited with the Copyright Office can be structured to preserve trade secrets.
- **Cons:** If a party independently creates a competing work, such as software, that party is not liable for copyright infringement, even if the party implements the same method and even if the re-creation is identical to the original expression. Copyrights on each independently created copy of the expression can be registered. Copyright law offers narrow protection; even minor variations on the expression may be sufficient to avoid a claim of copyright infringement.

Patents protect inventive structures and methods. Essentially, anything new can be patented, with certain limitations. Patents grant a limited-term monopoly—20 years from the original application date—in exchange for teaching others how to make and use the invention. Generally, an invention is patentable if the idea is different from other available products or services and if someone would pay for the product or service.

- **Pros:** Patents give you the right to exclude others from making, using, importing or selling your invention. They help to ensure that you reap the financial benefits of your invention and provide potential bargaining chips in cases of potential suits by other patent holders who think your products/services infringe their patents. Patents can give your business credibility in the eyes of angel investors, venture capitalists, customers and research, development and manufacturing partners.
- **Cons:** Filing for a patent may require disclosing your business model or other secrets, which could affect your profitability. Due to legal and filing fees, filing for a patent is expensive. Getting a patent is no guarantee of commercial success because bringing a product to market is a separate matter. Finally, you need time. It can take years from the date a patent application is filed until it issues (if it issues at all).

Your patent attorney can help you design the best strategy for protecting each element of your intellectual property and develop an IP portfolio. Whatever strategy you take, make sure your employees understand the value of IP and their role in creating it. In the software industry, it is particularly important—and often overlooked—to require that employees, consultants and contractors agree to keep inventions secret until the company gives permission to disclose, and to require that they assign their inventions to the company.

In the next installment of this column, we will look at steps to take before you apply for a patent.

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