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A Consumer Product Company's Costly Patent Lesson: It's Not Enough to Protect the Invention, the Innovation Must Also be Patented

A SVP at a large consumer products company recently expressed frustration that he cannot bring a patent infringement lawsuit even when his company holds 18 US patents (and many other foreign patents) on a product that closely resembles a competitor's product. His annoyance is compounded because his company spent several years developing the product and technology covered by the patents. His company also spent several $MM introducing the product, which turned out to be a failure. The company removed the product from the market after several months, but the many patents remain in the portfolio today, and are still being maintained at considerable expense. I estimate that the patent protection for this failed product cost as much as $500K for patent coverage worldwide.

Significantly, the product did not fail due to quality or performance issues. Rather, it failed because it was over-engineered and used many expensive ingredients, a fact which made the plastic product too costly for the target consumer market. The competitor's knock-off product has been successful because they have removed much of the cost from the product by using less expensive ingredients, while still being able to maintain its desirable performance aspects. Of course, the SVP's company provided the competitor with a road map for product development: consumers desired the product but just not at the higher cost. With much of the cost removed from the product due to reformulation of the plastic composition, consumers have clamored for the product. The competitor's path to success was thus both less expensive and less risky, which significantly improves the ROI of their product development process.

So why can't the SVP go after the competitor by suing on one or more of the 18 US patents for which his company paid so dearly? Quite simply, the patents cover the **INVENTION** not the **INNOVATION**. The difference is subtle, but critical. The invention centered on the plastic composition of the product, that is, how much of each ingredient was present and how that composition manifested in the finished product. In contrast, the innovation centered on the performance of the product, irrespective of the plastic composition. The product was innovative (and desirable to the consumer) because it performed in a way no other product ever had before. When the competitor was able to extract the same performance from a much lower priced composition, the product not surprisingly experienced market acceptance.

Unfortunately for the SVP's company, its 18 US patents failed to address these superior performance attributes, which the competitor's product mirrors exactly. The innovator of the product *i.e.*, the SVP's company, thus has no legal recourse against the company that is now profiting from the innovation. Compounding the problem is the fact that significant expense was incurred to protect obtain patents that were ultimately worthless to protect the SVP company's market.

The reason for this situation is clear: the 18 US patents were prepared in a R & D/patent attorney "silo" where the "cool factor" was considered to be the attributes of the plastic composition, not the attributes of the final product. In such a science-focused world, the composition was viewed as the important feature on which to focus the patent coverage. (And, clearly, the R & D and patent silo found the composition innovative enough to obtain 18 US patents covering each and every possible aspect of the composition.) But, as far as the consumer was concerned, the composition did not matter one bit. So the competitor can now copy the performance because the patents do not address what is in fact the critical commercial feature of the product.

Sadly, the patents could have covered the performance of the product. This product was truly innovative. However, the people working on the performance of the product and its value to the consumer were divorced from the patenting process. As a result, the SVP's company spent several $MM of now-sunk costs on a failed product launch. His company is now also losing market share in adjacent products because the competitor's product is gaining in popularity, a fact which compounds the pain caused by the product's failure.

After hearing my explanation for his frustration, the SVP wondered aloud how to learn from this costly patent lesson. I told him that the answer was easy: he must dismantle the

patenting silo where his patent attorneys work only with his R & D team. Instead, his business team must drive the patenting process at his company by holding primary decision rights on what patent applications his company files and what those applications cover. No patent applications should be filed unless the commercially relevant features of the product can also be protected. In addition, prior to filing the applications, the business team should perform design-around exercises in which they ask "if this product becomes successful in the market, how will our competitors try to knock us off?" The answers to this question will likely stretch the view of the invention, which may allow broader protection to be obtained. Such broader protection will invariably make it harder for a competitor to knock off their products without also incurring patent infringement liability.

Of course, not all new products possess truly innovative performance attributes that can serve as the basis of broad patent protection. But if one does not approach the patenting process with the commercial features of the product as a focus for protection, it can be virtually guaranteed that the resulting patent coverage could be too narrow to prevent competitive knock-offs. And, as my SVP friend found out, once the patents are filed, the "damage done been did." If his company had possessed a business-focused patenting process, as opposed to an R & D-focused patenting process, maybe they could have prevented the competitor from taking some of their business today by using the marketing road map laid out by his company's failed product launch.