

# Patent



*Protecting Profitable Inventions*

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# Chapter 2

## Patent – Protecting Profitable Inventions

### 2.1 What is a Patent?

If it wasn't for Thomas Edison's invention of the incandescent bulb in 1879, who knows if we would ever stop depending on candles and oil lamps to avoid crashing into things at night?

Necessity, as they say, is the mother of all inventions – so if you invent something that meets a need, there would naturally be a demand for it and as the owner of the invention, you stand to profit from your labour of creativity.

Unfortunately, though, the scenario above will only come to pass if we take imitators out of the equation.

It is for this main reason that patents exist – to protect an invention from being used, copied, or manufactured without the authorization of the original inventor.

A patent is an exclusive right granted by the government to the owner of the invention for a certain period of time, usually 20 years, so that he is the only one who is able to profit from the invention. In other words, until the patent expires, no other parties would be able to commercialise, use, make or distribute the invention without his consent.

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## 2.2 How do you determine if an invention is worth patenting?

Say, one day, you invent a device that, when installed on the engine of your car, results in a 50% reduction in fuel consumption. Needless to say, you now have in hand an invention that could turn you into an overnight millionaire.

That is, if you successfully keep imitators out of your way.

However, before you decide to invest your time and money into filing your invention for a patent protection, it is important to consider these two questions:

### 2.2.1 Is your invention patentable i.e. does it meet the three criteria for a patentable invention? Is it new, inventive and industrially applicable?

#### **New**

This means the invention has not been disclosed to the public anywhere in the world by any methods – such as word of mouth, through the press and advertising, product demonstration or commercial production.

If you need to disclose the invention before filing it for patent application e.g. to a marketing consultant or a potential investor, do make sure that they are bound by confidentiality agreement.

Once you have obtained a 'patent pending' status from the Intellectual Property office, you can start disclosing and commercializing your invention.

#### **Inventive**

The invention also needs to display an inventive step that is not obvious to a person with average knowledge in the particular field of the invention.

For example, if you claim to have invented a bicycle with self-balancing technology – but simply add two wheels at its rear, this would not be an inventive step!

The Blackberry, on the other hand, fulfills the criterion of inventiveness as it looks and is used just like any other handheld communication device. In other words, it incorporates new inventions that are not discernible even to technology experts.

#### **Industrially applicable**

Your invention also needs to be useful, capable of being produced or used – to put it simply, it has to be something practical. It should, therefore, be of no surprise to us that the highest levels of human ingenuity and intellect have often resulted in solutions to the most common everyday problems!

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The most notable recent inventions according to the World Intellectual Property Office (WIPO) are, among others, the Bagless Vacuum Cleaner invented by James Dyson in 2002, Procter and Gamble's Magic Eraser in 2004, and even a patented Plate for eating Long Pasta invented in 2001 by a group of Swiss hospitality students<sup>1</sup>!

And more importantly,

### **2.2.2 Is patenting necessary and worthwhile?**

Filing an invention for a patent registration involves a considerable amount of time and financial investment. Therefore, before you take the plunge into patenting, we recommend that you go through the following checklist to determine if the decision would be worth the time, money and effort spent.

- Is the product marketable i.e. does it have market demand?
- Is it functional, reasonably easy to produce and economical?
- Can it be easily reverse engineered by people with the relevant expertise?
- Is your company committed to the development and marketing of the product?
- Do you already have investors interested in the venture?

If you answer 'yes' to most of the questions above then the invention is likely to be worth patenting.

There are also certain categories of inventions that are not patentable in Malaysia:

- scientific theories and discoveries
- mathematical methods
- plant or animal varieties
- non-man made microorganisms
- biological processes
- medical treatment or diagnostic methods
- methods of doing business
- methods of playing games
- mental acts

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### 2.3 Patents, Utility Innovation and Trade Secrets – How Do They Compare?

Not all inventions can be patented, and not all inventions would be worth the time, money and effort spent in filing it for patent protection.

