Inventors DIGEST

OCTOBER 2015 Volume 31 Issue 10

The Right Hook
BRIAN HOCK KEEPS HYDRATION SIMPLE

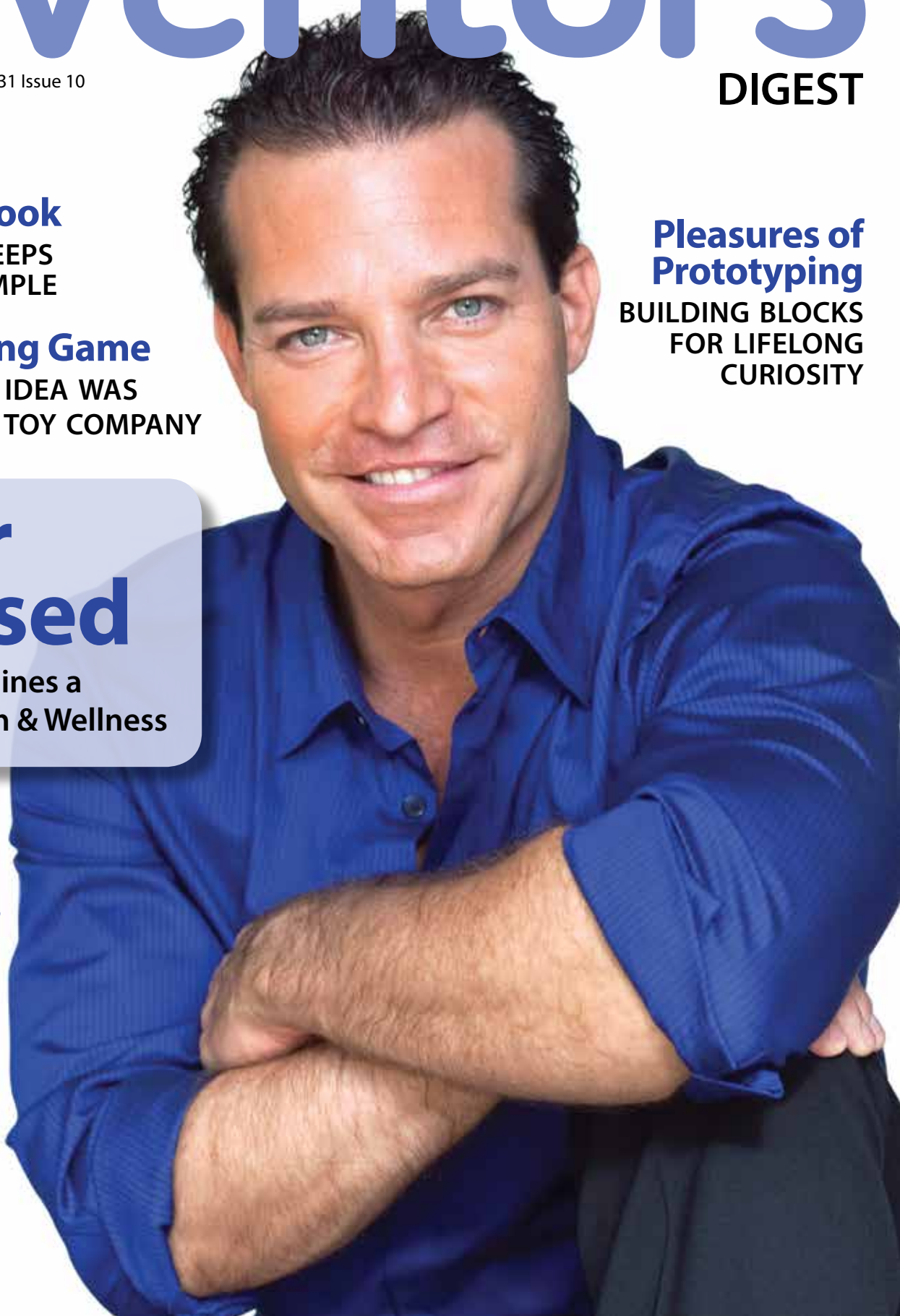
One A-Mazing Game
HOW A SIMPLE IDEA WAS LICENSED BY A TOY COMPANY

Pleasures of Prototyping
BUILDING BLOCKS FOR LIFELONG CURIOSITY

Laser Focused
Craig Nabat Shines a Light on Health & Wellness

5 Important Steps in the Import Process

THE SECRET AMBITIONS OF **Hedy Lamarr**



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Communication: The Key to Success

We do it mindlessly: Turn on our cell phones, computers or GPSs, and, no matter our location, we are instantly connected to the world. Most of us would assume that a scientific genius working tediously with a team of engineers came up with this powerful technology—but nothing could be further from the truth.

The invention that led to wireless communication was conceptualized by a woman—and not just any woman—but the most beautiful woman in the world in her day: Hedy Lamarr. A star of the silver screen during the late 1930s and 1940s, Lamarr's intelligence matched her looks. In a room in her Hollywood home, where she tinkered at night after leaving the movie set far behind, Lamarr drafted the engineering plans for a communications system that was capable of eluding Nazi detection.

Rather than a lab coat, Lamarr's partner, avant-garde composer George Antheil, wore a tuxedo. His knowledge of the synchronization of self-playing pianos was the connection Lamarr needed to execute what was known as "frequency-hopping" technology. Though the two received little recognition for their invention at the time, our current information-driven world would not be the same without it. Be sure to read Lamarr's fascinating but lamentable tale on page 10.

Okay, so it's not as complicated or far-reaching as frequency hopping, but Craig Nabat's first invention, the FINDIT Key Finder, involved another means of communication: clapping. Nabat began his product-development journey with a device that could locate "lost" items—keys, remote controls or glasses cases—by clapping three times.

Nabat experienced frustration and disappointments getting his invention to market, but along the way he discovered laser therapy. A smoker, who could not find a way to kick his pack-a-day habit, Nabat finally got treatment for his addiction at a laser therapy center in Canada. After successfully setting up a similar clinic in Los Angeles, he developed the Freedom™ Quit Smoking System for home use.

Nabat's fascination with low-level laser therapy led him to also develop a device to treat hair loss. While he is in the process of securing FDA clearance on the iRestore® Laser Hair Growth System, Nabat is also wrapping up agreements with drugstore chains to carry the Freedom Quit Smoking System. His goal is to help five million people quit smoking in the next two years. Let's hope Nabat is successful.

The technology may exist, but it's how we use it that counts. Andy Geremia, who licensed a game to a toy company, says although there are numerous resources available to research product development and licensing, the real key in taking an idea to market is effective communication. Read Geremia's account of his licensing process in *One A-Mazing Game* on page 16.

Do the right thing or do things right? That's the question Jack Lander poses in this issue, taking his lead from business expert and author Peter Drucker. It is a quandary each of us faces every day, whether we're taking a product to market or reviewing patent law. And it's not simply a matter of semantics; it's how we interpret the issues behind the words that give them meaning. Whether it's the latest technology or the oldest of words, thoughtful communication is the key to success.
— Cama McNamara

DREAM SMALL

DISCOVER NOTHING

IMAGINE LESS

DO WHAT'S BEEN DONE

INSPIRE NO ONE

GIVE UP

HOLD BACK

INVENT NO MORE

IGNORE YOUR HEART

SHOOT FOR AVERAGE

THINK NEGATIVE

REACH FOR THE GROUND

IF CONGRESS PASSES LEGISLATION WEAKENING PATENT PROTECTION, THE MESSAGE TO INVENTORS IS, "WHY BOTHER?" SO WHAT INVENTIONS WON'T BE INVENTED? WHICH START-UPS WILL GET KILLED BY FOREIGN COPIERS BEFORE THEY GET STARTED? WHOSE JOBS WILL GET SHIPPED OVERSEAS? VISIT SAVETHEINVENTOR.COM AND TAKE ACTION TO HELP PRESERVE U.S. INNOVATION AND ECONOMIC GROWTH.

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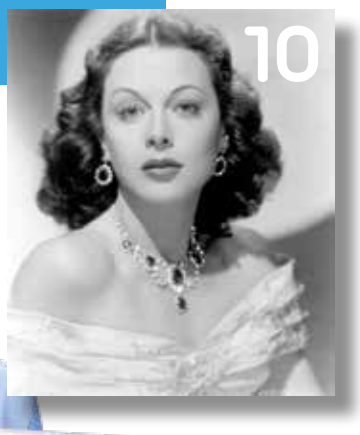

Contents

October 2015 Volume 31 Issue 10

Features

American Inventors

Departments

ON THE COVER:
Craig Nabat, photographed by Denice Duff

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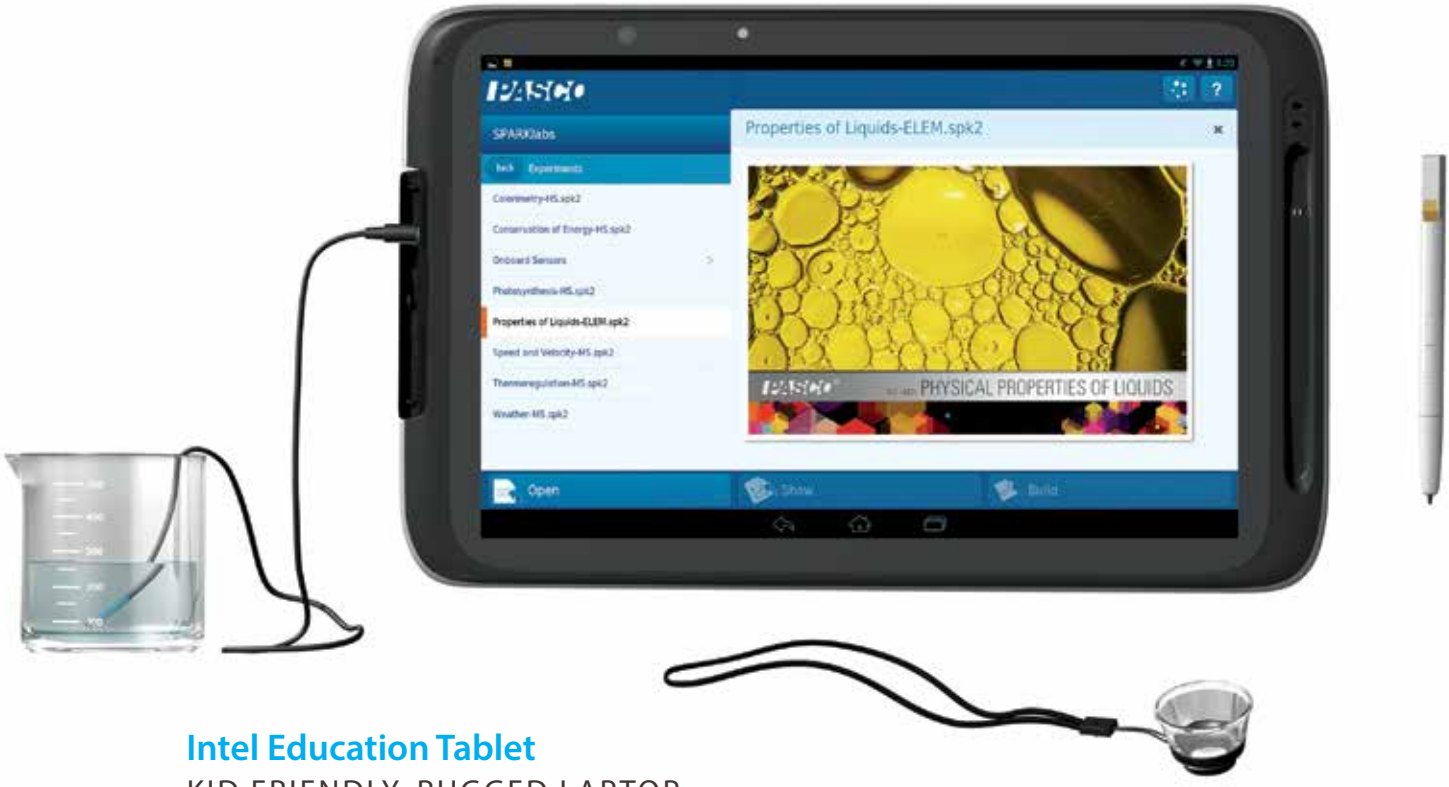
Bright Ideas

Compiled by Cliff McNamara



Intel Education Tablet

KID FRIENDLY, RUGGED LAPTOP

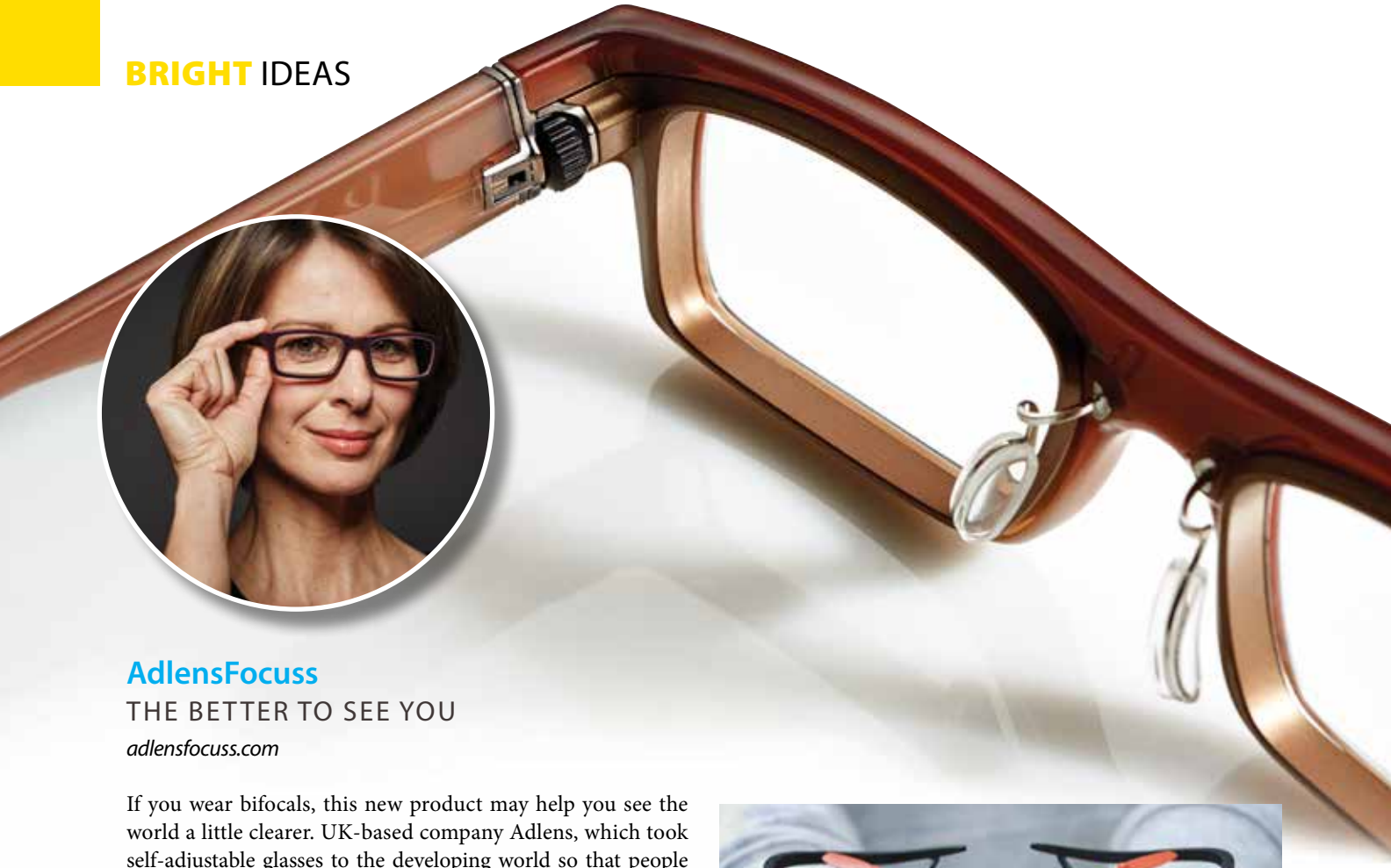
intel.com

Educators and students alike will be able to explore their world with the 10-inch Intel Education Tablet. This laptop's rugged build resists dust and water and is designed to withstand accidental drops. The scratch-resistant screen and rubber bumpers help extend the life of the device, and a comprehensive application suite engages students.

