

VORYS

New thinking.
Since 1909.

The Vorys Difference: Pragmatic Ways to Optimize Patent Spend

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Chair of IP Group

June 2024

The Perfect Storm



"IP is a Cost Center!"

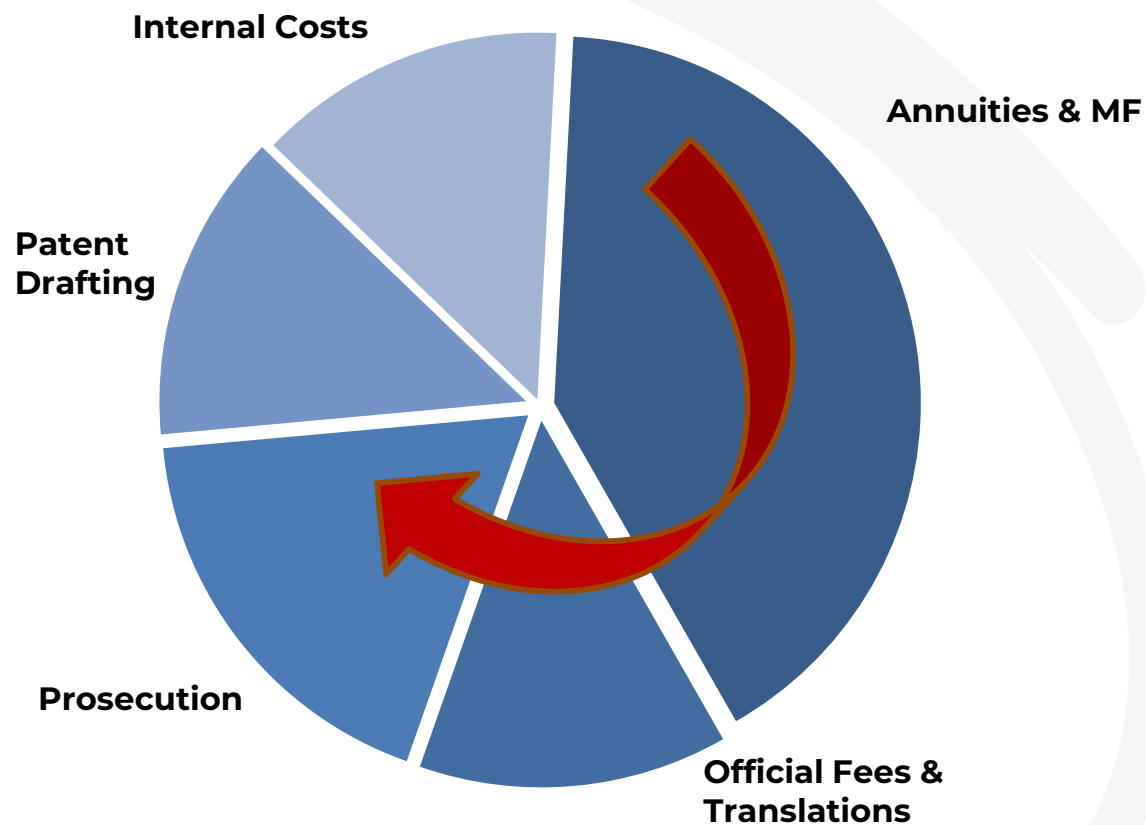
**Lower costs
without
sacrificing
numbers or
quality**

**Budget
Cuts**

**But ... We need QUALITY assets that
effectively block competitors and
protect our innovations!**

Reducing Costs

Addressing these through proactive strategies can greatly impact spend



Opportunities to Work Differently for Savings

Using SFR and
Early
Indicators for
Fast Break
Patenting

Reducing
Prosecution
Churn

Aligning
Patenting
Decisions with
Business
Goals

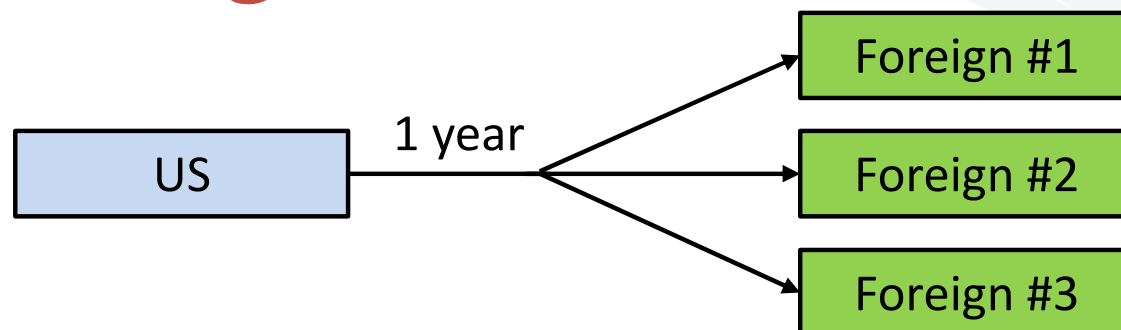
Culling
Irrelevant
Assets

**The result is
*more efficiently procured,
strategically robust patents***



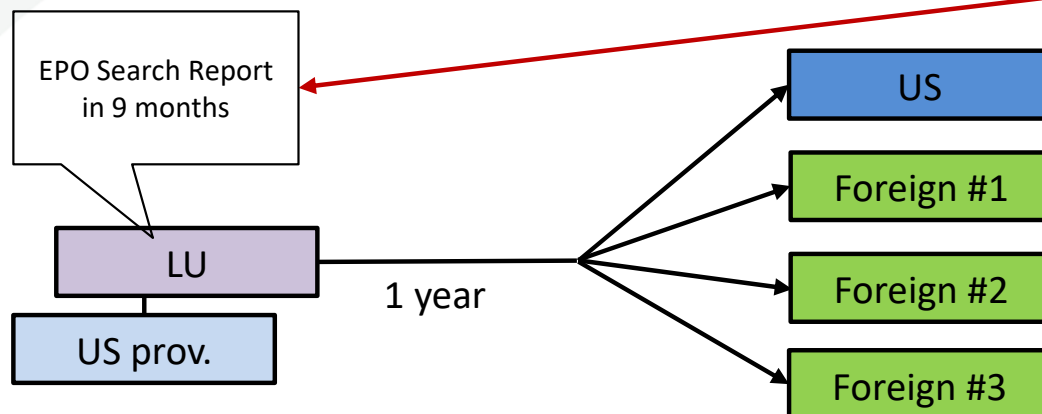
Smart Filing Routes Yield Early Indicators for Fast Break Prosecution

