

Maximize Your TTO's Patent Budget Through Effective Use of Patent Counsel

Presenters:

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Brendan is responsible for forging a dynamic program that will advance the commercialization of OHSU's intellectual property and increase its industry research collaborations. Prior to joining OHSU, Brendan was Associate Vice Chancellor and Executive Director of Entrepreneurship at the University of California, Los Angeles (UCLA), and the founding CEO of Westwood Technology Transfer, an independent 501(c)(3) set up to oversee technology transfer and industry-sponsored research at UCLA. Previously, he held leadership positions at Columbia Technology Ventures, KAUST, and the Boston Consulting Group (BCG). He also worked in corporate and business development with Genzyme Corporation and Celator Pharmaceuticals, a private biopharmaceutical company.

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Jeff's practice encompasses all aspects of patent law, including prosecution, portfolio management, strategic counseling, licensing and post-licensing compliance, litigation, and legislative and regulatory patent matters.

Debi: Hello everyone and welcome to today's program: "Maximize Your TTO's Patent Budget Through Effective Use of Patent Counsel." This distance learning program is brought to you by *Technology Transfer Tactics*. My name is Debi Melillo and I'll be your host for today. Before we get started, I'd like to let you know that this program is being recorded, and at the conclusion of the lecture portion, there will be a question-and-answer period. So feel free to submit questions using the chat form during the presentation. I'd like to extend a special welcome to our all-access pass attendees. Our all-access pass is a 12-month subscription package that allows you and your staff access to over 30 live webinars and 250 archived programs, as well as a 1-year subscription to *Technology Transfer Tactics*. You also receive exclusive access to valuable resources such as sample agreements, policies, special reports, and more. You can get more information by calling 203-467-7963 or by visiting our website at www.techtransfercentral.com. For those in the audience who are eligible for continuing legal education credits, today's program number is 1174. Please make note of this program number as some state bars require it for CLE submission paperwork and program attendance records. Please help me in welcoming today's team of presenters: Brendan Rauw is the Vice President of Technology Transfer and Business Development for Oregon Health and Science University, and Jeffrey Sears, the Associate General Counsel and Chief Patent Counsel for Columbia University. I'll now turn the program over to Jeff.

Jeff: Debi, thank you very much for that introduction, I'm very happy to be here today to talk about maximizing our patent budget. We're going to start with a brief overview slide. I'm going to change the order slightly. We're going to start with the management of OLC. OLC is an acronym we use here at Columbia. It means outside legal counsel, these generally are your outside patent firms. We'll start with Columbia's perspective and some general advice, and we will transition to Brendan's presentation on operational choices and we'll work on perspective, and then we'll finish up with some questions.

As Debi has already introduced us, I'll just spend a moment on this slide. And I will take this opportunity to tell you about Columbia's patent practice, so you'll have the right perspective. At Columbia, we have two offices that are involved in the tech transfer process. There is the Office of General Counsel, of which I am a member. There is also Columbia Technology Ventures. We are parallel offices. The Office of Columbia Technology Venture is my general client. My office has lawyers and the Columbia Technology Venture office generally has the licensing officers, the business individuals who are seeking to make licenses and to commercialize technology. On my side of the house, the patent legal side of the house, we have a very lean structure. I am the chief patent counsel, I have two patent attorneys that report to me and two patent paralegals. It's very lean. I say it's lean because we get a tremendous volume of invention disclosures. In any particular year, we receive roughly 350 to 400 invention disclosures. We are filing provisional patent applications on about three quarters of those. As of 12 months to date, we are converting roughly two-thirds of those provisionals to typically PCT. And in any given year, we get about a 100 or so issued United States patents. It is an incredible lively and rigorous practice, and it really is a perfect transition to my first point about the Columbia approach. I'm going to skip a few slides ahead to the Columbia portion.

Evaluate which projects and tasks that can be best handled in-house and which ones should be outsourced. As I just mentioned, we have a very lean practice. We're only three patent attorneys in my operation, and we get in a typical year 400 invention disclosures, and we file three-quarters of those as provisionals. There's no way 3 people could ever make a significant dent or any dent in that volume. So you have to take an executive approach. You're one person, or you're a very small group, you have to decide which matters really merit your time, which matters can you really handle with some degree of confidence because these are legal matters after all, some degree of confidence and quality. I review the types of matters I could if I wanted to work on a given day. On any given day, there are multiple inventor review meetings. These are meetings with faculty inventors, licensing officers, and a

number of in-house counsel, and occasionally outside counsel. We have a number of those happening on any given day. We also could do a variety of patent prior art searches. We could review tracked work products, whether it were provisionals, full applications, office action responses. We could work on licensing strategies with our licensing officers, we can review the terms of licenses. We could work on some post contract compliance issues now that the license has been signed, if the licensee is actually paying. We could work on the litigation side of the house, assertions, finding folks who are practicing our technology without a license. I could also work on managing my outside counsel legal bills, I could work on managing my in-house personnel. I have many many items that I could work on on a given day, and I can't give them all equal time.

