

How to Protect your Intellectual Property and Not Break the Bank

July 18, 2023




Opening Notes

Disclaimer: This presentation was prepared for the virtual event *How to Budget for IP and Not Break the Bank* and provides general information regarding some basic principles of intellectual property law. It does not constitute legal advice and should not be relied upon as such. If you have a particular question for which legal advice is required, please seek independent legal counsel.

IP Terms: There is a glossary at the end of the presentation.

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Budgeting

The 6 principles of budgeting

- 1 Strategy alignment.
- 2 Ask counsel for minimum 24-month cash flow; 30 is best.
- 3 Budget for internal time and project integration.
- 4 Understand your options: have a plan B for prosecution.
- 5 As you scale your spend, track your overall cost to protect.
- 6 Have strong counsel relationships. This will impact billable advice from non-billable advice, and transactional support from strategic support.

How to budget now and as you scale

Unless you have unlimited resources, your budget likely won't allow you to protect every aspect of your innovation at the beginning.

- ▶ Focus on protecting your core technology as a start-up;
- ▶ As you scale and develop new innovations, capture IP incrementally as your budget allows.

How do you do this? An IP strategy! Your overall IP strategy will direct management of your IP filing strategy and IP budget

IP Strategy – what is it?

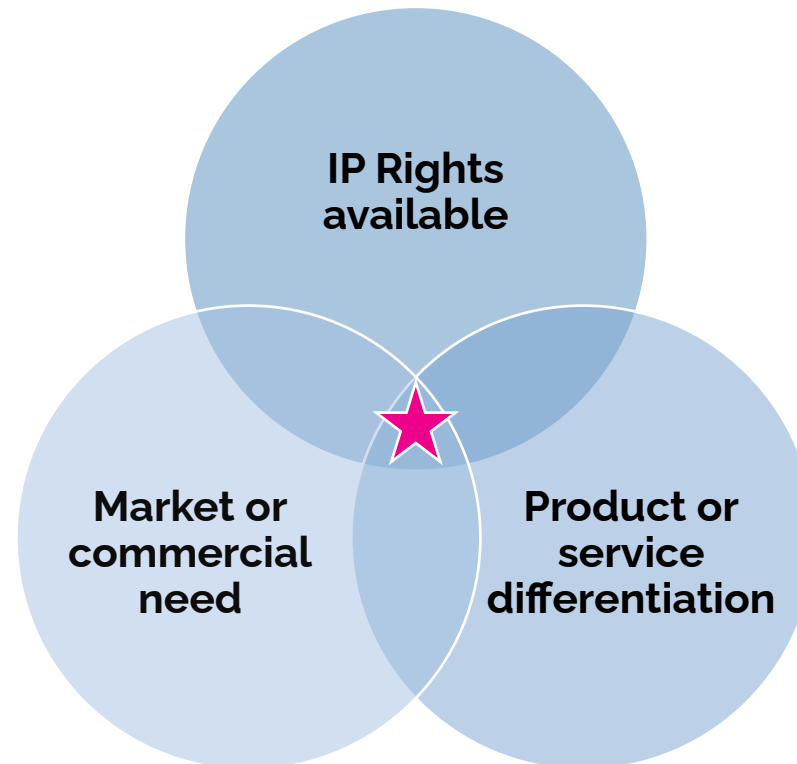
An IP strategy should outline your set of IP based decisions that gives you a competitive advantage.

Questions to consider include:

- What is your IP position in relation to your competitive needs and unique value proposition?
 - ▶ What various forms of IP can be relied on to achieve this IP position?
 - ▶ What internal capabilities or external freedom to operate (FTO) needs will achieve this IP position?
- Do you have the necessary market/technology landscape intelligence to know where to focus your IP?
 - ▶
- In what jurisdictions do you require protection?
 - ▶

IP Strategy – the Optimal Outcome

A good IP strategy enables protection of IP rights to achieve outcomes that have market value to the business. A good IP strategy will evolve this defined IP position over time.



