

Business Better (Season 2, Episode 22): Respect the Razorblade: How to Protect Your IP When Your Business's Business Is Repeat Customers

Speakers: Carly Gubernick and Sommer Zimmerman

Steve Burkhart:

Welcome to Business Better, a podcast designed to help businesses navigate the new normal. I'm your host, Steve Burkhart. After a long career at global consumer products company BIC – where I served as Vice President of Administration, General Counsel, and Secretary – I'm now Of Counsel in the Litigation Department at Ballard Spahr, a law firm with clients across industries and throughout the country.

Steve Burkhart:

In today's episode, we discuss how intellectual property can be leveraged to capitalize on the profitability of nonconsumable devices and consumable products utilized with them. While profits can be made via the initial sale of a larger, nonconsumable item, such as a printer, a video game console, or a razor handle, even greater profits are often achieved with the repeat sale of the complementary nonconsumable, namely, the ink cartridge, the video game, and the razor blade. Establishing a strong IP portfolio that captures both the device and its complement is critical to the success of the company. Participating in this discussion are Carly Gubernick, an Associate in Ballard's Philadelphia office, and Sommer Zimmerman, an Associate in Ballard's Atlanta office. Now let's turn the episode over to Carly Gubernick.

Carly Gubernick:

Hi, my name's Carly Gubernick and I am an associate in the Philadelphia office. I focus my practice on intellectual property litigation, and I'm here today with my co-host, Sommer Zimmerman, who I'll let introduce herself.

Sommer Zimmerman:

Hello. Thanks, Carly. I'm Sommer Zimmerman. I am in the Atlanta office. My practice focuses on patent prosecution.

Carly Gubernick:

Today we're going to be talking about intellectual property considerations for consumable products, and for business' whose success is dependent on repeat customers. So to ground this discussion a little bit, let's start with some definitions. Sommer, can you explain what we mean when we refer to repeat customers?

Sommer Zimmerman:

When we're talking about repeat customers, we're referring to someone who has made at least two purchases from that business. And in many cases, even many more than that. Often these customers can be the most profitable, and therefore, that means they're also likely to be the most important customers. The more purchases that a customer makes, the more likely they are to make yet another purchase from that same business. Once they've established that they like this particular product or this particular brand, it's more likely that they're going to return and purchase more of the same or similar items.

Sommer Zimmerman:

Repeat customers are often easier to sell to as well. Once they've been converted to a loyal customer, they don't require the same amount of advertising and promotions as a first-time shopper might because they're already hooked on the business.

They also tend to spend more money. Statistics actually show that the number of times a customer has purchased from a business, and how long they've been a customer, is directly correlated with how much they spend per order. So they have a higher overall lifetime value. And then finally, repeat customers also tend to share your business more. This is someone who's more likely to recommend your store or product to other people, and therefore, you're getting some increased word-of-mouth advertising.

Carly Gubernick:

Great, and like I said today we're going to focus on one specific type of business that depends on having repeat customers. And that is business' that sell consumable products. So Sommer, can you explain what a consumable product is and how that compares to a non-consumable product?

Sommer Zimmerman:

A consumable product is one that is used recurrently. So it's likely to get used up and disposed of, and then you need more of that item. Something like office supplies, pens, paper that you're you're using regularly. Food and various household products also come to mind. Cleaning supplies and things of that nature. A non-consumable product, on the other hand, is one that you have a limited amount of, and that you're going to reuse over time. Something like electronic equipment, like a computer or a printer, furniture or appliances that you have in your home.

Sommer Zimmerman:

Now, the consumable product is much more likely to pull in these repeat customers because they're going to have to continue going back for more of the item. But in certain circumstances, you can actually design your consumable, non-consumable products to compliment each other and work together so that you can hone in on this specific market, namely the repeat customer. With the overarching goal of this strategy being to prevent competitors from manufacturing the generic consumables.

Sommer Zimmerman:

For example, I think the most famous example, if you will, that comes to mind of this technique is in the shaving industry, when we think of the razor and the razor blade. You have the razor being the non-consumable product that you use over time repeatedly, and then the razor blade that you have to change out. So long as you have sufficiently protected your products, the customer's going to have to keep going back to you to get that razor blade. So you're preventing generic manufacturers from coming in and making that same razor blade to go with your product. In this way, you can keep your clientele coming back. This is actually now transformed into a business model that's used in a variety of different industries, and it's actually called the razor in the razor blade or razor in the blade model.

Sommer Zimmerman:

Another great example of something like this is with video games and video game consoles. Here you buy the original console, and then of course you have to go back and buy all of these various accessories to go along with your console. Or you're buying different video games for your product. So again, the consumer's having to go back to that same company to continue purchasing more items. Other things come that come to mind are the old school camera where you have the film that goes with that particular camera, and you're having to replace that on a regular basis. Or the printer that's going to require a specific ink cartridge. Or even household air freshener products, where you might have one piece that's plugging into your wall, and then you have to keep using various refills that correspond to that specific air freshener.