Front- and rear-facing cameras encourage content creation. Lab Camera and SPARKvue allow students to carry out observations and measurements with the built-in camera. The device also includes a 30x snap-on magnification lens and temperature sensor, which encourage inquiry-based learning.

Students can also organize their schedules, make sketches with the included stylus, edit photos or study with the interactive PDF reader. The machine's hardware is adequate, running on Android with an Intel® Atom™ Processor Z3700 Series with one or two GB of RAM and 16 or 32 GB of storage. Six-and-a-half hours of battery life allow students to stay unplugged while they work. Intel Education Tablets are available from Intel authorized retailers. — *Cliff McNamara*

"The progressive development of man is vitally dependent on invention. It is the most important product of his creative brain." — **NIKOLA TESLA**



AdlensFocuss

THE BETTER TO SEE YOU

adlensfocuss.com

If you wear bifocals, this new product may help you see the world a little clearer. UK-based company Adlens, which took self-adjustable glasses to the developing world so that people could dial in their ideal magnification level without the need of an optometrist, recently released that same technology in the United States as an alternative to bifocals. The AdlensFocuss glasses incorporate two lenses for each eye. The wearer's prescription lense is located in the front, the adjustable lense is in the back, and a layer of clear silicone oil separates the two.

Wearers can turn a small dial on the inside of the temple arm to push the lenses together or apart, which instantly alters the magnification rate to one of three different settings—distance, mid and reading—that are preset with the user's prescription. Adlens calls this technology "variable power optics" and says the viewing area—which is the full size of the lense—is four times larger than that of the best no-line bifocals. The company launched its AdlensFocuss eyewear in the United States this past June, with four different frame styles and a choice of six finishes for each. Prices start around $1,000.

"Obstacles are those frightening things you see when you take your eyes off your goal."— **HENRY FORD**

Micro Drone 3

FEEL THE FLIGHT

If you are thinking of buying a drone, Micro Drone 3.0 may be the perfect place to start. Most small, portable drones have shortcomings, but UK company Extreme Fliers included features in its new Micro Drone 3.0 that are usually found only in high-end drones. The drone fits in the palm of your hand and has a 720 x 1280 HD camera that is stabilized by a tiny gimbal. The package includes a VR headset that is controlled with Google cardboard VR for first-person flying sensations. The Micro Drone 3.0 can be controlled with an included radio controller or an iOS or Android app. Special algorithms allow the drone to fly in rough winds of up to 28 mph. With access to a 3D printer, you can create your own frames or download ready-to-print CAD files that can be used to customize the drone. The Micro Drone 3.0 can be preordered on IndieGogo and will be available in retail outlets by November 2015.

DxO ONE

DSLR-QUALITY PHOTOS, COMPACT SIZE

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DxO ONE packs the power of a high-end camera into a compact size that is ready when you are. Simply attach the DxO ONE to an iPhone or iPad via the Lightning connector, and it will turn the device into a swivel LCD display for the 20.2 megapixel DSLR-quality camera. Once connected, the camera can swivel 60 degrees in each direction.

The DxO ONE has a powerful one-inch sensor, and it automatically enhances every photo you take using advanced image processing. Photographers can control camera settings, including aperture (f/1.8 to f/11), shutter speed (15s to 1/8000s), ISO (100 to 51200) and capture modes (scene, speed, aperture priority or full manual). The camera also lets you control the depth of field for sharp and focused portraits and closeups. The app allows for advanced image editing on a phone or PC, and corrections can be made to a single picture or batch of photos.

Inventor-Con 2015

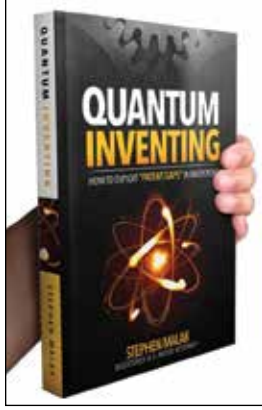
A CONFERENCE FOR INVENTORS AND ENTREPRENEURS

The Central Kentucky Inventors Council will hold Inventor-Con 2015 on October 6, 2015 at the Central Public Library in Lexington, Ky. The event, now in its 10th year, is free and is designed to help inventors and entrepreneurs discover and connect to the tools needed to carry their ideas to a profitable invention or business.

The conference features training presentations, speakers, invention and innovation exhibitions, and workshop/breakout sessions, with experts speaking on topics ranging from funding to prototyping to patenting. The event also includes a Young Inventors Program for students. This year's keynote speaker is inventor and author Stephen Key.

"This event is now one of the largest of its kind in the Midwest," says Don Skaggs, CKIC president. "Inventors and entrepreneurs from all over the country come to Lexington to be a part of this conference."

Inventor-Con 2015 is open to the public.
For information or to register, go to http://www.ckic.org.



YOUR PATENT CAN BE DESIGNED AROUND

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QUANTUM INVENTING
by Stephen Malak

* Book available online, only at quantuminventing.com

Livall Bike Helmet

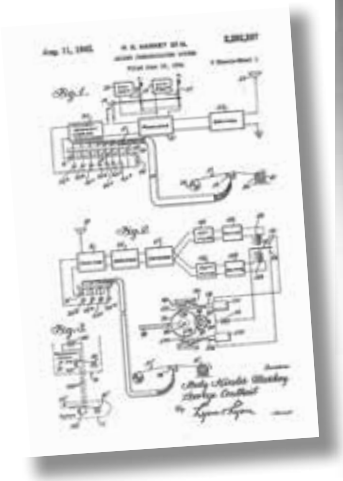
SAFETY AND MORE

livall.com

Advocates of bike safety will be interested in a new product by Chinese company Livall. This LED-loaded helmet also serves as a walkie-talkie and sends an SOS alert if the rider falls. Rows of colored LED lights on the top and back of the helmet act as direction indicators to keep others on the road aware of the rider's movements. The lights are controlled via a handlebar-mounted device, dubbed Bling Jet, that speaks to the helmet over Bluetooth 4.0. The helmet is fitted with built-in Bluetooth speakers that can play music from the rider's phone via Bling Jet, and a built-in microphone allows riders to receive phone calls by tapping a button under the helmet cap.

Text messages are converted to voice, so riders can keep their eyes on the road. The device can charge the rider's phone, as well as remotely control it to snap photos and video with help from the companion app. The Liveall Riding app can integrate data from other devices, such as a pedometer, smartwatch or a walkie-talkie that allows groups of riders to stay in touch.

In case of an emergency, a gravity sensor built into the helmet is designed to detect a sudden fall; the helmet then activates additional lights and sends out an SOS alert to emergency contacts. The Livall Light Helmet is available for pre-order on Indiegogo for $159.



Leading Lady

The Secret Ambitions of Hedy Lamarr

Silver screen star Hedy Lamarr, dubbed "the most beautiful woman in the world," was revered for her exotic looks, but it was for what she did off the movie set that Lamarr longed to be remembered. Proving that she was more than just another Hollywood star, Lamarr's "frequency-hopping technology" earned her a place among the 20th century's most important inventors.

Born Hedwig Eva Maria Kiesler to Jewish parents in Austria, at age 18 Lamarr starred in the film *Ecstasy*, which put her name on the hushed lips of film fans around the globe. That same year, she married Fritz Mendl, a wealthy arms manufacturer with ties to both Hitler and Mussolini. Lamarr often accompanied her husband to meetings, where conversations revolved around secret weapons and detection devices that could listen to and jam the radio signals that American aircraft and weapons used to communicate with one another.

As World War II and the Nazis approached, Lamarr fled her homeland and controlling husband, and booked passage on the *Normandie*, a ship she knew was carrying movie magnate Louis B. Mayer. By the end of the trip, Lamarr had secured a contract, with the stipulations that she change her name and learn English—which she did very quickly.

"Any girl can be glamorous. All you have to do is stand still and look stupid." — Hedy Lamarr

Secret Life

Often playing the role of glamorous seductress, Lamarr's career took off as she shared the screen with Hollywood's leading legends—Clark Gable, Spencer Tracy and Charles Boyer—but she could just as easily have been cast as a spy, for Lamarr had an alter ego: actress by day, inventor by night.

"She set aside one room in her home, had a drafting table installed with the proper lighting, and the proper tools—had a whole wall in the room of engineering reference books," said Richard Rhodes, author of *Hedy's Folly: The Life and Breakthrough Inventions of Hedy Lamarr*, in a *CBS Sunday Morning* interview. "That was where she 'invented.' "

It was a hobby Lamarr didn't make public and rarely revealed. "She was such a creative person, I mean, nonstop solution-finding. If you talked about a problem, she had a solution," said her son, Anthony Loder, in the same interview.

Lamarr's early inventions, which included a better Kleenex box, a new traffic signal and a tablet that dissolved in water to create a carbonated drink, didn't go anywhere, but the war in Europe was never far from her thoughts. Newspaper headlines declared the atrocities of German U-boats torpedoing ships in the Atlantic, often carrying women and children trying to flee the Nazis, and Lamarr was determined to do something about it.

Chance of a Lifetime

She spent countless hours working on a secret communications system, but a chance meeting with composer George Antheil at a dinner party helped steer Lamarr in the right direction. An avant-garde composer, Antheil was famous for a symphony that used unconventional instruments and incorporated more than a dozen synchronized pianos. A discussion drew them to the conclusion that if pianos could be synchronized to hop from one note to another, why couldn't radio signals that steer torpedoes hop, as well?

The technology, known as "frequency hopping," would prohibit the signals steering torpedoes from being intercepted. The theory was that if the transmitter and the receiver simultaneously jumped from frequency to frequency, then someone

ALL PHOTOS: WIKIMEDIA COMMONS

trying to jam the signal wouldn't know where it was.

Lamarr and Antheil succeeded in patenting the ingenious frequency-hopping technology in 1941, but the invention was not well received by the National Inventors Council, nor Navy commanders. This was especially true when they discovered the frequency-hopping technology was controlled by a player piano mechanism and the 88 piano keys represented. Lamarr was told she could contribute more to the war effort by raising money, which she did, using her fame to raise millions of dollars in war bonds. She quietly signed her patent over to the United States Navy.

Beyond the Marquee

The enormous significance of Lamarr and Antheil's invention was not realized for decades because the idea was so far ahead of its time. It was first used 20 years later by the military during the Cuban Missile Crisis in 1962. Lamarr continued to watch others take advantage of her technology, which galvanized the digital communications boom. Lamarr and Antheil's frequency-hopping system served as a basis for modern spread-spectrum communication technology, which is used in cell phones, fax machines, GPS systems, Bluetooth and Wi-Fi.

Nearly 50 years after the original patent was issued, in 1997 Lamarr and Antheil were honored with the Electronic Frontier Foundation Pioneer Award. Later that year, Lamarr became the first female recipient of the BULBIE™ Gnass Spirit of Achievement Award, which is "given to individuals whose creative lifetime achievements in the arts, sciences, business, or invention fields have significantly contributed to society."

Lamarr died January 19, 2000 at age 86. Her obituaries began with comments on her great beauty, with few references to the invention she had hoped would prove she possessed a beautiful mind, too. Although too late for Lamarr to see herself recognized as more than a pretty face, she and Antheil were inducted into the National Inventors Hall of Fame in 2014. Lamarr would have considered it her Oscar moment.

— Cama McNamara

INVENTOR ARCHIVES: October

October 3, 1950

U.S. Patent No. 2,524,035 was granted to Bell Labs scientists John Bardeen, Walter Houser Brattain, et al. for the point-contact transistor. Although not listed on the actual patent, William Bradford Shockley oversaw the team. In 1956, all three men were jointly honored with the Nobel Prize in Physics for their discovery of the transistor effect, which opened the door to the digital future.

October 6, 1941

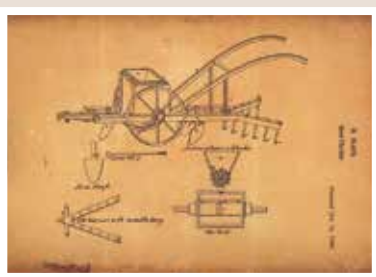
U.S. Patent No. 2,297,691 was granted to Chester Carlson for electrophotography, now referred to as xerography or photocopying. He was turned down for funding by more than 20 companies between 1939 and 1944, and tried unsuccessfully to sell the invention to IBM. The Haloid Photographic Company saw the promise of Carlson's invention and, in 1946, signed an agreement to develop it as a commercial product. The company, now Xerox, is the single most successful product of all time.

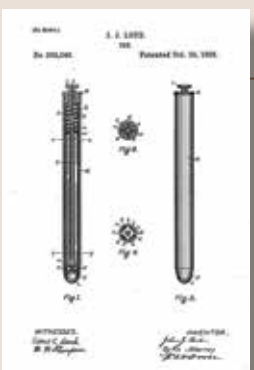
October 9, 1855

Isaac Singer was granted U.S. Patent No. 13,661 for the first practical and affordable sewing machine. Singer's improvements on the sewing machine included a shuttle that moved in a straight line rather than a circle; a presser-foot for feeding the fabric; and a needle, powered by a foot treadle, that moved up and down. The machine could sew 900 stitches per minute, a dramatic improvement over an accomplished seamstress's rate of 40 stitches a minute.