So I end up using a filter, and I believe a filter is extremely helpful if you are a small group. It allows you to manage your time and to focus on those projects that you can do well and that you can do quickly with a high degree of quality. I give you some examples of my sample filters. My top most filter is any matter that is commercially significant. If we have, for example, a new invention disclosure that is potentially very promising, I will spend a lot of time on that invention disclosure. I will attend the first invention review meeting. I will review the draft work product very closely. I will follow it through prosecution very closely to make sure it lines up with their commercialization strategy. On the other hand, another filter is a high profile principal investigation. PI is a term we use here frequently here at Columbia, it means principal investigator, it's from the grant or the agency space, but here you can certainly substitute for that for shorthand faculty member. Someone at the university or at your institution who is pretty well connected, is well-known, someone who is high profile, you want to spend a lot of time on that relationship to make sure it goes well for two reasons: it will pay dividends personally in making that relationship go well, and it'll potentially pay dividends beyond that relationship. Those types of individuals who are well-connected know other individuals at your institution and can give you very popular praise, very good press, it will drive other people to your office. And that's a point I should make very

early on: driving people to the office is part of what we do. We, on the legal side, and might have requests from the business side, we don't exist if the faculty... if our inventors do not send disclosures to us. So it's in our interest to always keep them satisfied and to keep them coming back. Popular praise, popular press is extremely helpful for the success of the office. A third sample filter, again I've already mentioned two briefly: commercially significant matters and high profile PIs. A third filter you can use is what I call new PIs, or new faculty members, or new researchers. These individuals present fantastic education opportunities. I'm sure we've all had the experience of a first time inventor coming to the office and learning that the inventor has already published, perhaps less than a year ago, perhaps more. and then it's an opportunity for conversation about bar dates. What are the bar date practices? What are the bar date practices outside of the U.S. It's an opportunity to instill a best practice, and the usual best practice instillation goes something like this: professor who are interested in patent rights, I take no position on that, it's your call; then your best approach for patenting would be to come to us before you disclose the information outside the university. I don't ask you to change your timetable, I can simply file a provisional and make sure our rights are protected.

Ok, moving upon then, keep in mind you have a large volume of matters that you can particularly... potentially handle in a given day. There are a great variety of matters. You have a filter. You handle whatever it is in that filter. And everything else, you outsource. You outsource to outside counsel. You pick counsel who are competent and qualified counsel you can trust. And you simply just work with them. I will expand on that throughout the presentation, but let me give you a quick overview now. How to handle patent filings? Again, we have 400 invention disclosures a year, we're filing roughly 300 provisions. That's an incredible volume of filing for any institution, let alone an institution that has such a small staff. So what I do at the outset is I establish guidelines for my outside counsel, I call them trapping guidelines. I've prepared these guidelines overtime so that counsel will be making the same judgment call from the same matters that come up. Let me just give you

one example of one of my guidelines. The word... the phrase "the present invention," it is a phrase that is used commonly in patent applications. It is a phrase that drags with it a lot of undesirable case law. You can read through district court decisions, you can read through a patent decisions and you will find that that term, often when it is used, it is used in a way by the court to limit claim scope. As a consequence in exacting guidelines, I have instruct my counsel: do not use the phrase "the present invention." If you need to use a phrase like that, here are some alternatives. This subject invention, the disclosed subject matter, and there are other options. If you are giving your outside counsel a cent, instead of drafting guidelines with all of your judgment calls, you don't need to review those issues on a day-by-day or work product by work product basis. Second, you want to hire a very good paralegal to help you. Managing any patent portfolio has two aspects. There are the subsistence aspect, the aspect that requires a lawyer, it's why you are doing the job. But there is a wealth on administrator aspects to manage. If you have a good paralegal, someone who understands the patent process both in the U.S. and outside the U.S., who understands what's required in each particular action item, this person can be invaluable in managing the process. They can manage the administrative aspects and you can focus on the subsistence aspect and have a very light overview of the administrative aspects.

On patent filings, now that I have established my guidelines and my outside counsel has them, I spend my time on the commercially significant matters that have patent filings. For those matters, I will closely review the claims that are being drafted to ensure everything is done consistently with our commercialization strategy and our fee expectations. Otherwise, every other patent filing, if it is not commercially significant, it's not a high profile investigator, I'm going to defer to outside counsel, I likely will give it an extremely light touch. Moving on to the next slide.