Typical Filing Route



Estimated Costs							
US		Foreign #1 (EP)		Foreign #2 (JP)		Foreign #3 (CA)	
Drafting fees	\$10,500	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	\$1,700	Official fees	\$4,100	Official fees	\$1,300	Official fees	\$600
2 OA @ \$1750/OA	\$3,500	2 OA @ \$1500/OA	\$3,000	2 OA @ \$1500/OA	\$3,000	2 OA @ \$1500/OA	\$3,000
Subtotal	\$15,700	Subtotal	\$8,100	Subtotal	\$5,300	Subtotal	\$4,600
Est. TOTAL		\$33,700					

Smart Filing Route Alternative



This EPO Search report is an Early Indicator that you can use to educate downstream decisions to reduce churn

Estimated Costs

US prov.		LU		US		Foreign #1 (EP)		Foreign #2 (JP)		Foreign #3 (CA)	
Drafting fees	\$10,500	Counsel fees	\$1,110	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	\$300	Official fees	\$560	Official fees	\$1,700	Official fees	\$2,900	Official fees	\$1,300	Official fees	\$600
				1 OA @ \$1,750/OA	\$1,750	1 OA @ \$1,500/OA	\$1,500	1 OA @ \$1,500/OA	\$1,500	1 OA @ \$1,500/OA	\$1,500
Subtotal	\$10,800	Subtotal	\$1,670	Subtotal	\$4,450	Subtotal	\$5,400	Subtotal	\$3,800	Subtotal	\$3,100
Est. TOTAL	\$29,220 (13% savings)										

Why Luxembourg?

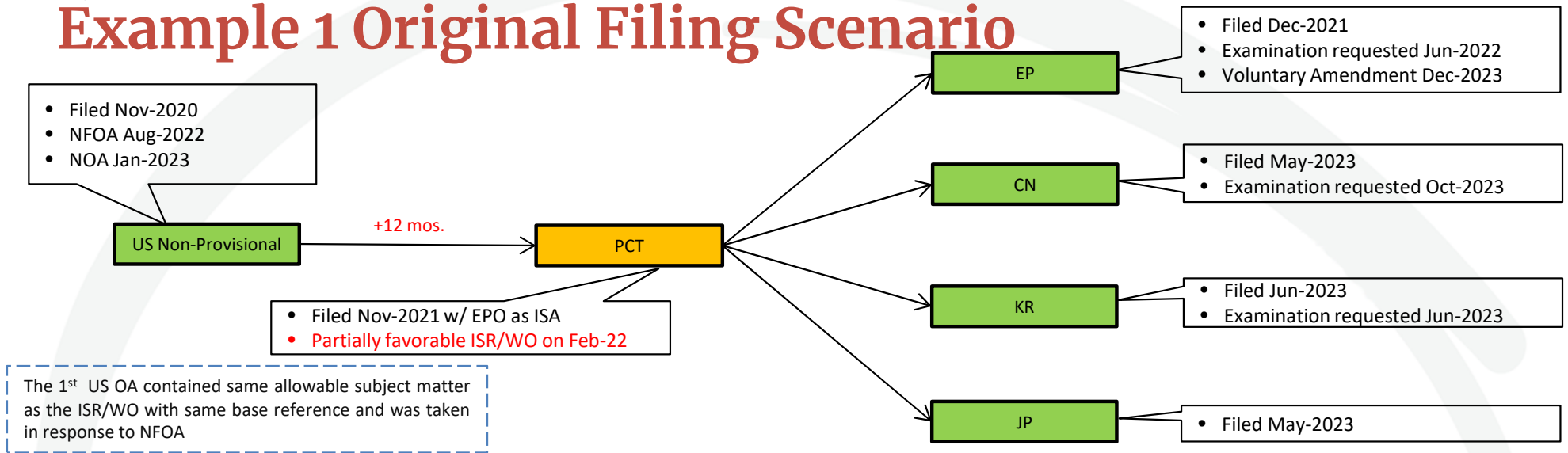
- Easy and cost-effective for obtaining an EPO search report
- Main advantages:
 - EPO search report available 9 months after filing, no response necessary = strong Early Indicator of patentability
 - Withdraw after receiving search report to prevent publication with payment of 170 EUR (unless want to grant (~18 months))
 - File in English (only translate claims; use machine translation to save money)
 - No claims fees, no page fees
 - Possible to receive a refund of the search fee for subsequent PCT and EPO applications claiming LUX priority

How to Use an Early Indicator

Early Indicator	Offensive, Fast Break Prosecution
Highly Negative	<ul style="list-style-type: none">• Avoid investing the expense of foreign filings
Some Negative, But Claims Can Be Amended	<ul style="list-style-type: none">• Amend the claims before the foreign filings to reduce the number of office actions incurred• Potentially eliminate foreign filings• Potentially expand disclosure/examples to improve patentability
Positive	<ul style="list-style-type: none">• Do not amend claims• Consider expansion of jurisdictions based on business goals• Push claims in expedited pathways where valuable to do so• Push a lead case to get a second Early Indicator

Done right, Early Indicators can selectively pull key patentability decisions forward

