

### Introduction

Van Merle IP Counsel Select recently conducted a survey among chief IP counsel in Europe and the USA in order to ascertain their primary concerns regarding foreign patent prosecution. The majority of the participants mentioned cost reduction, while 45 per cent stated that they are concerned about changing IP laws in Europe and the USA. As cost reduction is one of our prime objectives when selecting outside IP counsel, we decided to publish a newsletter that focuses on saving money on foreign patent prosecution.

Concerns among chief IP counsel	Percentage
Cost reduction	55%
Changing IP laws in Europe and the USA	45%
Commercially exploiting patents	10%
Valuation of patents	10%
Inventor incentive programmes	10%
Chinese technologies	10%

### How can I save money on foreign patent prosecution?

#### **Quality vs cost**

You should never jeopardize the quality of the services performed by your outside counsel, because for example, you do not want to find out in court that the scope of your claims is too small or that your claims have been wrongly translated into, for instance, Chinese or Japanese. Any cost reduction programme must include a quality assessment of the reviewed outside counsel.

You should therefore be very cautious with cost savings in quality-driven activities like drafting applications and handling office actions. On the other hand, you should aim at achieving the highest cost savings in administrative activities, for instance:

- filing applications
- filing requests for examination
- receiving and forwarding official documents
- providing annuity payments.

#### **Seven steps towards cost savings**

You could simply ask your outside counsel for a discount, with respect to the economic situation or to your continuous or increasing workload. You have a good chance of getting a reasonable discount, especially in Asia. You will probably no longer be charged for certain activities (e.g. typing).

A more elaborate approach would be to perform a small counsel selection project, with the aim of comparing several counsels with each other and putting pressure on them to give you the best quote. Such a project should include the following steps.

- 1.** Draw up a longlist of the patent firms you want to consider (based on your own experiences, recommendations from your colleagues, widely published preferred lists, etc.).
- 2.** Send an email to the longlisted firms asking them precise questions regarding their expertise, size, client portfolio, etc.
- 3.** Reduce the longlist to a shortlist of agencies that meet your basic criteria.
- 4.** Organize interviews with the outside attorneys who have been put forward by the shortlisted agencies. Assess whether the attorneys meet your demands regarding educational background, professional achievements, their ability to speak English, etc.
- 5.** Further reduce the shortlist to include only those agencies that you would want to work with.
- 6.** Perform negotiations with the shortlisted firms. Inform them about your estimated workload and agree on fixed fees or a discount on their schedule of charges.
- 7.** Select the best patent firm – which will not necessarily be the cheapest one – and agree on a contract (for e.g. three years).

## Five ways to improve your results

While taking the aforementioned steps, you should also consider the following tips.

- *Strive for fixed fees*

Any discount on the patent firm's schedule of charges is nice to have, but does not guarantee you any real savings. You will not know which items will be charged or how many hours will be invoiced. By agreeing on fixed fees for clearly defined services, you can exactly predict your future cost savings.

- *Consider using a dedicated patent translation agency*

It is sometimes useful to have patent applications translated by a dedicated patent translation agency. These agencies are available in, for instance, Europe, the USA, Japan and China. You have to consider pricing and quality issues, and their relation with your foreign patent firm.

- *Consider combining countries*

If you file relatively few applications in a certain region (e.g. Latin America, Africa, the Middle East), it might be useful to appoint a patent firm that is capable of covering the entire region. Although you will be charged for their coordination activities, it will save you time and may also result in lower local fees.

- *Consider cooperating with other companies*

If your company files relatively few applications, you could consider executing a joint project with

other companies that are located in your area and are active in the same industry, but that are not your direct competitors. This would allow you to share the project burden without being obliged to choose the same patent firm at the end of the project.

- *Check your invoices*

It is our experience that invoices issued by patent firms contain many errors. For example, services may have been invoiced twice, or services should not have been invoiced as they are part of general office overhead. You should systematically check these invoices.


## How can I calculate my cost savings?

You can calculate the cost savings on the basis of the difference between the attorney fees before and after your mediation. To calculate the savings, a typical spreadsheet would include:

- your requested patent prosecution service items
- your estimated annual workload per service item
- the fees charged by your current patent firm
- the fees charged by the new patent firm.

As an example, below is a typical spreadsheet for patent prosecution in China. We have assumed an annual workload of 20 patent applications and the schedule of minimum charges as published by the All-China Patent Agents Association. To calculate your cost savings, enter your annual workload and your new attorney fees.