How do you improve your patent portfolio management for cost savings? Well it's a question you have ask. Are you going to make the same filing decisions, or are you open to changing filing decisions? We will spend a short amount of time on the

second question, changing the claim filing decision on the last slide. But let's talk about the usual approach. The usual approach is: I still want to make the same filing decisions, I think I'm making good business calls on what to file, I just want to spend less on time... on the filing. So there are three things I should tell you about with respect to spending less. The first is what I call the myth of billing rates. Billing rates, in my experience, they don't matter. You can have a New York City firm partner who is billing you a thousand a hour, you can have a very small mom-and-pop shop in some part of the country that is billing you 300 a hour. Those rates don't matter because at the end of the day, what matters is the rate times the number of hours spent on the work product, it's the final number. A very low rate can be offset by a large number of hours. So don't look... don't spend too much time on the billing rate.

The second thing I've noticed is volume leverage. Volume is essential. There are many ways to establish a patent practice. You can have a large number number of outside counsel, each of whom handles a few matters, that's certainly an option. One of the downsides to it is no one of those counsel has any significant investment, and it will be hard at times for you to get the level of responses that you desire. But if you have a volume of matters of a given counsel, you will find your client service bills considerably up. The volume makes people more interested, it makes them more responsive, and it really helps you negotiate on all sorts of factors. Now with respect to negotiations, if you want to spend less, consider what we call generally alternative fee arrangement. These come in many different flavors. There can be simply flat fees, for example, I would like you to prepare this office action response for a flat fee of \$5000, and you can give some specificity on the type and the response you are looking for. It's flat, it won't be lower, it won't be less or higher. You can specify a ceiling: "I want you to draft a response to the topic action for a maximum of \$3000 dollars in attorney cost," which means if counsel spends less than \$3000 in attorney time, they'll bill you for less, but if they spend more, they have to write it off. There are a variety of other options, but for all of these, the key is to negotiate upfront. Negotiate before the work product has started to be drafted, before the work product is entertained. And the reason is outside counsel is in a

business, you're in a business, you're both in a business, you want to make cost-savings work for both of you. No one wants to work with someone who always end up losing them money. Outside lawyers don't want to work with clients who always have to write off again and again and again, it's just not productive, both write-offs come out of outside counsel's pockets. You want your outside counsel to work for you, you want to be a good client. You want your outside counsel to make an investment in the relationship. So what I do is I set clear expectations upfront and I negotiate. I set clear fee guidelines. I keep a very open dialogue. And my spin, to the extent you can call it that, is really these last two bullets. You know, sometimes I will give my outside counsel a number for say... drafting a non-provisional or PCT application, just the lexicon and they'll say "Jeff, that's a pretty low number" and my response would be "I'm not asking you to give me the full normal work product, I'm not asking for the A-level application, I don't want you to give me that and write-off time. I want you to give me quality words on a page, but just give me fewer pages." And that's really the tradeoff for these. The fewer pages counsel has to write, the less they bill you. There's a tradeoff in there, but as long as there's clear expectations, you're getting the work products that you want, you're taking the level of risk you want, you're spending what you want, and counsel is putting in the right amount of time. I will turn it over at this point to Brendan.

Brendan: Thank you Jeff. So I now can go back to the earlier slides. Just as a reminder, so Jeff and I are approaching this from two distinct perspectives on strategies to manage patent costs and patent operations to maximize your value for your money. I'm taking a look at it from an operational perspective based on the experience at OHSU. So if you take a look at the patent expenses and reimbursements for OHSU from 2006 to 2016, you can see a distinct pattern there. Historically, we had relatively high reimburse... unreimbursed expenses... relative to the size of the institution. And eventually it got to the point where we were under financial pressure to get those expenses under control. So looking at a few options, the choices made to establish a patent team which are currently matched by the director of licensing and have two patent associates and one docketing assistant.

And so in 2012... midtown or 2012, the patent team was established and worked to bring down the existing portfolio... first of all, bring down the existing portfolio and get the cost under control. So we internalized some cost in an effort to optimize the overall spend. And you can see the results over the last four years from 2013 to 2016, keeping patent expenses under a million dollars.