For example, it is very common for companies to improve on existing inventions, resulting in another invention which is new and industrially applicable, but not quite inventive. Such inventions are best registered as **Utility Innovations** (or petty patents) - for the inventor to enjoy the protection accorded to those who fail to meet the three criteria to patent registration.

**Trade secrets**, on the other hand, form another category of Intellectual Property that does not require registration with any government body. Legal protection of trade secrets is generally considered to be weak as the onus is often on the owner of the invention to guard and keep them confidential.

Therefore, Trade Secrets commonly consist of inventions that are virtually impossible for others to reverse engineer, like recipes. One famous example of a trade secret is the recipe of the Coca-Cola beverage.

Unlike patents, trade secrets have no expiry date and their owners are not bound by any obligations to disclose. Therefore, exclusive rights and access to trade secrets remain as long as they are successfully kept confidential – and this is often one of the greatest motivation and incentives for certain inventors to choose a trade secret over a patent.

However, do note that this is where the greatest challenge with a trade secret tends to lie – the challenge in keeping it a secret!

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## 2.4 Why are patents worth the investment?

Despite the substantial costs involved, patents can still prove to be highly profitable investments provided that they are properly exploited through a sound commercialization strategy. The success of Pfizer's Viagra is an illustration of the profitability of patents.

In other words, filing an invention for patenting can help your company reap a host of benefits that will directly or indirectly boost its bottom line:

- **exclusive rights** to use and exploit the invention for twenty years from the patent filing date
- **market monopoly**, or at least, a bigger market share that results from being able to prevent your competitors from commercializing your invention
- **extra income** opportunity from patent licensing
- **improved investor relations** and public relations as your stakeholders are likely to view your company as high level industry experts due to the patents held
- **more bargaining power** in a cross-licensing or technology transfer program with other companies

Beyond profits, patents serve to encourage innovation and experiment as they are also a form of recognition and acknowledgement to the inventors.

The disclosure obligation on patent owners, on the other hand, provides an opportunity for new discoveries to be made available for public consumption, therefore contributing to the enrichment of society.

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## 2.5 The Patent Registration Process

So, how do you file an invention for patent registration once you have decided that it is worthwhile and necessary?

Filing for a patent can be a rather laborious task – especially if you are also trying to obtain patent protection in foreign countries.

The process usually begins with a worldwide **novelty search** to make sure that your invention is new throughout the world. It is advisable that the search is conducted by experienced IP professionals who are able to conduct the search in an efficient, accurate and timely manner.

Some inventors or companies engage the services of the Intellectual Property offices in their respective countries, while others turn to professional IP consulting firms who are able to take care of the IP registration from the beginning till the end.

Once novelty has been ascertained through the search, the next stage is for **patent drafting** – detailing the specifications of your invention and the aspects that you are seeking to protect in a formal document to be submitted to the Intellectual Property Office.

It is crucial that the patent drafting is done by an experienced Patent Agent with a good legal and technical background.

This is because the patent specification is essentially a piece of legal document on which your exclusive rights would hinge – the less loopholes it has, the stronger the protection would be.

Armed with a good patent specification, you can next proceed to file for patent application at the IP office of the country in which you are seeking protection. A patent would be granted once the specification has passed the **substantive examination** by the authorities.

The whole process, from novelty search to the granting of the patent typically takes between 4 to 5 years. Patents are also the most costly to obtain among all forms of IP registration, and once granted, your patent protection generally lasts for 20 years from the date of filing.

### 2.5.1 Filing for an International Patent Application

Patents, like trademarks and Industrial Designs, are territorial by nature. Therefore, inventors and companies usually find themselves faced with the demands of multiple filings when they need to register their patents in more than one country.

However, there are a number of regional Intellectual Property offices like the

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European Patent Office (EPO) and the African Regional Intellectual Property Office (ARIPO) through which you can apply for regional patent registrations.