Chinese patent prosecution service items	Assumptions	Estimated annual workload	Attorney fees per item	Attorney fees per year
Filing a PCT application for national phase entry		20	\$ 733	\$ 14,660
Claiming priority		20	\$ 79	\$ 1,580
Translation fee from English into Chinese (per 100 words)	7,500 words per application	1,500	\$ 21	\$ 31,500
Chinese typewriting (per page)	20 pages per application	400	\$ 15	\$ 6,000
Filing request for substantive examination		20	\$ 190	\$ 3,800
Reporting and responding to an office action	2 office actions per application	40	\$ 1,905	\$ 76,200
Patent certificate fee	100% grant rate	20	\$ 103	\$ 2,060
Receiving and forwarding official documents	4 documents per application	80	\$ 66	\$ 5,280
Copying, fax, postage		20	\$ 103	\$ 2,060
Application maintenance fee (per annum)	3-year application period	60	\$ 40	\$ 2,400
Annuity 1st to 3rd year (per annum)	3-year application period	60	\$ 66	\$ 3,960
<b>TOTAL</b>				<b>\$ 149,500</b>



This scheme needs to be adapted for other countries. You will have to add many service items for patent prosecution in the USA. For patent prosecution in Europe, translation of the complete application is often not needed, but you will have to add the nationalization of your patents.

### What are the pitfalls I must avoid?

We have encountered and overcome many pitfalls and can thus share with you the most common misbeliefs.

- *I'm satisfied, as my patent firm already applies a 30 per cent discount to their schedule of charges*

A discount does not mean much. Some service items are charged on a time basis, and if you do not agree on the number of hours to be charged, your savings on these service items are doubtful. For administrative activities you should strive for an even higher discount, while for quality-driven activities you might want to have no discount at all.

- *Changing outside counsel is too risky*

If you follow our seven steps towards cost savings, you will be certain that you are working with a patent firm that meets your demands. If you properly organize the transfer of patents, changing counsel is not risky. In fact, if your current counsel is working for your direct competitors, or your outside attorneys are not capable of discussing office actions with your in-house attorneys, it is risky to stay with your current counsel.

- *Changing outside counsel is too expensive*

If you are able to save 5 per cent by changing outside counsel, and your current counsel also meets your demands, we would generally advise you not to change counsel. Changing counsel will cost your IP department a lot of time. However, if you are able to save 20 per cent or more, we suggest you roughly compare your (once only) internal changing costs with the potential (annual) savings.

- *I have no choice, as my foreign counsel is selected by my domestic outside counsel*

It is possible that you do not even know your foreign counsel in, for example, China or Japan, as they are selected by your domestic outside counsel. However, *you* are the ultimate client, and *you* should select your foreign counsel. When selecting foreign counsel, you will have objectives that are completely different from the objectives of your domestic outside counsel. It is normal practice for you to inform your domestic outside counsel with which foreign counsel they must cooperate for your patent applications, and which fee schedule you have agreed with those foreign counsel.



## Profile

*Van Merle IP Counsel Select specializes in selecting outside IP counsel.*

*We provide the following services:*

- *the selection of patent and trademark agencies*
- *the selection of patent translation agencies*
- *the selection of annuity payment providers*
- *the regular auditing of outside IP counsel*
- *contract renewal with outside IP counsel*

*We have served companies:*

- *that file fewer than 20 to more than 1000 patent applications per year*
- *worldwide, but with a focus on companies in Europe and the USA*
- *in many kinds of industries*
- *by selecting the most suitable IP counsel wherever they are in the world*

*Our clients have confirmed the following advantages of working with us:*

- *20% to 50% savings on attorney fees*
- *improvement of the quality of the outside counsel*
- *reduction of the number of outside counsel*

*Van Merle IP Counsel Select has performed projects in the countries listed below.*

*Algeria, Argentina, Armenia, Australia, Azerbaijan, Bahrain, Bangladesh, Belarus, Belize, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Egypt, El Salvador, France, Georgia, Germany, Guatemala, Guyana, Honduras, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Mexico, Moldova, Morocco, Netherlands, New Zealand, Nicaragua, Norway, Oman, Pakistan, Panama, Peru, Philippines, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Sri Lanka, Sudan, Suriname, Syria, Taiwan, Tajikistan, Thailand, Trinidad and Tobago, Tunisia, Turkey, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Venezuela, Vietnam, Yemen*

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