Example 1 Original Filing Scenario



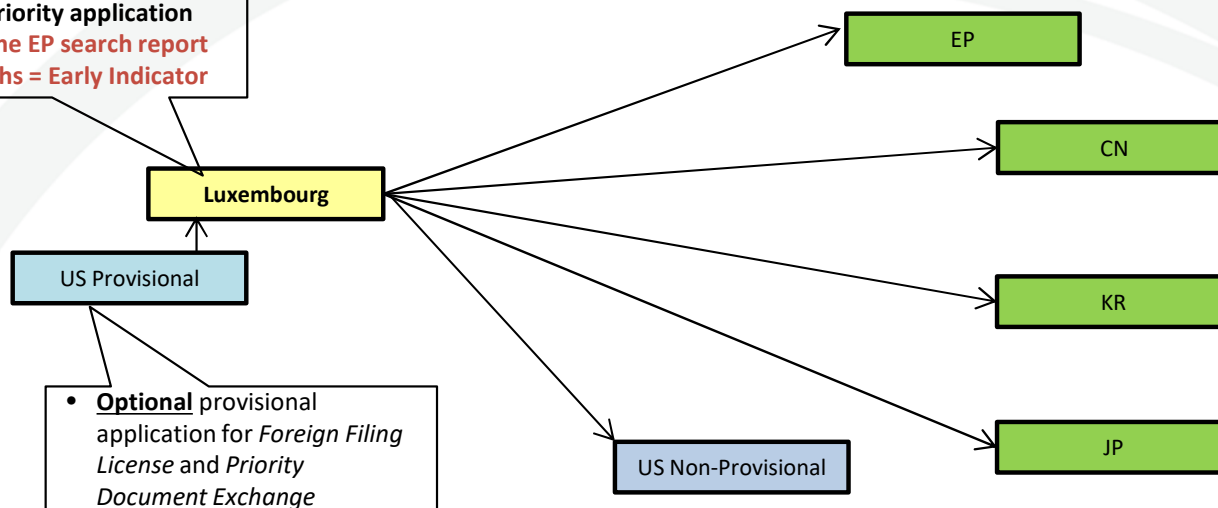
Estimated Costs

US Non-Prov		PCT		EP		CN		KR		JP	
Drafting fees	\$10,500	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	\$1,700	Official Fees	<u>\$3,586</u>	Official Fees	\$4,100	Official fees	~\$530	Official fees	~\$900	Official fees	~\$1,300
1 OA@ \$1,750/OA	<u>\$1,750</u>			Vol. Amend.	<u>\$750</u>	Est. 1 OA @ \$1,500/OA	<u>\$1,500</u>	Est. 1 OA @ \$1,500/OA	<u>\$1,500</u>	Est. 1 OA @ \$1,500/OA	<u>\$1,500</u>
Subtotal	\$13,950	Subtotal	\$4,586	Subtotal	\$5,850	Subtotal	\$3,030	Subtotal	\$3,400	Subtotal	\$3,800

Est. TOTAL ~\$34,600

Example 1 Smart Filing Route

- File in LX as a priority application
- Receive the same EP search report within 12 months = Early Indicator



- **Optional** provisional application for Foreign Filing License and Priority Document Exchange

- Obtaining an Early Indicator in LX obviates one office action in the US and a voluntary amendment for the EP
- \$1200 savings in official fees in the EP with 83% refund of search fee
- File allowable claims in EP, CN, KR, and JP to eliminate OAs
- US or EP cases may be prosecuted in advance of other cases to work out claim scope even more clearly
- **28% reduction in overall fees** for this family, and savings will increase as number of jurisdictions increase.

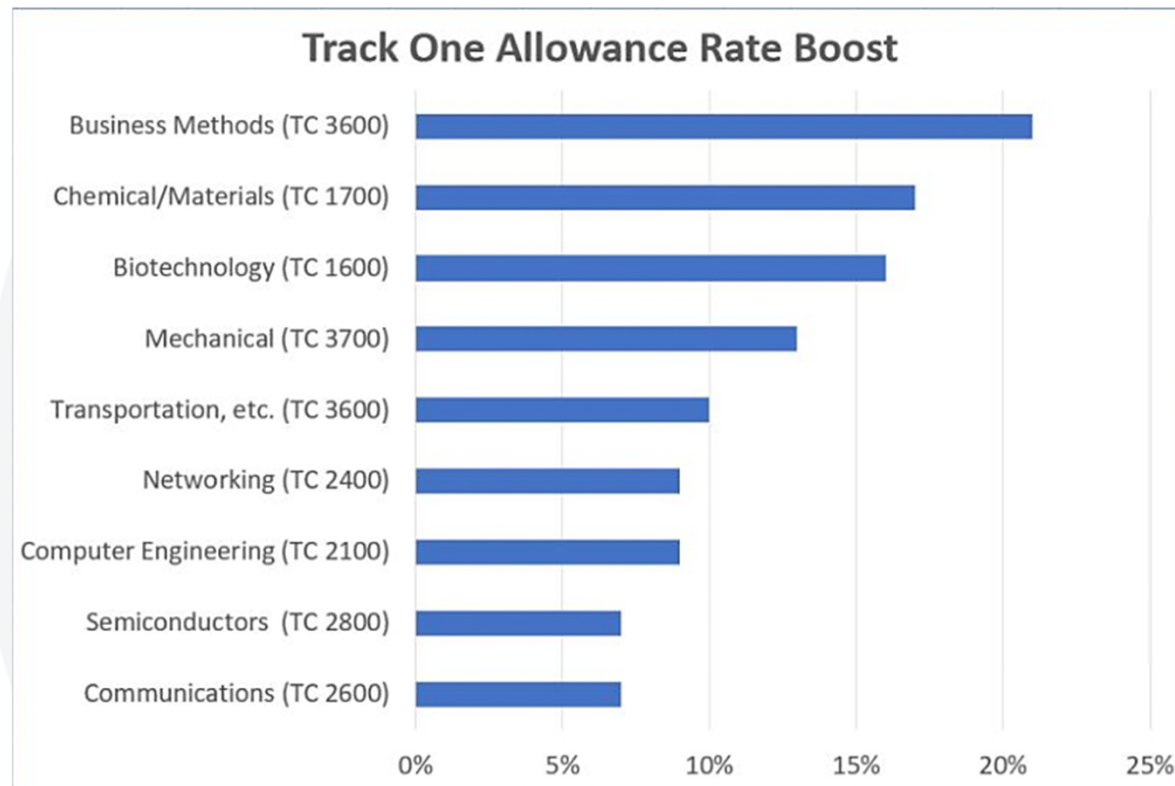
Estimated Costs

US Provisional		Luxembourg		US Non-Provisional		EP		CN		KR		JP	
Drafting fees	\$10,500	Counsel fees	\$1,110	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	\$300	Official Fees	\$560	Official fees	\$1,700	Official Fees	\$2,900	Official fees	~\$530	Official fees	~\$900	Official fees	~\$1,300
				1 OA @ \$1,750/OA	\$1,750	Vol. Amend.	\$750	Est. 1 OA @ \$1,500/OA	\$1,500	Est. 1 OA @ \$1,500/OA	\$1,500	Est. 1 OA @ \$1,500/OA	\$1,500
Subtotal	\$10,800	Subtotal	\$1,670	Subtotal	\$2,700	Subtotal	\$3,900	Subtotal	\$1,530	Subtotal	\$1,900	Subtotal	\$2,300
Est. TOTAL	~\$24,800 (28% savings)												

