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Managing Intellectual Property Risks: In Development and the Aftermarket

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The Internet is awash with advice for entrepreneurs, start-ups and established businesses for protecting their business, market, products, and technology with intellectual property (IP) rights such as patents, design patents, and trademarks. Against this the very same entrepreneurs, start-ups and established businesses have a wealth of competitive issues to face in managing their businesses in today's global economy. However, the advice generally stops after explaining the different forms of IP rights and stating that for any business with key products and product lines, ignoring or even putting off the patent process may spell disaster down the road.

However, whilst that it is true it is also important very early to define what needs protection and who you are stopping. Sadly, many patents issue for complex systems or methods where the only potential infringer is the average consumer and the patent equivalent of a reverse class-action lawsuit does not exist. However, breaking the system or service down and protecting it from different "perspectives" can address this and discussing this early with us can ensure this.

The Aftermarket: Perhaps your strategy is to grow repeat customers through an aftermarket for consumable products which are required for your initial product to continue. This consumable product aftermarket can be significant and is often more profitable than sales of the base product. In fact, in many instances the base product is a "loss leader" to generate the consumable aftermarket. By consumables, think disposable printer cartridges, razor blades and single-serving coffee pods. These are extremely valuable because they provide a continuous source of revenue. However, this also makes them highly susceptible to copying by competitors.

Fortunately, patent protection can help you protect your aftermarket and deter competitors from manufacturing generics. But only if that is in your IP strategy and it may mean multiple patents. So, unless that strategy is clearly articulated and defined early on appropriate creative engineering emphasis may not be applied and patent strategies misdirected. By this, we mean that the consumable is designed such that is patentable itself or includes a patentable feature that permits it to be used with the non-consumable base product. This provides the strongest protection, as competitors will be precluded from manufacturing or selling consumables that fit into your product.

It might be beneficial to consider establishing patents for the consumable alone, for the base product alone, and the combination of the consumable and base product or the consumable with that portion of the base product it interacts with. In addition to patents for the underlying methods, systems, processes, materials, etc. it is also important to add design patents to your IP portfolio as these protect the ornamental design of your consumable.



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Product Development: General IP advice is that you should file patent applications to protect your product before you publicly or privately disclose the product. But you need to prototype, test and/or show your product. How do you mitigate risks even when patent applications have been filed as well as when it is not possible or practical to do so.

Firstly, always use a confidentiality agreement when contracting third-party manufacturers to make prototypes which will help to prevent public disclosure of your product. However, under certain circumstances, even if a confidentiality agreement is in place, contracting a third-party manufacturer may still result in a loss of rights, notably in the US, or lead to their filing their own patent application(s). Of course, one way to avoid this potential loss of rights is to make your prototype in-house but if that is not feasible then split up the manufacturing of prototype components among multiple suppliers and assemble the components in-house. In that way none of your third-part manufacturers know what the final product is, how it works, or what other parts are required.

In many circumstances you may need outside testers, e.g., friends, focus groups, etc. Again, use a confidentiality agreement to help keep your product secret, but be sure to assess whether the product will actually be kept confidential. For example, testers taking a prototype out in the open for test purposes may inevitably expose others to the prototype who are not under any agreement with you. Hence, it might be worth considering whether testing can be done in a more controlled way, such as at your facility or only by employees or consultants who may be more trustworthy.

Inevitably at some point public disclosure of a product is necessary to make your business go, but some steps can be taken to preserve rights if you haven't yet filed for patents. At trade shows, the risk can be reduced by showcasing the product's functionality, but avoiding describing how it actually works. If the product remains a "black box" and observers cannot deduce how the product works, rights to the undisclosed features will likely be preserved, at least for one year for U.S. filings. However, jurisdictions such as Europe can be much less forgiving and so again the global scope of the protection you are seeking is an important aspect to consider right up front as can impact the extent to which you should take precautions.

Accordingly, it is important to engage us as early as possible so that we can discuss these issues as well as others in order to define a strategy for not only IP filings but product development, third party interactions, product testing, etc.

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