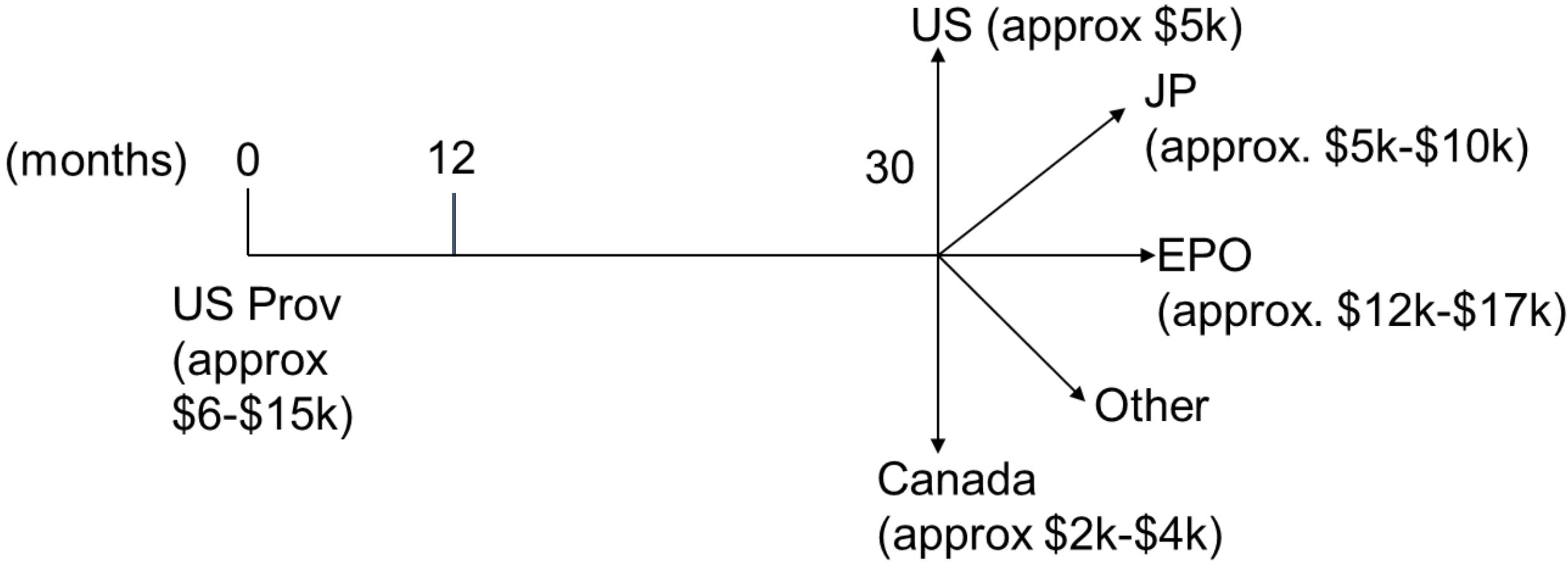
Filing Strategies and Cost Saving Tips

Patent filing strategies for cost savings

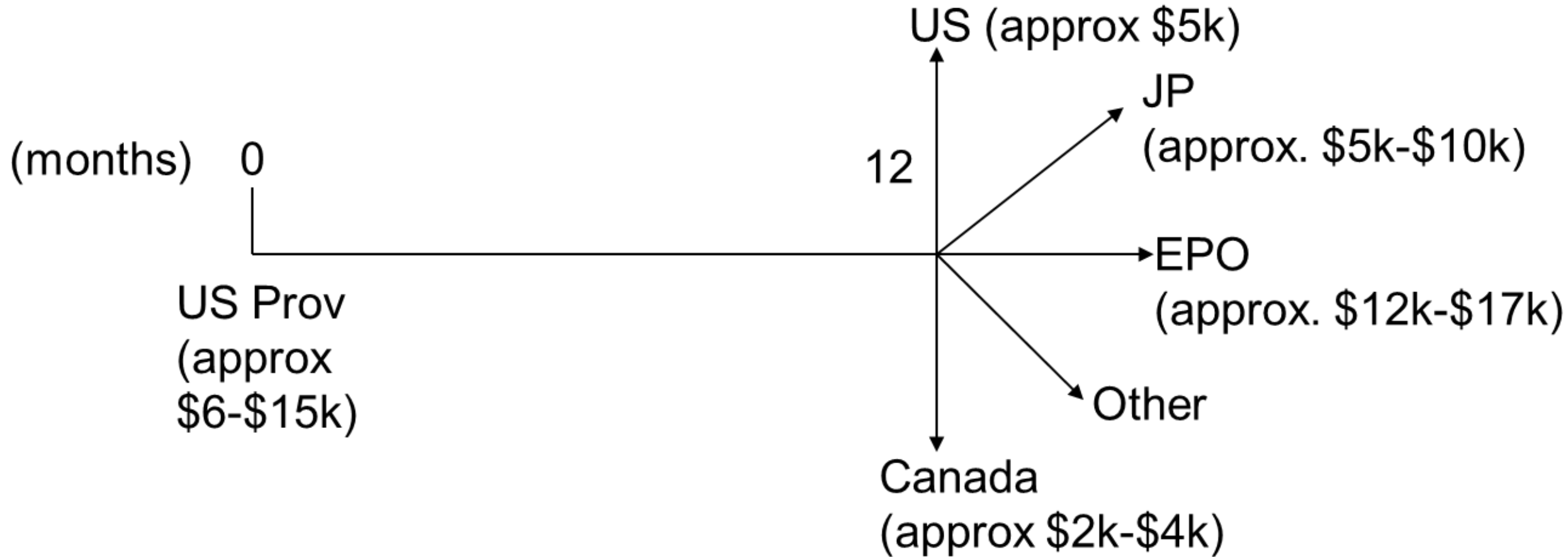
- ▶ Patent Cooperation Treaty (PCT) vs. Paris Convention Filings (Non-PCT)
- ▶ Unitary Patent Process vs. National validation (European Patent Office)
- ▶ Global Patent Prosecution Highway (GPPH)