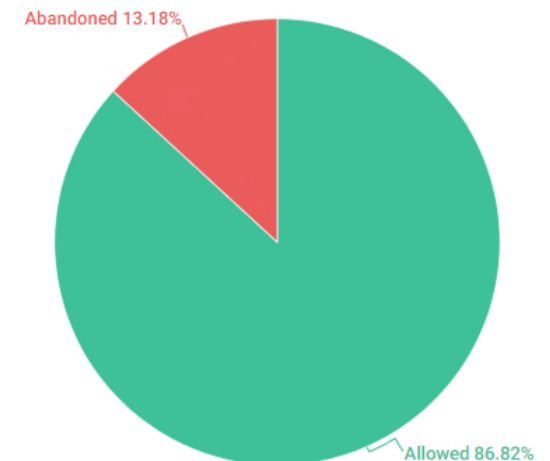
U.S. Track One – Early Indicator Source

- Track One moves the application to the front of the examination line, regardless of whether the application is an originally filed nonprovisional, a continuation, a CIP, a divisional, or even an RCE
- Final disposition guaranteed within 12 months, usually 6 months
 - Avg. time for FOAM = 1.9 months (2023 Fiscal Year data from USPTO)
 - Avg. time for final disposition = 5.4 months; 4.5 months to NOA
 - Avg. total time = 7.5 months to final disposition; 6.6 months to NOA
- Fees (\$4,200) usually made up in saved prosecution churn downstream
 - Helps minimize prosecution history estoppel as well
- Higher allowance rates, especially in high tech arts

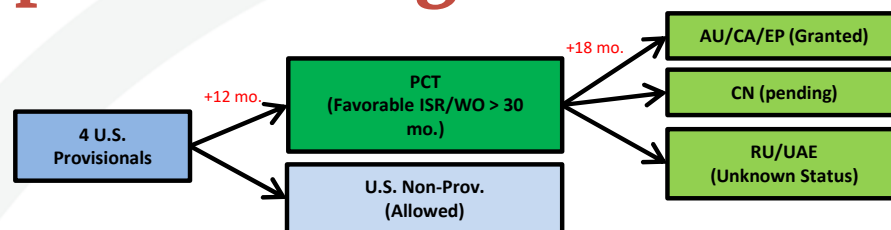
Track 1 Allowance Rates



**7% to 21% boost
in allowance
rates**



Example #2 Filing Scenario

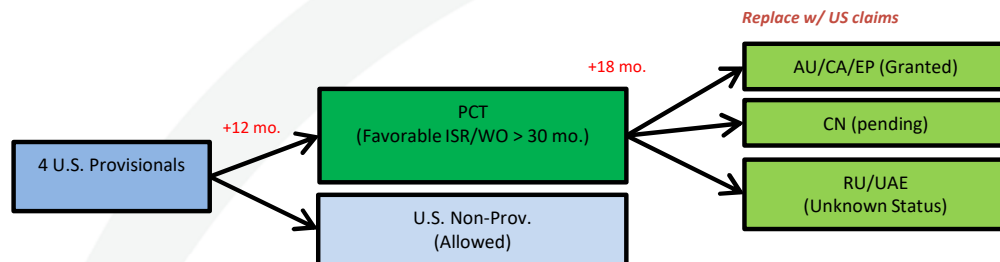


Estimated Sunk Costs:

- Total costs estimated at ~**\$66,800**
- ISR/WO shows novelty and inventiveness for all claims
- OAs rec'd in AU/CA/EP/CN in spite of favorable ISR/WO
- For simplification, translation fees are excluded

Estimated Actual Costs (See Assumptions)			
4 US Provisional (Priority Cases)		US (Allowed)	
<ul style="list-style-type: none"> • Est. Drafting fees (all 4) \$10,500 • Official fees (all 4) <u>\$1,200</u> Subtotal \$11,700 		<ul style="list-style-type: none"> • Drafting fees \$10,500 • Official fees (actual) \$1,700 • OARs (3 @ \$1,750/OA) \$5,250 • 3 mo. Extensions (3 @ \$1,400) \$4,200 • 1st RCE fee (actual) \$1,400 • 2nd RCE fee (actual) <u>\$1,700</u> Subtotal \$24,750 	
PCT		AU/CA/EP (Granted)	
<ul style="list-style-type: none"> • Counsel fees \$1,000 • Official fees (actual) <u>\$2,379</u> Subtotal \$3,379 		<ul style="list-style-type: none"> • Foreign agent fees (3) \$3,000 • AU Official fees (actual) \$690 • AU Maintenance Fees \$240 • CA Official fees (actual) \$600 • CA Maintenance Fees \$250 • EP Official Fees (actual) \$4,100 • EP Maintenance Fees \$2,230 • AU OA (1 @ \$1,500/OA) \$1,500 • CA OA (1 @ \$1,500/OA) \$1,500 • EP OA (1 @ \$1,500/OA) <u>\$1,500</u> Subtotal \$15,610 	
		CN (Pending)	
		<ul style="list-style-type: none"> • Foreign agent fees \$1,000 • Official fees (actual) \$530 • CN Maintenance Fees \$460 • OA (2 @ \$1,500/OA) <u>\$3,000</u> Subtotal \$4,990 	
		RU/UAE (Unknown Status)	
		<ul style="list-style-type: none"> • Foreign agent fees (2) \$2,000 • RU Official fees (actual) \$70 • RU Maintenance Fees \$50 • UAE Official fees (actual) \$540 • UAE Maintenance Fees \$690 • RU OA (Est. 1 @ \$1,500/OA) \$1,500 • UAE OA (Est. 1 @ \$1,500/OA) <u>\$1,500</u> Subtotal \$6,350 	

