

Upcoming Meeting: March 21, 2009

Van R. Irion, a Knoxville attorney, will be speaking on licensing for inventors at the March meeting. Van was a medical researcher and co-founder of a medical device company before he entered law school in 2001. For the past several years he worked for the University of Tennessee Research Foundation, managing patent prosecutions and negotiating business transactions. Mr. Irion recently started his own law firm in Knoxville.

Past Meeting

Meeting Notes from February 21, 2009 Meeting, care of **Steve Yoder**, TIA recording Secretary.

Joe Martin opened the meeting. **Van Irion**, next month's speaker, was a visitor at this meeting. He announced that he is will be speaking next month on Licensing. Visitors are always welcome to join out meetings.

Paul Blizzard, Founder of Diesel Head & Parts Service in Lenoir City, was our speaker today. He currently has over 100 ongoing projects in China. Paul began sourcing in China in 1996. He offered us advice based on his hands-on experience. Paul has found the generally his connections in China have been very cooperative regarding product modifications and quality concerns. He told us that Chengdu, China is the Chinese "sister city" to Knoxville. For more info on sister cities, see <<<http://www.sister-cities.org/>>>.

Visiting China and Making Connections

Paul recommended that when you visit China, check in with the US embassy. They should be told where you are going, what you are doing, and how long you expect to be in the country. He also recommended getting your shots before you travel. Sanitation is a problem in that country. Be reasonable about it though; realize that countrymen are still alive and they live there.

Paul also suggested that you request international references from potential vendors. He said call them and ask about their relationship with the vendor. Paul has a bilingual business card with English on one side and Mandarin on the other. He also uses his own translator. The more Chinese dialects your translator speaks, the better off you will be.

Project Management and Cost Control

Based on Paul's experience, the average project takes about one year. He suggests building relationships with manufacturers and work with people you trust. When he discovers untrustworthy behavior, he cuts off the relationship. Tell your vendors up front what you expect from them and the consequences of

their failing to hold your trust. He travels to China 6-7 times per year. You must visit those you work with and not rely on phone or video conferences, or even a visit at an airport in China. Paul said you really should go and see the plant. Paul recommended the book “What does China think” by Mark Leonard. He said read it, go to China, then read it again.

Not all vendors are allowed to export. Paul said that lots of money goes into paying for the exporter. Oftentimes, you pay 11% that goes to government kickbacks. Money can be saved if you are able to negotiate with the exporter. It is through the exporter that many products are transferred to competitors. Sometimes, the local government will coerce vendors to work with particular corrupt exporters.

One problem Paul has faced is finding the right size manufacturer. The large ones who have the capital to move your projects forward are sometimes so large that they don't pay attention to your needs. The smaller, more attentive vendors are nice to work with, but you should expect to outgrow them.

Staying ahead of your competition

Paul strongly encourages others to work with China under a different name that you market your product in the US. It is very easy for competitors to find out who you work with in China if they know what name you are using. He also recommends using a code name for products, i.e. instead of a cylinder head for an “H3 Hummer”, call it a cylinder head for an “XA245.” This will also keep the competition at bay.

Another way to avoid competition getting your product is to have multiple vendors making components that are then assembled either in China or the US. Use a middle company to handle transfers of components from one facility to another. He also recommends having your own guy inside the factory. Unannounced visits are also very helpful. They shouldn't know when you're coming or how long you'll be there.

Business Planning

As for financials, don't invest in projects having a long payback period. Paul recalled that once his competitor has his head within 6 months. One thing to keep in mind is that in China, the price never goes up. What happens is the vendor will obtain lower cost raw material, sometimes harmful or otherwise inappropriate material will be used to keep the price down.

Finally, Paul recommended using an importer such as V. Alexander & Co. or UPS Supply Chain Management because the import laws are always

changing and it takes full time attention to do it correctly. Paul told us that we should expect an 11% increase in cost to cover regulatory costs.

Q&A Session

Paul told us that he tries to import most of his product between December and June because the cost is down by about 50% over the rest of the year. July to November is the highest cost due to Christmas traffic.

Paul also noted that his shipping cost is always higher than theirs. Unless you need it quickly, have them ship CIF instead of FOB. Shipping containers are priced by volume or weight. Each container has a volume limit, but there is a maximum weight allowed such that heavier products may hit the weight limit before filling the volume of the container.

Member Notes

Martin Skinner

CHRONOLOGY OF KOIL KADDY

PATENT PROSECUTION

March 23, 2004 Filed Provisional patent application. This was as complete a description as possible, plus drawings and proposed claims to give maximum protection re any public disclosure that might include technical differences.

March 23, 2005 Filed full patent application – almost identical with Provisional application. Attorney changed format of the “Combination Claims” to what he said was latest practice.

During 2005 early

2006 Had two rejections on both claim format and prior art.

August 3, 2006 Final rejection after attempt to overcome Examiner’s position. [Should have had a personal interview, but

Attorney thought we could handle it by amendment.]

January 3, 2007 Filed CIP, with correct format for Combination Claims

During 2007 and early

2007 Had two rejections, primarily on basis of prior art. Two main references require hose being put on Kaddy, rather than Kaddy being put into the hose.

July 7, 2008 Final rejection, disallowing changed description and slightly revised drawing as being “New matter” and on the same prior art.

October 17, 2008 Personal interview with Examiner and his supervisor. Took models illustrating the prior art, and demonstrated the difference with Koil Kaddy. Supervisor overrode the “New matter” rejection, and generally agreed that the claims as presented distinguished over the prior art.

November 25, 2008 Notice of Allowance issued. Examiner inserted a minor limitation [probably to have the last say], but I did not fight it any more.

I have received notice that my patent on the Koil Kaddy will issue March 3rd after a long prosecution. Hip, hip, hooray!