Sommer Zimmerman:

What I think is kind of interesting here is that it's actually the consumable good that generates more profit. So even though the non-consumable item is often more expensive because it's just a one time purchase, the overall profit tends to come from that

consumable good. So from the razor blade or the video games or the ink cartridges, again, because the consumer has to regularly purchase these items.

Carly Gubernick:

You just touched on a lot of different types of products, which highlights just how prevalent consumer products are in the marketplace today. So let's jump right into the meat of our episode and let's talk about how either a new business or a business that's trying to get into the consumable product space can obtain IP protection to give its business a competitive edge over everyone else in the market. So patent prosecution is pretty key here. So Sommer, let's turn back to your expertise here and get started there.

Sommer Zimmerman:

Yeah. I think one of the key considerations here is your patent protection of both the consumable and the non-consumable. As I mentioned a moment ago, a lot of the profit is coming from the consumable item itself. So if the consumable is not properly protected, you can have a competitor who just starts manufacturing a generic version of that consumable. So the customer then no longer has to return to the original company to purchase their consumable, and the repeat business has been lost. This is where the patent comes into play. A patent is not giving you the right to use your razor blade or use your razor to sell it. Anything like that. The patent is going to prevent your competitors from copying you and from selling your razor blade, your razor, whatever your product might be.

Sommer Zimmerman:

So in thinking about how to protect your product and how to protect the consumable, specifically, you want to think about designing a consumable that is patentable in and of itself. So maybe your blade itself, for example, is something that you can look to patent. If it's not patentable in and of itself, so if the item itself isn't patentable, you can also look towards patenting a specific feature of that item. Something that's going to permit it to be used with your non-consumable. In the example, I keep going back to the, razor and the razor blade, maybe your blade has some type of component that enables it to be readily popped off the razor when you're done and disposed of, and it's by virtue of this specific component that the two pieces locked together. So maybe the blade's not patentable, but this interlocking mechanism is something you can pursue protecting.

Sommer Zimmerman:

And then you can also think about protecting different facets of the consumable product. Something functional, functional aspects of the product, might be protectable via a utility patent. This is something like the cutting edge or the blade tip that you use for shaving, and the razor blade or the blade guard that's going to prevent accidental cuts. So these types of features would be protected by virtue of a utility patent, or could potentially be protected.

Sommer Zimmerman:

Ornamental features of the consumable, on the other hand, whether that's a single feature, such as the shape or appearance of maybe just the blade guard itself, or a combination of features, so the shape or appearance of the overall razor blade as a whole, might also be protectable via a design patent. Design patents can have the benefit of being much faster to obtain, and therefore, they also tend to be much cheaper than a utility patent to get. Carly, what about trademark protection? What should we be thinking about here?

Carly Gubernick:

Sure. So, trademarks protect any words or phrases or designs, or any combination thereof that identify your goods and service, and distinguish your goods and your brand from others in the marketplace. So when you're looking into this consumable space, the focus is going to be on a specific type of trademark protection, which we call trade dress. And trade dress originally included only the packaging of your product that's kind of the well-known trade dress protection. But this type of protection has expanded to cover the design of your production in certain instances. So today trade dress protection can cover the image

or the overall design of your product; things like size, shape, or color. But to get the highest level of trade dress protection for your product design, your product has to acquire what's known as secondary meaning in the marketplace.

Carly Gubernick:

So, secondary meaning occurs when in the minds of the public, and the minds of the consuming public specifically, the primary significance of a trademark, so in this case that trademark is the design of the product, is to identify the source of the product as being from your business, rather than the product itself. So to get this secondary meaning, the more exposure the consuming public has to your product, the more likely it is to acquire that secondary meaning.

Carly Gubernick:

Now, you can have both trademark trade dress protection, and design patent protection for your design simultaneously, but the intersection between trademarks and design patents is where this gets a little bit tricky. Because on the one hand design patents like Sommer just explained, they protect ornamental features of your product that are new and unique. So features that the market has never seen before. While, trade dress protection requires the product design to be so well known that its acquired secondary meaning. So in order to maximize your IP protection for your product, you'll want to think about these two types of protection sequentially.

Carly Gubernick:

So first, you should consider obtaining a design patent for the ornamental features of your product. And then if that design patent is granted, you can use your 14 year exclusivity period to create secondary meaning for your trade dress in the market. So then once your trade dress has acquired secondary meaning, that trademark protection will continue for as long as you have and maintain that secondary meaning. So for much longer than the design patent term. So I think this is a good place to transition and segue into discussing strategies that a business should be considering to protect their non-consumables products. Sommer, do you want to kick us off there?