Example #2 - Smart Filing Route



**Expedite with Track One in US*

Estimated and Projected Costs					
4 US Provisional (Priority Cases)		US (Allowed)		AU/CA/EP/RU/UAE (granted or status unknown)	
• Est. Drafting fees (all 4)	\$10,500	• Drafting/counsel fees	\$10,500	• Foreign Agent Fees (5)	\$5,000
• Official fees (all 4)	<u>\$1,200</u>	• Official fees (actual)	\$1,700	• AU Official Fees (actual)	\$690
Subtotal	\$11,700	• Track 1	\$4,200	• AU Maint. Fees (actual)	\$240
PCT		• OA (2 @ \$1,750/OA)	\$3,500	• CA Official Fees (actual)	\$600
• Counsel fees	\$1,000	• 3 mo. EOT (3 @ \$1400)	\$4,200	• CA Maint. Fees(actual)	\$250
• Official fees (actual)	<u>\$2,379</u>	• 1st RCE	-\$1,400	• EP Official Fees (actual)	\$4,100
Subtotal	\$3,379	• 2nd RCE	\$1,700	• EP Maint. Fees(actual)	\$2,230
		Subtotal	\$19,900	• RU Official Fees (actual)	\$70
		CN (Pending)		• RU Maint. Fees(actual)	\$50
		• Foreign Agent Fees	\$1,000	• UAE Official Fees (actual)	\$540
		• Official Fees (Actual)	\$530	• UAE Maintenance(actual)	\$690
		• CN Maintenance Fees (Actual)	\$460	• AU OA (1 @ \$1,500/OA)	\$1,500
		• OA (1 @ \$1,500/OA)	<u>\$1,500</u>	• CA OA (1 @ \$1,500/OA)	\$1,500
		Subtotal	\$3,490	• EP OA (1 @ \$1,500/OA)	\$1,500
				• RU OA (1 @ \$1,500/OA)	\$1,500
				• UAE OA (1 @ \$1,500/OA)	<u>\$1,500</u>
				Subtotal	\$18,960

Track 1 allows an applicant to reach final disposition in 12 mos. of filing and has higher likelihood of allowance

Vorys Fast Break Approach:

- Expedite US prosecution by Track One to reduce foreign prosecution costs by at least one OA in CN and 2/5 OAs in other countries
- Track One should give 1-3 OAs before foreign office actions; allowing reduction and/or withdrawal
- No extension fees in US and avoid 2nd RCE = 10% savings just on US case
- **~\$57,400 family total**
- **Savings if avoid at least 2 of the 5 OAs foreign = 16% with the same assets**
- **Savings if avoid foreign filings = 49% (if Track One indicated large impediment to patentability)**

Assume at least 2 of 5 OAs avoided by using US claims

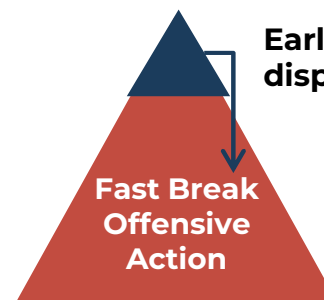
Fast Break Prosecution = Proactive not Reactive

Typical Prosecution Approach

**Prosecution
Churn on Multiple
Fronts =
Prosecution \$ +
Official Fees with
Compounding
Effect**

- Broad claims everywhere = prosecution history
- Claims may not align with business goals
- Family members may not have consistent claim scope

Vorys Fast Break Approach



**Early Indicator = search Report or OA,
disposition of priority case**

- **Use the Early Indicator to reduce churn in downstream prosecution to save money and reduce PHE**
- **Prosecute broad claims where it serves the business to do so**
- **Minimize inconsistencies among family members**

Example #3 Original Filing Scenario

NFOA (Oct. 2017) had allowable subject matter – arguments rejected

US Non-Prov

Filed: Jan. 2016
2 OAs
NOA: Aug. 2018

ISR/WO contained similar allowable subject matter as US NFOA

PCT

Filed: Jan. 2017
ISR/WO: July 2017

SG

1 OA
Granted: March 2019

JP

1 OA
Granted: March 2021

CN

1 OA
Granted: Feb. 2021

EP

1 OA
Granted: March 2019

SA

~1 OA
Granted: March 2019

Family note: KR application was also filed but withdrawn before examination

Estimated Costs

US Non-Prov		PCT	
Drafting fees	\$10,500	Counsel fees	\$1,000
Official fees	\$1,700	<u>Official Fees</u>	<u>\$3,607</u>
2 OA @ \$1750/OA	<u>\$3,500</u>	Subtotal	\$4,607
Subtotal	\$15,700		

SG		JP		CN		EP		SA		KR	
Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	~\$1,660	Official fees	~\$1,300	Official fees	~\$530	Official Fees	~\$4,100	Official fees	~\$500	Official fees	<u>~\$215</u>
1 OA @ \$1,500/OA	<u>\$1,500</u>	1 OA @ \$1,500/OA	<u>\$1,500</u>	1 OA @ \$1,500/OA	<u>\$1,500</u>	1 OA @ \$1500/OA	<u>\$1,500</u>	1 OA @ \$1500/OA	<u>\$1,500</u>	Subtotal	\$1,215
Subtotal	\$4,160	Subtotal	\$3,800	Subtotal	\$3,030	Subtotal	\$6,600	Subtotal	\$3,000		

Est. TOTAL ~\$42,100

Example #3 - Fast Break Difference

Take allowable subject matter

US Non-Prov

Filed: Jan. 2016
1 OA
NOA: Aug. 2018

Article 19 amendment

PCT

Filed: Jan. 2017
ISR/WO: July 2017

SG

1st action allowance
Granted: March 2019

JP

1st action allowance
Granted: March 2021

CN

1st action allowance
Granted: Feb. 2021

EP

1st action allowance
Granted: March 2019

SA

1st action allowance
Granted: March 2019

Estimated Costs

US Non-Prov		PCT	
Drafting fees	\$10,500	Counsel fees	\$1,000
Official fees	\$1,700	Official Fees	\$3,607
1 OA @ \$1,750/OA	\$1,750	Art. 19	\$750
Subtotal	\$13,950	Subtotal	\$5,357