October 14, 1835

U.S. Patent No. 8447X was granted to Henry Blair, the second African American to hold a U.S. patent, for a seed planter. The planter resembled a wheelbarrow, with a compartment to hold the seed and rakes dragging behind to cover them. This device enabled farmers to plant corn more efficiently, guaranteeing a higher yield. Blair signed the patent with an "X," indicating that he was illiterate.





October 30, 1888

U.S. Patent No. 392,046 was granted to John Loud for the ballpoint pen. He invented the ballpoint pen to write on leather products, which fountain pens could not. His pen had a small rotating steel ball held in place by a socket. The pen proved to be too coarse for letter writing, and the patent eventually lapsed. The modern ballpoint pen was patented in 1938 by László Bíró, a Hungarian newspaper editor, 22 years after Loud's death.

DO THE RIGHT THING OR DO THINGS RIGHT?

Details Tell the Difference

BY JACK LANDER

Peter Drucker was the one of the wisest and most respected teachers of business success in our time—or any time. Drucker, who died at 96 in 2005, wrote or made essential contributions to 46 books, five of which continue to be best sellers today.

Managing for Results, published in 1964, was the first of his books that I read. Even today, the book remains rich in timeless advice, much of which provides a mature foundation and outlook for serious inventors and entrepreneurs. The theme of 1985's *Innovation and Entrepreneurship* is that entrepreneurship is based on innovation rather than on stock ideas and products. "Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service," he wrote.

What inventors should strive for is the "Goldilocks zone"—a product that is sufficiently novel to patent and commercialize, but not so novel it scares potential licensees.

Drucker had the knack for condensing into a few words the essence of his profound insights. For example: "It is better to do the right thing than to do things right." I have found these words to be directly applicable to the invention process. Many inventors I have worked with have rushed to a patent attorney shortly after their "eureka moment," hoping to protect an idea they aren't yet certain is either novel or worth protecting.

They "did things right" by going to a patent attorney, rather than writing and filing their own applications, but they didn't "do the right thing," which would be to determine if the product already exists. Through searches, I have discovered numerous products on Amazon.com that I had no idea existed. As Carl Sagan said, "Evidence of absence does not mean absence of evidence."

I'm not saying that applying for a patent should never be the first step taken. The "first to file" rule provides an advantage to companies and independent inventors working on similar innovations in the same field. A patent attorney will order a patent search as the "right thing" to do before beginning work on an application. But when the art is well established—kitchen gadgets, for example—a product search is something you can do yourself to make certain your idea is not already on the market.

The Goldilocks Zone

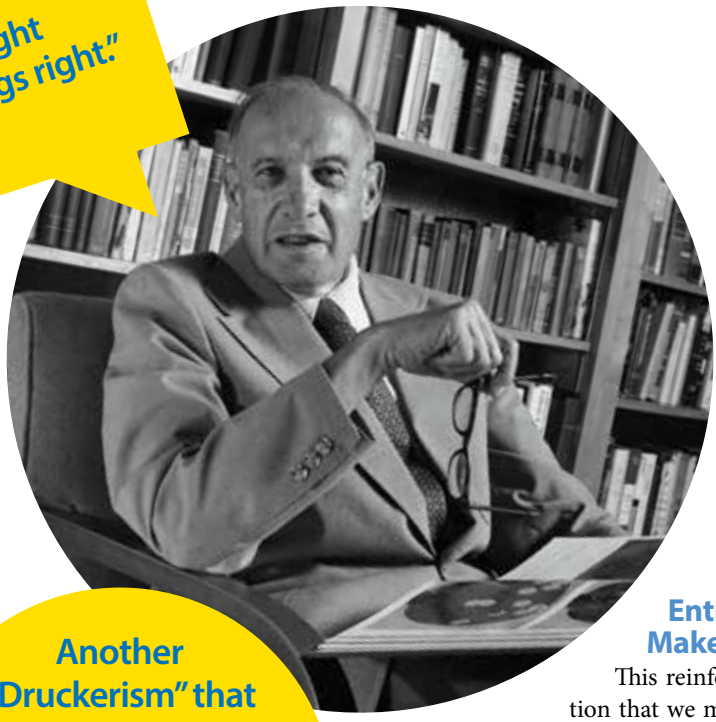
Another "Druckerism" that applies to inventors is that "the entrepreneur has only two functions: innovation and creating a customer." I was puzzled when I first read those words, but they now make sense. High-level innovation implies that the product is too novel to have a ready-made customer who is already buying something that, in a broad sense, serves the same purpose. Thus, the entrepreneur must announce the new product and shout its benefits so that the potential beneficiaries will respond and buy it. But such seminal marketing almost always needs further resources—especially money—than independent inventors with entrepreneurial aspirations have at their disposal.

So goes the inconsistency of novelty. If an idea is too novel, it's difficult to create the customer, whether we do it ourselves or shift the burden to a licensee. What inventors should strive for is the "Goldilocks zone"—a product that is sufficiently novel to patent and commercialize, but not so novel it scares potential licensees. Potential licensees have to be convinced there is a viable, defined market, which can be refined through appropriate marketing channels and establishing customers.

Infringement Equals Profitability

High-tech innovation is often beyond our capabilities. Remember Chester Carlson, an independent inventor who struggled for 20 years before his Xerox® process copy machine became a viable

"It is better to do the right thing than to do things right."
— PETER DRUCKER



product. If GE had licensed Carlson's technology when he first patented it, more than likely, the company would have had a copier on the market within three years. High-tech inventions, such as the Xerox® process, are best left to inventors at large corporations, which have the resources, not just to develop and patent their products, but to defend them against patent infringers.

Another "Druckerism" that applies to inventors is that "the entrepreneur has only two functions: innovation and creating a customer."

The only practical defense inventors have against infringement is to negotiate with companies that don't infringe and are open to—even invite—submissions from independent inventors. Inventors are at risk in any case. At present, the licensing value of patents is in peril, and attempts to license even to small to medium sized companies are risky. Smaller companies are more apt to have a conscience about taking advantage of inventors than large companies in which the bottom line rules.

Patent attorney Gene Quinn stated in an article in the August issue of *Inventors Digest*: "Changes in patent law over the last decade have made it a far better business decision to infringe." [(1)] In fact, the policy of infringement, rather than licensing, has become so prevalent that companies and their attorneys blatantly refer to it as "the efficient infringement theory." From the infringer's perspective, infringing is doing the "right thing" (for profitability), rather than "doing things right" (ethically).

To further aggravate matters, one of the provisions of the House version of the pending law is that if we sue our infringer and lose the suit, we have to pay the infringer's legal costs. The conclusion independent inventors must come to is that we are an obvious target for infringement because opportunistic companies know we can't risk losing if we sue.

Entrepreneurs Make Good Allies

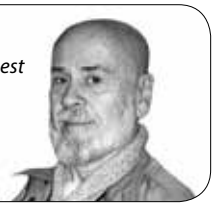
This reinforces my contention that we must ally with entrepreneurs for two reasons: Neither of us want, or can afford, the extremely high cost of litigation. We'll be better matched in terms of financial resources. If "efficient infringement" continues to expand, and changes to the patent laws that are now before Congress are passed without the modifications that independent inventors need in order to profitably pursue patenting and licensing, we may find that association with small startup entrepreneurs is our *only* practical course.

The main problem of the interface between inventor and entrepreneur is that inventors tend to be product oriented. We dream up products that solve problems. Fine. That's our DNA.

Entrepreneurs are market oriented. They keep abreast of what is changing, and they search existing markets looking for gaps to fill. This essential difference suggests that the inventor should adopt the entrepreneur's approach: search for change, define what is needed and invent it, thereby offering the entrepreneur a proposal that fulfills his barren wish list. Searching for product opportunities is the essence of inventing on purpose. It is a powerful example of doing the right thing.

(1) Patent Reform Fuels Fear, Paralyzes U. S. Innovation Market, by Gene Quinn, August 2015, Inventors Digest.

Jack Lander, a near legend in the inventing community, has been writing for *Inventors Digest* for 19 years. His latest book is *Marketing Your Invention–A Complete Guide to Licensing, Producing and Selling Your Invention*. You can reach him at jack@Inventor-mentor.com.



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Mail-Order Mastery

10 Timely Tips for Inventors

BY JOHN G. RAU

Are you familiar with the National Mail Order Association? If you have a new product idea that, when commercialized, will be sold through mail order, you will want to contact the NMOA for assistance in planning the sale and distribution of your product. Located in Minneapolis, Minn., the National Mail Order Association possesses an extensive library of information concerning the mail-order business and publishes statistics regarding product sales and trends, making it a good source of secondary information on the topic. You can also list your new product or service for sale on the NMOA website: www.nmoa.org.

The mail-order entrepreneur is one who promotes his/her product through one or more types of media, either print or electronic, with catalogs, direct mail, ecommerce, email, television—including ads, infomercials and shopping channels—radio, magazines, newspapers and inserts. Customer orders are placed either online or by phone, fax, mail or email. Finally, the fulfillment (delivery) of the merchandise is done through a common carrier such as the United States Postal Service, United Parcel Service or FedEx. Many new inventions enter the marketplace via this approach.

John D. Schulte, president and chairman of the NMOA, offers advice and guidance for mail order marketers on the organization's website: www.nmoa.org/Library/webtips.htm. Note the similarities with recommendations often given to inventors.

1 "The best products or services to sell, especially when you are starting out, are ones that fill a need. Fulfilling a need constitutes a promise to make the buyer's life better, easier or healthier, or enhance the status of living in some way or form."

Comment: As in inventing, to be successful you must solve a problem that meets a need.

2 "When you see something that really grabs your attention, save it in a file or write it down. Then you take the ideas you find really interesting and apply them to your business situation. Don't forget to write down every idea you get. Have a paper and pen by your bed. Carry a pocket pad or recorder with you at all times. I guarantee the minute you think of a great idea (that sudden inspiration) and you don't write it down because you think you'll remember it, you will forget it."

Comment: Isn't this part of defining the problem and formulating solutions?

3 "I take the best of others' ideas, then bend and fit them to my needs. I call it the art of relating and assimilating."

Comment: Isn't this what Edison did? He took other people's ideas and built upon them. In Schulte's words, Edison was "relating and assimilating."

VLADGRIN/ISTOCK/THINKSTOCK

4 "Take the best from everybody, modify it to fit your needs, add creative use of your resources where needed, and you will come up with a style all your own."

Comment: Remember that most inventions are improvements to existing products. This is the approach followed successfully by many inventors.

5 "It always helps to know something about, or have an interest in, the products or services you sell. Know your product or service. Many times, the most successful mail order marketing companies start from a person's hobbies or interests. This way, they know something about the products they are selling."

Comment: In other words, invent in an area you know something about.

6 "If you're thinking about mail order, catalog or direct-mail selling—you can improve your odds by getting the facts before you invest. Remember this: In mail order, as in most any business, you must have a purpose and reason for being. Stay away from selling meaningless items just for the sake of trying to get rich. You must have a passion for what you are doing. And you must have the mind-set to be in it for the long run. Many businesses that don't make it are those where the operators had no passion—no underlying purpose behind what they were doing. They didn't have the dream."

Comment: You've got to do your homework and get all the facts before moving ahead with your idea. This is the essence of market research. In addition, in order to be successful you must have the passion to succeed and truly believe in your idea.

7 "It is best to chart a definite course of action for getting to your ultimate goal. Can you envision what you will be selling five, 10, even 20 years from now? If not, find out why. What position will you play in the market? Educate yourself. And never stop reading what industry leaders write; you need this to stimulate your own mind to create new ideas."

Comment: You need a plan and, in particular, an invention-marketing plan.

8 "Another important ingredient is that the product or service should have an easy-to-identify audience that's easy to reach and has a total universe large enough to support your business. 'Audience' means a specific type or group of people that has something in common with each other and with the product or service you want to sell. 'Universe' means the grand total of all the people in that group."

Comment: You have to be able to define your market, and it has to be large enough to justify your pursuit. Your market must be clearly identifiable, and you need to know what types of people will buy this new product or service.

9 "It's best to be specialized. Look at other mail-order companies and catalogs. There are very few with general merchandise offerings; most specialize in one area or another. In a nutshell, you should plan out a line of products that fits into a specific niche, making sure that the niche is easy to identify, easy to reach and large enough to support a business. Then, get as much expert advice as you can and continue to educate yourself in the business."

Comment: Do your competitive analysis and define where you fit in the marketplace. You need to determine what makes your invention idea unique, relative to other existing products or services in the marketplace. These differences will separate you from the crowd.

10 "Personally, if I can't define a specific audience for a product or service that can be reached using direct mail or mail-order, I usually don't do it."

Comment: Isn't this consistent with what Edison said, namely: "Anything that won't sell, I don't want to invent." ◆

John G. Rau, president/CEO of Ultra-Research Inc., has more than 25 years experience conducting market research for ideas, inventions and other forms of intellectual property. He can be reached at (714) 281-0150 or ultraresch@cs.com.

One A-Mazing Game

How My Simple Game Idea Was Licensed By a Toy Company

BY ANDY GEREMIA

Although I've been a tinkerer all my life, I didn't consider myself an inventor until those unforgettable three months in early 2014, when I won BigLeap's "Games that Make Us Smarter" challenge and went on to sign a licensing agreement with FoxMind.

It all began when I heard about the BigLeap.org challenge to design low-cost educational games for kids. I had been making wooden marble maze games in which players raced one another to complete a maze. I took this concept and designed a game called Mazing Race. In a nutshell, kids glue cut-up straws to create their own maze in a cutout cereal box. When their maze is complete, they swap it with another team's maze, drop in a marble and race to the finish. The goal is to design the maze so that the other team has trouble getting its marble through.

I was absolutely stunned, when a month later, I received an email stating that I was the first-place winner. My simple game idea took top honors and won a $5,000 prize. For a few days, my kids called me the "five-thousand dollar father," which put an extra spring in my step.

The contest was judged by experts in childhood learning and a renowned game inventor, so I knew I had created something special with the game concept. This validation gave me the confidence to create a marketable version of the game—a whiteboard with moveable, magnetic maze walls. Armed with the press release about my initial win, I contacted toy companies to determine their interest.

Within a month, I had sent out three prototypes, and two months later, I had a signed license agreement with FoxMind. The entire process, including the manufacturing, went incredibly fast. By August 4, 2015, Maze Racers was on the market.

How I Did It

I had unsuccessfully tried to license a lawn game the year prior, and in the process, had read about licensing and patents. I was very confused as I stumbled my way through a provisional patent and non-disclosure agreements.

