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THE ROLE OF PATENT AGENTS IN THE COMMERCIALIZATION OF PATENTED INVENTIONS

Lecture presented by Mr. Clarence Feldmann,
Patent Attorney

Introduction

This speech is on my personal views regarding the role of patent agents in the commercialization of patented inventions. I am not giving the official opinion of any of the organizations I belong to. Therefore, all advice, opinions and conclusions only reflect my personal views and ideas based on experience over about 25 years working in the profession as a patent attorney. I am well aware that another patent agent with another personal background could easily come to other conclusions.

During my studies as an electronic engineer, specialized in telecommunications, I made a first invention, namely a device to measure the skin temperature. Until today I am the author or co-author of six different inventions of which four turned out to be a flop and only two gave me some financial success.

For many years I was active as a member of the Swiss Association of Patentees and Inventors and in this organization I was elected as Secretary-General for several years. In this capacity I was sent several times to represent the Swiss Association at IFIA meetings. From 1986 to 1990 I had the honor of being elected President of IFIA. With the financial support of WIPO I wrote the booklet "International Invention Guide" that was published as IFIA publication number 2 in 1994.

My career as patent attorney started in 1973 in the office of my father. Since 1979 I have been a registered European Patent Attorney. This background may explain to you my critical views regarding the role of patent agents in the commercialization of patented inventions. In this speech I want to give you the answer to three crucial questions:

- Is a patent agent allowed or not allowed to be active in the commercialization of patented inventions?

- Is it advisable or not to use the services of a patent agent in the process of the commercialization of inventions?

- What services could a patent agent do the owner of a patented invention?

Allowed or not allowed

In most countries there are regulations in respect to the profession of patent agents. In many countries this title or the title of patent attorney is protected and only those having the necessary skills and who have had sufficient training have the right to use the title as a patent agent or a patent attorney. Once they have passed a final examination they become automatically a member of a national or regional patent agents' or patent attorneys' organization. These organizations have regulations and guidelines in which usually ethical rules for the professional group are stipulated. A large number of these professional organizations do not allow their members to advertise. Advertising is not only understood to make an ad in printed or electronic media but in general to contact persons or companies that are not their clients and to offer their services.

In most regulations I am aware of, the professional organizations do not prohibit services in relation to commercialization in general. I think that this is correct as the client might ask his patent agent for assistance in different situations during the commercialization process. In the commercialization process the drafting of a license agreement for example is an important service that many of the patent agents are trained and skilled in and could offer.

One of the first steps in the commercialization of an invention is the search for a suitable partner. Patent attorneys do have a numerous clientele of manufacturers and trading organizations they are representing. Among this large number of companies there might be a manufacturer or a sales organization interested in an invention of another client who has asked his patent agent for support in the commercialization. It would not be against the rules of most national or regional patent agents' organizations to bring these two clients together. However, this can only be done in cases where the invention is a side-line of one of the two clients, since in cases where the invention would belong to the main field of activities of both clients the patent agent could not present both as this would be a case of conflict of interests. But even if the invention has only some relation to one of the fields of activities of one of the clients, a situation of conflict could easily occur once he has brought the two clients together. Now negotiations between the two partners will start and it would be absolutely natural that the patent agent should be engaged in these negotiations. It is simply not possible for the patent agent to be absolutely neutral in these negotiation proceedings. It is absolutely normal and correct if the buyer or licensee tries to make a deal by paying the least possible whereas the seller or licenser tries to get the most. The patent agent that is representing both sides is now in a conflict situation.

Even if the patent agent was able to bring both parties together, the next step would be to write the contract. Although a contract is only a good contract when it is balanced, it is my opinion that a patent attorney can only write a good contract when he tries to optimize the wishes of his client. Only if, on the other hand, the second party is represented as well by a different patent agent or lawyer, all conflicting situations can be discussed and a balanced agreement can be drafted and finally signed.

In cases where the patent agent is the representative during the process of finding a possible partner, he can be only of very little help. In cases where he sends out letters in the name of his client to companies he does not represent, he is indirectly contacting and advertising his services to persons or companies that are not his clients. As mentioned above this would be considered under the rules of many of the professional organizations as non-allowable advertising.

What patent agents still could do for you in this early stage of commercialization, I will answer under the third question.

First conclusion: It is my opinion that a patent agent is allowed to offer certain services to his client in the field of commercialization of patented inventions.