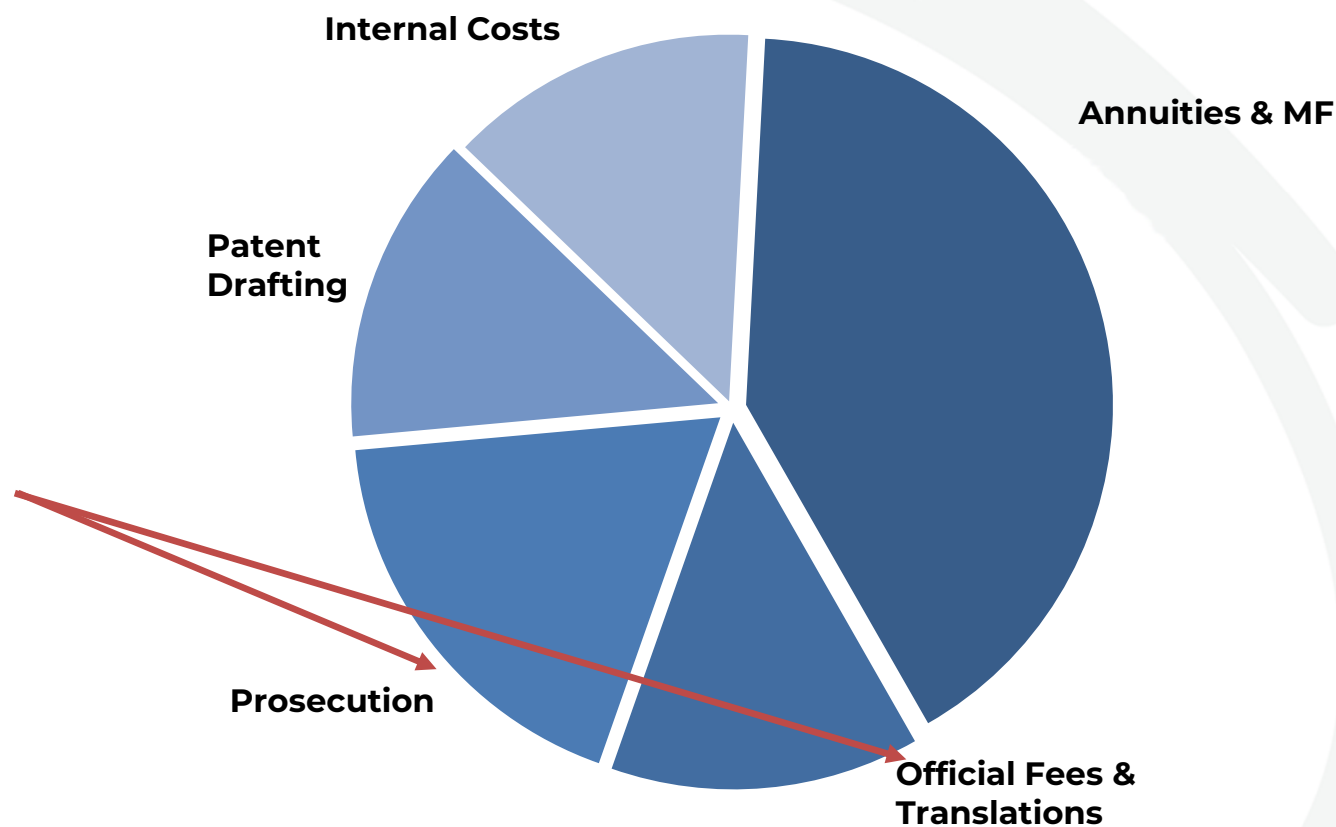
SG		JP		CN		EP		SA		KR*	
Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000	Counsel fees	\$1,000
Official fees	~\$1,660	Official fees	~\$1,300	Official fees	~\$530	Official Fees	~\$4,100	Official fees	~\$500	Official fees	~\$215
1 OA @ \$1500/OA	\$1,500	1 OA @ \$1500/OA	\$1,500	1 OA @ \$1500/OA	\$1,500	1 OA @ \$1500/OA	\$1,500	1 OA @ \$1500/OA	\$1,500	Subtotal	\$1,215
Subtotal	\$2,660	Subtotal	\$2,300	Subtotal	\$1,530	Subtotal	\$5,100	Subtotal	\$1,500		

Est. TOTAL ~\$33,600 SAVINGS 20%

*Withdrawn before examination

How to Reduce Costs

**Fast Break
Prosecution
Helps Reduce
These Costs**



Vorys PatentlyIntegrated® – Strategic Alignment



Business Strategies

- Make, use, sell
- Revenue
- Enforcement against competitors
- Patent strategies: offensive, defensive, drive collaboration
- And more

Competitive Intelligence

- Make, use, sell
- Regulatory filings
- Industry trends and news
- Patenting activities
- Export/import activities
- Enforcement strategies
- And more

Jurisdictional Factors

- Enforceability and how
- Government corruption, stability
- Independence of the judiciary
- Time to grant
- Strength of patentability requirements
- Subject matter patentability

PatentlyIntegrated® Strategic Alignment

Indicates the Relative Degree of Alignment with Your Business Goals

Business Goals Correlate

Jurisdictional Factors

Business Actualities

Competitive Intelligence

Country Code	Use/Sell	Make	Enforce	Other Business Realities	Comp. Use/Sell	Comp. Make	Comp. Patenting	Strategic Alignment Index™
US	***		***	**	***	***	***	229
DE	*	***	***	**	***	***	***	227
BR	***		*	**	***	***	**	221
JP	*		***	**	***	***	**	189
GB	*		***	**	***	***	***	188
NL	*			**	**	***	**	153
ES	*			**		***	**	135
DZ	***		*	**	**		*	134
IN	*			*	**	*	*	104
CH	*			*	*			83
MX	*			*	**			81
KR	*			*	*			79

