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Inventor Paranoia

1994 TEN article by Ed Zimmer, 734-663-8000, The Entrepreneur Network, Ann Arbor, MI.

Many beginning inventors are obsessed with secrecy. They're convinced their latest invention is their "best" -- and that anyone who hears of it will certainly "steal" it. They then become so obsessed with "protecting" their invention as to virtually guarantee that they'll never see a dime from it.

Hey, guys, you can't "protect" an invention. You can seek to acquire certain intellectual property rights in the invention. e.g., with a patent. And if your solution to the problem is truly superior, and if it's commercially viable, and if the rights you acquire are sufficiently "strong", i.e., your intellectual property covers ALL economical ways of providing the intended user benefit -- you MAY be able to sell or license those rights.

However, even if you do everything 'right' -- by the book -- there's no guarantee you won't get ripped off. If someone chooses to copy your invention -- without acknowledging your rights -- all you can do is sue them. And a typical infringement suit starts in the range of a quarter million dollars.

The intellectual property licensing business depends in large measure on good will. Intellectual property rights add a useful intimidation factor. No one -- including large companies -- want to end up in court. It's expensive and it's lousy PR.

However... if a company perceives the inventor as being unreasonable, if a company perceives that they can intimidate the inventor from filing a suit (costs, threats of counter-suit, etc.), if a company perceives that they can cut a better deal by forcing the inventor to sue and then settling, etc. -- some will do so.

Professional inventors expect to get ripped off occasionally. It comes with the territory. They take prudent measures to protect their rights (non-disclosures, patents, etc.), but they don't let those measures get in the way of a deal, i.e., their focus is on getting their invention into the market where it can make both them and their licensee some money -- not simply on "protecting" themselves.

They count on the fact that there are more ethical people in business than there are unethical. Consequently, they'll succeed more often than they'll get ripped off. And the alternative -- to do nothing -- is a certain loser.

Bob Shomo, 313-685-0333, Milford, MI, is a professional inventor. Formerly head of Advanced Engineering for Ford, now he invents for his own account and for others for fee. A couple of his experiences, which he shared with us recently, illustrate how an inventor can get ripped off despite doing virtually everything right.

Wilson Sporting Goods

Back in the '70s, Bob developed a folding bicycle which he ended up licensing to Korex, a major Korean sporting goods manufacturer in the bicycle and golf markets. Korex expressed interest in expanding into the tennis market and Bob developed a vibration-free tennis racket for them, maintaining the patent rights and licensing the design to them.

After several years of production, Korex decided to terminate their activity in the tennis market and released Bob from their agreement. So he contacted Wilson, the major U.S. manufacturer of such rackets.

Wilson was interested. He met with them in Chicago. Gave them full know-how, engineering and test data. Even a dozen rackets. Royalty rate was negotiated. He agreed to take a much lower rate from Wilson than he was getting from Korex on the expectation that Wilson's production would be much greater. A final negotiating meeting was scheduled.

Then it was cancelled. Wilson went through a major management shakeup. When things settled down Bob got back in touch with his only contact left there. "Yes, Wilson's still interested. Yes, they still have his data and his rackets."

After several months of trying to prod some action, he gets the statement, "Well, our patent attorney thinks you have a weak patent -- and we're going to go ahead and do our own version." That version came on the market about a year ago -- the Wilson Air-Shell.

Bob's design involved thinning down the racket handle, wrapping it with shock absorbant material, covering that with a thin hard shell (to maintain the "feel" of the standard racket handle), and then finishing the handle with conventional wrapping. And that's how his patent claims read -- except that his thin hard shell was in two pieces (2 half tubes) for ease of manufacture.

Wilson's design is identical, except that they use a full tube (one piece). Technically, they aren't infringing his patent. He and his attorney are currently arguing that, although Wilson is not literally infringing, they are infringing under the doctrine of equivalents, i.e., that Wilson's design performs substantially the same function in substantially the same way to obtain the same result. Certainly a reasonable argument. Wilson's response, "If you persist in your charge of infringement, Wilson will seek sanctions and attorney fees against Mr. Shomo for pursuing a frivolous claim."

Put yourself in Bob's shoes. What do you do now? If you persist in the case,

it's likely you'll come to a reasonable settlement. However, there's an outside chance that Wilson could prevail on their threatened sanctions. And recognize that Bob's not pursuing this matter under a corporate liability-shield -- all of his personal assets are at risk. Not an easy decision to make!

It's likely that if there hadn't been a management shakeup at Wilson -- at that time -- an agreement would have flowed -- even with a "weak" patent. There's just not that much money involved. But a new management team, looking at actions of past employees, may well see the situation differently -- and in this case they did. And once that decision is made, the rest flows -- including hard-ball threats.

Short of having written broader claims in his patent -- which he may or may not have been able to do -- there's little Bob could have done to have prevented this situation. In essence, he did everything "right", only to lose -- even if he does proceed and does prevail.

Ford Motor Company

Back in '91, NTN, a Japanese multi-national bearing manufacturer, was looking for ways to drive a car's alternator at a constant speed independent of engine speed. The car's alternator is currently fan-belt-driven off the engine. At idle, it hardly provides power for the increasing electronic load of today's automobile. At highway speeds, it provides over-power.

Bob proposed replacing the alternator with a hydraulic pump feeding a constant-displacement hydraulic motor and gear reduction unit which could then drive not only the alternator, but also the a/c compressor and power steering pump, at constant speed (either through electronic servo-control of a variable-displacement pump or through a constant-displacement pump, "bleeding off" unwanted volume to maintain the constant speed).

Doing so would provide not only more efficient operation of these items (fuel savings, parts and materials savings), but would also allow them to be moved from the congested, hostile-environment engine-compartment to a less-congested "free space" area elsewhere in the vehicle body (improved maintainability, more parts/materials savings).

NTN chose not to pursue the project. But, a year ago, Ford called saying, "Hear you have a solution to the alternator problem. Can you come in and talk?" Bob met with them and gave them a proposal similar to what he had given NTN, except alternator only.

Then, four months of review. Call from Ford. "Proposal still valid?" "Yes." "We want to go with it." They met again. Formed a team. Laid out a schedule for 3/94 completion of a demo system. Contract promised by next week.

Next week, another call from Ford. "Will you come in as employee? Proposal is too expensive." "No." Later call: "We're going ahead with the

development ourselves."

Bob probably should have filed for patent earlier. He didn't. However, in his view, Ford made a verbal agreement with him in return for the technical information he provided. Ford will probably argue that his earlier proposal to NTN constituted a "public disclosure" and that, therefore, that information was in the public domain and free for anyone to use. A mess! This is going to cost everyone much more (in legal bills) than an simple agreement would have.

But so goes the "real world". The inventor wins some and he loses some. He just tries to protect himself as best he can -- within reason and resources -- and hopes that he sees a few more winners than losers. A professional, like Bob, takes these things in stride and, although frustrating and irritating, goes on. And don't feel too sorry for Bob -- he's had, and continues to have, more winners than losers.

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