

## **Chapter 14**

### **Patents**

*Louis C. Paul, Esq.*

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Patents can dictate what products are launched and by whom. They control which technologies may be used to solve problems and advance cosmetic science.

Not knowing about and understanding the basics of patent law—and, more importantly, taking patents into account in developing new products—can have serious consequences. At a minimum, months, possibly years, of R&D, testing and marketing efforts can be lost. Worse still, disregarding a patent could result in an infringement lawsuit, resulting in a prohibition of future sales of the infringing product and damages, which in certain cases can be triple.

Consider the story of two finished goods companies, XYZ Cosmetics and ABC Cosmeceuticals, and a raw materials supplier, Acme. Acme develops a new skin lightening ingredient, a botanical extract that is purified to have an ability to reduce uneven pigmentation. Acme files a patent application covering the ingredient and its use as a depigmenting agent. However, Acme does not realize that the ingredient also is effective in the treatment of acne. Acme makes a sales call on XYZ. XYZ discovers the potential usefulness of the purified botanical extract in treating acne and other inflammatory dermatitis and files an application claiming this and other topical uses, including reducing the appearance of wrinkles.

The botanical extract is also sampled by Acme and spends the next year and one-half developing an antiaging formulation featuring the botanical extract from Acme. Shortly before launch, ABC learns that XYZ has filed a patent application.

## Patents

ABC is forced with a difficult decision, continue with the launch and risk a lawsuit (should XYZ be granted a patent) or scuttle 18 months of R&D and marketing efforts.

The above scenario can and has happened. How? Key combinations of a new material with other cosmetic ingredients or for specific application can be separately patented other than by the developer of the raw material. In the end Acme can find itself in the position where it receives a patent, but is severely curtailed in its ability to sell the ingredient because of the XYZ patent application.

### 1. Foundations of the Patent System

Patent protection is so fundamental that it is provided for in the cornerstone document of our legal system—the Constitution. Article I, Section 8, Clause 8 of the Constitution states that “The Congress shall have the power to promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”

A patent, however, does not create the right to sell a product or use a technology. Instead, it gives inventor(s) an exclusive right—the right to exclude others from practicing the invention as claimed in the granted patent. More particularly, a patent holder (or its licensee) has the right to exclude others from making, having made, selling, offering for sale, using or importing the claimed subject matter of the patent. In short, a patent is a form of monopoly.

Why would the US and other countries whose economic systems encourage competition countenance monopolies? One explanation is found in the etymology of the word “patent” itself and, in the case of the United States, in the Constitution.

Patent is derived from the Latin meaning “to be open”. In the Constitution, the policy rationale behind patents is unmistakably stated—to promote the advancement of science. In exchange for openness on the part of the inventor(s)—disclosing the best method for practicing the claimed invention—patents allow other scientists in a field to better understand and improve on the patented invention and thereby advance science and the useful arts. The improvement, in turn, might itself be patentable.

A second explanation for granting patents is also related to openness. By requiring that inventors clearly and distinctly claim their invention, patents put the public on notice of the intellectual property rights of others. The public knows what belongs to others and therefore how not to avoid infringing those rights. Drawing an analogy to real property rights, a patent stakes out the territory of the inventor and allows the patentee to sue those who trespass.

### **1.1. Patent Types**

Patent rights are not limitless. The Constitution provides that patent rights have a proscribed duration.

In general, “utility” patents last 20 years from the earliest date a patent application was filed. In the cosmetics industry, these are the most ubiquitous and relate, among other things, to chemical molecules (e.g., raw materials), finished formulations, and methods of manufacture.

Utility patents have also been issued for methods of doing business. The continued viability of business method patents is before the U.S. Supreme Court in the case *In re Bilski*.

“Design” patents, which cover the ornamental design of a functional item, last 14 years from issue.

### 1.2. Reasons for Patenting

Aside from the policy reasons of promoting openness and the advancement of science, there are pragmatic business considerations behind patents.

Patents provide more than protection from copying. Patents offer a marketable point of difference. In order to compete in an increasingly global marketplace—one with more sophisticated and demanding consumers—finished goods companies are under constant pressure to introduce new and better products based on science. The terms “patented” and “patent pending” help to convey this message, simply and strongly. In the minds of consumers, patents are associated with “new,” “unique,” “better” and “advanced”.

Patents generate revenue—not only for the governments that receive fees for examining patent applications and annuities / maintenance fees to keep the patent in force. Patent rights can be sold or licensed.

Patents can foster cooperation (in the form of joint research and development efforts) and investment. Patents also make companies desirable for acquisition. Prudent investors or potential purchasers ask a number of patent-driven questions. Is there freedom to operate (also known as freedom to market)? Is there patent protection? If so, how strong is that protection? Can the patents be easily circumvented? Can the claims be easily challenged (i.e., argued to be invalid). Can the protection be expanded? In short, how good is the company’s patent health?

### 2. The Right to Exclude

Patents do not create a right to sell a product or use a technology. That right comes from not infringing a valid claim of an

unexpired patent. As discussed below, patent infringement requires that a court find that the accused infringing device/product or method contain each element of a patent claim. Assuming a patent claim is infringed, the claim may nonetheless be found to be invalid and therefore unenforceable. Put differently, a court may later find that the invention was not patentable in the first place. The concepts of infringement and patentability cannot be explored without first understanding patent claims.

## 2.1. Claim Types

Like chemicals, patent claims are made of elements. A patent claim must be parsed into its constituent claim elements. Unless otherwise defined in the specification, or in arguments made by the patent applicant during prosecution, claim terms are given their plain meaning. Ordinary terms are given their dictionary meaning. Technical terms are interpreted to have the plain meaning as understood by “person of ordinary skill in the art.”

In claiming an invention, one of three transitional phrases is used. The first and most encompassing is the “comprising” transitional phrase. “Comprising” claims are referred to as “open;” as long as each of the required elements are present there will be infringement, irrespective of how many additional elements are present.

The narrowest transitional phrase is “consisting of”. Infringement can be found in the case of a “consisting of” claim only when each of the recited elements is present and nothing more. For this reason “consisting of” claims are described as “closed.”

A third transitional phrase—“consisting essentially of”—occupies a middle ground between “open” (comprising) and