Timelines and Costs: Patent Cooperation Treaty (PCT)

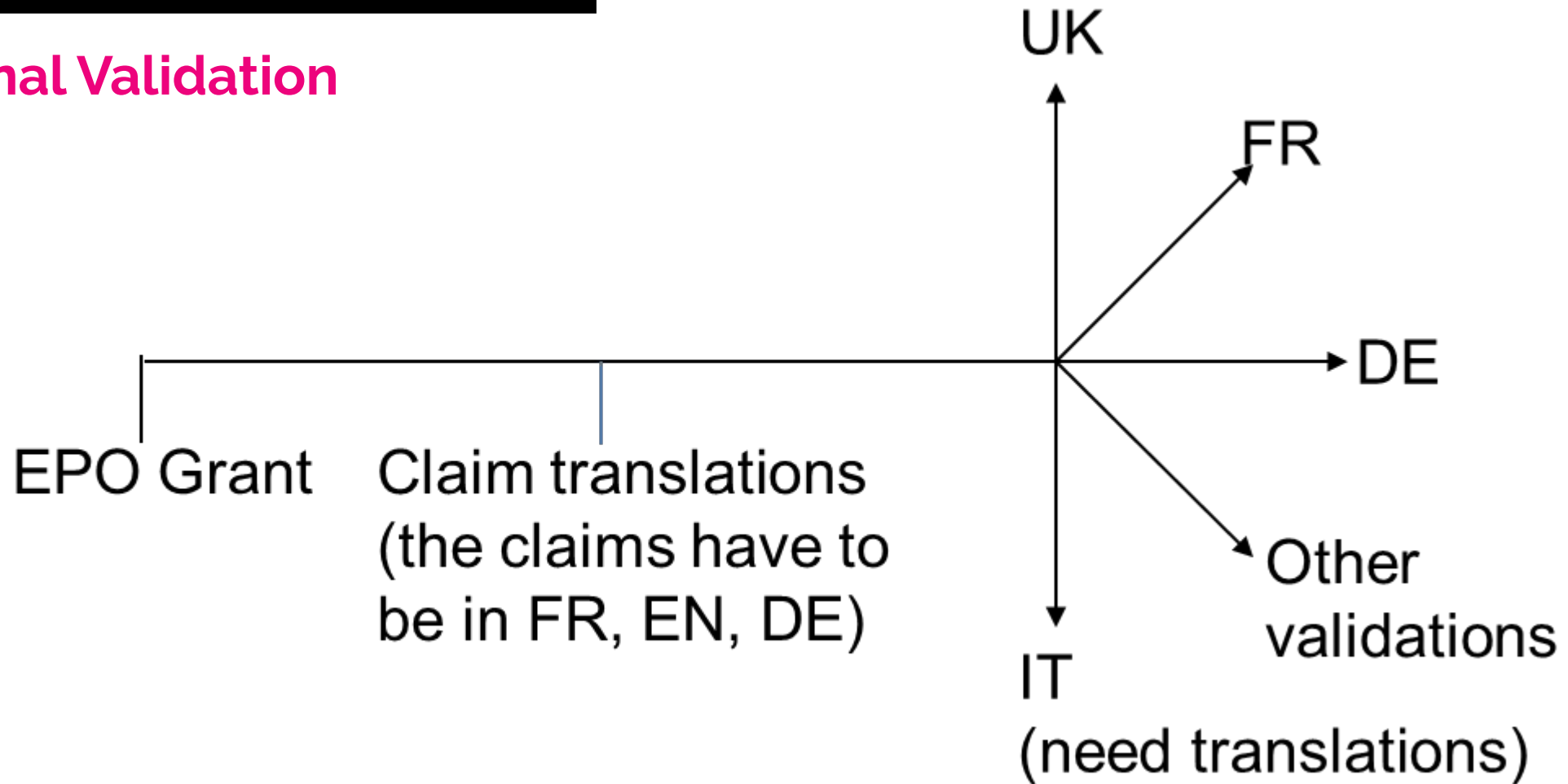


Timelines and Costs: Non-PCT



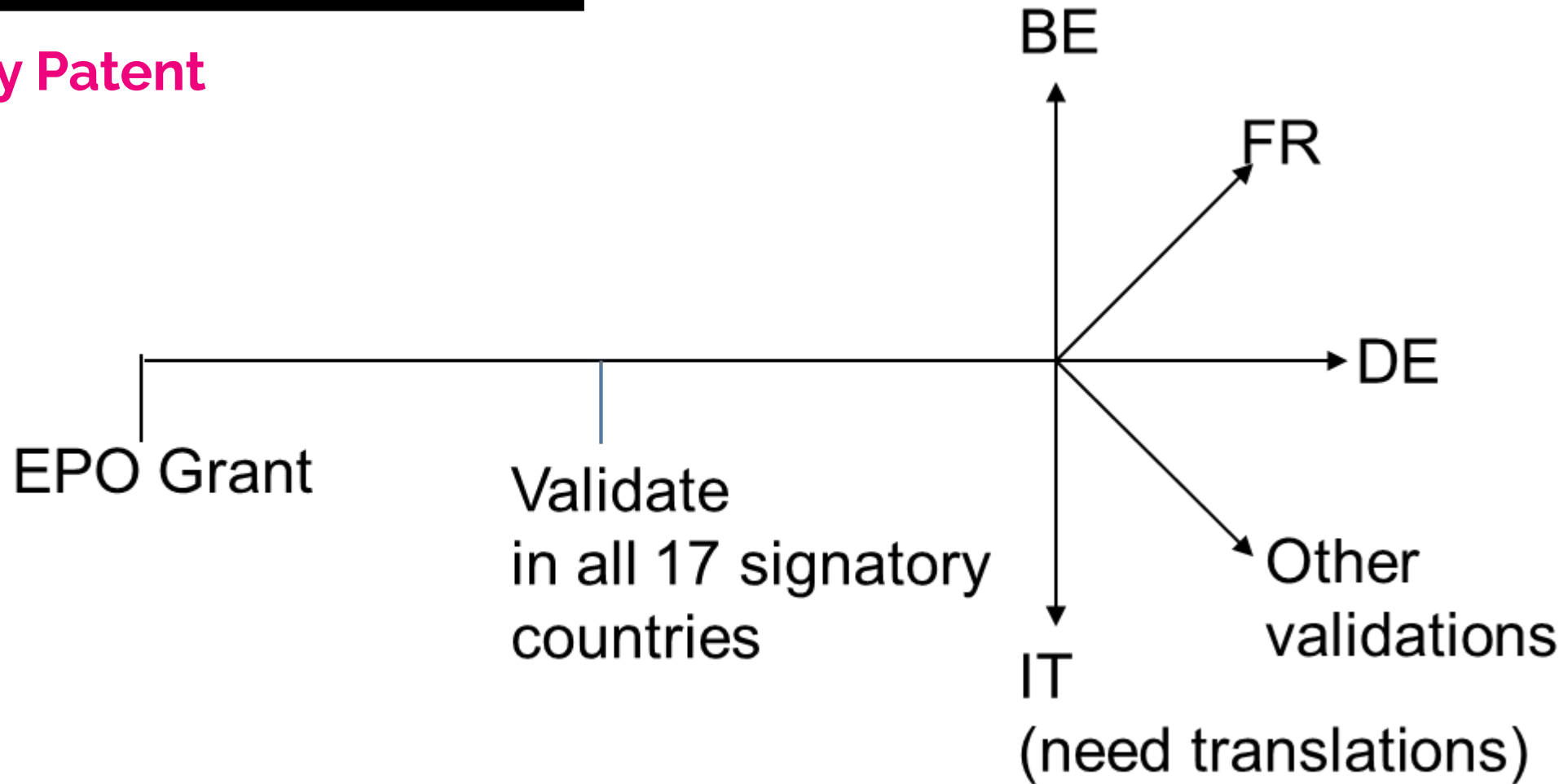
European Patent Office - National Validation (NV) vs. Unitary Patent (UP)

National Validation



European Patent Office - National Validation (NV) vs. Unitary Patent (UP)

Unitary Patent



European Patent Office - National Validation (NV) vs. Unitary Patent (UP): Differences

National Validation (NV)

