Timing Monetization Strategy with Innovation Protection to Protect Exclusive Product

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... a competitor may read your published patent application, reverse engineer your innovation in the marketplace with the aid of the published patent application, and exploit the exclusive features of your product ...

No matter the revenue or size of a business, an innovative and growing business in today's marketplace requires an effective intellectual property strategy tailored to the realities of its specific product. In particular, the business should be focused on ensuring the proper timing of monetization strategy with innovation protection. This article will explain the background of an IP monetization strategy, IP rights with a focus on those that require examination delay, and the correlation between revenues and timing.

According to Congressional Research Service Report,[1] intellectual property (IP) – related merchandise amounted to approximately $842 billion in exports and $1,391 billion in imports. In an absence of intentionally executing an intellectual property strategy and taking thereby the corresponding steps to protect their innovation related to their products, the business loses a valuable opportunity to monetize the intellectual property assets. Even worse, competitors may practice the business's unprotected innovation without restrictions and fear, thus eroding or ending the competitive advantages of the business's exclusive product.

At a minimum, an intellectual property strategy would include a monetization part. According to Oxford's English Dictionary, monetization is defined as "the action or process of earning revenue from an asset, business, etc." or "the conversion of an asset, debt, etc. into cash or form easily converted into cash." A monetization strategy for innovation and IP should therefore supply a process of earning cash from an investment in IP assets: patents, copyrights, trademarks, trade secrets, and trade dress.

A typical monetization strategy is to license IP assets in return for a royalty. Notwithstanding, even businesses that want to acquire and monetize IP assets, a small percentage of a business's IP is directly connected to a significant increase in revenues. Clearly, a company not having an IP strategy focused on monetization is a fundamental reason for this poor return on investment in IP assets, but there are many more, such as the lack of timing between monetization strategy and IP protection.

Many IP savvy businesses focus on IP rights and acquisition but spend little planning on the timing or synchronization of monetization and IP protection. For example, an engineer or scientist will wait for a flash of genius to inform the business of their innovation – often in the form of an invention disclosure. Once this invention disclosure is received, a designated employee of the business will evaluate and decide how to protect the innovation, such as a patent. A U.S. patent is the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.[2]

The employee then instructs a patent application to be prepared and filed by a law firm and the patent prosecution process winds itself along, resulting in an enforceable patent grant many years later. The issue with this typical process is there is no emphasis or focus as to the timing of those patent grants to protect their innovation, or more importantly, support market share, increase their revenues, or bolster profit margins.

According to the United States Patent and Trademark Office (USPTO) Statistics June 2022,[3] the traditional total pendency of a patent application is 24.1 months, measured as the average number of months from the patent application filing date to the date the application has reached final disposition (e.g., issued as a patent or abandoned). However, the life cycle of a product is shrinking every year and, in some cases, replacing a product line every 24 months is becoming the norm across many industries.[4]

Obviously, an issued patent in 24 months on a product line that has been replaced by the company in 24 months is nonsensical; a competitor may read your published patent application, reverse engineer your innovation in the marketplace with the aid of the published patent application, and exploit the exclusive features of your product without any restrictions until a patent is granted. Given these circumstances, this misalignment of timing could help in part explain why products

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with shorter life cycles (i.e., software, computers, electronic devices, consumer goods) are more difficult to monetize IP than products with longer life cycles (i.e., medical devices, pharmaceuticals) under patent law.

The timing of IP protection and monetizing is more important with certain IP rights that have an examination process associated with the government grant as opposed to offered protection without substantial delay. An examination process requires time for the government authorities to review your application but this, in the marketplace, also delays your intellectual property rights from being enforceable, and thereby meaningful to your business.

For purposes of this discussion, there are two sets of intellectual property rights – those IP rights that require examination and those IP rights that do not require examination or delay. Here are a few examples of no initial examination IP rights:

Trade Secret – No Initial Examination Process Required

For example, under Rhode Island Law, a Rhode Island state trade secret means information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.[5] No independent examination process by the government is initially required to claim Rhode Island Trade Secret protection rights. Of course, this claim of Rhode Island Trade Secret rights may be subject to a review by a court – especially when there is an assertion of these rights.