Sommer Zimmerman:

In addition to thinking about protecting the consumable product, you also want to think about protecting the non-consumable product as well, because it could be that this portion is also separately patentable. So similarly to the consumable product, you also want to think about whether the entire non-consumable is patentable in and of itself, or protectable, or whether there's any specific features of the non-consumable that might be patentable. And it could be both, in which case you might be pursuing multiple patents to cover your technology. Some directed to specific features of the product, and some directed to the product as a whole. You also want to think about the functional aspects and the ornamental aspects, and having a variety of utility and design patents to encompass all the various features of the non-consumable.

Sommer Zimmerman:

You should also think about protecting various combinations. This is kind of interesting, too. Because it's not just a matter of protecting your specific combination, so your specific consumable product with your specific non-consumable product, but you should also think about protecting various combinations of your non-consumable product with your competitor's consumable product. Or vice versa. So your consumable product with your competitor's non-consumable product. To the extent that there could be some overlap there, particularly when it comes to thinking about specific features of your non-consumable or consumable product. Because often those features could then lend themselves to use on a competitor's product as well.

Carly Gubernick:

I feel like this is becoming something that Sommer and I have talked about a good amount in the episodes that we've done together, but it bears repeating, because really the best way to protect your product and your business is to think about intellectual property considerations early, and to think about them often.

Carly Gubernick:

Like I was just saying with design patents and the trademark intersection, a lot of this comes down to timing. Especially for applying for patents, there are a lot of different timing aspects that come into play to make sure that you can file and get the protection that your products could possibly have. And then coming up on filing deadlines and making sure that you're maintaining your IP. You're just going to want to think about these things as early as you can, when you start thinking about a new product or thinking about bringing a new product to market, and then continuing to follow up with that throughout the life of those products, to see if there's any new IP you can be getting and making sure that you're maintaining what you have. That's really the best way to maintain a robust and healthy IP portfolio that will benefit your product in the long run, and your business overall.

Sommer Zimmerman:

Yeah. It's important, too, that as you go on, you think about which markets you're working in. So for example, maybe we're originally primarily in the US and Europe, and now you've started expanding to additional markets. So it could be that additional filings are warranted as you're able to do so in different jurisdictions. Or maybe you're no longer marketing in certain jurisdictions. You're no longer selling there or manufacturing there. So there could be some patents in your portfolio that it's okay to let go so you can put your resources elsewhere.

Sommer Zimmerman:

Additionally, you should also be thinking about ways to expand your patent protection and get additional patent term worked in there. So anytime you do an update on either the consumable or the non-consumable product, or you revamp it in some way, you want to consider whether that improvement or modification can be leveraged in a later patent filing. Because it could be that, now you change the shape, for example, of the razor and you're using a sleeker design, something like that. So then you want to consider whether you could file an additional patent application that would have a later patent term to cover this new shape, whether it's a utility or a design patent. And again, then if it has a new complimentary blade going with it, again, that would be additional way to further your patent protection.

Carly Gubernick:

That's a great point, Sommer. New design elements could also mean that there's a chance for broader trade dress protection. So, if you're applying for a patent to cover a unique design element, remember that the term of your patent is a great time to market that new product, that new design element so that any new elements acquire the requisite secondary meaning in the market so that you can establish trade dress protection as well.

Carly Gubernick:

So we've gone over a lot of information in this very kind of narrow, but quickly growing field of consumables. So to wrap this up and to give you something that's a little bit more digestible, let's go through a couple key takeaways from this episode.

Carly Gubernick:

First, we want to highlight that profitability is in the repetition. So like Sommer was saying earlier, these consumable products, because you have the repeat customers coming back to you, because you have to continue to refill the consumable product, there's often a ton of profitability in these consumable products. So it's something to consider, if it's an option for your business, and if there's a product that there's a consumable feature that makes sense to kind of move into that space.

Carly Gubernick:

The next key takeaway is to set yourself apart and to capitalize on that. Both from the patent aspect and the trademark aspect, it's these unique aspects that are what you can really protect with intellectual property, and that protection will then help to drive that profitability further.

Carly Gubernick:

And then lastly, and like I said before, and we will keep saying it again and again, just think about your IP early, and think about it often. And make sure that you're really continuing to maintain your intellectual property portfolio to make sure that your business is as protected, as profitable, and as strong as it can possibly be.

Steve Burkhart:

Thanks again to Carly Gubernick and Sommer Zimmerman. Make sure to visit our website, www.ballardspahr.com where you can find the latest news and guidance from our attorneys. Subscribe to the show in Apple Podcasts, Google Play, Spotify, or your favorite podcast platform. If you have any questions or suggestions for the show, please email podcast@ballardspahr.com. Stay tuned for a new episode coming soon. Thank you for listening.