Strategic Alignment in Practice: Case Study



- Reviewed filing parameters for large multinational product line for a Fortune 100 Company
- 4 primary competitors
- Traditionally, the company:
 - Average of 10 jurisdictions per family
 - ~\$3,000 official fees x 10 countries = \$30,000 of official fees per year per family
 - 50 new families filed each year = \$1,500,000 in just filing costs annually

Strategic Alignment Index: Case Study

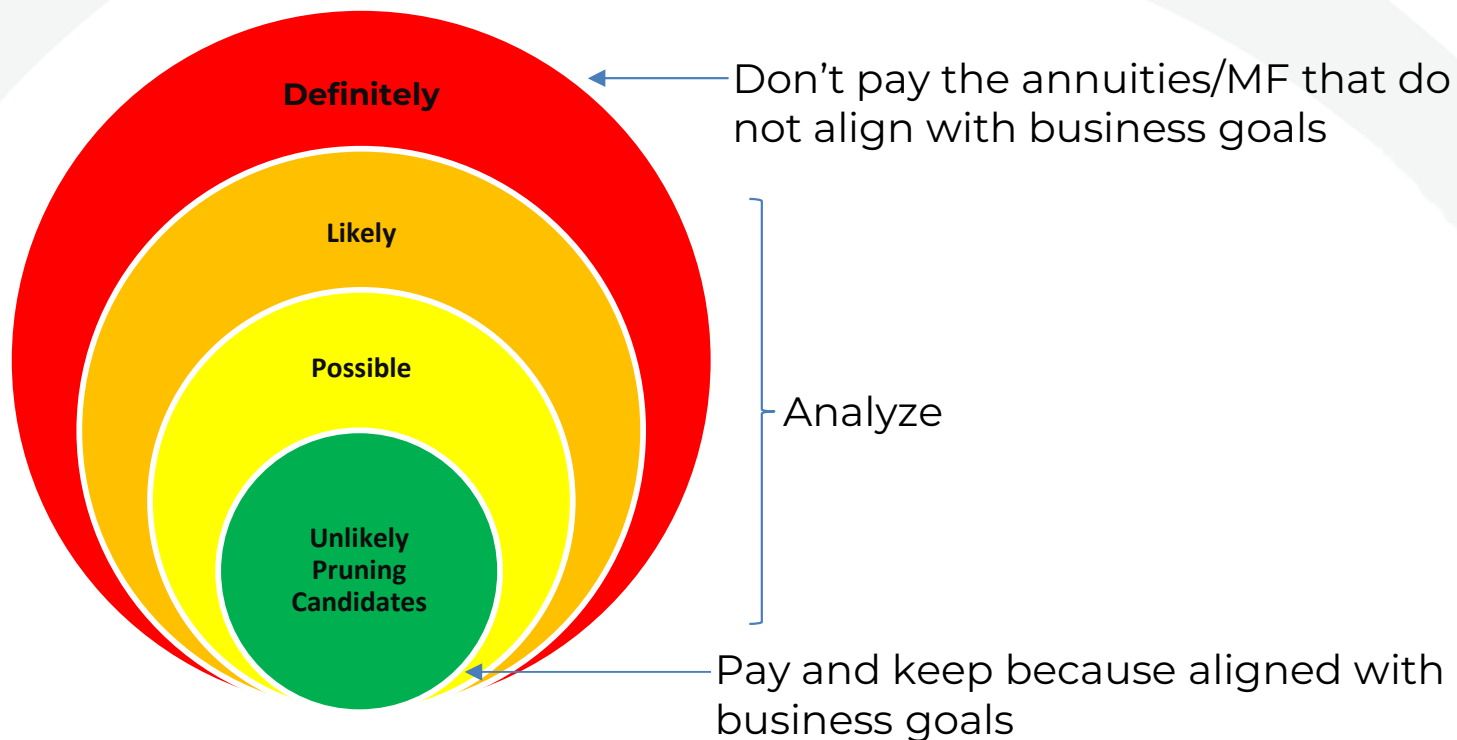
Country	PI Strategic Index™
United States*†	229
Germany*†	205
→ Brazil*†	221
Norway*†	215
France*†	220
Japan*†	189
United Kingdom*†	188
→ Italy*†	185
China*†	182
Russia*†	180
Denmark*†	163
Canada*†	163
Saudi Arabia*†	160
India*†	157
The Netherlands*†	153
Malaysia*†	152
Australia*†	143
Spain*†	135
Algeria*†	118