However, with that limited experience under my belt, I continued researching and started contacting industry experts for advice. I wanted to better understand what I was up against and what would help me succeed this time around.

The biggest take-away for me the second time was that neither non-disclosure agreements nor patents are common in the toy industry, particularly with amateur inventors. This was a bit scary at first, but turned out to be quite liberating as I openly shared my ideas in complete confidence with other professionals. For every horror story about ideas

PHOTOS COURTESY OF ANDY GEREMIA

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Matthew Walling and his sister, Olivia, play Maze Racers.

Andy Geremia with the $5,000 check he won from BigLeap.

being stolen there are countless success stories that never get told.

Following is a summary of the steps I took in pursuit of a licensing agreement for Mazing Race, which became Maze Racers. I did it all without a patent, nondisclosure agreement, agent or attorney. Although I'm not recommending that everyone who wants to license a game undergoes the process without intellectual property protection or professional expertise, this is what worked for me.

A. Have a spectacular game.
B. Create a presentation and/or video of your game.
C. Identify toy companies and contacts that may be interested.
D. Submit a short description of your game to determine the level of interest.
E. Send presentation and/or video to interested companies.
F. When requested, send a prototype.
G. Follow up and wait for feedback.
H. Review and sign a licensing agreement.

Communication Is Key

Although there are many books and online resources that provide guidance regarding inventing and licensing, the importance of communication can't be stressed enough. Proper communication with companies you are pursuing for licensing agreements is extremely important.

I communicated with most companies electronically. I sent emails, got nibbles and followed up with additional information via email. Although email is an easy and convenient way to communicate, it can pose challenges when you don't know much about the recipient. For example:

- Does he prefer phone calls over emails?
- Does he read emails carefully?
- Does he like details?
- Does he open attachments?

With these unknowns, it is best to keep your emails concise and clear. Simplicity starts with the subject line. An email from a stranger may never be opened if it has a vague or irrelevant subject line. To get the attention of those looking for game ideas, I simply used "Game Idea Submission." Keep the body of the email brief and to the point. I used this email as a template:

Hello John,

A game of mine was recently awarded first place in BigLeap's "Games that Make Us Smarter" challenge (see link below).

Brief description: Kids build their own marble maze and then race each other.

I'd like to get your feedback on this game. Do you have a product submission process?

Regards,

Andy Geremia
123-456-7890

The biggest take-away for me the second time around was that neither non-disclosure agreements nor patents are common in the toy industry, particularly with amateur inventors.

Recipient Response Vital to Success

Avoid sending too much information initially. Do not include attachments or pictures. Have the recipient respond if he wants to receive more information. Having him respond to your email accomplishes several things:

- You discover inventor-friendly contacts.
- If your current idea is passed over, you will have a good contact for future reference.
- The email signature may contain useful information, such as a direct phone number, which will be important for following up.

Less is more when it comes to email content. If your initial email contains all there is to know about your idea, and you don't get a response, you will be left in the dark. You have no idea why the recipient didn't respond. Was it your idea, the way you pitched it or the timing? Was the product too expensive to manufacture? Without a response, you cannot get feedback. Without feedback you cannot improve your pitch or idea.

Getting a response also allows you to begin a dialogue and build rapport with individuals at the company. Look at every interaction with a company employee as an opportunity to grow a relationship and improve your knowledge of the industry.

When a company does not respond, be politely persistent. I sent the same email a week later if I did not receive a response. I also called high-priority companies that did not respond.

Pick Up the Phone

Do not be afraid to pick up the phone and make a call. Be ready to leave a short voicemail and follow up with another email. Don't assume your emails have been read and the company is not interested simply because you don't get a response. Keep knocking on the door until you are told in an email or phone call that the company is not interested.

I wanted to connect with one company in particular, but the person I emailed never responded, so I called the company's main number. I was fortunate to get the proper person on the phone. He vaguely recalled my email and was interested in the game, but told me he had not responded because he had gotten busy. At the end of our conversation, he asked for a prototype. If I had not made that call, I would have missed out on this opportunity and the invaluable communication that took place during the evaluation process.

When someone replies and asks for more information, call him directly and thank him for his interest. Let him know you are looking forward to his feedback. A simple phone call goes a long way in building a personal connection, even if you only leave a voicemail.

Once you receive feedback, call and thank him for his opinion. If you have taken the time to build a relationship, he may be willing to further discuss the company's evaluation process. That way, you discover what representatives liked most and least about your idea. Take every opportunity to learn as much as you can about what others think of your ideas and improve upon them accordingly.

Visit www.CerealBoxMaze.com.

Andy Geremia is a security sales engineer by day and game designer by night. He lives in central Connecticut with his wife and three daughters.

The Right Hook

Brian Hock Keeps Hydration Simple

BY JEREMY LOSAW

Aside from, perhaps, curling, hydration is crucial to success in every sport. Team sports managers keep water jugs on the sidelines for their athletes to consume during breaks in the action, but distance runners, bikers and triathletes must lug their own.

While the standard cylindrical sports water bottle works for some sports, runners often find the bottles difficult to carry. Runners' belts help the situation, but they can be awkward and throw off the wearer's center of balance. Designer and running enthusiast Brian Hock saw the fundamental flaw in the shape of traditional water bottles and came up with the Simple Hydration bottle, which has a more ergonomic shape, making it easier for runners and other athletes to carry.

Simple Hydration is curved and fits comfortably on the small of the runner's back, which helps maintain balance. A hook at the end of the bottle allows it to rest on the waistband of the athlete's shorts, pants, belt or in a pocket. It holds 13 ounces, which is perfect for a training run but not too heavy to drag the runner's pants down.

Simple Hydration water bottles have a curved shape that allows them to fit comfortably on the small of the runner's back.

Road Tested

Hock is a graphic designer by trade—but a running enthusiast at heart. He ran his first marathon at age 12 (four hours, 47 minutes) and went on to run cross-country and track in high school, and later at Bowling Green University. Hock continued to run after graduation for enjoyment and to stay in shape—and with running comes the need for hydration.

Throughout years of training, Hock endured the often uncomfortable and burdensome feeling of carrying a water bottle in his hand. He tried bottles clipped to running belts, but they bounced around too much and chafed his skin. He began to wonder if there was a better place on the body to store water, and he began to question the standard water-bottle design.

Hock came up with the idea for Simple Hydration on a sweltering summer day while training for the Louisville Ironman Triathlon. *What if the bottle were contoured and could fit on the small of the back? Since there is nothing to secure a bottle on the back, other than a waistband, could the bottom of the bottle be molded into a hook, which would hang from the waistband of shorts or pants?*

Hock says his wife helped him build crude prototypes, while his children "road-tested" them in his home's family room. Once they had a viable concept, Hock's graphic background enabled him to quickly sketch the bottle. The product-development journey was in full swing.

Shaping Up

Hock consulted with his brother-in-law, a consumer-product designer, and pushed him to start looking at groups overseas to help with the design and production. However, Hock needed a prototype to prove his concept. Hock found a product-design group in California that was able to transform the design sketches into CAD and build prototypes.

Since most water bottles are 20 ounces, the first prototype was similar in size. After testing, Hock found it was too heavy and bulky and had a tendency to pull down his shorts. The size was converted to 13 ounces, and the second prototype worked so well that Hock was ready to look for a manufacturer.

The shape of the bottle made it a challenge to mold. Hock contacted several blow molding groups, many of which manufactured traditional water bottles. Each time, he was told the shape of the bottle was too complicated.

His product-development firm located a small blow molder in southern California that specialized in oddly shaped parts. Fortunately, the company was capable of making the bottle for a reasonable price. Since the shape of the bottle was so unique, Hock chose to keep the cap simple. He found an injection molder in Kansas that had a nicely designed cap, and matched the thread design on the bottle to mate up with it.

Hock intended to launch the product on Kickstarter, but wanted to get it patented first. He found a local law firm and

PHOTOS COURTESY OF BRIAN HOCK

Simple Hydration bottles weigh only 13 ounces, making it easier for runners and other athletes to carry.

"You think once you have the molds that everything is set and is going to work fine. Then you have to troubleshoot and find out why it's not working." — **BRIAN HOCK**

went straight to filing the utility patent, rather than a provisional one. In addition to the IP protection, Hock felt it would enhance his marketing efforts. Hock also considered filing international patents, but decided against it, as he felt he would not have the resources to fight infringers.

Not So Simple

Prior to the launch of the Kickstarter campaign, Hock had a solid marketing plan in place. He founded a website called "Infinite Runners," through which he was able to gather contacts for a variety of running companies and news outlets. He also had a healthy set of LinkedIn contacts, in addition to his friends on the runner's forum dailymile.com. Hock launched his campaign in June 2011 with a $20,000 goal and, by August, had raised $21,180. The campaign gave him market validation, as well as the funds to cover the tooling costs and the setup of a distribution center near his home in Ohio.

Sales of Simple Hydration have steadily increased, but it has not been easy. Last year, a batch of caps did not fit the bottles correctly. "You think once you have the molds that everything is set and is going to work fine," says Hock. "Then you have to troubleshoot and find out why it's not working."

It has been especially challenging to educate consumers about how to use the bottle correctly. Hock was surprised at how much explanation was necessary to show runners how it worked. He has since created a series of YouTube videos, in addition to demonstrating the product at trade shows.

Simple Hydration continues to generate buzz. Hock has a consumer base of devoted runners in the United States and abroad, with overseas sales a big portion of his overall revenue. He sponsors a team of competitive runners, who consistently finish on the podium of regional and national marathon and ultra-marathon events.

In the meantime, Hock continues to work at his design firm but notes that Simple Hydration commitments are taking up an increasingly larger chunk of his time. He is also working on other running products, including a new hydration device, in addition to a redesigned top for the Simple Hydration bottle. While Hock says he is an "average runner with a passion for the sport," he now has a burgeoning business that helps keep his passion hydrated.

Jeremy Losaw is a freelance writer and engineering manager for Enventys. He was the 1994 Searles Middle School Geography Bee Champion. He blogs at blog.edisonnation.com/category/prototyping/.

THE MYSTICAL MANUFACTURING MAZE

Five Steps for Understanding The Import Process

BY EDITH G. TOLCHIN

As a professional who conducts seminars on product safety, China sourcing, manufacturing and importing, I frequently get requests from inventors to take them on a journey from idea inception to a shelf-ready product. Inventors often need help during various phases of product development—anywhere from napkin sketch to prototype to Chinese production.

Sometimes I receive requests from inventors who already have an item in production; their desperate voices begin phone conversations with "Can you help me?" "How do I ship it?" "Who pays the ocean freight?" or "How much should I set aside for import duties?" The list is endless.

Throughout the nearly 40 years I have been involved in the import/export arena, I have been presented with every possible scenario: I've rescued shipments from U.S. Customs for lack of proper documentation; I've turned non-compliant baby merchandise into CPSIA*-certified products; and, once, made an 80-year-old grandma's dream for a baking invention a reality.

What's the secret to producing a safe, shelf-ready product? Although there is no sure-fire formula, there are guidelines that will help ensure your product reaches the market as inexpensively and effectively as possible.

1 Address product safety first. Create a prototype—but *only* one. (You will eventually need more for the sourcing process.) If your product is consumer oriented, have it evaluated by one of the Consumer Product Safety Commission's accredited laboratories—not by the friend of a college professor in her science laboratory.

Thoroughly digest the report and ask the lab evaluators to explain anything you don't understand. Get a list of tests that must be performed once you are in production.

Tests are not necessary on prototypes; they are only required on the final product and its components, once you've contracted with the overseas factory. Make any recommended revisions to the prototype based on the suggestions in the report. Also, purchase product liability insurance for your new business.

2 Have your logo and packaging designed BEFORE you send your prototypes overseas for quotes. Also be sure to register your domain name, because, by law, it has to be included on your packaging.

Have a good idea of where you might want to sell the product. Will you sell online, requiring only a poly bag? Or are you negotiating with retail outlets that require a UPC code and a flashy box?

Learn the country of origin's marking requirements for the product (for example, "Made in Taiwan"). If it's an invention made of fabric, you may need a registered identification number (check www.ftc.gov).

It saves money to have all of these in place—even if you only have a packaging mock-up, though, ideally, you'll have your graphic files, as well. If you submit your prototype for quotes *without* packaging samples, you'll have to re-submit for quotes once you have packaging. That's a waste of precious product launch time and money spent on FedEx or UPS charges.

S-S-S/ISTOCK/THINKSTOCK

3 Know what you are looking for. Be an educated consumer as you approach prospective overseas factories. Know how many pieces you want to order—typically small runs of 1,000 pieces are minimum order quantities, or MOQs, with Asian factories. If you are not in a position to buy 50,000 pieces, tell the prospective factory up front so there are no surprises when they quote you large MOQs.

Send the factory the packaging artwork files, desired product color(s), specifications, components, materials and so on. Make sure you know United States government labeling requirements. Some of this information can be found at www.ftc.gov.

Know the U.S. port into which you'd like your shipment sent, as well as shipping terms such as "FOB Hong Kong (freight on board) or "CIF Chicago" (cost, insurance and freight), to determine who is responsible for the freight and insurance. When in doubt, consult with a sourcing expert or licensed customs broker.

4 Never, EVER pay for your order in advance. Standard payment terms with overseas factories are 30 percent down via wire transfer, with the 70 percent balance due only after a special government document called the Import Security Filing, or ISF, is presented to you, the importer, within 72 hours of the vessel-loading date. Note that this is not the vessel's sail date, which is usually two to three days after the vessel is loaded. The ISF, along with regular shipping documents, such as an ocean bill of lading and commercial invoice, are proof of shipment. The ISF is presented to a customs broker at your desired U.S. port. Be certain to get a confirmation from U.S. Customs before sending the balance via wire transfer to the factory's designated bank.

5 Know what you are going to do with your new invention before it arrives. When the customs broker clears your order at the port, he or she will want to know where you want it delivered. Do you have a warehouse or distribution center? If your initial order is small, can the boxes fit in your garage or basement—or will it be drop shipped to various locations because you lucked out with your first sale to the Big W?

**CPSIA: The Consumer Product Safety Improvement Act pertains mostly, but not exclusively, to children's products: (http://tinyurl.com/k39qwsm).*

Edie Tolchin has contributed to *Inventors Digest* since 2000. She is the author of *Secrets of Successful Inventing* and owner of EGT Global Trading, which for more than 25 years has helped inventors with product safety issues, sourcing and China manufacturing. Contact Edie at egt@egtglobaltrading.com.

2 Critical Steps to getting your NEW PRODUCT "out there"

1 GET IT MADE

Contact Edie Tolchin – "The Sourcing Lady"(SM) for sourcing, China manufacturing, product safety issues, packaging assistance, quality control, production testing, final shipment inspections, freight arrangements, import services and delivery to your door!

