

Critical New Product Development

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Generally, the drivers for an overall IP protection strategy for a new product are (1) the existence of the one-year Paris Convention, which allows patent applicants to file in other countries within one year of the US filing date; (2) the potential to attract foreign purchasers/licensees within the first one-year period after filing to allow others to provide the investment in foreign patents and the foreign licenses; and (3) the provision of a more rapid and, hopefully, more efficient license sale of the product.

The term “product” as used here includes products, services, and hybrid situations involving both. There are a number of critical timing issues that new product introducers should consider as they attempt to capture intellectual property rights and facilitate early sales. It is understood that every product may warrant multiple or other critical time considerations in addition to those listed here.

This analysis also assumes that the product has been finished, that production and unit costs are known for major quantities (such that a complete profitability profile of the product is presentable), and that the resulting numbers can easily justify moving production forward regardless of any sale, given that (a) the complete profitability profile will justify it, and (b) any perceived lack of willingness to continue the project will result in a “wait and see” strategy by a potential buyer. This analysis also assumes the timely filing of a patent before any disclosure is made.

Time periods

The time periods to be considered are centered around the patent filing date, and include: the period preceding the filing by more than two months (Phase I); the

period preceding the filing by two months or less (Phase II - this is the time, on average, which should be allowed for a patent attorney to complete drafting a patent application); and the 11-month period following the filing (Phase III - the end of which leaves only one month to file foreign before the one-year deadline for foreign filing expires).

During Phase I, the following tasks should be completed:

1. Completely finish the product. This includes developing different versions, such as economy and luxury models, base and fully-accessorized models, permanent and disposable models, retail sales versions and imprinted give-away versions, and home and foreign country versions (taking into account possible peculiarities of foreign environments); addressing packaging issues, including individual and bulk sales packaging, sales display designs, racks and shelving, free-standing cardboard displays, and the like; and considering type and placement of any trademark name and other information on the product and/or packaging.

2. Complete a comprehensive business plan, taking into account production costs; packaging; overhead (including, at a minimum, patent insurance, corporate entity formation costs, product liability insurance, and inventory financing); costs associated with the product pipeline; foreign and domestic production costs; cost variations based on projected sales channels such as distributors and distributor programs, direct internet sales, and contract sales to catalogs; and costs of selling or manufacturing in foreign countries, including import/export efficiencies, tariffs, sea-container packing densities, and foreign tax effects of direct marketing or sales-agent licensing, just to

name a few. A comprehensive and carefully detailed business plan including the above indicators (at a minimum) is a prerequisite to determining the true value of the product. Without this level of information, the value of the product simply cannot be known.

3. Gather all information needed to promote the product. Much of the information gathered will also be useful in activities directed toward selling the product to consumers and/or selling the product and associated intellectual property rights to another manufacturer.

4. Identify competitors, customers and related entities. The identity of persons and organizations even remotely associated with the product should be recorded, including:

- (a) Product-related trade associations;
- (b) Product-related professional associations;
- (c) Related government branches, elected officials and bureaucrats, including test organizations and standard-setting groups (local, state and federal);
- (d) Related trade shows (very important for Phase III activities after filing);
- (e) All trade-related magazines, including paid and free subscriptions, trade sales, and trade-related product publications, especially those which may carry a news story relating to the product after the patent is filed;
- (f) All newspapers and magazines in any way related to the applicant or product, including those associated through geography or language, for example;
- (g) A list of product endorsers, particularly those who might endorse without compensation, and even local elected officials, comedians, radio personalities, and other public figures.

[Note that efforts (4)(a) through (4)(g) should not be limited to home country or home language. Where the product admits to use anywhere, the entire world should be considered the potential market and the information database should be expanded accordingly.]

5. Integrate information gathered in items (1) through (4) to determine which markets to enter. Using all of the above information, make a list of why the product is better than others currently available, comparing all versions of the product (both high-end and basic) to the next-best alternative. This information will be used by the patent attorney in drafting the case.

