



**THE STANDARD**  
INTELLIGENCE FOR THE INTERNET ECONOMY

17 April 2000

### **Ask Nettie: So Sue Me!**

So you've filed a patent and you're wondering if you need more protection. Unfortunately, you probably ought to get a lawyer.

By Net Returns Staff

My company is developing proprietary e-business technology, and we've filed for patents on some of the things we're working on. We weren't worried about patent problems until we learned that the U.S. Patent and Trademark Office is laying down some new rules. Should we keep a patent attorney on retainer in the interest of being safe - or is it OK to wait until something comes up? We already used attorneys to file the patents we have, and I don't want to spend a penny more toward paranoia.

Since you've already filed for patents, you know how complicated the process is. Patents have become a hot issue, what with Jeff Bezos, CEO of Amazon.com, and Tim O'Reilly, founder and CEO of O'Reilly & Associates, getting into fierce public debate. And the much-publicized Priceline.com and Microsoft and Expedia patent battle has kept the media fires stoked.

There's no question that the number of patents that companies are filing is on the rise. Nearly 8,500 Internet-related patents were issued in 1999 as opposed to 592 in 1996, according to MicroPatent, a research firm based in East Haven, Conn. So now you're wondering if you need to do anything to protect yourself further. Unfortunately, you probably do.

Filing a patent is only the beginning, says Drummond Reed, founder and CTO of Seattle-based startup OneName Corporation. Then there's an 18-month to three-year waiting period. During that time, you don't have any real power to stop someone who is infringing on your patent, but you can ask your attorney to send a nice note letting them know they might be infringing on a patent you've filed. OneName has filed several patents around what it calls its "Web agent platform." The company's first patent was issued in 1999.

The law encourages you to continue to protect what you've patented, says William Atkinson, an attorney with Alston and Bird in Charlotte, NC. In fact, Atkinson says he sees patents as the competitive weapon of choice for doing business on the Internet. Before practicing law, Atkinson was a patent examiner.

Because the average cost of filing a patent is between \$15,000 to \$20,000, attorneys say, any additional dollars spent on legal costs should be taken seriously. But there are ways to keep costs down - by shouldering some of the burden yourself.

Dr. Marvin Sackner, medical director of LifeShirt.com shaves dollars off his legal budget by writing initial drafts of new patents himself and continually researching companies that might be infringing on his existing patents. LifeShirt.com sells a vest-like device that monitors your vital signs and sends the information to an Internet site that can be viewed by you and your health care professionals.

Maintenance for his patents, which includes filing new patents and having his lawyers pay fees to patent offices both in the United States and overseas, runs him roughly \$250,000 a year. Sackner says it's money well spent to protect the foundation of his business - intellectual property. Without patent protection, says Andrew Behar, COO of LifeShirt.com, it would be hard to persuade investors to sink money in.

How much you need to spend depends on how essential your intellectual property is to your business, says patent attorney Steven Henry. Henry has practiced patent law for 24 years, and he currently works for Boston-based law firm Wolf, Greenfield and Sacks, which specializes in intellectual property law. He says he has startup clients that will spend \$250,000 a year on patent-related matters but that he also has clients spend less than \$100,000 a year.

"It depends on how tech-dependent they are," Henry says, "and how aggressive they want to be." He also points out that patent filing is not a static process. Most companies, he says, don't just file a patent and then sit back. The technologies and business practices they are developing continue to evolve. And that means more patents.

Attorneys are key to using patents effectively in the Internet Economy, says Richard Stim, an attorney and author of *License Your Invention: Take Your Great Idea to Market with a Solid Legal Agreement*. Lawyers are especially helpful in defending yourself against other companies that are using similar technology or that claim you are infringing on their patents. Although he's a fan of do-it-yourself patenting, he doesn't recommend it for Web companies. Internet businesses have a responsibility to their investors and shareholders to secure their intellectual property, he says.

But Henry says good patent attorneys do more than process and protect patents; they have their ear to the ground. Not only should a patent attorney know the ins and outs of filing patents, they should be able to aid in business strategy. Reed, who works with Henry, among other attorneys, says the best bang for his legal buck is the cost analysis he gets from his counsel in regard to the patents he's filed.

Building a patent portfolio is also about catching venture capitalists' eye. It is almost an extension of your business plan. Henry says venture capitalists often ask him to evaluate the patent portfolio of a company in which they are thinking about investing.

If you are planning on using your technology in the global economy, you need to worry about international patents. That in itself is a reason to keep counsel around. Reed says it is so confusing that he wouldn't ever want to deal with it himself. Sackner and Behar agree that international patents require special expertise. Again, there is an advantage to using an attorney because they are connected to other patent attorneys around the world. So instead of paying for patent attorneys in all your important international markets, you pay one and that person conducts the legal business for you.

The last thing you want to do is spend more cash on anything that doesn't appear core to your business, but patent attorneys are a necessary evil. Although Stim recommends that you do as much as you can yourself, he says, "In today's world, you need to have that gladiator creature hunting for you."