



The Financial Realities of Patent Protection

If you have made an invention there are various reasons for applying for a patent. You may want to market the product and need a patent to protect yourself against competitors imitating your idea. Alternatively the intention may be to license or sell the invention and a patent is needed to define the rights that are on offer. For new companies the existence of a patent can give third parties the confidence to invest in that company. Whatever is the business model, exploitation of the invention will involve a significant investment in terms of time and money. A professionally drafted patent application is an important part of that investment and should be viewed in the context of other necessary expenses, such as product development, marketing and distribution costs, setting up a manufacturing facility, negotiating licences, general legal and accounting fees and so forth.

A professionally drafted patent application in the United Kingdom will usually cost between £3,000 and £6,000. Even in a very simple case, it is unlikely that an application of adequate quality could be filed for less than £2,000.

Once a UK patent application has been filed, there is a one year period before steps have to be taken to continue in the UK and to seek protection in other countries. There are a number of possibilities at that stage, including proceeding in the UK only, filing in overseas countries directly, filing a European Patent Application for Europe and filing an International Patent Application (known as a "PCT" - for "Patent Cooperation Treaty" - application). A PCT application is the most common choice, because it preserves the option to apply for national patents in all major territories and postpones most of the expense of doing that for another eighteen months.

Below is a summary of the procedures and costs, assuming that a PCT application is filed twelve months after a first UK application. The costs are for a typical case, are approximate and are exclusive of VAT.

Start

File UK Patent Application. Usually £3,000 to £5,000.

By 12 months

File PCT (International) Patent Application. Typically £4000 to £5000 depending on how much additional material needs to be included in the application.

About 1 year 6 months

Review International search report and decide whether to proceed with full International Examination. Typically £600 to £1,500 depending on how relevant the documents cited in the search report are.

For an outlay of around £10,000 it is possible to preserve the opportunity to obtain worldwide patent rights for nearly 2 and a half years and get a reliable indication of the scope of the patents that will be achieved.



2 years 6 months

Move from the International to the National Phase in the countries of interest. This is the most significant point in the process in terms of setting current and future levels of expenditure. Costs vary from £5,500 (for proceeding only with European and US patent applications) to £25,000 (for all major markets), possibly more if smaller, sector specific markets are also required.

During the following years there will be costs incurred to deal with formal and substantive Patent Office objections. It is during this stage that Applicants, through their representatives, enter into a dialogue with Patent Office Examiners about the merits of their invention. The level of costs will depend on the nature of the objections and the number of countries concerned. In the USA around £8,000 might be spent on such matters and in Europe around £4,000. In some countries annual renewal fees of a few hundred pounds are due on pending applications.

The next significant point of expenditure and decision making is when the European Patent grants. The patent must be validated in the individual countries by complying with local formalities, lodging translations, paying local patent office and attorney fees. The individual European countries of interest can be selected. The total cost depends largely on the number of translations required and the length of the patent document. Although a recent Agreement between European member states reduces the burden of preparing translations, most countries still require some translation into a national language. Typical total costs on grant for proceeding in 6 or 7 of the largest European countries would be around £12,000. Thus over a period of about 6 years £40,000 may have been spent in securing patent protection in a selection of major European countries and the USA. Each additional (non-European) country would usually cost £3-10,000, largely dependent on whether a translation is required at the 2 years 6 months stage, thus Japan and China are more expensive than Australia and Canada. After grant annual renewal fees of several hundred pounds are also payable in most countries.

Not everybody aims for international protection. For some companies just protecting the UK market is enough; taking a UK application from first filing through to grant would typically cost around £6 - 7,000. Others may also seek protection in the USA, but nowhere else, thereby increasing costs by £4 - 10,000+.

All of the patents will rely upon the original UK patent application and it is important that the invention is adequately described and its essential features identified in that application. If the overall expense of obtaining patents is not to be wasted, the initial investment in the UK application must be sufficient.

Further advice

If you would like any further advice please contact us at Dehns using the details below.

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