



Straight Up

## The Patented Path To Profits

Tom Taulli 04.28.06, 10:00 AM ET

NEW YORK - A decade ago, **Robert Keane** figured he could use the Internet to save small businesses a bunch of money on printing costs. Printing is an age-old industry, but facilitating orders online--as Keane's company **VistaPrint** does--demands a bit of technical skill.

So much skill, in fact, that Keane started patenting those innovations--like how to aggregate thousands of orders into batches to trim costs, or how to make his Web site's design tool (which lets customers whip up their own brochures and business cards) communicate seamlessly with Web browsers.

As for tricks not developed in-house, Keane spent \$2 million on patents from third parties. In all, VistaPrint --which earned \$5.5 million on \$36 million in sales in the quarter ending March 31--has 11 issued patents, and some 40 more are pending. The company even has a full-time patent attorney on staff.

"Patents provide defensible evidence that your technology is unique, which helps with fundraising, mergers and acquisitions, or eventually, an [initial public offering]," says Keane.

Some tips from the patent playbook:

### Do I need a patent lawyer?

Do the Chicago Bears need an offense? Patents are sticky, convoluted beasts. Just ask the folks at Research in Motion, of Blackberry fame, who recently forked over \$612 million to settle a patent-infringement suit brought by **NTP**. But litigation isn't the only reason counsel comes in handy: Lawyers also shepherd patent applications through the increasingly swamped U.S. Patent and Trademark Office. Microsoft alone applies for thousands of patents every year.

### How long does it take to file a patent and how much does it cost?

File early: The time lag from filing to grant might be two to three years, says Bryan Sims, an intellectual property attorney with Squire, Sanders & Dempsey. Writing and filing the application will run \$8,000 to \$10,000; prosecuting it, another \$5,000 or so, depending on how complicated the application is.

### How do I keep potentially patentable ideas from walking out the door?

Make your engineers sign an "assignment agreement"--meaning that they give up any legal claims on the invention. These agreements should also come with a warranty to the company establishing that the engineers did the work themselves and did not poach it from a third party or reverse-engineer the innovation.

### Are there tricks to filing patents overseas?

In Europe, apply to the European Patent Office. Once approved there, you can target specific countries where you want the patent to be in force, says VistaPrint's Keane. This strategy reduces the time and expense of filing in multiple countries (and languages) before you know if you can even acquire the patent in the first place.

Also watch out for differing rules. For example, in the U.S., you can file for a patent up to one year after the product hits the market. In the European Union (and many other places), you must file prior to going commercial.

### How many patents should I file?

As many as you can--and not just to create more barriers to entry or to look pretty for mad acquirers like Google. Some companies may be good at innovating but terrible at marketing. In that case, says Sims, they might want to employ an "offensive" patent strategy--building a library of patents mainly to extract royalties from third parties. Another reason: There are growing concerns about the quality of the patent-examination process. So rather than run the risk of a patent-infringement lawsuit, companies may want to file "defensive" patents.

### How do I get my engineers to invent more stuff?

**Dipanshu Sharma**, co-founder of **V-Enable**, a maker of voice-recognition technology for cell phones, ties compensation to patent production. "We allow engineers to allocate at least 10% of their time to writing patents," he says. If a patent is granted, Sharma hands out cash bonuses of at least two month's salary for successful grants.

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