Unregistered Trademark – No Initial Examination Process Required

For example, a trademark means any word, name, symbol, device, or any combination of them, adopted and used by a person to identify goods made or sold by him or her, and to distinguish them from goods made or sold by others.[6] An unregistered trademark right is acquired when the business uses the trademark in commerce and acquires distinctiveness or secondary meaning in the consumer's mind. Under Rhode Island Trademark Law, nothing shall adversely affect the rights or the enforcement of the rights in marks acquired in good faith at any time in common law.[7] No independent examination process by the government is initially required to claim unregistered trademark rights. Of course, this claim of unregistered or "common law" rights may be subject to a review by a court – especially when there is an assertion of these rights. Note, there is an examination process for Rhode Island State Trademarks but the time in receiving the certificate of registration is usually received expeditiously – less than 30 days.

Unregistered Trade Dress – No Initial Examination Process Required

Trade dress involves the total image of a product and may include features such as size, shape, color, or color combinations, texture, graphics, or even particular sales techniques.[8] An unregistered trade dress right is acquired when the business uses the trade dress in commerce and acquires distinctiveness or secondary meaning in the consumer's mind. No examination process is required to avail of trade dress rights. Of course, this claim of trade dress rights may be subject to a review by a court – especially when there is an assertion of these rights.

Unregistered Copyright – No Initial Examination Process Required

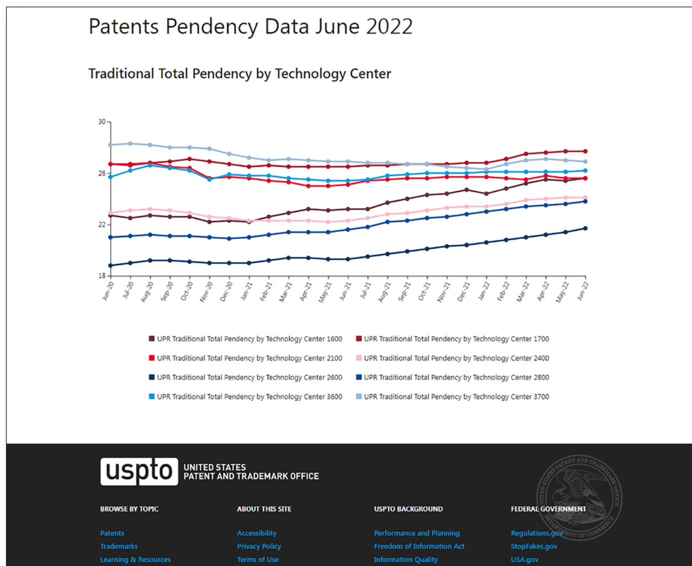
Under federal law, an unregistered U.S. copyright is an automatic form of protection provided by the laws of the United States, when published, for “original works of authorship,” including literary, dramatic, musical, architectural, cartographic, choreographic, pantomimic, pictorial, graphic, sculptural, and audiovisual creations.[9] The key is that when the original work of authorship is published then the U.S. will recognize an unregistered copyright. No examination process is required to avail of unregistered copyright protection. On the other hand, an action for copyright infringement generally requires a copyright registration certification to be instituted. Note, there is a registration process for U.S. Copyright Registrations but the time in receiving the certificate of registration is usually received on average in 3.6 months[10] or sooner for expedited registration.

Here are a few examples of IP rights that require substantial examination and average time frames before rights are officially granted:

U.S. Trademark Registration – timeframe: 13.3 months[11]

U.S. Patent – timeframe: 24.1 months[12]

The graph below shows a considerable difference in time frames based upon where the patent application is assigned by the Technology Center (21.7 months v. 27.7 months).