2 GET A WEBSITE!

Contact Ken Robinson – While your order is being manufactured, you need to start working on your WEB PRESENCE! Get people talking about your product on Social Media (Facebook, Twitter, YouTube, Google+), get good search engine placement (SEO)!

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Laser Focused

CRAIG NABAT SHINES A LIGHT ON HEALTH AND WELLNESS

BY CAMA MCNAMARA

iRestore® Laser Hair Growth System uses low-level lasers to stimulate dormant hair follicles.

One of Craig Nabat's goals is to help five million people quit smoking over the next two years. It's a lofty ambition that Nabat is driven to accomplish through his Freedom™ Quit Smoking System, a multi-faceted program that focuses on the physical, psychological and educational aspects of assisting cigarette smokers to overcome nicotine addiction. The in-home system is based on a similar process that takes place at Freedom Laser Therapy in Los Angeles, which Nabat founded in 2003. Since then, the clinic has helped more than 10,000 people quit smoking.

Although Nabat sees himself as an innovator, he is a rare individual with both the capacity to invent and the heart and soul of an entrepreneur. "I was just a guy with an idea who learned the entire invention process step by step," he says, admitting that, as a result, he is a graduate of the School of Hard Knocks.

Nabat's foray into the business world began at age 12, when he sold fireworks to neighborhood kids. By age 15, he had a successful car-detailing business and in college, Nabat and his girlfriend sold humorous t-shirts in dormitories. Through that experience, Nabat polished his sales pitch and learned quickly how to overcome rejections.

A sociology major with a minor in business, Nabat spent a year at Arizona State University before returning to his native Detroit to complete his degree. During his final year at Michigan State, he began reading books on business, marketing, and product and personal development to pursue his dream of becoming a successful entrepreneur. In the process of reading more than 600 books, Nabat says *Think and Grow Rich*, the landmark bestseller by Napoleon Hill, became his roadmap for life.

Upon graduation, Nabat and a close friend established a fund-raising venture selling pepper spray to students, which merged into an import/export company when the two decided that was how they could be the most successful. The business partners sold surplus goods, including clothing and computers, around the world. During this time, email was gaining momentum as a medium for conducting business. Once Nabat recognized the endless global opportunities for manufacturing, marketing and distribution

PHOTOS BY DENICE DUFF

Innovator and entrepreneur Craig Nabat was inspired by Napoleon Hill's landmark best-seller, *Think and Grow Rich*.

Shedding Light

Although Craig Nabat experienced frustration and failure, he overcame it with a winning attitude and an abundance of knowledge. Following are a few of the tenets he has engaged along the path to success.

- Are there enough people who will want what you are trying to invent?
- Are you solving a major problem for consumers in a unique way?
- Does your product have a four- to six-time mark up to cover margins for wholesalers, distributors and retailers?
- Does your product have the "wow!" factor?
- Do you have compelling testimonials for marketing?
- Scour the Internet to determine if there is anything similar to your idea.
- Obtain a provisional patent first. Your design may change several times during product development.

The Freedom™ Quit Smoking System uses high-frequency light and tranquil sound waves to instill the behavioral modifications necessary to quit smoking.

available through this new means of communication, he committed to creating his first product.

Finding It the Hard Way

As with many innovators, Nabat is a problem solver. After misplacing his TV remote control countless times, at age 19, Nabat envisioned a domino-sized device that could locate lost items by clapping in a specific pattern. The idea, which simmered for four years, ultimately evolved into the FINDIT Key Finder, a device that, with three claps, can locate anything from remote controls to eyeglass cases to keys. It took seven years and more than $1 million of family investments to bring the device to market, but the FINDIT Key Finder launched Nabat's inventing career.

While experienced innovators tell novices to invent products in fields they know something about, Nabat does not subscribe to this philosophy. In need of microchip technology, his sister, Jacqueline, one of the nation's leading engineer recruiters, gave Nabat a list of 12 experts, whom he met, one by one. The search led to a computer chip manufacturer in Mountain View, Calif., that helped develop the FINDIT microchip technology.

Nabat conducted a detailed patent search, but expresses that patents are the least important aspect of the invention process. Infringement, however, is another matter. "Due diligence is paramount," he says. "Make sure there is no prior art. Make sure you're not infringing."

Nabat was 25 by the time he headed to Taiwan in search of an Asian manufacturer to finalize the development of the FINDIT. His journey led to a meeting with his future business partner, an innovator in consumer electronics, whom Nabat calls his "mentor and brother." Nabat says the meeting was a life-changing experience, because he had searched for years for someone who could turn his ideas into reality. With Nabat's marketing expertise and his manufacturing partner's knowledge of product development, the two knew the union would eventually sell millions of innovative consumer products worldwide.

Nabat says all inventors who want to bring a consumer electronic product to the mass market should attend trade shows in Hong Kong, Taiwan or China. "If I had traveled to Taiwan earlier in the process, I could have brought FINDIT to market much sooner and saved hundreds of thousands of dollars in research and development and, more important, time," he says.

Spreading the Word

Nabat took advantage of the commercial acting courses he took at Arizona State and became the spokesman for the infomercials he developed to sell FINDIT—a marketing technique he continues to employ. He also pitched the device on QVC and became the familiar face behind various marketing strategies, including mail-order catalogs, retail packaging and store displays. He views the experience—conceptualizing, inventing, manufacturing, marketing, advertising, television commercial production and the distribution process he went through getting his idea to market—as an invaluable education he never would have received elsewhere, even at a top-notch business school.

Though FINDIT television and internet sales were strong, the unit had a tendency to false trigger. Worried about returns, Nabat pulled the product, but he was not

"Most inventors are unaware of how long it takes to bring a product to market. …You may not hit a home run the first time around, but you will learn the process. … Keep in mind, if it takes 10, 20 or 30 years to launch a product or products, you only have to be right once to be successful."

— CRAIG NABAT

discouraged. "You have to believe in yourself," he says. "The lesson I learned along the way is that you can't quit; you must visualize that success is right around the next corner."

"None of this was easy, and there were a lot of dark days throughout the process," he adds. "Most inventors are unaware of how long it takes to bring a product to market and the ongoing stress it places on you and your loved ones. The research involved is extensive and cumulative. You may not hit a home run the first time around, but you will learn the process. You'll learn about manufacturing, creating names for your product, trademarks, how to position the product, setting up distribution channels and protecting your intellectual property. Keep in mind, if it takes 10, 20 or 30 years to launch a product or products, you only have to be right once to be successful."

Nabat has had his own share of disappointments. FreshCloz, a garment bag that takes advantage of Ozonic Technology™ to neutralize germs and bacteria in fabric, and eliminate odors debuted in 2010. "It was a great idea with an amazing product design, though it was over-engineered, causing it to be too expensive. It had an awful name, too," Nabat says. "It was an excruciating product development and marketing nightmare to the tune of $500,000."

Reflecting on this failure, Nabat says that with proper preparation inventing can have rewarding results. "You have to know what your competitors are doing," he says. "Find out who creates what and learn about retail price points before you invest a single dollar. Find a niche. What makes your product different? What is your unique selling proposition?" With a "passion for driving products," Nabat eventually made the decision to concentrate on home-use consumer electronics for beauty, health and wellness, although his next big idea came about in an unexpected manner.

Up in Smoke

A former pack-a-day smoker, Nabat tried for years to break his nicotine addiction. He unsuccessfully tried patches and gum, but it wasn't until he learned about a treatment center in Canada that employed low-level lasers to help smokers kick the habit that he finally was able to rid himself of the desire to smoke. Excited about his own results, Nabat took his mother and close friends to the clinic, and almost all of them, surprisingly, were able to quit.

Soon afterward, Nabat handled marketing for George Lucio, owner of the clinic and a leading pioneer in low-level laser therapy to treat addictions. Through Lucio and an acupuncturist, he learned about the positive effects of low-level lasers on the human body.

After discovering that there were no similar quit-smoking treatment centers in the United States, Nabat established Freedom Laser Therapy, a state-of-the-art, nicotine-addiction clinic in Los Angeles. "I chose Los Angeles because I wanted to attract celebrities who desired to quit smoking, but my ultimate goal was to influence star clients to assist in changing the public perception that smoking is a deadly and addictive product of our past—not our future," he says. "Celebrities' lifestyles are followed and idolized by millions. If Hollywood portrays smoking in a negative manner, the rest of society will begin to do the same."

It certainly didn't hurt his publicity efforts, either. Nabat became a familiar face around Hollywood. He was featured in numerous magazines and newspapers and on shows such as *Access Hollywood*, *TLC*, *VH1*, *Fox News* and even *The Doctors*.

Freedom Laser Therapy's client base also grew through Nabat's unorthodox marketing approach. He bought signage on top of Hollywood taxis and paid a commission to drivers who sent smokers to the clinic. He wrapped a red BMW Z4 convertible with his Freedom logo and website, which, even today, draws attention wherever he goes. "I drive down the road and drivers stop and ask me how Freedom can help them quit smoking. It is really cool when it happens," Nabat says.

He also advertised on city benches, TV and talk radio, even integrating himself with Howard Stern in a radio commercial that ran for four years in Los Angeles and Detroit, where his two clinics were based. Within 12 years, Nabat assisted more than 10,000 quit smoking, but his clinical experience laid the groundwork for a much bigger vision.

Nabat and two of his most dedicated team members went through the lengthy and challenging process of franchising the company. There were 800 people interested in opening their own Freedom Laser Therapy clinics when, on the very day the Federal Trade Commission franchise documents were to be finalized, an onslaught of negative national press was triggered by a nonprofit organization that questioned the validity of the center's advertising methods. Overnight, Nabat went from being the toast of the town to defending his reputation. Because he didn't want to get franchisees drawn into the fray, he painfully abandoned franchising Freedom Laser Therapy. But, there was light at the end of the tunnel: Nabat switched gears and set out to design an in-home version of the techniques offered at Freedom Laser Therapy.

Brighter Days Ahead

While Nabat's goal was to manufacture an in-home version of Freedom Laser Therapy, he had no knowledge of the technology involved. Before work could begin, he and his business partner had to learn how to develop in-home devices that used laser and light technologies. They also had to follow stringent manufacturing and advertising compliance regulations for medical-grade devices.

Intense research and development led to the Freedom Quit Smoking System, which uses high frequency light and tranquil sound waves, a homeopathic craving control spray and audio therapy in what Nabat considers a holistic approach to instilling the behavioral modifications necessary to quit smoking. "Smokers require 10 days to quit," says Nabat, explaining that it takes that long to rid the blood stream of nicotine and toxins. "The first three days are the critical period when nicotine withdrawal occurs." Even with nicotine out of the system, the psychological effects remain long after quitting. Nabat's quit-smoking system addresses both the physical and mental aspects of weaning oneself off of nicotine addiction, but he says the smoker must first make the commitment to quit.

Craig Nabat (pictured with Paula Abdul) says his goal is to influence celebrities to motivate fans to give up smoking or live free of nicotine themselves.*

"Celebrities' lifestyles are followed and idolized by millions. If Hollywood portrays smoking in a negative manner, the rest of society will begin to do the same." — CRAIG NABAT

Since early 2015, Nabat has sold approximately 1,000 units. He is currently in negotiations with Walgreens and CVS to carry the Freedom Quit Smoking System in 2016. In an effort to kick off his campaign to get five million people to quit smoking over the next two years, Nabat plans to spend $1.2 million promoting the product on TV.

Pharmacies aren't the only health-focused companies interested in Nabat's idea. This past September, Freedom Laser Therapy exclusively partnered with Health Fairs Direct, a leading corporate health and wellness fair operator, to fast track the company's goal to assist five million to quit smoking within two years. HFD will present the Freedom Quit Smoking System nationwide to corporations, insurance companies and health care practitioners.

On average, an employee who smokes costs a corporation $6,000 annually due to loss of productivity, sick days and increased annual health benefits premiums. The Freedom Quit Smoking System is covered by employees' Flexible Spending Accounts (FSA Rx), creating an opportunity for employers to reduce the numbers of smokers without necessitating an out-of–pocket expenditure.

Laser Hair Restoration

After the successful launch of Freedom Laser Therapy, Nabat became even more intrigued with the benefits of lasers. He was introduced to the owner of a leading chain of laser hair loss treatment centers with more than 30 years in the hair restoration industry. He passed his knowledge along to Nabat, who had recently undergone hair-transplant surgery. Nabat became fascinated by the laser hair therapy technology and was determined to develop a laser hair restoration system for home use.

A three-year journey produced the iRestore® Laser Hair Growth System, a hands-free laser therapy device for men and women to combat hair loss. The system uses low-level lasers to stimulate hair follicles, increasing blood flow and metabolism while blocking the hair-loss effects of the male hormone dihydrotestosterone. Nabat says the treatments increase hair density and the thickness of existing follicles and awaken dormant hair follicles.

The device, which sold well in Skymall, hit the market in 2011, but Nabat took the product off the market pending FDA clearance. By the end of this month, Nabat anticipates being awarded FDA clearance for his new, sleeker, full-scalp iRestore device, which includes a clinically backed hair-care line. "iRestore will become the market leader of home-use laser hair therapy devices," he says.

Throughout his product-development experiences, Nabat says he has tried to surround himself with the smartest people in various fields of expertise. He encourages novice inventors to explore options for learning how to take products to market.

"You should purchase audio books from Audible," he suggests, "or watch online videos of entrepreneurs who tell the public how they became successful. Watch interviews with successful business leaders, inventors, innovators or entrepreneurs. Use new platforms, such as podcasts, YouTube and Apple TV, to accelerate learning, and take notes. A couple hours of research a day will provide the inspiration and knowledge to help you get your idea to market."

While Nabat is already moving on to the next phase of his life, he sums up past experience: "Inventing is not for the weak-hearted. You must believe in infinite possibilities."

**Craig Nabat participates in high-profile celebrity gifting suites with the purpose of either educating celebrities on how they can quit smoking or influencing them to motivate people they know to quit.*

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Harper Losaw is a budding chef and prototyper.

The Pleasures of Prototyping

Building Blocks for Lifelong Curiosity

BY JEREMY LOSAW

My original plan for this column was to prove that it was possible to build a custom-designed remote control car in 10 days with my four-year-old daughter, Harper, and in the process, be named Dad of the Year. Before talking it over with Harper, I went to a Goodwill store and purchased a cast-off Radio Shack remote control buggy for $2 that seemed to be in pretty good shape.

