

Tips on Controlling Intellectual Property Protection Costs: What Business Owners Need to Know

Patents are important tools for protecting a business from its competitors and carving out markets worldwide. Because patents are often a key feature in many business models, many businesses are involved not only in developing intellectual property through their innovations but also in actively securing protection of their intellectual property rights in domestic and foreign markets. However, filing for and maintaining domestic and international patent protection can be expensive and unpredictable, and it can be difficult to accurately budget and control patent costs, particularly for international patents. By reducing direct costs as well as internal management costs, businesses can increase the profitability of their patent assets while simultaneously controlling their budgets. This article discusses some basic, often cost-effective steps that businesses may consider to minimize costs when securing protection of their intellectual property in domestic and foreign markets. Once patents are procured, a major cost concern relates to dispute resolution and enforcement of the patent rights; that topic will not be addressed in this article.

Develop an intellectual property protection strategy that is appropriate for your business

Businesses are routinely faced with the tough decision of whether an innovation should be protected through patents, kept as a trade secret, or abandoned in domestic and foreign markets. Therefore, it is important for a business to develop a focused intellectual property protection strategy that is in alignment with the business' strategic needs.

Unless a business has unlimited resources, it cannot afford to apply for and maintain patent protection of every new development. Some developments may not be patentable because of prior art or other issues, or may not be worth the expense of applying for patent protection. In such instances, these developments are better kept as a trade secret or published defensively to prevent third parties from patenting the development. While these two non-patenting options have little or no associated costs relative to the patenting process, there are certain risks and limitations associated with their use, such as difficulties with maintaining the development "secret" and risks associated with publishing too much information or creating prior art against the business' own future developments.

Business priorities may also change such that pursuing certain patent applications and/or maintaining patents in one or more countries becomes less relevant to the business. Therefore, it is important for companies to periodically review the business' patent portfolio and consider whether it is prudent to drop one or more applications and/or patents in one or more countries in order to prevent a drain of company resources. Substantial cost savings can be realized by simply culling the portfolio to avoid the expenses associated with further prosecution of patent applications and maintenance of issued patents that have become irrelevant to the current business.

Have a basic understanding of the different patent stages and their costs

A patent application must go through multiple stages before a granted patent issues. Most countries, including the U.S., require some type of examination process with an examiner who will consider whether the patent claims are to be rejected for one or more reasons. Often, multiple rounds of rejection from the examiner, and responses to the examiner, are required before a final decision regarding the patentability of the claims is reached. Furthermore, some countries require payment of a separate examination fee (in addition to filing fees and further processing fees) once the patent application is granted in order for the granted patent to issue. In many countries, annuities or patent maintenance fees are assessed to maintain the pendency of a granted patent. For budgeting purposes, a worldwide cost estimation of patent (including design patents) application fees can be generated using a variety of patent cost estimators on a case-by-case basis or over a whole patent portfolio.²

Understanding the process and communicating with your patent attorney/ agent will allow you to stay educated about the realistic costs associated with each step in the patenting process, which should allow you to avoid costly surprises in the future.

Conduct searches and draft the patent application with all the countries of interest and with costs in mind

Just because a product or service is not yet commercially available, it does not follow that it is patentable. Keeping in mind the risks and costs of marketing new products, it is worthwhile for a business to conduct due diligence, *e.g.*, prior art and freedom-to-operate searches, to determine whether there are any issues with respect to patentability of the inventions and the existence of competitor or other third party patents. The due diligence should be performed before the patent application is drafted and filed, during the development stages, and just before product launch. To keep search costs down, a preliminary search of free patent and non-patent databases can be performed.³ If that searching is not sufficient, a business should consider using commercial information service providers to perform a more comprehensive review of materials. Many of these service providers offer volume discounts depending on the number and size of the searches.

Foreign patents are expensive to acquire and maintain. Different countries have different application requirements and while it may be difficult to consider the requirements for all countries when drafting an application, it is important for businesses to communicate with their patent attorney/agent which countries are of particular interest, so that the application can be drafted with those countries in mind. For instance, for an international PCT application, the description of the invention and figures generally cannot be substantively changed after filing. Furthermore, depending on the technology, various countries require certain information to be present in the application in order to support the claims. For instance, the inclusion of *in vitro* or animal test data in a biotech or pharmaceutical patent applications can be important to establish enablement of the invention in China.⁴ By keeping the requirements of desired countries in mind, the costs of prosecuting the application in foreign countries can be reduced.

Keeping the size of an application and the number of claims reasonable also helps in cost containment. Otherwise, costs of foreign language translations, fees for excess pages and excess claims, and foreign associate legal costs can be substantial. If a significant number of foreign language translations are needed or if the application is substantial in size, a business may want to investigate whether it is more economical to have translations handled by the foreign associates in each country or by domestic translation companies who may offer a volume discount, depending on the number and size of translations involved.

While a business may wish to obtain broad claims in foreign countries, it is important to balance the desire for broad claims with a realistic understanding of the costs involved and likelihood of success in each country. Obtaining broad claims may require multiple rounds of communications with examiners, due in part to the existence of prior art or other issues, which in turn could drive up prosecution costs. Filing claims that are more reasonable in scope can facilitate the patenting process and reduce the overall costs.

Most foreign patents require yearly fees, known as annuities, to keep them in effect. These annuity payments are typically handled by commercial annuity companies, as directed by law firms and other agents. If a business has a substantial foreign patent portfolio, it may be cost effective for that business to deal directly with the commercial annuity service rather than rely on law firms or other entities to make these payments.

Conclusion

Many businesses rely on the development of new and innovative products for driving their competitive strategies and have become savvy users of the intellectual property systems in their domestic market and in foreign markets. However, as the costs of procuring and maintaining patent protection progressively increase, businesses should take adequate steps to manage and extract maximum value from their intellectual property assets while also controlling their budgets. These steps include developing an intellectual property protection strategy that aligns with business objectives, conducting due diligence with respect to their inventions, making an effort toward having a basic understanding of the different patenting stages and associated costs, and identifying major foreign markets for sales, manufacture, and distribution of their products.

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Endnotes

1. For a discussion regarding trade secret requirements and limitations, see K. Noonan, "While Not Right for Every Invention, Trade Secret Protection Has Its Appeal," *available at* <http://www.mbhb.com/resources/documents/MBHB%20Snippets%20Volume%209%20Issue%201%20Online.pdf> and E. Miao and A. Krantz, "Trade Secret Basics: What Every Business Owner Needs to Know," *available at* <http://>

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2. There are many IP cost estimator programs available, including the Global IP estimator[®] and IP Forecaster[®] software.
3. For instance, U.S. patents and U.S. Patent publications can be readily searched and accessed through the U.S. Patent and Trademark Office website ([http:// www.uspto.gov/patents/process/ search/index.jsp](http://www.uspto.gov/patents/process/search/index.jsp)); published International PCT applications can be searched and accessed through the World International Patent Organization website (<http://www.wipo.int/patentscope/search/en/search.jsf>); technical literature and abstracts can be searched and accessed through Google Scholar (<http://scholar.google.com/>) and Scirus (<http://www.scirus.com>); and biomedical literature and abstracts can be accessed through PubMed (<http://www.ncbi.nlm.nih.gov/pubmed/>).
4. See A. Feng, “Why Test Data is Crucial,” *available at* [http://www.managingip.com/ Article/1329568/Why-test-data-is-crucial.html](http://www.managingip.com/Article/1329568/Why-test-data-is-crucial.html) (last visited Oct. 31, 2011).