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## Review

## Managing your patent assets

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## ABSTRACT

This article includes tips to manage your patent assets effectively and efficiently. I have provided “real world” examples in the form of case studies to support my advice. My goal is to arm you with sufficient knowledge so as to enable you to devise a patent strategy that suits your company’s business and scientific needs.

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## Introduction

If you are reading this journal and, specifically this article, you are either interested in commercialising your current technology, or you are

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optimistic that – given your scientific acumen – it is just a matter of time until you have an invention worth commercialising. Given my 6000 word limit, I will not be able to share with you all the knowledge I have garnered during my twenty plus years as a patent practitioner in the pharmaceutical and biotechnology arts. However, my hope is that after reading this article you will be able to manage your patent assets effectively and efficiently and so maximise the opportunities that

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await you. And, while I cannot advise you on every situation you will encounter, my hope is to arm you with enough knowledge to enable you to ask the right questions when it comes to patents. I have provided “real world” examples in the form of case studies and have hidden party names and identifying details in order to protect the naïve, the ignorant and the ill-advised.

Generally speaking, patents yield value for companies, especially small companies that are trying to distinguish themselves in the marketplace. As with all business decisions, however, there are advantages and disadvantages associated with preparing, filing, maintaining and enforcing patents.

Most legal rights allow the holder of the right to do something. For example, the right of freedom of speech allows one to speak freely and does not *allow* one to prevent others from speaking freely. By contrast, a patent provides a negative right in that it allows the patent owner to *prevent* a third party from practising the claimed invention; a patent does not permit the patent-holder to affirmatively practise the claimed invention. By way of example, let's assume that Company A has been granted a patent for a suitcase and Company B has been granted a patent for a suitcase with wheels. Company B cannot practise its invention because each suitcase it sells will infringe the broader patent protection of Company A. However, Company A is also restricted in that Company A cannot sell a suitcase with wheels or it will infringe Company's B patent. Nevertheless, both patents are valuable assets in that they can serve as the basis for a licensing agreement or collaboration – a concept that I will discuss in greater detail later in this article.

I believe that any advice regarding patents is incomplete without a common understanding of the costs associated with the patent process. It becomes apparent early on that preparing, filing and maintaining patents are not for the weak of heart or for the poor of pocket. A former colleague of mine said that patent law is the sport of kings since you need an ample treasure chest to play the game well. The minimal costs associated with filing an initial patent application as a priority document would be at least ten thousand Euros. These costs would cover the time associated with working with the inventors to draft a base patent application comprising no more than fifty pages. In the biotech industry a fifty- page patent application would in fact be relatively brief, but I believe it is the best example to discuss here, since it would be relatively easy to prepare and would not incur additional filing fees from patent offices. It is safe to assume that a small company would not have an in-house patent attorney and therefore would rely on a third-party patent firm to prepare, file and maintain its patents. I have listed the average costs incurred over the twenty-year patent term in **Box 1**.

My goal in discussing money earlier is to stress the importance of viewing a patent as a business decision. Few executives would sign a long-term lease or hire a new employee without carefully considering the costs associated with that action. However, it never ceases to amaze me that companies will pay to file a priority application and a PCT application without considering that, until these “placeholder” applications are filed in the national and regional stage of the member countries and regions, they will never mature into a patent.

Most small companies do not have the financial resources or the quality and diversity of work required to hire their own experienced patent practitioner. Accordingly, these companies rely on patent firms to prepare, file and maintain their patent estate. In theory, this is reasonable, since you are paying for a service that you need but cannot afford to perform in-house. However, you should never lose sight of the fact that there is an inherent conflict of interest that exists between these parties. As the consumer and bank-roller of these services you need to consistently question whether the patent firm's services are necessary and justified and to analyse how the services you are obtaining match up to your business goals. A company would not hire a contract research organisation to perform an unnecessary or scientifically irrelevant experiment – their in-house scientists would recognise the futility of this service. Yet if you have no experienced patent practitioners on

#### Box 1

Preparing and filing the priority application	€ 10,000
Preparing and filing the PCT international application	€ 6000
Filing of national and regional stage applications <sup>a,b</sup>	€ 32,000
Prosecuting the applications before each of the Patent Offices <sup>c</sup>	€ 30,000
Validation fees and translations costs for Europe <sup>d</sup>	€ 41,000
Annuities for years 1 to 20 <sup>e</sup>	€ 200,000
Total costs over the 20 year patent term	€ 319,000

<sup>a</sup> US, EP, Japan, China, Hong Kong, Canada, Australia, India and Brazil.

<sup>b</sup> Government filing fees, attorney/agent fees and translations.

<sup>c</sup> Prosecution is the term used to describe the interaction between the applicants for a patent (via their legal representatives) and the various Patent Offices.

<sup>d</sup> Validation in all EP member states.

<sup>e</sup> Every country and region charges annuities during the 20 year patent term. The United States charges annuities only *after* the patent application issues as a patent and the total cost of the annuities is approximately € 4180 payable in 3 installments. In contrast the European Patent Office charges a yearly annuity while the patent application is pending and then yearly annuities are charged by each of the countries in which the European Patent is validated. The amount of the annuity varies by country. For example, assuming a patent application is pending before the European Patent Office for 10 years and then issues, the yearly annuity in Germany for year 11 is € 485. The yearly annuity in Germany increases each year with the yearly annuity due in Year 15 costing € 1070 and the yearly annuity in year 20 costing € 1950. Accordingly, the annuity fees due only in Germany for a 10 year period are currently € 11,850. Annuities over the lifetime of a Japanese patent are about € 8000.

your staff, you cannot effectively assess and question the advice the outside patent attorneys are providing. I am by no means implying that a patent attorney would give you improper advice in order to increase his fees; I am merely warning that an outside party can never have the business knowledge and long-term vision required to accurately craft your patent strategy. Expecting such professionals to have such intimate knowledge from the outside looking in would be the equivalent of hiring an external CEO whom you pay by the hour and consult with intermittently.

#### Tip 1: Patent practitioner as board member

This is why my first recommendation is that you reserve a seat on your company board for an experienced patent practitioner. This person will periodically review the company's patent strategy and patent estate and insure that these two components are working together. Every life science company's board includes individuals with extensive business and scientific experience. However, with the vast majority of these companies' value residing in their patent estate, I believe that an experienced patent practitioner should also be part of this advisory group. It is less important for a larger company to have an experienced patent practitioner on its board because it has senior employees with the requisite level of knowledge.

#### Tip 2: Create a legal framework

There are several key “tools” that a company must have. These “tools” are paper documents which are used to ensure that all employees and consultants safeguard the company's intellectual property, memorialise inventions as they occur, establish ownership of such inventions and provide principles regarding how and when inventions will be publically disclosed.

#### *Employment agreements and consultancy agreements*

Every employment agreement and consultancy agreement must include provisions safeguarding the company's intellectual property.

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