This is how the overall patent team looks. And our office we've internalized prior art analysis; patent strategy; drafting, prosecution, and maintenance we use outside counsel very selectively and in a limited way for that, mostly on our license cases. And in that case, the patent team also manages the interactions with patent counsel. The other change that we've made in terms of matching our patent expenses is matching the patent decision making process. So it used to be historically the technology development manager, the licensing officer would work directly with the faculty member and outside counsel to make patent filing decisions, and that was one of the drivers of the cost historically, in terms of both pressure to file as well as cost of filing. Now, we moved to a collective decision making process whereby the entire group sits around a table once every two weeks and goes through the both the new cases as well as other cases at various stages of prosecution on our portfolio, and discusses what the strategy on that case, what is the plan going forward, what are the decision criteria by which we're making those decisions as well as the cost to move forward. And as we've been going through this over the last two years, we're starting to formalize some go, no-go decision criteria that can be generalized. And if we go against those criteria, there has to be a clear articulation. So all of the decision notes from those meetings are captured and referred back to in future meetings. In the end, these decisions are communicated as group decisions to the inventors, and they need to be conveyed from both... not only the licensing officer but the patent team as well.

So one of the things you might have imagined given the pressure to bring down expenses is that there be decreased output or decreased interactions with the inventors, and you can see initially that there was. Both the number of filings and

number of disclosures dropped fairly sharply in both 2013 with disclosures starting to pick up again in 2014. However today, the number of disclosures is at an all time high for OHSU. And our number of filings are back to pre-2012 levels. So what we've been able to do is essentially return to the same level of service, internalizing a lot of the activities that we've previously engaged outside counsel.

So what are some of the lessons that we've taken away from this process? First, because we had reduced need for outside legal counsel as well as the need to give a critical mass of business to the firm that we did use, we've reduced the number of firms from over 30 firms to about 12, which also improved the relationship and communication with each of those firms. While we've been successful overall patent costs, operational costs have increased. But if you do an internal financial ROI analysis on the cost that we've incurred relative to cost savings, it's about a 500% return on the savings that we've received. And in exchange, we got a very flexible and strong resource here. You know, an additional benefit which is not entirely anticipated at the time these changes were implemented is that it reduced the workload on our licensing officers and technology development managers. They were no longer directly involved in communications back and forth with the law firms. It liberated them to focus on technology marketing and negotiations rather than dealing with a lot of the patent prosecution. And we've found that that's more efficiently done with a small team that are focused on that, and the docketing can be handled by a docketing associate. Then the other thing to consider, if you were to consider moving to a model like this, one of the other lessons that have been taken away is that do not underestimate the amount of operational disruption that... moving from one model to another can entail. There was confusion around roles and responsibilities between the various stakeholders. There is need for communication, active communication both to senior leadership to explain why we're pursuing this path and how this would actually meet the goals of reducing the expenses for the university as well as explaining to your inventors that this is not going to be reduce the level of service. So that process took 12-18 months until I think people were clear on roles and responsibilities of the... interests of various stakeholders and to

get the processes flowing so we can effectively manage the prosecution ourselves. That's... you know, another way... another way of looking at it is you need internal and internal buy-in from the team and the tech transfer office as well as external buy-in from the rest of the university in order to make this type of transition a success. And then finally it's not all about the organizational structure, the process matters. So that includes making sure that there's clear decision making criteria for moving forward with a particular case, ensuring there's transparency in the decision making and that is conveyed to the inventors in an effective manner. So those are some of the things that we have done so far to improve our patent prosecution, and overall, it's been a success. But I think some of the other considerations... Jeff and I will get to later in the discussion. So with that, I can turn it back over to Jeff.

Jeff: Thank you very much Brendan. Ok, I will pick up where I left off, best practices for managing outside counsel. This is something that is not readily understood unless you really are immersed in the practice. I think it's a great thing to keep in mind. Outside counsel, they are a vendor, and as you would with any vendor, any service provider, you want to find someone you trust, someone you can build a relationship with, and someone who's really going to work together with you in the process. Relationships really do matter, loyalty is important, and here's why: patent legal services, they're fungible commodities. It's not like buying your paper plates from Walmart or K-mart, they're all the same plates within marginal tolerances. Legal services are not the same, they vary widely from law firm to law firm. Here's how I view it: each outside counsel that you could hire is presenting you with an unique combination of five things. Their technical competence: some counsel just have great confidence in certain areas and not in others, so the technology confidence. Their legal expertise: there are some great lawyers out there who don't know anything about technology. Their responsiveness: some lawyers will be very responsive to you will meet every expectation, others it would be much harder to get their time. Legal fees of course, and continuity. So those five factors: technology confidence, legal expertise, responsiveness, legal fees, and continuity. Each counsel you could hire, each counsel in your portfolio, is presenting you with a unique