Second conclusion: It is my advice that a patent agent should in the proceedings of the commercialization of patented inventions only represent one of the two partners that come together.

Advisable or not advisable

To answer the question if it advisable or not to engage the patent agent in the commercialization of the invention, it will become more clear if you are aware of the different steps during the commercialization process.

1. Preparation of documents

Before you can contact a future partner you have to prepare some documents about your invention. For many reasons it is not advisable to use the patent application documents the patent attorney wrote for you for this purpose. A patent application is not an advertising brochure. In these documents you should collect information from the market to show the interested party what products already exist on the market, for what price that product is sold and how large the market is for such a product. Further you should calculate realistically the manufacturing price of your product and the profit that could be made based on realistic figures. To collect this information and to bring it on display in a professional manner is certainly not a work to which a patent agent could contribute professionally and especially not for a low price. Once you have brought these documents together and you have prepared a draft of this document you might ask your patent attorney to check this document and ask his opinion. Never forget that you have, first and foremost, to interest a company in a commercially interesting product and secondly, you have to get them interested in your invention. All information about your patent application or even your granted patent is not of importance in the first stage of commercialization. It even may be risky to give too much information about the contents of your patent application at an early stage. In the beginning I would give only the information about the particulars of the filing of the patent, like the filing date, the application number, the title of invention and the international classification symbol, if known. Often I see inventors that copy the whole patent application and include this in their information documents. In most cases I advise them to take this out of the documents and normally I check these documents in respect to correctness of the information that the inventor wants to pass on.

2. Finding addresses of possible partners

During the phase of collecting information documents about competitors and their products you get a first list of possible partners. Normally I recommend an inventor not to start with negotiations with the largest companies and certainly not with the partner he would like to make an agreement with. When contacting the first possible partner you will learn about the strong and weak parts of your invention and you are able to react on those after the first contact. Having this in mind, you should always collect a large number of possible interested parties and try to classify them in relation to their importance. Most patent attorneys do have a large number of addresses of possible partners. However, as I have seen, many of the attorneys are not aware of this fact, I will come back to this when I describe the services that patent attorneys may offer in relation to the commercialization of inventions.

3. **Writing letters**

In the first letter in which you try to contact a possible partner you should give only very little but relevant information that makes a company curious. Such a letter should never be more than one page. In this letter you only write what field your invention belongs to, what the major advantages are and what stage of development your invention is at.

Here again, I think it is not advisable to use the help of your patent attorney. Most patent attorneys and lawyers do not use a language that commercial people are used to. Therefore, I believe that it is not advisable to have such a letter written by a patent agent. Otherwise the result is often an answer from the patent department of the company and that is not the audience you should attract.

4. **Presentation of the invention**

The presentation of your invention is one of the most crucial situations in the commercialization of your invention. The most important thing to put across to your partner is your enthusiasm and belief in your invention and in the commercial success of the product. It is important to show both the technical potential of further development of your invention and the commercial potential of the product on the market. To both you have to make clear that only the partner you are discussing with could bring this product to a great success. During the presentation of your invention you have to put on a big show and the best showman to present an invention is the inventor. He should have the holy fire, he is the father of this wonderful child and if he is not able to believe in the invention and convince the other party that he believes in the invention, nobody else can do it.

In the presentation of an invention the patent agent should not be present. In case the interested party at this stage takes a patent agent or patent attorney into the meeting, my advice is not to answer any questions he might bring up, but always to give the answer that he could contact your patent attorney later on. What a patent agent at this stage can bring in is only critic, and that is certainly not what you need at this stage.

5. **Calculating the correct price for an invention**

The only correct price for an invention is the price that the interested party is willing to pay and the inventor is willing to accept. This correct figure can only be found by extensive negotiations. Most patent attorneys and patent agents do not have sufficient experience to calculate a correct price for a license. What you could calculate is the minimum price for a license which consists usually of two different figures. The first is the down-payment which is a first payment that should reduce your risk by getting all or most of what you have invested in your invention back. This is mainly your outlay, consisting of the costs of making a prototype and fees you have paid to the patent attorney and, in addition, the costs you have had in relation to the commercialization of your invention, including drafting a license agreement and travel expenses during the negotiations. In addition, don’t forget further fees you will have to pay to your patent attorney for patenting the invention abroad. In this respect your patent attorney could give you some reliable figures. However, in calculating the right royalties you

have to depend on your calculations about the manufacturing costs, selling costs and possible profit. All these figures influence the level of the royalties.