- ▶ Validate separately in different countries and will possibly require different translations
- ▶ Renewals in different countries where validated
- ▶ Each validated patent has a life of its own

Unitary Patent (UP)

- ▶ EPO handles validations
- ▶ Translate whole patent into 2nd EPO language
- ▶ Single renewal fee (cost: 4 renewals – the rest are free)
- ▶ All the validated patents rise and fall together

Global Patent Prosecution Highway

Concept:

- ▶ Patent Office A reviews and prosecutes your patent application. Your claims get reviewed, amended, and eventually allowed and issued.
- ▶ Patent Office B can use the work product of Patent Office A to cut down on the prosecution of your patent application that is the counterpart of your issued patent from Patent Office A.

| Advantages | Disadvantages |
|--|--|
| <ul style="list-style-type: none">• Cheaper, cuts down on prosecution at Patent Office B.• Generally, similar claim scope across jurisdictions. | <ul style="list-style-type: none">• Not every patent office follows what was done before.• The USPTO and the EPO are notorious for ignoring what happens at other patent offices (CIPO will generally follow USPTO though). |

Cost Saving Tips

- ▶ Don't skimp on drafting costs! A badly drafted application can constrain arguments and can torpedo your application.
- ▶ Have a global perspective and don't be penny-wise but pound foolish. **Consider the bigger picture.**
- ▶ With the United States Patent Office (USPTO), get into Examiner Interviews as soon as you can.
- ▶ Cheapest now doesn't mean cheapest later.
- ▶ **Know why you want a patent.** This helps when you're figuring out how much value / money you want to invest in your patent.
- ▶ Triage your portfolio periodically.
- ▶ Be upfront with your counsel, especially when it comes to business plans and funds.
- ▶ Get good counsel. **Everywhere.** And get on your counsel's good side!

Trademark Filing Strategies and Cost Saving Procedures

Trademarks = Source Indicators

- ▶ More common: Words (*e.g.*, company name, slogan) and designs (*e.g.*, logo)
- ▶ Less common: colour, 3D shape, moving image, mode of packaging goods, sound, scent, taste, texture, etc.
- ▶ Rights associated with specific goods and services offered in connection with the mark (registered in “classes”)
- ▶ Strongest trademarks are often made up words (*e.g.*, KODAK®, XEROX®)
- ▶ Weaker marks are descriptive of associated goods/services



Common Law (FREE) vs. Registered Trademark Rights (\$\$)

- ▶ Trademarks acquire common law rights through use, but rights are limited:
 - Geographically restricted
 - Expensive to establish in litigation

- ▶ Registered trademarks provide stronger rights:
 - Presumed valid
 - More enforcement options available
 - Can be cited against later-filed applications during prosecution
 - Generally easier to enforce, especially online (*e.g.*, Amazon, Google)

Clearance / Registrability Searches

Comprehensive searching will identify obstacles to registration:

- ▶ Flag existing marks that are identical or confusingly similar that could impact the ability to use or register a trademark
- ▶ Assess the likelihood of overcoming any identified obstacles to registration
- ▶ Helps to prevent the need to rebrand
- ▶ **Helps budgeting by understanding if funds should be allocated to overcoming obstacles** to registration (e.g., Examiner objections)

Filing in Multiple Jurisdictions

National filings

- ▶ National representation required
- ▶ Claim priority if filed within 6 months of the first filing, preserving the earliest filing date

Madrid Protocol:

Central international filing system

- ▶ Must be based on existing national application/registration
- ▶ Can be **cost-effective if filing in ~ 10+ jurisdictions**
- ▶ National representation may still be required for prosecution and maintenance

Fees and Example Cost Scenarios

Lawyer / Legal Fees

According to Canadian Lawyer Magazine's 2021 Legal Fees Survey, you can expect to spend around \$10,000 on average for an IP lawyer to assist with drafting a relatively "simple" patent application.

A "simple" TM registration process will cost around \$2000 in Canada.

| Intellectual Property Law | National | National (1-4 lawyers) | National (2-25 lawyers) | Ontario |
|---|-----------------|-------------------------------|--------------------------------|----------------|
| Simple Patent Application | \$7,400 | \$6,325 | \$9,550 | \$10,775 |
| Simple Trademark Registration | \$1,467 | \$950 | \$2,500 | \$1,630 |
| Patent audit | \$5,625 | \$1,250 | \$10,000 | \$10,000 |
| Patentability search for simple mechanical invention | \$1,833 | \$1,000 | \$3,500 | \$2,500 |

Patent Office Fees

Patent Office Fees may include (depending on jurisdiction):

- Filing fees;
- Transmittal fees;
- Search fees;
- Request for examination fees;
- Advanced examination fees;
- Maintenance fees;
- Final fees, etc.

