

Brian Burkinshaw of Clearpat Services, LLC

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:23] Hello, this is Hall Martin with Investor Connect. Today we're here with Brian Burkinshaw, founder and owner of ClearPat Services. ClearPat Services is a technology commercialization firm specializing in concept research, evaluation, novelty clearance and accelerated searches, drafting and prosecution of patent applications involving mechanical, medical and biotech devices, technologies and processes. Among their specialties is the ability to help you protect your valuable ideas and help you guide you to market commercialization. Their niche is in helping small and mid-sized businesses and individual inventors in Austin, in central Texas are obtaining patent protection for their ideas while keeping costs to a minimum. They can perform the research necessary for patent planning to determine how best to protect your ideas, whether it's through trade secrets or the generation of patent applications that stand the best chance for patent allowance and issuance. Implementing the right strategies in place. Your company in the best possible position to be favorably considered for growth, venture funding or acquisition. Brian has over 40 years of experience in industry ranging from product design, manufacturing and project management to venture capital. He's also named inventor on over 50 patents. Brian, thank you for joining us.

[00:01:24] Well, thanks for having me. Hello. Good afternoon. I'm going to be here.

[00:01:27] Thank you for joining us. And so let's start right at the top that one of the most common questions I get is when should I start a patent?

[00:01:35] Well, I hear that a lot as well. One of the probably the best things you can tell somebody is fail early, fail often. And before you show it to anybody else, you typically you know, a lot of people will go out and try to demonstrate their idea to their friends and they'll take it to a conference or they'll take it to some kind of a meeting or a professional meeting. They'll pull this thing out of their pockets. Hey, what do you think of this? And they've never filed a patent on it. And what they've done is they just expose their idea to God knows how

many people, if they do it at a conference, it's public information at that point. And they basically cut themselves back in terms of their ability to find a path. There are some rules that allow you a little bit of time, a little bit of leeway so that even after you've disclosed it, you have a certain amount of time to file. But if somebody beats you to the punch, because now, since 2011, after the America Invents Act, the first person to file is the first one to get the patent. It doesn't matter anymore. If you're the first to invent, always file before you show it to anybody.

[00:02:37] Great. And so what should they file? What's the strategy there?

[00:02:40] Well, again, as anybody will tell you in law, it depends. Very rarely does anybody have a concept that is so well thought out, where they understand the market, they understand everything that's going to happen and how it's going to be received in the market. I always recommend the first thing to do is file a provisional. What that does is that gives you a stake in the ground, gives your priority date, which is very important. And it says that from this date that I file, I've actually disclosed my invention to the patent office and it gives me a full year to perfect those ideas before I have to file a utility, a patent application, I should say. So maybe I should back up just a step here and clarify some things. One of the things I hear all the time is I've got a provisional patent and nothing could be further from the truth. There's no such thing as a provisional patent. A provisional patent application exists. And that is what I'm talking about, filing a provisional patent application. Then you have a year to file a utility patent, which is the thing that can actually evolve and turn into a patent down the road after it's been prosecuted. But the provisional application is what puts the stake in the ground. And these are the things that I'm talking about that should be filed early and filed often.

[00:03:56] They're cheap. They're quick to write, relatively speaking. Depends on how how you write them. But people have different ways that they like to write the provisional applications. But the rules aren't as stringent on a provisional. They don't require claims. And there's a number of formalities that don't have to be done. And they're, as I said, relatively inexpensive. They're like three hundred bucks to file with the patent office, not counting the legal fees that somebody is going to charge you to draft those. But again, even if you choose to write those yourself, you just have to be careful that you do in a certain way that it fully discloses the key nuggets of your invention and what it is without going into a whole lot of detail and what I like to call a kitchen sink dump. You don't want too much information in there because like they say,

anything you say can and will be used against you by the examiner. It becomes anything that you put into an application becomes prior art down the road. So some little things to keep in mind there. There's a lot of information that comes out of that. But that's that's one of the things that you need to keep in mind when you're doing that.

[00:04:56] All right. So so how should an investor value filed patents? How much stock should he put behind that?

[00:05:02] Well, first of all, as an investor coming in, I know that you, for one, probably always ask, do you have any IP, you have any patents, you have any trademarks? Do you have anything like that that is considered IP? First of all, that tells you that whoever you're dealing with is serious. They've thought it out. They value their technology enough to have taken the time and the effort and the expense to go ahead. And protect their idea that says that they're a little bit more than a weekend warrior out there playing with an idea, but when you take a look at that pattern or that trademark or the design or whatever it is you've got to look to see, first of all, is it enforceable? There's a lot of things out there known as paper patents. They merely describe the technology, they describe the device, they describe things. But the claims are so poorly written that you can't enforce them. You'll spend a lot of money, a lot of time getting that patent. And it's essentially worthless because you can't enforce it. And by that, I mean they may be written so broadly that they're like blue sky claims. And you're taught to do that early on with your first patent. We have just a couple of claims, and you write them as broadly as possible just to see what kind of feedback you're going to get from an examiner and then that'll help you whittle it down and then hopefully get you to the key nuggets that are in there. But once you get to the key nuggets, then you've got to write them so that they are enforceable and that you don't have something called divided infringement, which essentially means that it takes two or three actors performing a task that the claim describes.