combination of those factors, they're all different combinations. To me, one of the most challenging way... challenging and challenged way is to hire outside counsel would be to use a RFP, a request for proposals. It is very common, it is routinely used, especially among very large organizations. And here's what I have observed from the process. You will get the low-cost bidder, or whatever your criteria dictates, you will get that bidder. And that bidder has most likely no other relationship with you, is not expecting anything else from you, most likely had to build in a significant cost reduction in order to get the work. It is a really tough way to start a relationship, and it really does not lead generally to a counsel that is responsive or that interested in working with you. Relationships matter, find counsel you trust. That can be challenging, and the way you do it is just do what I do. I tried many different counsel, I take all sorts of solicitations from firms who look reasonably qualified. I'm always happy to talk to people, I'm always happy to meet. In the worst case scenario, it costs me a hour of my time face-to-face, but I could make a quick determination that this firm would never work at Columbia for whatever reason. Or I can make a determination... "Ben, you know, this firm has something going for us, I could see them working for us on certain cases, let me keep their name on my file." And I have a file which I have on my desk, and when the right technology matter comes up for them, I'll give them a call and we'll try it out, and I see how does the firm does, I see how the tech transfer side, the business side reacts to the firm, I see how the faculty member reacts to the firm. It... using test cases is very valuable. A great test case is a case that's unlicensed on a technology that has marginal value, it gives you a great opportunity to try folks out.

Transitioning now to cost overruns. They're all concerned about legal fees. As I've said not long ago, we're both in business. We're in a business, our outside counsel is in a business, and we want to make the costs work for both of us. Two things I've learned, the first is outside counsel needs to know you're actually reading the bills. If you've never read an invoice from an outside counsel, this is the time to start. And if you don't understand what's in it, ask. The mere fact that you're calling your outside counsel and asking questions will make them much more careful. Careful might not

be the right word here. Outside counsel at best if they are overcharging you. It's typically not intentional, the work has been done. If it's too much, typically it's a matter of negligence, and often it doesn't rise the bat, just light carelessness. It's not their money, it's yours, it's your responsibility to watch it. Here's my typical approach when I ask for a reduction, I always take a charitable approach, and it would something like this: "uh, partner X I'm reading your invoice for Mark Y. and I noticed on matter D, your team spent \$8000 on an office action response. That was roughly 40 hours. I'm sure the time was spent, I don't doubt that your team put in the hours. I'm just curious, did we really need to spend that many hours, because my own experience in private practice, the benchmark is somewhere about 8-10 hours. So what happened here? Was this a particularly challenging response? Were the rejections luminous? You know, what required all of those hours? Would you say that this was maybe a case of time being spent inefficiently? I'd appreciate it if you could take a look." If you are charitable in your approach and you give counsel a chance to respond: "hey, I'm not asking you to write it off, I'm just asking you a question, did you spend too much time here? Did you spend it inefficiently? I'll pick your judgements, I'm not going to go behind it, although you do appreciate that I have a sense of what the benchmarks are. It's a very good approach, it's been in my experience been received very well. The second thing I've learned about outside counsel and legal fees, and the first being they have to know you're watching the bills. The second is you have to be very transparent, especially when you're setting flat fees or fixed fees or alternative fees. You want to make sure that your outside counsel is in an exactly the same place that you are. So tell them why you set that number at where it is: "ok, Jeff you asked for a non-provisional application for x thousand, could you tell me how you came up with that number and what you expect to see? Jeff, do you understand that we can't do XYZ?" You want to have that kind sort of open dialogue. You want your counsel to be able to tell you what the trade-offs are. And I always say to my counsel: "I'm going to give you a number, I'm going to tell you why I've come up with that number, and I'm going to tell you my process for that number internally. The tech transfer, the business side and I have conferred on the case and we've come to a determination as to commercial value,

and we think that this number for the legal work product is consistent with that value. So if you find as you draft that you're going to have to exceed it, I want you to call me well before you exceed it. If I give you a number of 10,000, don't call me when you're at 12,000, call me when you're at 7,000 or even better at 6, because then I can go back and confer with the tech transfer side or business side, and we can decide how to proceed. Hey, tech transfer side, outside counsel says there's no way they could bring this in for 10 with the type of scope we want, what do you want to do? Here are our options: spend a bit more to get an application of broader scope. Spend the same amount and wrap it up and just take the risk on the scope being bought." It's a very healthy dialogue to have and everyone ends up being in the same place. We get the work product we want at the cost we want at the scope we want, and outside counsel is not investing time that's either they have to write off, or time that I'm going to feel obliged to pay for. Something that is very key in this process is what do you do when counsel comes to you after the fact, after they've already occurred the overrun, they ask you to pay it. For example, you set 10,000 as a number, and they've gone off and gone to 20, and they come to you, or maybe they don't come to you, maybe the first time you see it is on the invoice. How do you handle it? It's really discretionary, the first time it happens I'm generally charitable, I would usually meet in the middle, and I then I would give a stern reminder as to why the process is what it is, you outside counsel have to help me. The second time, I am much less charitable, I'll just ask for reductions, and I will point to the fact that we have an email communication. "I ask for 10, you acknowledged 10, you ran over it, you know the process, there's nothing unusual here, I have to ask you to reduce it." That's a very easy conversation to have when you have a volume leverage, very easy. Counsel is not going to second guess it, they're not going to be upset, they'll be disappointed. But they appreciate there's going to be other cases and now they understand the process. Usually that only has to happen once.

