

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 a product or service and need a patent to protect yourself against competitors imitating your idea. Alternatively, your intention may be to license or sell the invention and a patent is needed to define the rights that are on offer. For early stage companies, the existence of patents can give third parties the confidence to invest in that company.

Most patent applicants choose to file a first patent application in one country (e.g. the United Kingdom) and then to pursue protection in other countries of interest in subsequent applications. The subsequent applications will ultimately rely on the initial UK application, so ensuring its quality is crucial.

A useful, professionally drafted UK patent application will usually cost between £3,000 and £6,000. This is a significant investment, particularly if the application is being filed during the early stages in the life of a company. However, if the overall expense of obtaining patents is not to be wasted, a high-quality initial application must be ensured.

Whatever your business model, commercial exploitation of your invention will involve a significant investment 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, etc.

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. Alternatively or in addition, there are a number of possibilities to seek protection in other countries at this stage:

- File national patent applications in overseas countries directly;
- File a single European patent application to seek protection throughout Europe;
- File an International (“PCT”) patent application.

Most applicants choose to file a PCT application at the end of the one year period. A PCT application preserves the option to apply for a European patent and national patents in all major territories, whilst postponing most of the expense of doing so for another eighteen months. In addition, an International Search Report will issue during the PCT phase. This provides a reliable indication of the scope of protection that can be achieved with the application.

Below is a summary of the procedures and costs, assuming that a PCT application is filed one year 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 £6,000.

By 1 year

File PCT (International) Patent Application. Typically £4,000 to £5,500 depending on how much additional material needs to be included in the application.

After about 1.5 years

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 2.5 years and get a reliable indication of the scope of the patents that will be achieved.

By 2.5 years

At this stage it is necessary to enter the International application into the various "National Phase" 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 £6,000 (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. By opting for the PCT route, these significant costs can be deferred from 1 year to 2.5 years after filing the first UK application.

3+ years

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 European countries of interest by complying with local formalities, lodging translations, paying local patent office and attorney fees. The total cost depends largely on the number of translations required and the length of the patent document. Typical total costs on grant for proceeding in the most commonly selected European countries (France, Germany, Italy, the Netherlands, Spain and the UK) would be around £6,000 – £8,000.

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 £3,000 - £10,000, largely dependent on whether a translation is required at the 2.5 year stage. Thus proceeding in Japan or China is more expensive than proceeding in Australia or 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 £6,000 - £10,000 in total. Others may also seek protection in the USA, but nowhere else, thereby increasing costs by £4,000 - £10,000+.

Further advice

These figures are necessarily approximate and will vary according to the complexity and length of any case. As many of the costs mentioned are incurred overseas, the estimates can also vary significantly with exchange rate variations. More precise estimates for any work should always be sought if required at the appropriate time.

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



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