[00:06:29] By that, I mean, say, for example, you're providing a medication for a disease. OK, well, who made the medication? Who delivered the medication and how was it prescribed? And was it the doctor that infringed? It was the salesman that infringed it or was the company in India that made it. So you have to be very careful about how you write that claim. So you have to look at whether or not they're enforceable, whether they're targeted claims. Are the claims going specifically to a unique feature that has to be there, that it's very easy to see when you go

look at whether or not somebody is infringing your idea and you have to be able to prove it. So the best way to prove it is, does it look the same at the same machines? And can you open it up? Is that the same mechanism in there because it function the same way? Is the process for producing something that can only be done in a certain way, in a certain temperature, those types of things. So you have to be very specific about how the claims are written and how enforceable they are. So that's how you look at the value of it. If it's written so broadly, blue sky type of claims, or they just have divided infringement throughout all the different claims, then they're not really as valuable as you might think. The other thing for somebody, for example, that's somebody that buys and sells pads and NPE, for example, what they're going to look for is what makes a patent unique is your ability to keep others from practicing your idea. And so for them, it's strictly a monetary tool and something that they can license or sell to somebody else.

[00:07:52] And if you don't have that enforceability, it's not valuable enough for them to license or sell it. So in a nutshell, that's what I would tell people to look at in terms of how you value a pet.

[00:08:02] Ok, and so that's the difference between what is a valuable patent and what is not so valuable is enforceability, correct? Correct. And so what should you file as a patent and what should you keep as a trade secret, how you make the distinction between the two and making a path there?

[00:08:18] Sure. Trade secrets are. Well, let me put it this way. Patents are the things that have a lifetime to them. And they're typically the things that if you look at a device or you open up a device or you look at a process when you can readily ascertain when it's sitting in front of you what it is that they're doing that makes that a unique, you know, patented invention, then it's not something that's hidden. Then it's something that should be patented. If you can't keep it hidden, then it should be patented. If somebody can, for example, open up your box and see that you've got gears that are arranged in a certain way, or if they've got, you know, a formula that can be easily reverse engineered or you can figure out what the chemical content is to a formulation very easily, then those are the kinds of things that you need to patent. If it's like software and it's SACE, you know, it's stuff that's done in the cloud and you're you're licensing that software. That might be something that you want to think about keeping as a trade secret. You also, for example, here's a common ones out there. The formula for Coca-Cola, they kept

that as a trade secret. Only a couple of people knew that formula. They were well compensated for that. They had very strong nondisclosure agreements, I'm sure. And the company certainly has the wherewithal to, you know, get these people brought to justice and prosecuted, whereas a small company has a little startup company, maybe doesn't have that kind of money to chase somebody down and prosecute and take it through years in court if they choose to fight it.

[00:09:47] Colonel Sanders recipe for his chicken synchronising the formula for the cream filling in Twinkies, I think is another one that I've heard is it's a trade secret. Those are the types of things that they want to keep secret because they're not easily ascertained. People can spend a lot of money trying to figure out what that formula is. That's something that other people don't often think about. Free trade secrets is all the mistakes you've made to get to where you're going. You don't want to necessarily advertise that, whereas a lot of people put it in a patent application. Let's say we did this and this and this and it didn't work and these things don't work. But we did this, this, this. And now we've got this invention that works well. Why would you necessarily want to disclose that to all your competitors, all you're doing is making it easier for them to do a workaround. So that's the kind of thing you keep trade secret? I don't know. There's there's a number of different kinds of things like that that you would just keep trade secret formulas, medications, those types of things, and how you get their processes in terms of how something is put together. There might be a very unique way to make it work properly, that you have to put it together in a certain sequence. So those are the types of things that you don't necessarily put into a pan very often here, people conducting prior art searches.

[00:10:55] When when do you do those in you know, how much do those costs and what's that all about?

[00:11:00] Yeah, prior searches, there's actually a number of different searches that can be done. But the biggest thing that you want to do is take a look at your concept. And before you go spend a lot of money on a patent or on an investment, you want to go out there and see if it's ever been done or disclosed before. And it doesn't necessarily mean in a patent. It could be in a written article. Basically, anything that has been published or is made public can be found in any library in the world, in any language starting from the beginning of time and printed materials, if they can find it, it's prior art. So you don't want to go spend, let's just say, anywhere from 10 to 30 thousand dollars to prosecute and get a patent. Then you're going to spend

another tens of thousands if it's a worldwide application or patent, tens of thousands of dollars maintaining that pad over the life of the patent. And then if you go to court to defend that patent, it could be two hundred three hundred thousand dollars in a protracted suit to defend your pet. Now you can spend twelve hundred eight hundred two thousand dollars in that range to do a good, thorough worldwide prior art search before you've ever done anything to write a patent or anything with the patent office. And you could find out that you have a very unique, narrow lane that you can go down that nobody has ever done before. Or you can find out that 27 people around the world at different times over the last 10 years have done the same thing. So what would you rather do, spend a couple of thousand dollars upfront or spend potentially hundreds of thousands of dollars 10 years later and possibly have an invalid patent? Somebody prosecutes and takes you to court saying your idea is not unique.