I hoped to disassemble it with Harper to see what parts we could harvest. Then I was going to have her draw a new car shape and use a water-jet cutter to make a wood chassis based on her drawings. We would then paint the chassis and, more than likely, sprinkle it with glitter. Next would come soldering a circuit board to create blinking LED headlights and installing the controls that we harvested from a nicer remote control car. Car finished, all Harper would have to do is take it for a test run.

As you might imagine, my plan derailed quickly.

Building a remote control car with Harper turned out to be a red herring to the real goal of teaching her the basic skills used in a prototyping shop every day. I wasn't trying to prepare her for a career in product development; I simply wanted to give her the pleasure of building something with her own hands and introduce her to a few unique tools along the way.

It recently occurred to me that, over Harper's short lifetime, we have done several interesting building projects together and, coincidentally, worked on the skills I was hoping to teach her with the remote control car project. Following are a few of the activities I have done with Harper that I hope will form the building blocks for lifelong curiosity and the simple pleasure of creating something.

PHOTOS BY JEREMY LOSAW

Cooking

Prototyping is often taking a set of parts and rearranging them to create something different. I see cooking as roughly the same exercise. With the core ingredients of flour, water, sugar, salt and, of course, sprinkles, you can bake cookies, bread, rhubarb crisp or muffins. One of my favorite weekend-morning activities is baking chocolate chip cookies with Harper. I let her dump the ingredients in a bowl and stir them up. Having done this a few times, she has memorized at least half of the ingredients.

A few days ago, Harper wanted to do an experiment. She asked me to get out a bowl and started calling out ingredients she wanted me to get from the pantry, while she got water from the sink. She mixed up flour, lots of sugar, water, sprinkles and vinegar (yes, vinegar) and told me the cookies were ready. While she was napping I could have chucked the mixture, because I assumed it was going to be terrible, but I baked the mixture in a small cake tin instead. She got mad at me for not baking her concoction as cookies, but we still tasted it as an after-dinner treat. Surprisingly, it was not too bad.

Painting

It seems every kid likes to paint, and Harper is no exception. She likes watercolors but has no time for the subtle hues of Georgia O'Keefe. She likes bright and bold colors. Peter Max is more her style. She paints rainbows, sunny days and an occasional tribute to our dead cat.

However, I wanted her to paint something more tangible. I still enjoy building racecar models, which was one of my favorite activities as a kid. My dad used to call me the "glueifyer," as all of my builds had as much weight in Testors model glue as they did in car parts. There was an old Tony Stewart model car in a box in my office that I was never going to have the time to build, so one day I got it out and let Harper paint the parts with some of my Tamiya paint and a nicer paintbrush than the junky dollar-store ones from her art set. I explained to her the different parts of the car and let her choose the palette.

She had fun painting a 3D object and noted that the paint was "soft," which seemed more like the observation of a mature artist than a three-year-old. Like every other model I have ever built, this one will take years to finish, but it certainly was the most fun—and the only model I've built with a rainbow-colored engine.

I wasn't trying to prepare her for a career in product development; I simply wanted to give her the pleasure of building something with her own hands and introduce her to a few unique tools along the way.

Harper and her friend McKenzie at a Lowes' Build and Grow workshop.

Electronics

Electricity is an abstract concept for most adults, let alone a pre-schooler, so I wanted to build a really simple circuit with Harper. One day we read a library book about the lantern festival that takes place during Chinese New Year. At the back of the book was a page describing how to make your own paper lantern.

It struck me that the lanterns would be even better with a little LED to brighten them up, so we built a paper lantern together. I then got a yellow LED from my electronics kit, a resister and two AA batteries. I showed her the pieces, and we taped the LED leads to the battery and made the lantern light up. We turned off all the lights in the house and spent the next half hour walking around looking for treasure. Since then, I have also had her solder an LED circuit board kit that I got from Radio Shack. I made sure to get the lead-free solder, and she had loads of fun using the soldering wand.

Woodcraft

Wood is great material for prototyping because it is inexpensive and easy to manipulate. I do not own a lot of woodworking tools. Fortunately, Lowes and Home Depot have weekend workshops for kids to build little toys using a hammer and nails. Lowes' version is called "Build and Grow."

I first discovered these workshops when Harper was two-and-a-half. This was a bit young to start, but I was too excited to let that stop me. The workshops last about 20 minutes, and the kids learn how to use a hammer and get a feeling of accomplishment from building the kit.

For now, my $2 remote-control car project has been put on the shelf, but I'm still on a quest to find great hands-on activities to participate in with Harper. I bought her a bouncy ball molding kit for her birthday and cannot wait until she is old enough to do some more complex electronics—like building robots.

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USPTO Pays Patent Examiner for 730 Hours Fraudulently Not Worked

BY GENE QUINN

On Wednesday, August 19, 2015, the Office of Inspector General at the Commerce Department issued a scathing summary of an investigation into an unnamed patent examiner who was falsifying time records. The examiner in question, known as "Examiner A" in the report, had received extraordinarily low performance evaluations on nine separate occasions. Rather than cooperate with the IG's investigation, Examiner A resigned and declined the opportunity to review and comment on the investigation findings.

While the extremely poor job performance of Examiner A seemed to fall under the radar at the United States Patent and Trademark Office, the fact that Examiner A was bilking the Office for work not performed went unnoticed until an anonymous whistleblower notified superiors.

The IG's report explains: In August 2014, two supervisory patent examiners at the United States Patent and Trademark Office walked into their offices and found copies of the same anonymous letter. The letter alleged that an examiner (Examiner A) "never shows up to work" and "seems to get away with anything." The note stated that Examiner A came into the office only at the "end of each quarter" to submit work and described Examiner A's work product as "garbage." The note questioned how the supervisors "could allow this type of behavior" to occur and why Examiner A had not "been fired for performance." After receiving the anonymous letter, both supervisors brought the document to the attention of their manager, who subsequently contacted the USPTO's Employee Relations Division, which conducted an analysis of the data related to Examiner A. Employee relations discovered hundreds of hours of apparent time and attendance abuse by Examiner A and contacted the Office of the Inspector General of the United States Department of Commerce concerning the magnitude of Examiner A's suspected abuse.

According to the IG report, "Examiner A committed at least 730 hours of time and attendance abuse, resulting in the payment of approximately $25,500 for hours not worked in fiscal year 2014 alone." This represented 43 percent of the work hours certified by Examiner A during fiscal year 2014.

To arrive at this figure, the IG explained that it gave all possible favorable inferences to Examiner A, but that after reviewing time spent on campus, connection to USPTO networks from off campus, and work preformed on the government-issued laptop provided to Examiner A, at least 730 hours not worked

were certified. The report also hypothesizes that since all favorable inferences were given to Examiner A, it is likely that far more time was not worked during fiscal year 2014.

The IG concluded that there was sufficient evidence to believe that Examiner A violated 18 U.S.C. §§ 287, 641, and 1001, 5 C.F.R. § 2635.101 and the USPTO's policy on work schedules. The matter was referred to the U.S. Attorney's Office for the Eastern District of Virginia, which declined to pursue the matter. Notwithstanding, the IG report encouraged the USPTO to take legal action to recover the $25,500 overpayment to Examiner A.

Not surprisingly, the IG recommended that the USPTO fully audit Examiner A's fiscal year 2015 time to determine if there were any hours paid that were not worked. Further, the IG recommended that the USPTO "review its policies to determine whether adequate controls are in place to monitor the time and attendance of its employees and ensure the controls are functioning properly." It is troubling, although not surprising, that the USPTO does not seem to have the ability to detect abusive practices like this without a whistleblower coming forward.

The IG recommended that the USPTO "review its policies to determine whether adequate controls are in place to monitor the time and attendance of its employees and ensure the controls are functioning properly."

Work From Home Program

This episode, combined with similar past episodes, raises questions about the much celebrated USPTO work from home program. If the USPTO cannot keep track of examiners who show up to work on campus, how can it possibly be keeping tabs on examiners who work from home?

For some time, I have been critical of the work from home program, although I understand why it exists. When the Patent Office moved to its current Alexandria, Va., location in 2006, the facility was already too small for the number of patent examiners. Whether it was a failure to properly plan at the time the new campus project was undertaken more than five years earlier or the result of unexpected growth of the Patent Office over a very short time, the reality is that the physical plant was just too small to accommodate the needs of the Office. That, of course, meant that a work from home program had to be vigorously pursued.

Statistics show that patent examiners who work from home are at least as productive as they were as a group when working at the Office. With notable exceptions of those who abuse the privilege of working from home on a part-time or full-time basis, one of the biggest issues with the work from home program is not keeping track of examiner hours, although that must now be a concern. The larger issue is that it has caused a brain drain at the USPTO. New patent examiners who do not yet have signatory authority and are undergoing training do not work from home. This means that mid-level patent examiners are those allowed to work from home, and they comprise the core of the examination corps.

With so many patent examiners working from home, there is a vast amount of institutional knowledge no longer within the building, which cannot be good news for new patent examiners. Human nature suggests that there are a limited number of times a new employee will seek out his supervisor or trainer for assistance. Previously, new patent examiners received community mentoring and training from those more senior who were not supervisors. Today, that community mentoring cannot take place because so many patent examiners work remotely.

Poor Performance Issues

While this episode raises an interesting question about a patent examiner abusing an employment compact, it also raises a far more important issue about poor examiner performance. Why was Examiner A still working for the Patent Office after nine reprimands for unacceptably poor quality? Why was Examiner A still working for the Patent Office if he refused to respond to inquiries from patent applicants and their representatives? An examiner with such low performance evaluations shouldn't even be allowed to work from home, so why was Examiner A in possession of a government laptop?

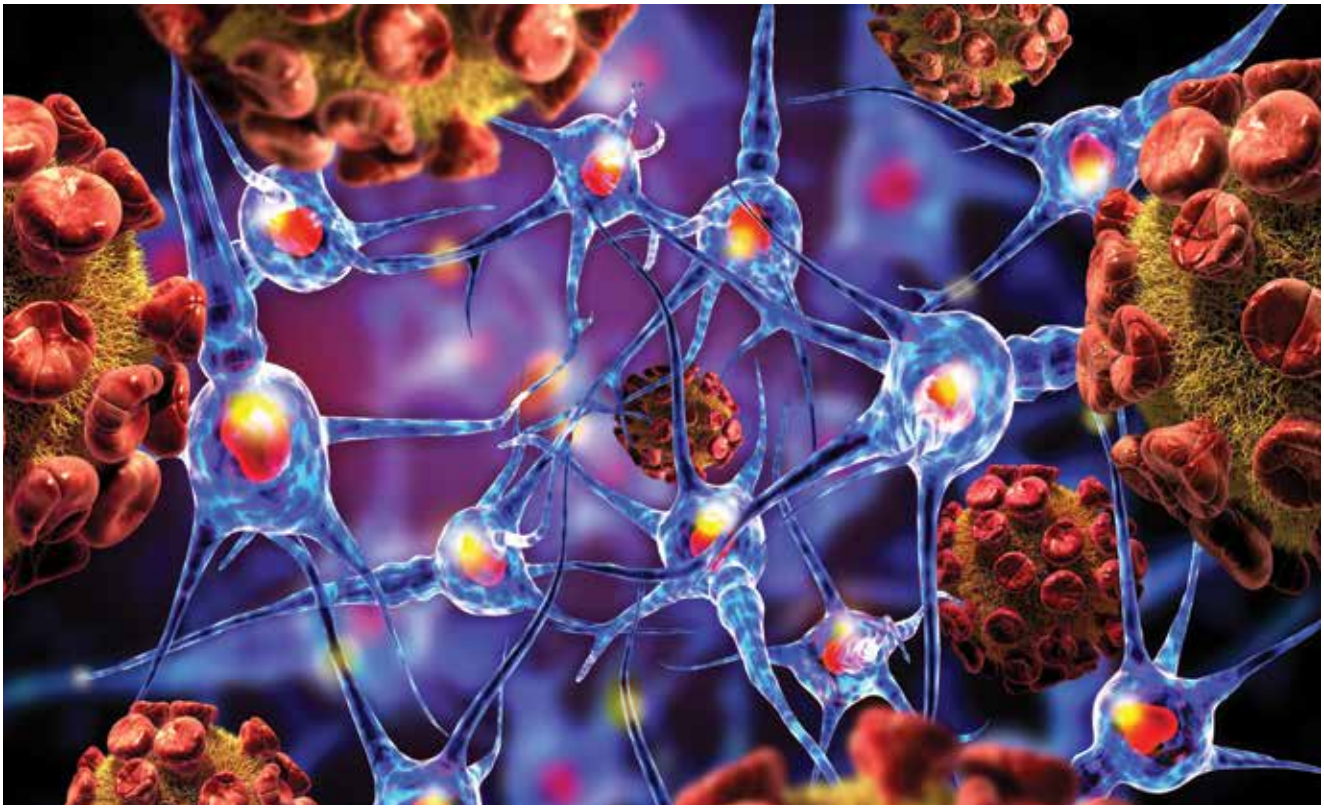
We know there are patent examiners who produce predictably poor quality and have a reputation for being impossible to work with. We know there are patent examiners who do not issue patents unless they are ordered to do so by the Board. We also know there are patent examiners who refuse to provide meaningful consideration to an application until an Appeal Brief has been filed. Unfortunately, the Office seems wholly incapable of dealing with overt examiner abuse, so it is no wonder it is unable to reign in recalcitrant patent examiners who simply refuse to issue patents or provide full and fair consideration to applications.

Overwhelmingly, patent examiners are hard-working professionals who play critical roles in our innovation system. The existence of someone like Examiner A unfairly draws scrutiny and ire to those who play by the rules and approach their profession seriously.

Gene Quinn is a patent attorney, founder of IPWatchdog.com and a principal lecturer in the top patent bar review course in the nation. Strategic patent consulting, patent application drafting and patent prosecution are his specialties. Quinn also works with independent inventors and start-up businesses in the technology field.

USPTO Denies Kyle Bass IPR Patent Challenge Against Acorda Therapeutics

BY GENE QUINN



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On August 24, 2015, the Patent Trial and Appeal Board at the United States Patent and Trademark Office declined to initiate an *inter partes* review of two patents owned by Acorda Therapeutics, Inc. U.S. Patent No. 8,007,826 and U.S. Patent No. 8,663,685 were challenged by the Coalition for Affordable Drugs, LLC, the entity formed by billionaire hedge fund manager Kyle Bass.

The denials of the two Bass IPR petitions are nearly identical, at least in all material respects. Some people had believed that the PTAB might use some inherent authority not to institute the proceedings based on the fact that Bass filed these petitions by and through the Coalition for Affordable Drugs in order to cause a decrease in the stock price of Acorda, which he could then take advantage of because he had shorted the stock.