To begin Phase II, submit all product information, especially the information outlined in (5) above, to the patent attorney and allow two months for the patent to be completed (both first and final drafts) and the filed.

In Phase II, fully prepare (but do not disclose or transmit) all media which can possibly be used to market the product immediately after filing. Preparation of every sort of media kit, including long story/short story color/black & white photos, drawings, diagrams, videos in short, preparing in advance with every form of media which a potential publisher might want. Your new product or invention is only born once and you may be able to pick up free advertising if a publisher runs the story as a news/interest item. This exercise will also be good preparation for any scheduled trade shows. Trade shows should be scheduled during Phase III, only *after* the patent is filed, yet early enough to allow sufficient time to determine what foreign filings will need to be effected prior to the foreign filing deadline (one year from the US filing date).

Keep in mind that every truly good, new, and non-obvious invention is a news item. Each publication that showcases the product may save a thousand dollars or more in advertising costs. During Phase II, projected plans for Phase III should be finalized and ready for execution immediately after filing so that all time spent post-filing can be exclusively devoted to promoting and selling the product.

Other tasks in Phase II include: (1) setting up a limited liability corporation or C-corp for marketing and selling the product; (2) securing a source of product to meet sales activities; (3) contacting a patent insurance carrier to complete insurance application forms necessary to put protection in place immediately after filing; (4) ensuring that the sales entity purchases commercial product liability insurance; (5) selecting and applying for a fanciful, non-descriptive trademark after the entity filing for the sales entity is complete (including the home country and all foreign countries where the product is planned to appear, and taking into account the 6-month trademark treaty which enables foreign filing within 6 months of home country filing); (6) ensuring that the sales entity registers for an internet URL (which may be the same as the trademark) intended to be used to sell the product; and (7) setting up the HTML files offline to allow the website to go live as soon as possible after any patents are filed (utility, design, or both). The primary goal is total preparedness prior to filing the patent so that, after filing, marketing and selling can begin as quickly as possible without delay or interruption.

Filing the patent is a prerequisite for beginning Phase III; absolutely no activities in Phase III should take place until it can be established with certainty that filing has

occurred. It may be preferable to devote a few days after the patent filing to securing a postal or computer filing receipt or other indicia of filing *in hand*.

Once the patent filing can be established with certainty, begin Phase III: (1) sell the product; (2) acquire floor space at trade shows which relate to the product; (3) send out the media kits/news release items to all magazines and newspapers world-wide, making certain to provide material in as many formats as possible to meet each publication's requirements. In addition to article length, quantity and type of photographs and, video, consider foreign language translation versions; (4) follow up by phone with the publishers to push news release items submitted in (3) above; (5) where possible, provide product samples to publishers to further interest, either on demand or in media packets submitted in (3) above; (6) contact local media to ensure that they feature the product; (7) after securing trade show space and booth number, forward media kits to likely foreign licensees, local country distributors and other entities who may be interested in purchasing the product and IP rights - follow up to schedule meetings during the show and make sure to have sufficient booth coverage so that all appointments can be accommodated; (8) set up a newsletter by e-mail and regular mail announcing the product and highlighting its progress, including distributors, publications running news stories, and any other news tidbits, even including a grant of patent insurance when it occurs (design patents will likely be examined quickly; allowance and issuance are news-worthy announcements); (9) secure product endorsers and have news conferences and events where the endorsements are formalized (formalized

endorsements are also news-worthy announcements for the newsletter in item (8) above); (10) arrange to test-market the product in retail stores which will allow for a display, possibly on consignment, and carefully record the sales per unit time, and the types of products sold; (11) at the trade show, be certain to (a) get the product in the “new products” pavilion, (b) meet with foreign licensees, sales agents and buyers and plan to close deals within 6 months after the filing of the design patents and ITU trademarks to enable foreign filing with the benefit of the U.S. filing date priority (which expires after 6 months); and (12) generally inject sales into each and every market segment possible -- the interest generated by the time the trade show takes place will depend directly upon the market acceptances earned, the gross numbers of products sold, and the positive publicity and popularity surrounding the product.

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