How do you work more efficiently with outside counsel? Again, I have mentioned earlier, drafting guidelines. Drafting guidelines are very helpful, it ensures all of your outside counsel are making the same judgment calls. It also helps them deliver a

work product that meets your expectations so that you can focus on the usual issues as opposed to the routine issues. I always like to say "don't micro-manage." You're hiring skilled professionals, these are folks who are gone through undergraduate education, 3 years of law school, they have been trained in the practice, you're paying them in some cases a very large sum of money, they can operate independently, let them do their job. If it's not a matter within your filter, then defer to your outside counsel, you have to. You have too many matters to manage in a given day. You have to let counsel handle most of the routine matters.

By the same token, you definitely want to take the feedback of your internal team very seriously. If you hear bad things from your investigators, or your faculty members, or your tech transfer side about your outside counsel, investigate it. Find out whether it's true and try to remedy it. You want to encourage your outside counsel to do what I call "ringing the bell" early. It's notice pleading. It's what you would say to anyone who reported to you. If you come to me early before a problem has really spiraled out of control, or when a problem is just at very early of a stage, I could work you, I could work with others within our organization or outside to control the problem, to change course, to fix it. If you come to me early, I have many options. If you come to me late, for example, a top outside counsel comes to me two days before the deadline and says "aw shucks, we forgot to draft this case, we'll have to send you a draft tomorrow," that's going to be very challenging internally. There's no way I could fix it, and I am sure to get complaints from my faculty members, and those complaints are justified. So encourage counsel to come to you early with problems and set up your relationships so that you are fair and consistent. You want to be predictable, you want your counsel to know how you're going to react so they can manage themselves accordingly.

You will have to find that you have to give criticism on occasion. My usual approach, and again it's a charitable one, outside counsel handle a large number of legal matters, even with the most sophisticated systems, mistakes will happen, it's unavoidable. For me, the first mistake, I always give outside counsel a by, whatever

mistake it is, mistakes happen, I realize it, that one I'll just deal with it. But I want to make sure you have a process in place for fixing it. Tell me how it happened, and tell me what process you've implemented so it doesn't happen again. The first one, we'll deal with it together. The second mistake, the second mistake is a problem, because now you're on notice. You're on notice that there's potentially a systematic problem with your outside counsel, you really need to talk about it. You want to be very careful of the work that you send to this counsel, you want to monitor it closely. You may want to consider transitioning a part of your book of business away from counsel. It's a way to use your leverage to instill better behavior. The third mistake, there's no going back, it doesn't matter what the explanation is, the book of business for me walks out the door because I can no longer take legal risk. If I continue to stay with a firm like that, senior management can rightfully ask for me... ask me on the next mistake, and there's always a next mistake, why didn't we do something earlier, we were on the list.

Artificial deadlines, I will just spend a moment on this. Artificial deadlines are rampant throughout organizations, and here's my approach. If you need the work product by a certain time, then you need it, ask for it, be upfront. Outside counsel, I'm really sorry, I know it's Friday at 3 o'clock, I really need this by the end of the day, it's urgent. I know that means someone's going to be staying late, I'm sorry I really need it. And when they deliver to you, thank them for it. Hey, I really appreciate that, I know you went the extra mile, hey I know I'm paying you a lot of money, but someone actually sat there in the office late on a Friday, they should really be praised for it. The job, you pay them for it, but people do appreciate being acknowledged. On the same token, do not use artificial deadlines. It will drive your outside counsel nuts, and it's really no point. Let your outside counsel manage its docket as it seems fit. If you need it, you need it. If you don't need it at a particular time, negotiate on the time-table of the outside counsel. Now this is not day-by-day urgent, I'd like to see it next week, if you need more time, let me know, because then I can manage the expectations of my internal clients.