Timing is then the most relevant question to the activities before the USPTO – patents and trademarks. It can be calculated and measured by a business to understand the timing of the patent and trademarks and their impact on revenues during the product life cycle. By understanding timing, business managers can make better and more informed decisions about synchronizing product life cycle and granted IP rights to enhance protection and drive revenues.

For example, if your product life cycle is 24 months on average (i.e., electronic devices), and your timing for receiving patent protection is on average 24 months, then an enforceable right will not be available to monetize your IP assets or to thwart competition. In another example, if your product life cycle is 20 years or more (i.e., pharmaceuticals), then your timing may be higher so you can spread the cost and impact on your budget over a greater period of time. This is a generalization, of course,

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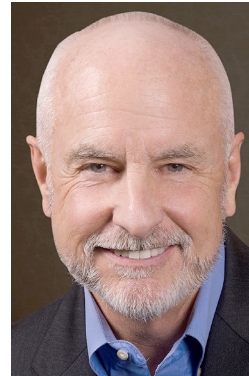

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because if you have a paradigm shift invention, (i.e., COVID-19 vaccine) regardless of the technological field, then you would want to reduce your timing and treat it differently from other iterative improvements to the technical arts.

There are a substantial number of techniques that can be used depending on the IP right to regulate timing. For U.S. trademarks, the most common reasons for granting petitions to make "special" or expedited, are the existence of actual or threatened infringement, pending litigation, or the need for a registration as a basis for securing a foreign registration.[13]

For U.S. Patents, a business may request expedited review on a number basis including, but not limited, to the examples below:

1. **Track One – Prioritized Examination –** USPTO's Track One prioritized examination will allow you to get a final disposition within about 12 months. Click here to visit the USPTO's Prioritized Patent Examination Program website.
2. **Patent Prosecution Highway (PPH) –** Under PPH, participating patent offices have agreed that when an applicant receives a ruling from a first patent office that at least one claim is allowable, the applicant may request fast track examination of corresponding claim(s) in a corresponding patent application that is pending in a second patent office.
   Patent Prosecution Highway (PPH) – Fast Track Examination of Applications | USPTO
3. **Petition to Make Special –** An application may be made special upon filing a petition including any evidence showing that at least one named inventor is 65 years of age.
   Make special – age or health | USPTO

In conclusion, the key metric for understanding whether your IP monetization strategy and your innovation protection are aligned is your timing to receive your enforceable IP rights. Here is a framework for immediately affecting the revenues of your business. First, a business must audit its existing timing. Next, the business manager reviews the expected product life cycle and the best time for IP protection to maximize revenues while keeping in line with budget. The best timing is calculated and then compared to the actual timing. If these numbers do not match, the business will use one or more of the expedited strategies above to reduce or increase timing to bring the enforceable IP rights to bear at the proper phase of the product life cycle.

ENDNOTES

1 *Congressional Research Service Report, Intellectual Property Rights and International Trade, Updated May 12, 2020; CRS reports, as a work of the United States Government, are not subject to copyright protection in the United States.*
2 *35 U.S.C. § 154.*
3 *Patents Dashboard | USPTO.*
4 *The product life cycle is in decline | Supply Chain Digital.*
5 *R.I. Gen. Laws § 6-41-1 (2014).*
6 *R.I. Gen. Laws § 6-2-1 (2014).*
7 *R.I. Gen. Laws § 6-2-14 (2014).*
8 ***John H. Harland Co. v. Clark Checks, Inc.**, United States Court of Appeals, Eleventh Circuit, August 8, 1983, 711 F.2d 966.*
9 *17 U.S. Code § 102, § 104.*
10 *Registration Processing Times (October 1, 2021 – March 31, 2022) (copyright.gov).*
11 *Trademarks Dashboard | USPTO.*
12 *Pendency | Patents Dashboard | USPTO*
13 *TMEP 1710.01: BASIS FOR GRANTING OR DENYING PETITION.* ◊

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