Tier 1

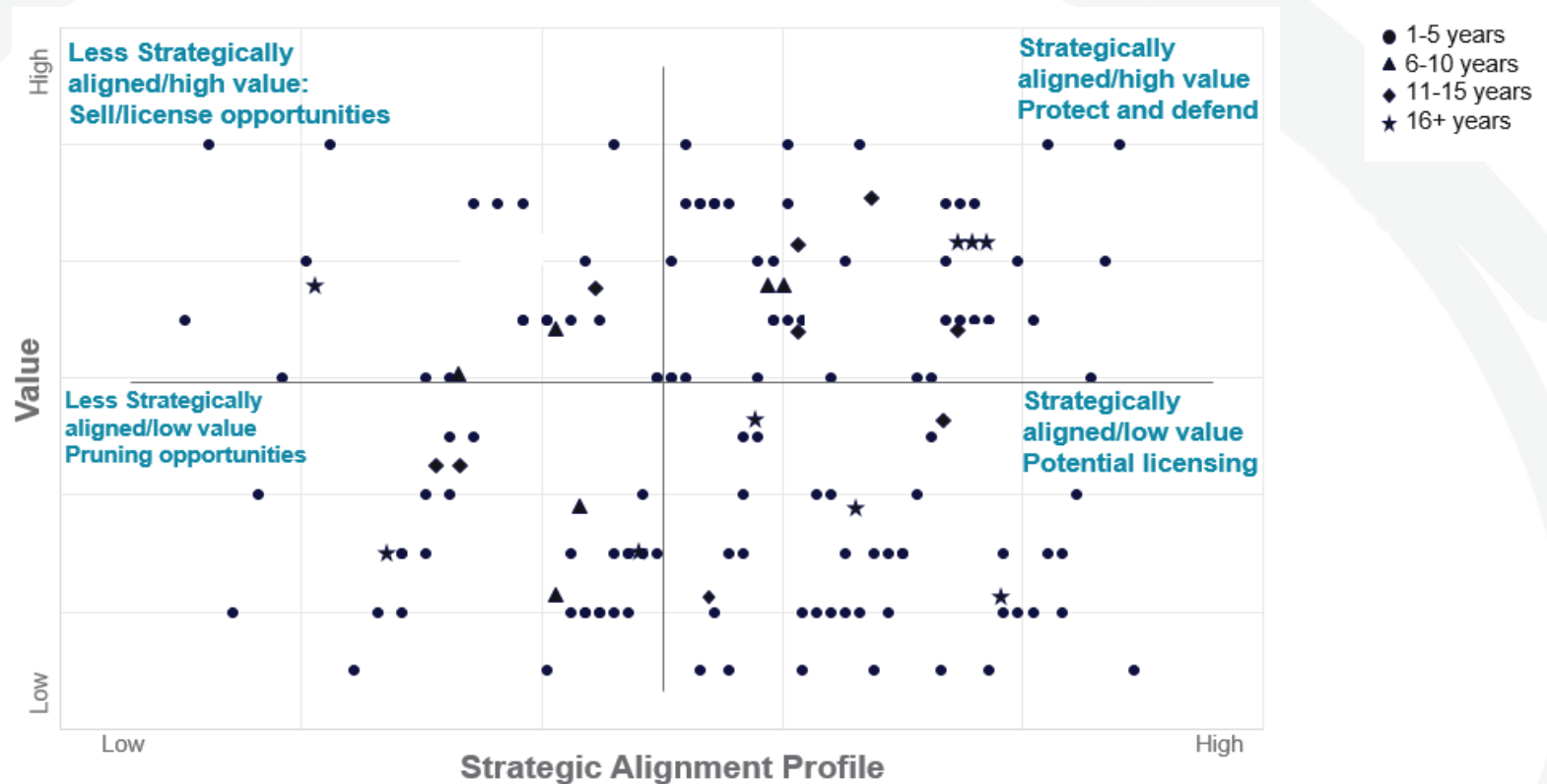
- 5 key Tier 1 jurisdictions identified
 - \$3,000 x 5 = \$15,000
 - 50 new families each year = **\$750,000 = 50% savings**
- Prune based on alignment
- Hub and spoke prosecution management recommended focusing on Tier 1 jurisdictions for seeking broader claims

Table 2. Tier 1 and Tier 2 Countries

Asset Triage with Strategic Alignment for Pruning



Strategic Alignment Index: Pruning Case Study

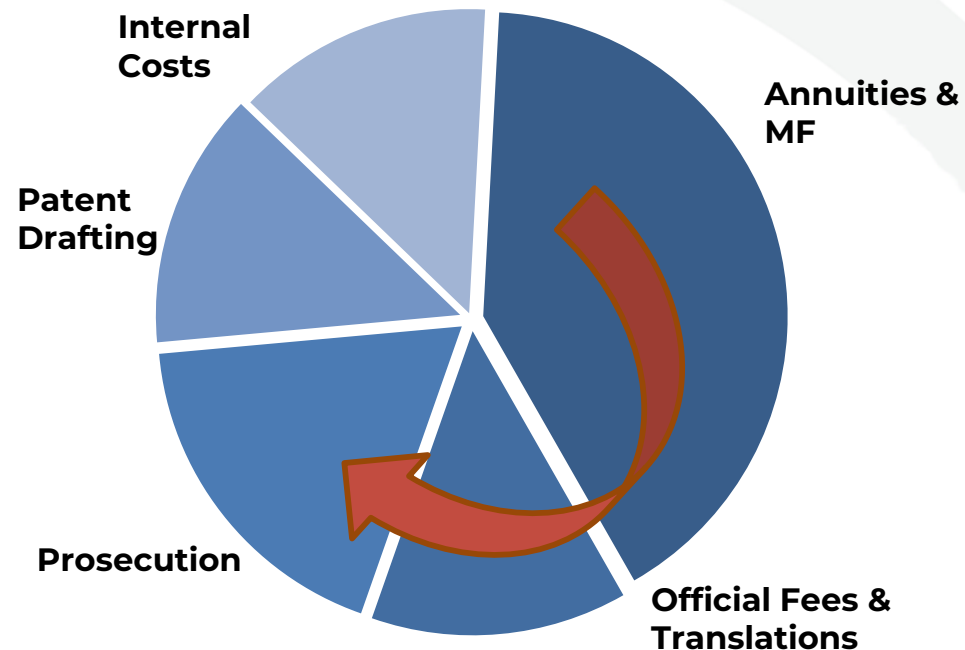




- Vorys uses PatentlyIntegrated® with clients to guide prosecution with Smart Prosecution and Smart Filing Routes
- Vorys licensed software
- Dorothy AI Activ8 Alignment products launching soon as a subscription based on-line tool that we will use for out clients free of charge

Smart Filing Routes and Fast Break Decisions Effects

Smart Filing Routes, Fast Break Prosecution, and Business Alignment reduce these key elements



Our Assumptions for the Fees Analyses Herein

- To simplify our analysis, we relied on the assumptions described below.
 - U.S. and EP fees are based on published direct national stage filing or PCT-based national stage filing fees at the time the cases we analyzed were filed
 - Where relevant, search fees are listed separately. Page charges, excess claim fees, and other filing fees are included in the official filing fees for each case.
 - Identical foreign agent prosecution fees are assumed for all countries outside the U.S.
 - Issue fees are not included in official fees
 - Annuities are only included in certain scenarios.
- Priority counsel fees are only included for drafting the original application where noted

Our Assumptions for the Fees Analyses Herein (part 2)

- To simplify our analysis, we have assumed that each foreign case receives 2 office actions during prosecution, unless noted otherwise
 - We assume applying Smart Prosecution principles decreases the office action count to 1 per case, unless noted otherwise
 - We assume that Track One expedited examination in the U.S. will not reduce the number of office actions, but will result in an issuance in 12 months
- The costs associated with EP validations are not included in pricing models
 - We assume 3+ validations from EP application is more cost effective than direct filing. We are not recommending a European unitary patent at this time.
- The average costs assumed for an office action response are noted in the examples and may vary.