How do the approaches work in practice? Brendan mentioned the docket meetings, the monthly mentions, I think he referred to them. We have the same sort of meetings here at Columbia. Something to keep in mind when you are working with a portfolio that has deadline. You have to think about the overall process. A decision has to be made internally, go or no-go, assume it's go, and that decision has to be communicated to outside counsel. They then have to prepare the work product, and they then have to circulate it to the faculty inventors who have to review it. The comments have to go back, there had to be incorporated, they might be a second draft or a second round. You have to appreciate that if you do not give your outside counsel adequate time to work, that will end up becoming a problem for you internally, because your faculty inventors will get very upset. The faculty members will say to you: "ugh, outside counsel did it again, they gave me a draft that I had to turn around the same day." Faculty don't like that and rightfully so, it doesn't lead to high quality work product, we want a thorough review, not a quick review. So seek to give your counsel instructions earlier; 30 days out, that's a great time, that is a really great time for giving instructions. It leads to a lot of flexibility, it allows your counsel to draft something on its timetable and give your faculty member one-to-two weeks to read it. That's right, that's the way you want to do it. Managing interactions with licensees and attorneys, very important point. Your licensee, they generally will know the technology, they will know the product better than you would know it. They're in the marketplace, they know what they're selling, you're not there, you're not in the business side in the ground, you're not making a product sales, you're not dealing with customers. My approach on license case in which my licensee has consultation rights, I defer to my licensee. I give those cases a very light touch because I know licensee's counsel is looking very closely at it because it is a big investment for them. I definitely get out of the way. I completely defer to licensee counsel. So they do instruct my outside counsel. Keep in mind, I'm not going to give you day-to-day instructions, you're going to be working with my licensee's counsel, but I am still the client. So all of these rules we have between us are still the same, I'm still going to expect you to deliver quality work product, I'm still going to expect you to be responsive.

And outside counsel, I want you to beware of gamesmanship. Here's what gamesmanship is: when your licensee is controlled prosecution, or your licensee has significant input into prosecution, licensees can tend to play games. They do little things that tend to erode the value of your license. For example, we here at Columbia had a situation a number of years ago where a licensee was controlling prosecution. It was an exclusive license, and all of a sudden, the patent application went from being sole Columbia asset, a solely-owned, a solely-invented Columbia asset, to being a jointly-invented and jointly-owned asset with company employee being added as inventor. Well, guess what, company no longer needs a license to the asset because of the co-owner, they can't block themselves, so they have great terms to practice the asset until they terminate the license. This is gamesmanship. You want your outside counsel to be reviewing licensee's instructions or licensee's draft work product for several things. The first is is there any abandonment? If there is an abandonment of rights, you as the client or licensor or owner should definitely confirm that loss of rights. Is there a proposed change inventorship or ownership? You definitely want take a close look at that. A little more subtle aspects. Has the licensee changed the claims scope? Have they changed the claims scope in a significant or otherwise interesting way? Here's how that matters. Every licensee has a royalty rate and a royalty rate is tied to net-sales of patent product. And patent product, the product that when made are used or sold in frame they claim on the license patent. So if you change the claims enough, all of a sudden the products that the licensees are making aren't patent products anymore, they're not royalty bearing, the license is meaningless. You want to beware of this style of gamesmanship so that even if you are deferring to the licensee, your outside counsel is aware that these are potentially problems, so they should look very closely at them.

Let's turn now to the last slide, I will return control over to Brendan. Brendan, perhaps you want to comment on the first three bullets and I'll take the last two.

Brendan: Yes, thanks Jeff. So one of the things that I think is important and why I asked Jeff to participate on this with me is that there is no one right model. In different institutions, different models might be right for different institutions. For a large comprehensive university with a diversity of fields, it's very difficult to implement a model like OHSU has because our... the scope of the type of inventions we work with is fairly narrow, it's a smaller portfolio, it's easier to match in-house. If we had to manage engineering and computer science and a number of other diverse areas, it'd be very difficult to develop a skill set in-house to manage all those different fields. So as you look to different models to matching patent prosecution, I think it is critical to consider sort of the institutional need and context and what other factors might influence how efficient the model might work. If you're... if you are open to revisiting your filing decisions and how you're actually doing your patent prosecution, talk to peer institutions. I think there are a lot of great examples out there, and there's definitely a diversity of approaches to both filing strategies in particular technology areas as well as how that process is managed. And one of the things that is useful to benchmark yourself is take a look at historical performance across the portfolio and see if there are any areas where... you know, the filing decision seem to align with the business needs of the organization. Where have you had the licensing successes, what areas are easy to market in a license, what areas get less traction, sometimes you don't need a patent application to realize a commercial value of a particular technology, or sometimes it's just not in an area that... you know, merits the cost of filing in. So your own portfolio is a great source of data on that. The third point that I want to mention, Jeff and I are both acutely aware of this. For any patent that proves to have substantial value, in the end it will get litigated. It's just... it makes sense, these patents can be incredibly valuable on their own. There's very... relative to the potential upside for the licensee or for competitors, there's very little downside to at least testing the strength of the patent. And once you get to that point, nobody's going to remember the savings... cost-savings that you realized at the time the patent was being prosecuted. There's going to be real money on the table, and what your leadership will look to and be judging you on is whether or not that patent application holds up. We're asking the

question "why did we lose this patent, or why did we lose these claims" if there is a product of real value. So Jeff, I don't know if there's anything else you wanted to add to that.