There are also several factors that may impact the amount of the fees, including:

- Size of the applicant (small entity, large entity)
- Whether the patent filing is electronic or paper
- Number of pages
- Number of independent / total claims
- International searching authority, etc.
- Translations costs

Translation Fees

- ▶ You will need a translator with an understanding of complex IP language
- ▶ Translation costs vary across industries
- ▶ The languages you need translation for depends on filing jurisdiction
 - E.g., the EPO allows English, German and French specifications, but you need translations for China, Korea, Japan, etc.
 - Validation of an EP patent requires translation in some individual EU states (either of the claims, like Netherlands, or the entire specification, like Italy).
- ▶ Cost per word varies by location

An average patent application is 9,400 words + translation fees of \$0.25-0.50 per word = \$2300-4700

Example: Patent Costs from Year 0-6

The rough patent process costs (comprising aggregated professional and patent office fees) as shown on the **next four slides** relate to an average utility patent application as it progresses through patent office prosecution with the following assumptions in mind***:

- Small and medium-sized enterprises (SMEs): small entity (<50 employees)
- 30 page Specification (Description, Claims, Figures)
- No excess independent / dependent claims
- First filed as a US provisional patent application
- Filed as an International PCT application within 12 months
- Applicant does not file a Demand under PCT for International Preliminary Examination
- Enters the national phase in **Canada, US, Europe, China, Japan** at the 30/31 month stage
- 2 office actions in each jurisdiction
- Use of Global Patent Prosecution Highway in Canada

*** all fees, expenses and timelines in this example are illustrative only (even government fees change over time); please consult your IP lawyer/agent

Patent Cooperation Treaty (PCT) - Cost Timeline

Year 1
(Approx. \$17,000 CDN)

Year 2
(Approx. \$1,000 CDN)

| Zero Months | 12 Months | 16 Months | 18 Months |
|--|--|---|--|
| <ul style="list-style-type: none">▶ Professional fee for drafting patent app: \$6-\$15,000 CDN (avg. \$10,000 CDN)▶ US provisional filing fee: \$120 USD (app serves as priority document / earliest filing date) | <ul style="list-style-type: none">▶ Professional fee for updating patent app, and preparing PCT filing documents: \$2-\$6,000 (avg. \$3,000 CDN)▶ PCT filing fees (transmittal, filing, search fees, etc.): approx. \$4,000 CDN (CIPO as ISA) | <ul style="list-style-type: none">▶ CIPO transmits Internal Search Report (ISR) and Written Opinion (WO), i.e., Patent Examiner conducts a prior art search and assesses novelty, inventiveness and industrial applicability▶ Fee for reporting and commenting on results of ISR / WO: approx. \$400 CDN | <ul style="list-style-type: none">▶ CIPO transmits a copy of the published PCT app, ISR and WO▶ Fee for reporting on PCT publication: approx. \$250 CDN |

Patent Cooperation Treaty (PCT) - Cost Timeline

Year 3
(Approx. \$30,000 CDN)

Year 4
(Approx. 17,000 CDN)

| 30 Months | 31 Months | Month 37-42 | Month 43-48 |
|---|---|--|---|
| <p>▶ Enter Canada, US, China, Japan (professional fees, patent office fees, national entry fee, etc. as applicable)</p> <ul style="list-style-type: none">• Canada: approx. \$2,000 CDN• US: approx. \$3,300 USD• China: approx. \$5,000 USD• Japan: approx. \$5,500 USD | <p>▶ Enter Europe (EPO) (professional fees, patent office fees, national entry fee, request exam fee, etc. as applicable)</p> <ul style="list-style-type: none">• Europe: approx. \$6,500 USD | <p>▶ Month 38</p> <ul style="list-style-type: none">• Respond to EPO request to modify Description and Claims (approx \$4,000 USD professional fees) | <p>▶ Month 45</p> <ul style="list-style-type: none">• Respond to first Japanese Office Action (\$4,000 USD) <p>▶ Month 48</p> <ul style="list-style-type: none">• Respond to EPO Extended Search Report (approx. \$5,000 USD professional fees) |

Patent Cooperation Treaty (PCT) - Cost Timeline

Year 5
(Approx. \$27,000 CDN)