6. **Negotiations**

During the phase of negotiations your partner might ask, at a certain point, to bring into the discussion the view of a patent agent. It depends on the stage of the examination of your application whether your patent attorney may or may not be of importance. Normally the questions that have to be discussed are the following:

- What is the prior art in relation to your invention?
- What are the chances of getting the patent granted?
- How could you defend your patent?

Only in case the patent is already granted, could your patent attorney give a competent answer. Please be well aware, that the other side will usually bring their own patent attorney into the discussions and he will certainly have a different opinion to your own patent agent. Don not interfere in this discussion too much but let both patent attorneys struggle and fight. Finally, this question will become so complex that neither the commercial people of your possible partner nor yourself will understand. Normally this is the end and both partners start again with commercial discussions.

7. **Drafting an agreement**

This is certainly one of the services most patent attorneys can offer you. However, not all patent attorneys have a lot of experience. Therefore, before you pass over this task to your patent attorney ask him if he is willing to do it and ask for some references.

A patent attorney can only draft an agreement if he has all necessary information concerning the outcome of the negotiations between the two parties. Some patent attorneys give a kind of check list of points that should be discussed during the negotiations. You have to be aware that if everything works out well you don’t have to read the license agreement after you have signed it. A license agreement should always consider all possibilities of what could go wrong between the two parties. If that happens you should find in the license agreement the answer to the problems that will come up. This is part of the know-how that a good patent attorney has and this is a collection of usually bad experiences.

Third conclusion: The assistance of a patent agent during the negotiation of the commercialization of your invention is only advisable in a few cases.

Fourth conclusion: It is not advisable to use a patent agent in relation to questions he is not professional about. Don’t forget that a patent agent is a technically and legally trained person but usually not a commercially trained person.

Services of patent agents in relation to the commercialization of patented inventions

The first part of my lecture concerned the question of what a patent agent is allowed to do or not do and my comments were of a more theoretical nature. The second part concerned the question in what relation it is advisable or not to use the services of a patent agent. Now, in this last part, I would like to describe, in a more practical form, the services that a patent agent may offer.

1. The search of addresses of possible partners

As I mentioned before most patent agents have a large source of addresses of companies that might be interested in your invention. Most of these sources are as well available at the patent offices and open to the public. The first source is:

(a) Patent documents

When a concrete wall is made nowadays, one uses molds made of large steel plates and these steel plates are kept at the right distance from each other by separators. The separators are plastic tubes through which a spindle is guided. Later on the spindle and the mold is removed while the separator remains in the wall. An inventor has made an improved plug to cover the separator in the wall.

He filed a PCT application and based on this application he received an international search report. From the search report he got six citations. These citations give names and addresses of applicants working in the interested field. As the saying goes: “the better is the enemy of the good,” it is very likely that an applicant doing business in this field will be very much interested in an improvement. You will see from the name of the applicant if he is a private person or a company. Even if the applicant is a private person it might be wise to contact this person and to ask for some sales information. In many cases behind the private name of an applicant you will find the owner of a small or medium-sized company. Even if the applicant is a company I would recommend contacting this company in the same manner by asking for sales information. It might be the case that the applicant is not doing any business in the field although they have once filed a patent application.

Many more addresses could be received if you ask your patent agent to do a state-of-the-art-search in a more general manner. Many companies having related products could be interested in a diversification in the direction of your invention.

(b) Publications of the patent offices

Most patent agents have a subscription to the national or regional patent office gazette. Here again, in a shortened form, most patent applications are published. One excellent source is, for example, the PCT gazette. But in many cases you are especially interested in local partners. Therefore it is advisable to look through the national gazettes in which national patents are published. Since your patent agent usually has this publication he could easily do a

quick search for you. The quickest and best results, however, I believe, one gets from the third source, namely

(c) **CD-ROM products published by the Patent Offices**

Today a number of patent offices publish patents or patent applications on CD-ROM. Since you are interested only in the addresses of applicants in a certain field it is much easier to make use of CD-ROMs which have only an abstract of information on patents or patent applications instead of using CD-ROMs which have the complete applications published. As an example I used the ESPACE-ACCESS CD-ROM published by the European Patent Office. On this CD-ROM all European patent applications and all European patents granted are listed. There are many possibilities of making a search. For example, it is possible to make a search under the term "title." Here one can search not only a complete title but just a key word as well. Another possibility is to search in a certain class of the International Patent Classification (IPC). Here again, I do not have to give a complete classification symbol, but start with a certain main section, going down to the sub-sections, then to the classes and sub-classes and finally go down to the groups and sub-groups. At any stage you can see at first glance how many patents or patent applications have been listed under the classification symbol you are interested in. If the number is too large, you can always narrow down the number by going to the more detailed classification. If you are interested for example only in companies in a certain country, you can give in the country code of that country under the term "priority filing number." In case you key-in the letters CH you get all European patent applications or patents based on a Swiss priority. In most cases a Swiss company starts with a Swiss patent application before going into the expense of filing abroad. Most of the terms can as well be combined and this again will limit the number of documents you have to look through.