[00:12:39] So then I often hear about a freedom to operate search. What is that all about?

[00:12:43] A freedom to operate search is something that you as an investor typically want to see. And what that is, is a search that's been done where you are looking at patents that are still enforceable, meaning they're less than 20 years old or 15, depending on when they were filed. Seventeen, I mean, when they were filed and design patents that are 15 year life from the day of issue that still have enforceable claims. And you want to do a wide net on that in any jurisdiction where these patents are essentially going to be applied. So if you have a U.S. only pad, then you would want to do a very broad, U.S. focused freedom to operate search that looks at every enforceable patent in that space where the product that you're investing in or the patents that you're investing in are not infringing somebody else's ballot patents either in the method of use or in the actual device that you're investing in. It's very costly if you go spend 50 or 100 or 200 thousand dollars for somebody IP and then turn around and have somebody come and sue you two years later and tie you up in court for infringing, and then you have to pay them royalties for infringing their pay. If they don't just shut you down, which they would have the right to do.

[00:13:57] So was it cost to file a patent? You mentioned some several numbers there and provisionals and others, but in a standard patent, what's the owling cost on that?

[00:14:05] Well, the all in cost, again, it's going to depend it depends on the technology. Software patents are typically much more expensive because it's a limited number of people that can do that. And the way that you have to now write them is much more complex than it used to be a number of years ago. Chemical patents tend to be a little bit more that type of thing. So the all in cost could be anywhere from a provisional, say, three to five thousand dollars to a utility patent that can run anywhere from 10 to 20, sometimes 25000 dollars. And that utility patent being, you know, anything from a mechanical device up through a drug or something along those lines. So that cost the actual patent filing costs are relatively inexpensive. They're twenty five hundred dollars, something like that, to actually do the filing for utility application. A provisional application is like less than 500 dollars million just for the filing costs. It's the time it takes for somebody to take that concept, take that idea, take that invention and properly drafted into an application that costs money. And that's where the prices will be all over the map. The East Coast and West Coast law firms are typically the most expensive Midwest law firms. Your boutique Midwest law firms in particular, are generally much cheaper. Hourly rates for a patent attorney can be anywhere from two hundred. Ninety to three hundred and fifty, all the way up to eight or nine hundred dollars an hour, and that's not at the partner level, that's just at the associate level. If you get into a partner doing the applications for which they rarely do anymore, they've got millions like me and junior associates that would tend to write those for the mill. Spend an hour going over what we've done and fine tuning it a little bit. But those costs are typically much more expensive from the east and West Coast than they are in the Midwest.

[00:15:50] And so how long does it take to get a patent these days so a patent can be done quickly?

[00:15:55] It can be done in less than a year, or it typically will take anywhere from 20 to 30 months to prosecute all the way from the date of filing to a final determination, whether that is you get a patent or they say, no, you don't get a patent, then you have to file with a continuing process where you pay another partial fee, not a full fee, but a partial fee. And you can actually do that two or three times. But typically it's anywhere from a standard utility patent is about 22 to 24 months. You can do a track, one application, which by paying a fee, everything involves a fee with the patent office, by paying a fee of anywhere from 1100 to about 4200 dollars. Somewhere in that range, you get an expedited track, one application, and you can have that

entire thing resolved up to and including the issuance of a patent in under a year. And that becomes critical for some industries, particularly where the life of the product may only be a few years. Software is one where that happens a lot.

[00:16:54] Well, that's great. Well, in the last year that we have here, well, should we cover that? We haven't?

[00:16:58] Well, I would say that that's probably the talking points that I hit on before. Probably the most critical. It's just that you should always looked to file early, file off and do your due diligence up front. Don't rely on your own skills to surf the Internet to see if it's been done before. Pay someone they're not that expensive, pay someone who's a skilled searcher to go out there and search the databases, their databases that you have to pay for. Sometimes that if they know how to access, they can get in there, they can search literature, they can search worldwide every kind of patent design, patent and utility patents, all those types of things that college references, theses, all those things they can they have access to all those things. And they can find that art if it's out there, if it's been described. And that could save you a whole lot of money up front. That's one of the things I always recommend.

[00:17:53] Very good. Well, appreciate the information. So how best for listeners get back in touch with you?

[00:17:58] Well, the easiest way to get a hold of me is through my website, ClearPath and or LinkedIn. That's always a good way to get a hold me or just call me. My number is five one two six five seven six eight, four, three. I keep my phone with me almost all the time and pretty much I'm awake from about six in the morning until 9:00 at night where I take calls and I'm always open for business.

[00:18:21] Great. Well included in the show notes and want to thank you for joining us today. Hope you come back for a follow up soon. Thank you and thanks for having me.

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