Year 6
(Approx. \$13,000+ CDN)

| Month 49-54 | Month 55-60 | Month 61-66 | Month 67-72 |
|--|---|--|---|
| <ul style="list-style-type: none"> ▶ Month 50 <ul style="list-style-type: none"> • Respond to Japanese 2nd Office Action (\$4,000 USD) • Respond to first US Office Action (\$3,000 USD) ▶ Month 54 <ul style="list-style-type: none"> • Respond to 2nd office action EPO (approx. \$4,000 USD professional fees) • Japanese Notification of Grant (\$600 USD) | <ul style="list-style-type: none"> ▶ Month 56 <ul style="list-style-type: none"> • Respond to 2nd US office action (\$3,000 USD) ▶ Month 60 <ul style="list-style-type: none"> • Respond to first China Office Action (\$3,000 USD) • Pay issuance fee US (\$1,750 USD) • Request examination in Canada under GPPH based on US/Japan allowed claims (\$1,250 CDN) | <ul style="list-style-type: none"> ▶ Month 64 <ul style="list-style-type: none"> • Process and pay Final Fee in Canada (\$500 CDN) ▶ Month 66 <ul style="list-style-type: none"> • Attend to grant procedures at EPO (\$4,000 USD) • Respond to 2nd China Office Action (\$2,500 USD) | <ul style="list-style-type: none"> ▶ Month 70 <ul style="list-style-type: none"> • Validation in individual countries in Europe (\$450-\$4,500 USD per country, including professional fees, e.g., FR, GB, DE \$700 avg, but IT and ES \$4,000+ avg because of translation costs) • Attend to China Grant Proceedings (\$500 USD) |

Annuity Fees for the First 7 years (of 20)

| | | Canada | USA | EPO | China | Japan |
|-----------------|--------------|-----------|-------------|-------------|-----------|-----------|
| 1st Year | | - | - | - | \$ 162.00 | \$ 97.85 |
| 2nd Year | Standard | \$ 100.00 | - | - | \$ 162.00 | \$ 97.85 |
| | Small Entity | \$ 50.00 | - | - | - | - |
| 3rd Year | Standard | \$ 100.00 | \$ 2,600.00 | \$ 779.10 | \$ 162.00 | \$ 97.85 |
| | Small Entity | \$ 50.00 | \$ 1,040.00 | - | - | - |
| 4th Year | Standard | \$ 100.00 | - | \$ 970.20 | \$ 216.00 | \$ 249.85 |
| | Small Entity | \$ 50.00 | - | - | - | - |
| 5th Year | Standard | \$ 210.51 | - | \$ 1,359.75 | \$ 216.00 | \$ 249.85 |
| | Small Entity | \$ 100.00 | - | - | - | - |
| 6th Year | Standard | \$ 210.51 | - | \$ 1,734.60 | \$ 216.00 | \$ 249.85 |
| | Small Entity | \$ 100.00 | - | - | - | - |
| 7th Year | Standard | \$ 210.51 | \$ 4,888.00 | \$ 1,734.60 | \$ 216.00 | \$ 249.85 |
| | Small Entity | \$ 100.00 | \$ 1,955.20 | - | - | - |

Approximate Trademark Costs (\$CDN)

| Activity/Stage of Registration Process | Canada | Foreign |
|---|----------------------------|------------------------------|
| Comprehensive search & opinion (optional) <i>Costs may depend on number of Classes and scope of goods/services</i> | ~ \$750 - \$2,500 | ~ \$2,500 - \$5,000 |
| Filing (one Class) | ~ \$1,000 - \$2,500 | ~ \$1,000 - \$4,000 |
| Responding to Office Action, if issued (including reporting with recommendations) | ~ \$500 - \$3,500 | ~ \$750 - \$5,000 |
| Reporting of standard milestones (e.g., approval, advertisement, and registration, as required) | ~ \$150 - \$750 per report | ~ \$500 - \$1,500 per report |
| Renewal (often every 10 years, in perpetuity) <i>Costs may depend on number of classes and scope of goods/services</i> | ~ \$550 - \$1,500 | ~ \$1,000 - \$4,000 |

Getting Financial Assistance for Your IP

IPON Services

From tailored IP support to self-guided courses, IPON has several services available to help the innovators of Ontario.

Available to anyone:

- On-demand basic IP education
- Free public events across the province
- Online resources

Available to clients:

- IP benchmarking
- Microcredentials
- IP patent landscaping
- 1-on-1 mentorship
- Up to \$25,000 for IP services



Other IP Funders: IAC, IP Assist, ElevateIP (Forthcoming)

- ▶ **Innovation Asset Collective (IAC)** assists Canadian small and medium-sized enterprises (SMEs) in the data driven cleantech sector with their IP needs. They offer IP intelligence, IP funding, and more → ipcollective.ca
- ▶ **IP Assist** is a program part of NRC IRAP to help SMEs increase their IP awareness, develop an IP strategy and carry out the actions needed to implement their IP strategy. www.nrc.canada.ca
- ▶ **ElevateIP (forthcoming)** will help Business Accelerators and Incubators (BAIs) provide the tools Canadian startups need to understand, strategically manage and leverage their IP.