Jeff: I think you hit it exactly right, and it's a great lead to the next bullet. When we're talking about cost savings, there's always a tradeoff. Again, I presented that tradeoff earlier as I'm just buying few pages, I'm still buying quality words on the page, but I'm just buying fewer of them. What does that really mean? You're not a patent prosecutor or a patent professional, how do you understand this tradeoff? Here's one example: you can think of it this way, think of it as a plumber or an electrician or a contractor who's filling up a toolbox, and they have to figure out what to bring to your house, and they can only come once, because if they come twice it's going to be exorbitantly expensive. So you have to figure out, what kind of screwdrivers am I going to bring? Am I going to bring a regular flathead or am I going to bring a Philips-head? Well you know what? I'm going to make a judgment call, I'm just going to bring a the flathead screwdriver. And it turns out, they get to your house, and you need the Philips-head. Well, that's it, you don't have it, he's not going back again, so the problem doesn't get fixed. And that's pretty much the way it goes in patent prosecution. When you choose how many pages you write, you have to make a decision as to what is not going to be included. So that Philips-head screwdriver, it's not in the text, it's not there, and it turns out, that's the content that is patentable over the prior art, but you chose not to describe it, you had to cut someplace, so you don't get the patent. Great, you saved a few thousand dollars, but you've blown a license deal that had a million dollars upfront. No one is going to care or remember that you saved a few thousand dollars, so you really have to appreciate the risk, and make sure your stakeholders are well informed early in the process. And one of your key stakeholders, your faculty, the faculty inventors. My office, the patent legal side, it doesn't exist if the faculty inventors don't send in invention disclosures. The business side doesn't exist if the faculty doesn't send in invention disclosures. Your goal is always to keep them engaged. We can't patent everything even if we wanted to because some things just aren't that patentable.

They're going to be very challenging to get to the patent office. And there are definitely better ways to approach established faculty than others. It's one of the best ways to approach it, it can be very upfront. Professor X has taken a look at your invention, I've done a search of the prior art, I think your invention is very close to these particular references. I'm not the expert, can you take a look at these references? Why don't you read this paragraph here and take a look at that drawing there and why don't you tell me? You know, is this your invention? Have I missed it? Or are they different? Let the faculty member come to the right conclusion and help them leave satisfied. Even if they're not happy, they didn't get the patent, at least if they're satisfied that the job has been well done, and there really is no merit for proceeding, they will continue to come back. Keep them engaged and your office will continue to run.

Brendan: Alright, with that I think we can move to any questions.

Debi: Thank you very much. Before we go to questions, I just wanted to remind everyone of our next distance learning program which is on November 10th. It's called "Student IP Ownership Rights, The University Policies and Practices" and you can register online or by phone. We'll give the audience one more moment to craft any questions they may have. In the meantime, I will turn it back to Brendan and Jeff for any closing remarks.

Ok, I did not see any questions come in to the queue, so we'll go ahead and close the program for today. On behalf of *Technology Transfer Tactics*, I'd like to thank Brendan and Jeff for sharing their expertise with us. And just as a final reminder for those in the audience who are eligible for continuing legal education credits, today's program number is 1174. I do believe we might have a question that came in, it says "what are examples of routine matters that you let outside counsel take care of?"

Jeff: Sure, I'll take that one. Routine matters would be office action responses, drafting applications, any sort of work product that needs to be filed in a patent

office, and routine matter is something that doesn't require special input. It's a case having average significant in contrast to a case having above significance. The run of the mill case... well, business has a crystal ball, it's very cloudy, but if it appears to be about average, I will greatly defer to outside counsel on all of the relevant work products, I will spot check it. Is it a better-than-average case? That means it's a not routine case. It's something out of the ordinary, it's unusual, it's better than average, I'm going to take a closer look.

Debi: Thank you very much, Brendan do you have anything to add to that?

Brendan: No, thank you very much for the opportunity to participate today.

Debi: And thank you, again on behalf of *Technology Transfer Tactics*, we're going to go ahead and formally close the program for today, we wish you all a very pleasant day, thank you so much, good bye.