Should Your Patent Practitioner Tell You to Abandon When a Patent Is Still Possible?

This Patent Stuff and My Semiconductor Business – Part 39

Welcome to this post about patents and chips. Not a lot has been written about this combination, but there is a lot to know, especially for the innovators and entrepreneurs themselves. In this three-weekly series, I talk about various aspects, from a dual perspective of a patent agent and a semiconductor entrepreneur. If you like the article and read it on LinkedIn, give it a thumbs up, and/or click on Follow. If you like to work with us for your next patent, "contact us" info is on www.icswpatent.com. You can also subscribe/unsubscribe for short email alerts when the next post is available.

I believe that most practitioners are not eager to tell you to abandon a patent application. You came to them to get a patent, they are going to do their darndest to get you one. It is not their business to tell you what you want. Additionally, it is not in their financial interest to tell you to abandon. And granted, some customers don't want to be told to abandon.

When you start the patenting process, you are all eager to protect your invention, which will help you change the industry, and improve the world, and earn you a nice penny in the process. Why would you want to give up? The answer is not straightforward. And it is a business decision, a good reason why many patent practitioners don't want to burn their fingers.

To make the decision requires understanding the invention, understanding the impact that the invention could have on your industry, understanding the impact that the invention could have on your finances, understanding the contribution that a patent could have to the valuation of the company, and knowing what your IP protection strategy is. All stuff that has very little to do with statutes, regulations, or rules. Your patent practitioner may have been involved in, or be aware of, some of these issues. But very few know all of them in depth.

Still, your patent practitioner might be the first who could know that while everything looked good when you applied for a patent, reality is catching up and there might be a problem. The issue might come up as early as when the patent is drafted (after a thorough analysis of the invention). Or, when the first office action comes back and points to prior art protecting a circuit that is different than yours in only one transistor, or a feedback system that is identical to yours and possibly described even better and claimed even broader, then somebody needs to do some soul searching.

As I mentioned, patent practitioners may not be eager to tell you. I once prosecuted a patent application for a large company. It was difficult. The examiner had easily found prior art that showed that, in the industry of the invention, none of its elements was new. Although the combination was new, the application can still be rejected as it would be obvious

to combine those elements to achieve an intended goal. Obviousness rejections are fought by either showing that the examiner misinterpreted stuff, or by amending an independent claim and adding an element that is not taught by the prior art. But that element needs to be supported by the description of your invention. You're not allowed to add new matter to the application. In this case, I had done my best, but the examiner had easily rebuked it or come up with new prior art. I could keep looking on for some legal loophole, but the invention described in the claims would become so narrow that the patent would have no commercial value. I recommended the customer to abandon the application. The customer was not amused. I should have known that they pursued a quantity-over-quality patent strategy, and giving up was not an option. I learned my lesson. But even today, I discuss with my early-stage startup customers if they should stop wasting their money when I see that a patent is becoming worthless.

Let's look at the individual ingredients for a decision.

Understanding the invention is, for me, a prerequisite for writing a patent application. I want to understand it as early as possible, for instance when writing a provisional application. But not every practitioner works that way, and you cannot always. For the cheapest, highest-emergency provisional applications, you may not have the budget and time to fully analyze what the invention is. You need to file today or tomorrow, and there's no way that you're going to spend one or two calendar weeks to get all the answers from the inventors. So in some cases, you only fully understand it later. If you don't understand the invention, you probably can't say what is unique about, or what is common practice in the industry, and you don't know how easily a competitor could do something slightly different to get around the patent, possibly even benefitting from the knowledge presented in the patent. You can't know if the invention can be adequately protected by a patent. You mustn't have an opinion. The inventors themselves in most cases don't know the limitations of what can be protected by a patent, so the alert has to come from the practitioner. The customer's management, usually the CEO in case of startups, may or may not understand the details of an invention either. If not, the invention must be explained in understandable terms, along with reasons why a patent is either not possible, or not the best protection, or not the best investment.

Understanding the impact that the invention could have on its industry. This requires detailed knowledge and understanding of that industry. Market knowledge is with sales and marketing professionals. It's almost never complete, as we all have limited sources for our information. In the case of semiconductors there can be an additional major problem: when you plan a new semiconductor product for a new market, or for a new industry standard, you can't know if that new market will take off, or if that new industry standard will be widely adopted. If you wait until that market is proven or the industry standard has been adopted, you will surely miss the market window. Your chip development cycle is too long and the market changes too rapidly. Your guts, intuition, and vision as a semiconductor entrepreneur will tell you about the possible impact. Your patent practitioner can only hear it from you.

Understanding the impact that the invention could have on your finances. Well, only you know! A consideration usually includes both the short term (could be painful) and the long term (could be really good).

Understanding the contribution that a patent could have to the valuation of the company. A clock that's broken can be right twice per day. But a clock that's approximately right 24 hours per day is a lot more useful. I saw that there are courses for IP professionals to learn how to valuate a patent or IP. I'd be interested in taking such a course, and hope

that it is worth more than a course in tarot reading. Until then, I use a simple model—suited for the semiconductor industry with its breakneck pace of innovation. In my simple model, the contribution of a patent to the valuation of the company equals 4-6 months of potential sales in the year following the valuation. If there can't be sales that year, then 3-5 months in the second year following the valuation. This means that the valuation depends on whether an acquisition takes place, and who does the acquisition. But more patents means more valuation and the value can be estimated based on market parameters.

Knowing the IP protection strategy. Where the IP protection strategy is undefined, a patent practitioner can help. I wrote two post about this, early in the series (TPS 2 and TPS 3), and I expect to write an update. Companies with an in-house patent counsel have a defined strategy, and companies without usually need some guidance. Nevertheless, I find that most of my customers know what they want, and they have a strategy. As I mentioned before, in a simple quantity-over-quality strategy, abandoning is not an easy option. However, it can become expensive to keep fighting for a patent if it takes 6 rounds of office actions. In the contrasting case, where the quality of the patent is most important, abandoning easily makes business sense.

In some cases, high-quality patents can less expensive than low-quality patents—because there could be fewer or even no office actions to fight prior art. On the other hand, a good application could claim a bit too broadly to try to get the widest coverage, whereas a low-quality application could claim overly narrow to obtain a patent fast.

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