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Intellectual Property Law

# Profit from your Invention

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A patent is a powerful tool that enables you to sue any person or company that practices your claimed invention. Obviously, the primary way patents are used is to sue competitors who try to infringe. This is particularly useful for larger companies that are able to sell the products in great numbers, throughout the world, and afford an expensive court battle to enforce the patent as required.

There are some important disadvantages to suing infringers. Patent litigation is extremely expensive and risky, so smaller companies may not be able to afford it, especially if the patent is weak or infringement is uncertain. A purely adversarial mindset may also blind a company to potential opportunities that a patent may enable.

Don't get stuck with a narrow vision of how a patent can be used, however, because if you are creative in using your patent, you can achieve much more. Following are some alternative approaches that all patent owners should consider.

## I. Licensing

Rather than suing infringers, consider licensing your patent to them, and/or aggressively seek new companies that might want to license. It is often difficult for even large companies to meet market demand for a hot new product, and competition can increase the overall size of a market. Especially try to find potential licensors that can reach customers that you may not be able to effectively reach.

This is particularly true overseas, where a good foreign manufacturer or distributor may be able to sell your product into foreign markets that you are not yet able to handle.

You may "slice up" the market in any way that you like, and license another company to use your patent in: (1) particular countries or geographic regions, (2) particular channels of trade, and/or (3) subject to any other restrictions that you can imagine. Patent license agreements can be powerful tools; however, be sure to operate under consultation with an experienced patent attorney, to avoid the myriad problems that can occur. This is not an area in which you should do-it-yourself, or use boilerplate form agreements, you need expertise and experience.

So license your patent to any number of other companies, even competitors, to make sure the market requirements are met, the overall size of the market grows, and even overseas markets are fully exploited.

## II. Use Patent as Sales Tool by Selectively Threatening “Middle Men”

Everyone involved in selling an infringing product is liable, not just the manufacturer, but also the distributor and/or retailer. Directly suing a competitive manufacturer is expensive and risky, because they will fight back. Threatening to sue a retailer who buys from the infringer is much easier, because they have no incentive to get involved in expensive patent infringement litigation.

If you are reluctant to sue the infringing manufacturer (e.g., a Chinese manufacturer who may be difficult to reach), simply target any retailers who carry the infringing product. Demand that they cease sales, and then suggest that they can avoid money damages by simply buying the product from you in the future.

This is a complicated matter, so you should only undertake this strategy in consultation with an experienced patent attorney; however, we have had tremendous success with converting the most aggravating infringers into some of our best salespersons. And in one case, the Chinese infringer ended up becoming our primary manufacturer, greatly reducing our cost of goods.

## III. Partnership Opportunities

A successful product and a strong suite of patents can open up many potential opportunities, and one option that is often overlooked is the potential for partnering with other companies. A larger company, or a company that has particular expertise from which you could benefit, may be interested in partnership if it can offer them access to your patents, and the benefits to you can far outlast the life of the patent.

This is particularly beneficial to you if the potential partner is competitive with another company who is infringing your patent. I have seen larger companies eager to gain access to patents for the sole purpose of suing

their competition, to gain advantages in their ongoing struggles. This can be very lucrative to the smaller patent holder.

#### IV. In Selling Your Company, Improve Your Valuation with Patents

If you plan on selling your company, either now or in the next 10-20 years, you should be aware of the impact of intellectual property on the corporate valuation process. A purchasing company will feel much more comfortable giving you a healthy valuation if they can list many assets as part of the deal. Patents are the ultimate “CYA” for the purchaser. So make sure that when management is trying to justify buying your company, they can list a long list of patent assets as part of the sale (even if the patents are narrow, or of dubious validity!).

Even more valuable than patents in the company valuation is the corporate brand name (trademark). While discussing patents with your patent attorney, you should also discuss building a powerful corporate brand. I have seen millions added to a corporate valuation based solely on a powerful brand name that had been developed over a few years.

#### Conclusion

Patent, trademarks, and all forms of intellectual property (“IP”), are extremely valuable potential tools in your arsenal. Talk with an experienced patent attorney about how to develop your own IP portfolio, and how to leverage them to grow your company.

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Eric Karich founded Karich & Associates in 1998 to help inventors and entrepreneurs with protecting their inventions and launching start-up companies to commercialize their products. Call or email to arrange a free consultation.

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