Instead, the PTAB substantively denied the Bass petitions, finding that the prior art relied upon to challenge the '826 and '685 patents was not sufficiently available to the public to qualify as prior art. The decision by the PTAB strikes me as at least somewhat odd, given the ease with which the PTAB has initiated *inter partes* reviews over the past several years and the Board's comfort with finding patent claims invalid.

IDS References Not an Admission of Materiality

The prior art in question in these two petitions were posters that the patent owner admitted were "presented" at various industry meetings in relevant IDS filings submitted during the prosecution of the underlying applications. The Board correctly stated that "the submission of an IDS does not constitute an admission that a cited reference is material prior art," citing several Federal Circuit Court decisions.

At the end of the decision, it was curious to read that the PTAB concluded that the petition did not meet the required threshold of showing that the posters in question were sufficiently publicly accessible to qualify as printed publications under pre-AIA 35 U.S.C. 102(b). The PTAB specifically ruled that the petition did "not demonstrate adequately that the Hayes poster... or the Goodman poster... constitute prior art. ..." No citation was provided. It seems that the PTAB stretched the fact that an IDS is not an admission that references are material to patentability to mean that the filing of an IDS is not an admission that references are prior art.

There is support in the Manual of Patent Examining Procedure for the proposition that references disclosed in an IDS are not necessarily considered to be prior art. Specifically, the MPEP §

609 explains: "There is no requirement that the information must be prior art references in order to be considered by the examiner."

But if a reference isn't prior art, why submit the reference in the first place? It would be reasonable to over submit references to the Patent Office, given the very real threat of inequitable conduct charges, which result from an actual, potential or hypothetical violation of the duty of candor in 37 C.F.R. 1.56. Indeed, charges of inequitable conduct have been a scourge on patent litigation over the years, particularly prior to *Therasense v. Becton Dickinson*. Still, at the threshold level, it would seem reasonable to assume that the patent owner had some rational justification for including these posters on an IDS form submitted for examiner consideration.

When Is a Presentation Considered Prior Art?

The Board then relied heavily on *In re Klopfenstein*, which established a four-part test to determine whether such presented material (as opposed to distributed material) is properly considered prior art. The factors to be considered were:

1. The length of time the display was exhibited;
2. The expertise of the targeted audience;
3. The existence of reasonable expectations that the material displayed would not be copied; and
4. The simplicity or ease with which the material displayed could have been copied.

Interestingly, the PTAB gave the patent owner the benefit of the doubt, which hopefully they will do more often. In particular, the PTAB explained that the only evidence presented that established presentation of the posters was the admission by the patent owner during prosecution. Therefore, the petition did not make any factual allegations about length of display, expertise of the audience or copying.

The PTAB also took notice that the posters conveyed "dense material in a small space." Citing *Klopfenstein* with approval, the PTAB explained the "more complex a display, the more difficult it will be for members of the public to effectively capture its information." On this last point, the PTAB clearly makes an overly broad statement that would need to be considered in light of the particular facts of this presentation.

In *Klopfenstein*, the Federal Circuit was considering a 14-slide presentation printed and pasted onto poster boards, which was presented in October 1998 at a meeting of the American Association of Cereal Chemists. Similarly, the presentation of the prior art references at issue in the Bass petition were respectively made on October 31, 2011 and September 18-21, 2002.

The conclusion reached by the PTAB, that a poster displaying complex information could not reasonably be copied and that there would be no expectation that it could be copied may have made sense in the time frame between 1998 to 2002. Such a conclusion certainly does not make any sense today, given how ubiquitous smartphones have become, with cameras capable of capturing 16 or more megapixels. I've taken pictures of poster presentations at various conferences for reference later, so it hardly seems a stretch that such "copying" would be unexpected today.

It would have been nice if the PTAB had mentioned the ease of copying even very dense material, thanks to camera phones. I suppose that you don't get that type of consideration or analysis when you deny a petition right out of the gate without really considering the implications of the decision.

I have to wonder whether this decision represents a shift in the position of the PTAB, or whether it sought a reason to deny the petition because it was filed by Bass.

Conclusion

It seems odd that a petitioner would have to establish why the patent owner disclosed a reference and evidence surrounding the presentation of the references, when they were already listed on an IDS filed by the patent owner. Placing such a burden on the petitioner prior to any discovery seems fundamentally unfair. The patent owner disclosed the posters on an IDS, and yet, the PTAB requires the petitioner to aver peculiar facts relating to information that only the patent owner could have. Further, such a high showing is being required without any discovery. These post-grant proceedings were conceived of as an alternative to litigation, yet the PTAB places a nearly insurmountable burden on the petitioner in this case.

While I'm not against having a high threshold to initiate post-grant proceedings, the threshold to initiate seems to be unevenly applied. Worse, the way the law is written, decisions not to institute cannot be appealed. (See 35 U.S.C § 314(d).) Whether it is constitutional to insulate an agency decision from judicial review is an open question. I am unaware of any other situation in which an agency decision cannot be reviewed by an Article III judge. In fact, the cornerstone of an administrative law system is that decisions of the agency, which are within the executive branch, can be challenged in the federal judiciary. Without the ability to review agency decisions, the delicate checks and balances within the Constitution seem to be thwarted. It is unclear whether Bass will pursue this matter on constitutional grounds, but eventually someone will.

Don't get me wrong; I am not a fan of the PTAB instituting *inter partes* reviews and killing patents. I think the PTAB institutes too many reviews and kills too many patent claims, being all too willing to find claims obvious. That said, I have to wonder whether this decision represents a shift in the position of the PTAB, or whether it sought a reason to deny the petition because it was filed by Bass. Unfortunately, I suspect these two denials have everything to do with who was behind the challenge and little to do with its merits.

USPTO Proposes Changes to Patent Trial and Appeal Board Practice Rules

BY GENE QUINN

On August 19, 2015, the United States Patent and Trademark Office published an advance copy of a proposed rules package that will amend the rules relating to trial practice for *inter partes* review, post-grant review, the transitional program for covered business method patents and derivation proceedings before the Patent Trial and Appeal Board.

The deadline to comment on the proposed rules is 60 days after publication in the Federal Register, which should be Tuesday, October 20, 2015. Comments can be emailed to: trialrules2015@uspto.gov or submitted through the U.S. Postal Service to: Mail Stop Patent Board, Director of the United States Patent and Trademark Office, P.O. Box 1450, Alexandria, VA 22313-1450, and marked to the attention of Lead Judge Susan Mitchell, Patent Trial Proposed Rules.

The Office anticipates that it will continue to refine the rules governing AIA trials moving forward and, as a result, is continuing to encourage comments concerning how the rules may be refined in the future.

Background of PTAB Rule Changes

The proposed trial practice rules were officially published in the Federal Register on Thursday, August 20, 2015. Those who have followed the process for updating and revising PTAB trial practice rules will recall that on May 19, 2015, the Office published a first final rules package relating to PTAB practice. This package addressed issues of a minor scope that could be immediately undertaken by the Office. This first package related in part to changes to the patent owner's motion to amend and the petitioner's reply brief that involved ministerial changes. For example, the first final rules provided 10 additional pages for a patent owner's motion to amend, allowed a claims appendix for a motion to amend and provided 10 additional pages for a petitioner's reply brief. There were other ministerial changes to conform the rules to the Office's established practices in handling AIA proceedings.

This second proposed rule will address more substantive changes and proposed revisions to the Office Patent Trial Practice Guide, taking into consideration public comments that were raised concerning, among other things, the claim construction standard for AIA trials, new testimonial evidence submitted with a patent owner's preliminary response, Rule 11-type certification and word count for major briefing. The USTPO will also amend its Office Patent Trial Practice Guide to reflect developments in practice before the Office concerning how it handles additional discovery, live testimony and confidential information.

Claim Construction Standard

The Office asked, "Under what circumstances, if any, should the Board decline to construe a claim in an unexpired patent in accordance with its broadest reasonable construction in light of the specification of the patent in which it appears?" Comments were received advocating various positions, including that the Office should continue to apply the broadest reasonable interpretation standard in construing terms of an unexpired patent, that it should use a Phillips-type construction standard for all patents at issue in AIA proceedings and that it use the claim construction standard set forth in *Phillips v. AWH Corp.* in certain circumstances in which the patent will soon expire.

Not surprisingly, by and large, the Office decided to stick with BRI, explaining that the United States Court of Appeals for the Federal Circuit recently determined that the Office is authorized to employ the broadest reasonable interpretation approach when construing terms of an unexpired patent at issue in an *inter partes* review proceeding. The Office specifically pointed out that the Federal Circuit found the BRI approach consistent with legislative intent and reasonable under the Office's rule-making authority. (See *In Re Cuozzo Speed Techs., LLC.*)

The Office did, however, choose to adopt the Phillips standard for construction of the claims of a patent that will expire prior to the issuance of a final decision. The theory is that there would be no viable opportunity to amend patent claims if the patent expired before a final decision by the PTAB.

I feel that the Patent Office is opening a Pandora's box by using BRI for some patents and *Phillips* for others. I understand the distinction, but it is hard not to notice that some patents will be treated differently than other patents, and, by extension, some patent owners will be treated differently than other patent

owners. The Patent Office may be trying too hard to make everyone happy, but the effect seems likely to make no one happy and interject a fundamental unfairness based solely on remaining patent term. Such a distinction seems arbitrary. Having two different standards also strikes me as contrary to the principles of patent law and practice, and is potentially unconstitutional, or at the very least, not in keeping with the spirit behind the theory of equal protection.

One of the biggest issues many have had with current PTAB trial practice relates to the fact that the law says that the patent owner has a *right* to amend, but that well over 90 percent of the time, the PTAB denies patent owners the *ability* to amend.

Patent Owner's Motions to Amend

One of the biggest issues many have had with current PTAB trial practice relates to the fact that the law says that the patent owner has a *right* to amend, but that well over 90 percent of the time, the PTAB denies patent owners the *ability* to amend. At times, the USPTO and others have argued that the law merely gives patent owners the right to file a motion to amend, but no right to amend, a distinction found again in these proposed rules. This has been a particular source of frustration for patent owners, given that members of Congress continued to attempt to quiet the fears of patent owners during the debates over the creation of post-grant procedures by pointing out that the patent owner would have a right to amend. No such right to amend has ever been recognized by the PTAB.

The Office asked for comments on the following topic: "What modifications, if any, should be made to the Board's practice

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regarding motions to amend?" The Office received a spectrum of comments that ranged from seeking no change in amendment practice to proposals for liberal grant of amendments in AIA proceedings.

The USPTO adopted the comments from those who expressed satisfaction with the Board's current rules and practices for motions to amend. It should be noted, however, that since receipt of the comments, the PTAB had already clarified motions to amend, to at least some extent, in *MasterImage 3D, Inc. v. RealD, Inc.*, case IPR2015-00040.

The Office explained that the *MasterImage* decision clarifies that a patent owner must argue for the patentability of the proposed substitute claims over the prior art of record, including any art provided in light of a patent owner's duty of candor, and any other prior art or arguments supplied by the petitioner, in conjunction with the requirement that the proposed substitute claims be narrower than the claims that are being replaced. Further, the decision also stands for the proposition that the burden of production shifts to the petitioner once the patent owner has made its *prima facie* case for patentability of the amendment, although the ultimate burden of persuasion remains with the patent owner.

Comments suggesting that motions to amend be liberally granted were not adopted. The Office attempts to provide reasoning to support its view that there is a right to file a motion to amend but no right to amend, which in my opinion, falls flat. Notably, the Office ignores the legislative history of the America Invents Act and the numerous statements by virtually everyone advocating on behalf of the bill, all of which promised that patent owners would have a right to amend.

This type of interpretation is what one might expect to see in a Banana Republic or a repressive regime that doesn't concern itself with logic or fairness.

At this point, a motion to amend is practically useless and will, in fact, be denied in nearly all instances. Thus, the statutory language is being nullified by the Patent Office interpretation. The AIA gives petitioners and patent owners the absolute right to file a motion to amend that will not enlarge the scope of the claims. (See 35 U.S.C. 316(d).) Specifically, granting a right to file a motion that will nearly always be denied can't be what Congress intended. This type of interpretation is what one might expect to see in a Banana Republic or a repressive regime that doesn't concern itself with logic or fairness. Such a tortured reading of the America Invents Act, particularly given the clear intent of Congress, also seems to be in direct conflict with the Supreme Court's recent decision in *King v. Burwell*, which requires courts to "turn to the broader structure of the Act" to determine meaning.

In fact, in *King*, the Supreme Court explained that when the statutory scheme compels an interpretation that is in direct opposition to the language of the statute, the intent of the overall statutory scheme is determinative. Clearly, Congress wanted overly broad patent claims to be stripped, but it also wanted to give patent owners at least one opportunity to narrowly tailor claims so that they would be patentable over the prior art. Thus, the USPTO interpretation simply cannot be the correct interpretation.

Other Matters

Other issues addressed in the proposed rules package include, but are not limited to: (1) The intent of the Office to continue use of the Garmin factors on a case-by-case basis for additional discovery requests; (2) The Office amending the rules to allow the patent owner to file new testimonial evidence with its preliminary response; (3) The Office declining to adopt a mandatory rule regarding additional discovery of secondary considerations but continuing to entertain the need for such discovery on a case-by-case basis; (4) The Office permitting a patent owner to raise a challenge regarding a real party-in-interest or privity at any time during a trial proceeding; (5) The Office will continue its present practice of considering requests for oral hearings on a case-by-case basis; (6) The Office declining a proposal that would allow a petitioner's reply as a right in the pre-institution phase of an AIA review; (7) The Office denying to provide for small entity and micro-entity filing fee reduction for reviews under AIA due to a lack of statutory authority to grant such reduced filing fees; and (8) The Office proposal to amend § 42.11, which prescribes the duty of candor owed to the Office, to include a Rule 11-type certification for all papers filed with the Board with a provision for sanctions for noncompliance.

Patent and Trademark Appeal Board to Determine Whether to Sanction Kyle Bass for Filing IPRs

BY GENE QUINN

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After being granted permission to file a motion for sanctions, Celgene Corporation filed a motion for sanctions against the Coalition for Affordable Drugs on July 28, 2015. This motion alleged that filing of the *inter partes* review by the Coalition for Affordable Drugs constituted an abuse of process. On August 11, 2015, the Coalition for Affordable Drugs filed an opposition to the patent owner's motion for sanctions. And now we wait for a determination in this case of first impression. Will Kyle Bass' Coalition for Affordable Drugs be sanctioned by the Patent Trial and Appeal Board for filing IPRs?

Behind the Coalition for Affordable Drugs is hedge fund billionaire Kyle Bass, who has been filing post-grant challenges to pharmaceutical patents in the hopes of causing patented drugs to fall into the public domain, which, in turn, would cause the patent owner to lose revenue in the face of generic competition. The loss of revenue would cause the stock price to go down, which would be to the benefit of any investors who might hold a short position in the stock. Kyle Bass has reportedly been shorting the stocks of the companies that own the patents he is challenging.