Please contact info@ip-ontario.ca if you would like an introduction to any of these IP funders.

Stay in touch

Intellectual Property Ontario

IP services & resources

www.ip-ontario.ca/apply

Brion Raffoul LLP

Intellectual Property Law

www.bripgroup.com/contact-us

Thank you! Any questions?

Intellectual Property Glossary (Alphabetical Order)

| | |
|--|---|
| Canadian Intellectual Property Office (CIPO) | This is the government office for all IP services in Canada |
| Global Patent Prosecution Highway (GPPH) | <p>GPPH is an examination regime designed to expedite patent examination and reduce backlogs/workloads. A patent application that has already been examined and had a claim allowed by a patent office in one GPPH country can be used to expedite examination of corresponding applications filed with other GPPH countries. By duplicating the results from the original examiner rather than conduct their own examination the patent can be approved expeditiously.</p> <p>The GPPH allows for accelerated patent prosecution by sharing information between participating patent offices. It permits each participating patent offices to benefit from the work previously done by another patent office. So, if a patent has been examined by the USPTO, and is now about to be examined by CIPO, CIPO can look to the work conducted by USPTO to help them evaluate the application.</p> |
| Intellectual Property (IP) | Intellectual Property is a category of property that includes physical (<i>i.e.</i> , a computer mouse) and intangible creations (<i>i.e.</i> , software). The most common forms of IP are Patents, Trademarks and Copyright. |

Intellectual Property Glossary (Alphabetical Order)

| | |
|-----------------------------|---|
| NICE/Classes | A series of numbers from 1 – 45, wherein each number refers to a class of goods or services. When we apply for a trademark, we use these classes to determine which goods/services are associated with the proposed trademark. |
| National Phase Entry (NPE) | National Phase entry is the next step after the international patent application is filed. National Phase entry is also sometimes referred to as, "national stage entry," or "patent nationalization." Without this process, the PCT application will never be granted as a patent. NPE has to be completed (generally) 18 months after the filing of the international patent application. |
| Non-Provisional Application | A non-provisional patent application is a complete application that is submitted for examination by a patent office. A non-provisional patent can claim priority from a provisional application, thereby retaining that early filing date. |
| Office Action (OA) | OAs (Office Action) are sent to us from patent and trademark offices to notify us of any issues with our applications. These reports are provided by Examiners, who tell us if our application has any errors or is breaking any rules. |

Intellectual Property Glossary (Alphabetical Order)

| | |
|---------------------------------|---|
| Patent | Patents are a form of IP that gives an owner a legal right to an invention for a fixed period (in Canada, the expiry date is 20 years from the date of filing). Examples of patents include pharmaceutical patents, software patents, mechanical patents, etc.) |
| Patent Cooperation Treaty (PCT) | An international patent law treaty that outlines a single procedure for filing patent applications in the contracting states. This treaty allows for an invention to be protected in many countries by submitting a single international patent application. The granting of the patent is executed by the country's IP office and is referred to as "national phase" (see NPE below) |
| Priority | allows the applicant to file a subsequent application in another country for the same invention, design, or trademark effective as of the date of filing the first application. When filing the subsequent application, the applicant must claim the priority of the first application to make use of the right of priority. |
| Provisional Application | This form of application is used to establish a filing date for regular patent applications. Because many countries operate on a "first to file" basis, having a provisional application is a way for inventors to record that they have an invention, and then spend a year hammering out the more definite details for a regular patent application (see non-provisional patent application below). |

Intellectual Property Glossary (Alphabetical Order)

| | |
|---|---|
| Response Office Action (Response OA) | A Response OA is drafted to the Examiner and addresses any of their concerns. This document is used to do multiple things: 1) outline any changes to the application, 2) explain any arguments/explanations to address the Examiner's objections in the OA. |
| Trademark | A trademark can take different forms (words, logos, colours or a scent). We deal with words and logos often. When someone is "trademarking" something, they want their goods and services to be associated with that mark. That way, people can recognize where these goods and services are from. For example, if you see a laptop/tablet/computer/phone with an apple on it, you know the device is from Apple. |
| United States Patent Office (USPTO) | This is the government office for all IP services in the United States of America. |
| World Intellectual Property Organization (WIPO) | This is the office for all international applications. PCTs, Madrid Trademark Applications, and Hague Industrial Design Applications are all funneled through this office. |