

## PATENT SEARCHING

eBay is in litigation with a small company that claims that its patents cover the online auction method used by eBay. Blackberry users were a judge's pen stroke away from an injunction that would have stopped all Blackberry use in the U.S. In that case, the patent owner, again a small company, claimed that the famous Star Trek type devices infringed the company's patent. These patents might have been detected during a patent search, if eBay or Blackberry undertook such searches. This article will discuss each type of patent search, the cost, and the purpose.

### Patentability Searches

Suppose your company develops a new product that appears to be innovative. You would like to obtain a patent if it is feasible. Before spending the money for a patent application (the initial filing cost could range from \$8000 to \$20,000), it may be wise to conduct a patentability search. The purpose of this search is to look through the issued patents and published patent applications at the U.S. Patent & Trademark Office (PTO) to find those patents which are relevant to the invention. Once you know of the existing patents, known as the prior art, you can make a better determination of your chances at obtaining a commercially viable patent. A patentability search and report can range from \$500 to \$2500, depending on (1) the complexity of the technology and (2) whether the results are reported in a formal opinion or are merely discussed in a meeting.

### Clearance Searches

Your company may be concerned that a competitor has a patent on the product you are introducing. A clearance search is conducted to learn whether there are patents that could block you from selling your products. The search is broader than a patentability search. Because the scope of the search can be virtually limitless, it is hard to give a general cost estimate for these searches. The usual practice is to give the searcher a limit at which he or she will stop

the search and share the results. However, it is doubtful that a clearance search can be done for less than \$2000 and the cost can be much higher. Generally the cost of the product investment will drive the clearance budget. If you are building a half million dollar production line, it would be foolish to pinch pennies on the clearance study. You could finish your expensive production line and be enjoined from using it if a blocking patent existed. On the other hand, if your initial cost to get the first products to market is only \$10,000; it would not make any sense to spend \$5000 on a clearance search.

### Invalidity Searches

If your company has been sued for infringement, or if your company has received a cease and desist letter that threatens a suit for patent infringement; an invalidity search might be in order. In this search, the goal is to discover patents or other publications that should have been but were not considered during the PTO's initial examination of the patent. If the invalidity search yields a piece of so-called "killer" or "knock-out" prior art, a couple of options are available. This killer prior art can be used as leverage in licensing negotiations. Alternatively, it can be used as evidence to invalidate the patent through PTO re-examination proceedings or a lawsuit.

These searches, like many facets of intellectual property, are tools that provide you with the proper information for making decisions. Armed with the results of a competent search, your company can exercise sound business judgment on the filing of applications, the introduction of products, or the response to a lawsuit.

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# GO ZONE AND BONUS DEPRECIATION

The Gulf Opportunity Zone Act of 2005 (“GO Zone”) created a number of business incentives to help Louisiana and the other areas impacted by Hurricane Katrina. One of the key elements of the GO Zone legislation is the 50 percent bonus depreciation provision. This provision has been getting a great deal of coverage in the media and among the various investment circles. However, until guidance is issued by the IRS, there are some areas of uncertainty in this legislation.

The bonus depreciation provision allows a taxpayer to depreciate 50 percent of the cost of certain qualified GO Zone property. Generally, qualified GO Zone property is property acquired by purchase after August 27, 2005, for original use by the taxpayer in the GO Zone in the active conduct of a trade or business. The primary area of uncertainty in this legislation is the definition of the word “active,” as used in the statute. With respect to an operating business acquiring qualified GO Zone property,

the bonus depreciation provision should not create uncertainty. However, with respect to individuals looking to acquire property for leasing or other passive activities, then the meaning of the word “active” creates a great deal more uncertainty. It is likely that the intent behind the use of the word “active” is that any property which qualifies for bonus depreciation must actually be used in an ongoing trade or business in which the taxpayer is actively involved. Thus, for example, it is unlikely that a passive investor in real estate looking to build a building to lease out to tenants would qualify. Until the IRS issues guidance on this provision, taxpayers should exercise caution when acquiring property or undertaking projects with the expectation of benefiting from the 50 percent bonus depreciation.

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