According to Celgene, the Bass strategy of shorting a stock and filing an IPR is an abuse of the process and not what post-grant procedures were designed to accomplish. Celgene's motion argues:

"*Inter partes* review was designed as an expeditious and less costly alternative to federal district court litigation. It was not designed for the purpose to which it is aimed here—as a tool to affect the stock prices of public companies for financial gain, to the detriment of those companies and the investing public. By their own admission, the real parties in interest filed this and other petitions as part of their strategy to profit from affecting stock prices. Their petitions represent an ongoing abuse of the IPR process that has been and will continue to be an unwarranted burden on the Patent Trial and Appeal Board and on innovators like patent owner Celgene Corporation and its shareholders. Celgene is confident in the strength of its patents, but should not

"Inter partes review was designed as an expeditious and less costly alternative to federal district court litigation. It was not designed for the purpose to which it is aimed here—as a tool to affect the stock prices of public companies for financial gain, to the detriment of those companies and the investing public."

be required to expend extensive resources defending them in the face of the RPI's abuse of process."

Celgene also alleges that Erich Spangenberg, who is working with Bass in an advisory role, attempted to obtain payment from Celgene in exchange for not challenging the patents in issue through the IPR process. Celgene alleges that when the company refused to pay Spangenberg, he teamed up with Bass and "concocted a new scheme to profit from affecting companies' stock prices by filing IPRs."

In response, the Coalition for Affordable Drugs argued:

"[Celgene] makes the curious argument that filing IPR petitions with a profit motive constitutes an abuse of process. Yet, at the heart of nearly every patent and nearly every IPR, the motivation is profit. Celgene files for and acquires patents to profit from the higher drug prices that patents enable. Generic pharmaceutical companies challenge patents to profit from generic sales. Celgene's argument is in conflict with Supreme Court precedent expressly finding it in the public's interest for economically motivated actors to challenge patents. See *Lear v. Adkins*, 395 U.S. 653, 670 (1969) (holding public interest requires permitting licensees to challenge validity because they may often be the only individuals with enough economic incentive to challenge the patentability and [i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists). Having an economic motive for petitioning the government simply does not turn the petition into an abuse of process."

The Coalition for Affordable Drugs goes on to argue that whether their motives are altruistic is irrelevant:

"The U.S. economy is based largely on the notion that individual self-interest, properly directed, benefits society writ large. Celgene's motive is to profit from consumers and taxpayers from drug sales. Celgene's patent-conferred monopoly results in Revlimid prices that exceed $580 per pill—creating costs in excess of $200,000 per patient year. Revlimid sales were nearly $5 billion in 2014. Celgene is not giving Revlimid or its profits away."

Essentially, by and through the Coalition for Affordable Drugs, Bass is arguing that while his motives may not be altruistic, the motivations of Celgene aren't exactly altruistic, either. Nevertheless, the public would stand to benefit if Bass is successful. The Coalition for Affordable Drugs correctly notes that "each petition that knocks down a barrier to generic entry benefits the public."

Legislative History

Celgene argues in its sanction filing that the legislative history of the America Invents Act is the law that ushered in the ability to engage in the type of challenge being brought by Bass by and through the Coalition for Affordable Drugs.

Time and again throughout the legislative history, post-grant proceedings were explained as being faster, low-cost alternatives to litigating validity disputes in Federal District Court. That being the case, it would seem extremely odd that any petitioner could bring a post-grant challenge to a patent when that petitioner would not have standing to sue to invalidate the patent in Federal District Court. Make no mistake about it, Kyle Bass would not otherwise be able to take his challenge to Federal District Court. He would have no standing to bring a declaratory judgment action. There is no case or controversy. So, why would he have standing to bring a post-grant challenge?

Celgene argues that, according to the legislative history, the one and only purpose for the creation of post-grant challenges to issued patents was to help deter patent trolls. While this may well be what many members of Congress understood, the problem is that the law, as written, does not require standing in order to initiate a challenge using the *inter partes* review process. Further compounding the problem for Celgene is the fact that challenges under the covered business method review process require standing in order to initiate such a procedure at the United States Patent and Trademark Office.

The legislative history is silent with respect to the type of challenge brought by hedge fund managers seeking to take advantage of a market opportunity. Using standard canons of statutory construction, given that IPR does not require standing, and CBM requires standing, it will be argued that Congress was aware of the possibility of requiring standing and opted to include such a requirement only for CBM. By implication, Congress must have also opted not to incorporate a standing requirement for IPR. Thus, it seems, based on the way

the legislation was drafted, the intent was to allow anyone to bring an IPR challenge for any reason. Motivation does not appear to matter, which would mean that there is nothing wrong, illegal or immoral about the challenge brought by Bass and the Coalition for Affordable Drugs.

USPTO Discretion to Award Sanction

Celgene also argues that Congress gave the Patent Office broad discretion to award and enforce sanctions for abusive use of IPRs. Pursuant to 35 U.S.C. 316(a)(6), Congress gave the Patent Office the authority to create regulations, including those regarding the appropriateness of awarding sanctions for abuse. The AIA instructed the Patent Office to create regulations "prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding. …"

The Patent Office created regulations explaining when sanctions would be possible. The Patent Trial and Appeal Board "may impose a sanction against a party for misconduct, including: (1) Failure to comply with an applicable rule or order in the proceeding; (2) Advancing a misleading or frivolous argument or request for relief; (3) Misrepresentation of a fact; (4) Engaging in dilatory tactics; (5) Abuse of discovery; (6) Abuse of process; or (7) Any other improper use of the proceeding, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding." (See 37 C.F.R. 42.12(a).)

Celgene argues that the Board has the authority to issue sanctions against Bass and the Coalition for Affordable Drugs, because the IPR filings are an abuse of process or are otherwise improper. Bass et al. counter by pointing out that the law and regulations allow a person who is not the patent owner to file an IPR, which means that "[a] dismissal sanction would amount to an impermissible substantive rule that changes existing law governing an individual's standing to file an IPR petition. …"

What Will Happen?

It is important to remember that the primary architects of the AIA were from the pharmaceutical industry. In fact, Bob Armitage, the former general counsel for Eli Lilly, was invited to speak at virtually every gathering of patent industry professionals because of how intimately he was involved with the drafting of the language of the AIA and how closely he was involved with lobbying the industry and Congress to pass the AIA. The pharmaceutical industry supported the AIA, which ultimately pushed the bill across the finish line after many years of failed attempts. In retrospect, it looks like the industry should have been more concerned about post-grant challenges.

The Coalition for Affordable Drugs correctly notes that "each petition that knocks down a barrier to generic entry benefits the public."

I am sympathetic to the biotech and pharmaceutical companies that are facing challenges to patented drugs that no one anticipated. Given the critical role the pharmaceutical industry played in passage of the AIA, I am much more sympathetic to the many other patent owners who find their patents being challenged in various post-grant proceedings. These patent owners largely did not support the AIA and vigorously opposed creation of new mechanisms to challenge issued patents.

It hardly seems reasonable that a motion for sanctions should be granted when a pharmaceutical patent is being challenged simply because the challenger has brought the petition for some monetary benefit. If the Board sides with Celgene, then all patent owners should be victorious in sanctions motions, given that the challenger always has a financial motive for seeking to invalidate the challenged patents. Therefore, it seems extremely unlikely that the Board would award sanctions simply due to the financial motivation for filing an IPR. Such a ruling seems further unlikely, given Supreme Court precedent that exalts challenges to patents as being in the public interest.

It is, however, troubling when petitioners contact patent owners in advance of filing an IPR seeking payment for not challenging a patent. Such a tactic could easily be characterized as extortionary, but I'm not sure where to draw the line. Would it be acceptable to file the IPR challenge and then acknowledge a willingness to settle if the patent owner were to pay? In other words, does the timing of the request for payment matter? It would be a stretch for any court to rule that an offer to settle an already instituted litigation constituted extortionary activity.

The real problem isn't that Kyle Bass is seeking to take advantage of a market opportunity, but rather that the post-grant procedures were ill-conceived from the start. They were championed as being a cheaper alternative to litigation, but can, in fact, easily cost in excess of $1 million in attorneys' fees, which is hardly cheap. Post-grant challenges were seen as a panacea that would allow certain companies to take out certain patents, but due to political realities, pharmaceutical and biotech patents couldn't be carved out. That political problem remains. If post-grant challenges are good for some patents, they must be good for all patents. Similarly, if *inter partes* review can be brought by some parties without standing, then they must be able to be instituted by all parties without standing, even if the motivation for bringing the challenge is primarily (or even exclusively) financial.

USPTO Proposes Pilot Program for IPR Institution Decisions

BY GENE QUINN

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Regardless of whether there is a single decision maker or a panel of three decision makers, it is fundamentally inappropriate for any agency decision to be absolutely insulated from judicial review, period.

On August 25, 2015, the United States Patent and Trademark Office published a request for comments in the Federal Register relating to a proposed pilot program exploring the possibility of having a single administrative patent judge determine whether to institute an *inter partes* review. Currently, the USPTO has a panel of three APJs who decide whether to institute a trial and, if instituted, conduct the trial. Under the proposed pilot program, a single APJ would decide whether to institute the IPR. He would then be joined by two other APJs not associated with the institution decision to conduct the IPR trial.

According to the Federal Register notice, "the USPTO is pro-actively looking for ways to enhance its operations for the benefit of stakeholders," which is partially how and why the pilot proposal came to be. More specifically, the pilot program is being floated as the result of comments received through various public fora and formal requests.

The USPTO explains in the notice that the Office "believes it is prudent to explore other potentially more efficient options [to review IPR petitions], especially given that the number of petitions filed may continue to increase."

Due Process Challenged

Notwithstanding this legitimate attempt to stay ahead of workflow increases, the USPTO has been criticized by several high-profile industry leaders who questioned the procedural fairness of the Patent Trial and Appeal Board. For example, patent attorney Phil Johnson wonders whether the PTAB is affording patent owners the required level of due process, given the fact that a property right will be potentially stripped from the patent owner. One area of due process concern Johnson has raised is that the PTAB is deciding whether to initiate and also conduct the trial. The issue of affording patent owners proper due process is particularly critical, according to Johnson, because "the PTAB is now both deciding on the institution of and the conduct of these IPRs and PGRs, and, of course, they're issuing the final decisions."

There is no doubt that there would be efficiencies gained if the USPTO were able to have only a single APJ make the determination about whether to institute an IPR trial. The Office explains:

"Having a single judge decide whether to institute trial in a post-grant proceeding, instead of a panel of three judges, would allow more judges to be available to attend to other matters, such as reducing the *ex parte* appeal backlog and handling more post-grant proceedings."

Still, having a single APJ make institution determinations is fraught with due process concerns. The decision whether to institute an *inter partes* review is not appealable.

Balance of Power

There seems to be something uniquely unfair about an agency decision that cannot be appealed to an Article III judge. Granting unelected agency officials ultimate, king-like, decision-making powers runs counter to the spirit of the Constitution, if not the text of the Constitution itself. Agencies such as the USPTO are a part of the executive branch of government. If a USPTO decision cannot be appealed, that means that the judiciary is helpless to review actions by the executive branch. This upsets the delicate balance of power struck among the three branches of government. It is also an exceptionally dangerous precedent to set. A very strong argument could be made that such dictatorial powers granted to the PTAB (by and through the statute in conjunction with Federal Circuit interpretations) are unconstitutional.

I have no doubt that the Supreme Court will ultimately be asked to review the issue of whether institution decisions are

appealable. In the meantime, we are left with a statute that absolutely insulates the PTAB from judicial review. This is bad enough when three APJs are collectively considering whether to grant an IPR petition and hold a trial. To put decision-making authority for a non-appealable decision in the hands of a single person doesn't comport with traditional notions of fair play and justice. Truthfully, if this type of thing were taking place in another country, we, in the United States, would ridicule the process and point to it as an example of the type of "justice" handed out in a Banana Republic.

APJs are ordinary people trying to do the best job they can, and, frankly, they are placed in a terribly awkward position. What would you do if you knew that a decision to institute couldn't be reviewed or challenged on appeal? Could this account for the high rate of decisions to institute?

The argument is made that if the decision to institute were faulty, the patent owner would prevail, but this misses at least three major points. First, the decision to institute will cost the patent owner between $500,000 to $1,000,000 in attorneys' fees. Second, the PTAB is far more likely to weave references together to support an obviousness rejection than federal courts. Third, the deck is stacked against the patent owner in an IPR given that the patent right—a property right—can be stripped using standards of proof below what would be used by a district court judge during a patent litigation. This being the case, decisions to institute should be slanted toward the patent owner, not against the patent owner.

My protest is not about the decision maker but rather about the process. Regardless of whether there is a single decision maker or a panel of three decision makers, it is fundamentally inappropriate for *any* agency decision to be absolutely insulated from judicial review, period.

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www.wininventors.com

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Minnesota Inventors Congress
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(800) 468.3681
info@minnesotainventors
congress.org
www.minnesotainventors
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Missouri

Inventors Association of St. Louis
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Inventors Center of Kansas City
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Nevada

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Nevada Inventors Association
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Every effort has been made to list all inventor groups accurately. Please email Carrie Boyd at cboyd33@carolina.rr.com if any changes need to be made to your group's listing.

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National Society of Inventors
Stephen Shaw
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(Meets in Roselle Park, NJ)
www.nsinventors.com

Jersey Shore Inventors Group
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Howell, NJ 07731
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New York

The Inventors Association of Manhattan (IAM)
Ananda Singh,
membership manager
Location TBD every 2nd
Monday of the month
New York, NY
www.manhattan-inventors.org
manhattan.inventors@gmail.com

Inventors Society of Western New York
Alan Reinnagel
174 High Stone Circle
Pitsford, NY 14534
(585) 943-7320
www.inventny.org

Inventors & Entrepreneurs of Suffolk County, Inc.
Brian Fried
P.O. Box 672
Melville, NY 11747
(631) 415-5013

Long Island Forum for Technology, Inc.
111 W. Main St.
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LCarter@lift.org

NY Society of Professional Inventors
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North Carolina

Inventors' Network of the Carolinas
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North Dakota

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Fargo, ND 58103
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info@neustel.com
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Ohio

Inventors Council of Cincinnati
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Canton Inventors Association
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North Canton, OH 44720
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Inventors Connection of Greater Cleveland
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Youngstown-Warren Inventors Association
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inventors.com

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Williamsport Inventor's Club
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Williamsport, PA 17701
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Wisconsin

Inventors & Entrepreneurs Club of Juneau County
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