Sometimes you know only the trade mark of a certain product and you would be interested to get the address of the producer of that product with a certain trade mark.

(d) **Trade Marks**

Most patent agents or patent attorneys do have nowadays the ability of doing a trade mark search on computer data banks. If you know a certain trade mark it is possible to find out by an on-line search who is the owner of that trade mark. As a last possibility, I would remind you that nowadays many companies do as well some advertising on Internet. It might be a nice experience to surf on the Internet in the hope to find a licensee for your invention.

Most of this search work you could do yourself if you have the necessary access and tools to make use of these different sources. However, I believe that a patent attorney skilled and having the necessary routine could do this search in a relatively short time without the necessity of traveling to the patent office. On this occasion I'd like to inform you that most of the data I have described is not yet accessible over Internet.

2. **The patent agent as your companion in the negotiating stage**

In the second part of my lecture I told you that it is advisable to bring in the patent attorney only at a relatively late stage of the negotiations. At a certain stage the interested party will bring up the question: How strong is your patent?

(a) **The discussion of the strength of the patent**

Before you ask your patent attorney to join you at a meeting with a prospective license partner, you should inform him correctly of the discussions that took place before. The patent agent should prepare himself for such a discussion. For example, he should find out if the company you are negotiating with is the owner of its own patent applications or patents, and the state of those applications respectively patents. This information he can collect from the sources described above. The patent agent could as well prepare a document showing the exact state of your patent application, the result of novelty searches and examinations, and make a collection of the citations he is aware of. It is normally wise not to keep secret any information in respect of prior art, since this may be considered either as bad faith or poor background information. You should, together with your patent agent, discuss the technical and commercial advantages of your invention over the known prior art. This will certainly strengthen your position. If the results of this discussion are positive, it is very likely that the next step will be the discussion of the terms of a license agreement.

(b) **The collection of all necessary data of a future license agreement**

At this stage of negotiations it is always good to have a partner in the discussions. In this discussion a patent agent is certainly a valuable partner. In such a discussion you can concentrate on all commercial points and leave the patent attorney to collect all data agreed on and to make a short report as a reminder to prepare a license agreement. In case you are not alone during these discussions, I usually advise my client to try to play the strong side and ask for the maximum while I play the part of the nice guy who will find a compromise. Based on the collected data we come to the next service a patent agent can offer.

(c) **To draft a license agreement**

This is a service that most inventors are aware of. However, on one hand the inventor is often afraid of the cost and on the other the licensee and the licensor often believe the best contract is a short contract and a simple contract. I completely agree with this simplistic view as long as no problem arises between the two partners. However, it is the task of a patent agent to play the devil's advocate and to think of what could go wrong. Just as an example, in such contracts you have a so-called minimum license. What happens if your partner cannot sell the agreed number of products of your invention? Does he still have to pay the minimum license fee? Is, in case he pays the minimum license fee, the contract still valid? Or in the case of a bankruptcy what happens to the 5000 items of your invention still in stock? The more agreements a patent agent has written, the more experience he has and this experience should be reflected in the contract. Only a small number of people around the world do have a great deal of experience. A good way to find the name or address of such lawyers or patent agents is, for example, to look at the list of members of Licensing Executive Society (LES).

(d) **To supervise a license agreement**

Once a license contract is signed you could put that contract in a drawer and just wait and see what happens. However, it is my opinion that it is much better to remain active. Some patent agents or attorneys offer the service of supervising a license agreement. This means that they remind the licenser to send the necessary data to calculate the license fees agreed on in time. He can, as well inform both parties of the process of examination and grant of the patented inventions on which the agreement is based.

SUMMARY

I hope that I have shown you, in my lecture, the possibility of a good partnership between a patent agent and an inventor during the process of commercialization of a patented invention.

Thank you very much for your attention.

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