In addition, the Patent Cooperation Treaty (PCT) provides a unified procedure for an international patent application. This way, you only need to submit a single international application covering a few countries and it is as effective as

submitting a separate application per country. However, each individual patent will still be granted individually by the respective country to which you applied.

If you are planning to market your invention in a few countries simultaneously, the PCT patent filing would be the more cost-effective way of doing so.

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## 2.6 The Patent Strategy – From a Business Point of View

Businesses exist for the main purpose of making money – therefore from their point of view, the decision to file or not to file an invention for patent registration, and what to do once they have decided to patent or not to, is most likely guided by cost-benefit analyses.

Such analysis commonly involve questions like:

- Is the invention commercially viable?
- Are there potentials for a significant Return on Investment if you were to invest in the patenting costs?
- Do you have a Business Plan in place – one that details the costs of commercializing your invention i.e. research and development, manufacturing, marketing and patenting, as well as a sales and revenue forecast?
- Is the invention easily reversed engineered or very vulnerable to industry espionage?
- Is it very likely that there is another party developing the same invention independently at the same time? If so, what happens if this other party files the invention for patenting before you do?
- What are the steps that you are taking to make sure that your invention is not infringing other patents?
- What if you decide not to file for a patent protection?
- Are there other alternatives to patent that can protect your invention e.g. Trademark, Copyright or Industrial Design?
- What if you decide to file for patent protection? How do you plan to enforce and use your patent?

The list above is by no means exhaustive, however they do provide a reasonably sound guideline that will assist an inventor in deciding whether or not to file for patent application. These questions can also be adapted to apply to any markets that you are considering to enter.

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## 2.7 Success Stories from Malaysia and the World

According to statistics from the Malaysian IP Office (MyIPO), there has been a 28% increase in the number of local patents filed in Malaysia between year 2005 and 2007<sup>2</sup>.

This upward trend augurs well for Malaysia as we seek to become a more IP aware and IP centric society. If we truly aspire to become one of the leading economies in the world, we need to innovate and pave ways for others to follow.

The following are three Malaysian companies that have successfully built their business foundation on their patents:

- Cal Lab Sdn Bhd with the world's first Lightning Isolator.
- Nesh Marketing Sdn Bhd with its Nesh Qoozo, a first-in-the-world, patented water filter that uses the science of ozonation.
- Carotino Sdn Bhd with its Natural Carotenes and Vitamin E Rich Oil and concentrates produced using a patented technology.

While these companies have carved their own niches in the local and international market with their patented products and technologies, there has yet to be any Malaysian product that commands a world market monopoly.

Phenomenal successes like Pfizer's Viagra (the US) and RIM's Blackberry (Canada) command significant world market share because they tapped into real, everyday issues that affected the quality of life of the average person on the street.

Then they offered solutions that are so revolutionary and yet practical, a paradigm shift occurs!

Before Viagra, many men resigned themselves to Erectile Dysfunction (ED) as part of aging and suffered in silence as the subject was deemed taboo and embarrassing<sup>3</sup>. Thanks to Pfizer, ED is now recognized as a treatable condition, many marriages have been revived, and the Blue Pill becomes a household name worldwide.

The BlackBerry, on the other hand, is a smart phone that allows its users to send and receive e-mails so easily that it earned itself the nickname 'CrackBerry' (indicating its addictiveness due to the e-mail feature)<sup>4</sup> among busy executives who are constantly faced with the challenge of getting more things done on the go.

Pfizer invented, protected its exclusive rights, educated its target market and captured them with the promise of reviving an important part of their lives like no other product could.

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RIM invented, protected its exclusive rights, provided its target market with a better solution to a long-acknowledged need, and achieved brand preference by positioning the BlackBerry as a status and success symbol.

As for Malaysia, we are still waiting for an invention that will take the world by storm.

Till then, at Intellect Worldwide, we do our part by contributing to the local IP landscape, handling our clients' inventions with the utmost care and passion – because one of them could finally turn out to be the next world market champion.

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