



How to choose a patent attorney

Ensuring a start-up has a capable patent attorney working on its behalf can be crucial to achieving success. As a result, it would be an unwise VC that left the hiring decision to the company's management

Building a strong patent portfolio requires a cooperation and a sufficient information flow between three areas: technology – business – IP. This has to be done in a professional manner. And that costs money. If you want a professional IP officer, you will have to pay them a good salary. Throw in office expenses, administrative and travel costs, plus filing and foreign attorney fees, as well as taxes and other outlays, and you are often looking at a figure close to half a million Euros or dollars if you want to do the whole job in-house.

For many VC-financed start-up companies, this will not be an option. So, instead, an outside patent attorney from a law firm has to be found. In such cases, it is normally the rule that start-up companies find their patent attorney on their own. This puts the management of the company at the centre of the game. It receives all the information concerning IP but can distribute it selectively. The patent attorney only communicates with the management, giving a lot of information but receiving only very little in return as management fears that every moment of the attorney's attention will be billed at the hourly rate (which is true, but is probably money well invested). Also, patent attorneys are bound by professional secrecy. They cannot give information to the investor.

Thus, the patent attorney gets information on technology only selectively and very little information on the company's business goals and situation. The investor only receives information about the IP situation as filtered by the management. The management may have no interest in obscuring the IP message it gives to investors, but limited knowledge of patent and trademark matters almost inevitably blurs what is said.

As a consequence of all this, there can often be an insufficient information flow: meaning that a decent patent strategy cannot be followed, or at least cannot be controlled by the investor. Value creation is, therefore, hindered.

How can all this be avoided? The simplest thing to do is for the investor to insist on hiring an attorney it has successfully worked with in the past. For the VC, this will lead to many advantages:

- A seasoned quality of patent attorney work is guaranteed.
- The information flow between the investor, the patent attorney and the management of the company as far as IP is concerned will improve considerably. After all, key IP matters are board-level issues.
- The ability to control important IP decisions, which – in any case – should have been declared board-level decisions in the participation contract. Once at board level, difficulties with any IP cannot be hidden from the investor.
- Systematic IP portfolio construction can be achieved, steered actively by the patent attorney.
- An IP strategy can be put in place.
- Generally, if part of the brief is to build a patent portfolio, the patent attorney will be proactive, reminding the management that new patent applications should be filed, not out of a desire merely to make money, but because the portfolio has to be grown continuously.

In addition to all of this, of course an investor that has an established relationship with a patent attorney can be confident that the attorney understands the needs of a VC-financed start-up. All of which improves the chances of building a strong IP portfolio and so increasing the value of the company. And looked at in that way, having the investor closely involved in the appointment of the attorney is also in the interests of the company (I am reporting from personal experience).

However, in order to achieve the optimised information flow between the company, the investor and the patent attorney, the secrecy obligation of the attorney has to be offset in regard to the members of the board. This may not always be to the taste of the management, but open information flow should be part of professional communication of the parties involved in a VC-financed company – everyone is part of the same team.

Regular meetings should take place to provide the information flow. A meeting

between the management and the patent attorney should happen at least quarterly. A meeting with the board (including the management, of course) and the patent attorney should happen at least once a year. Send the monthly reporting of the company to the patent attorney and pay him/her 15 minutes for reading it. Expect him/her to have read the material, expect him/her to be up to date. Allow the investor to communicate freely with the patent attorney. Allow the patent attorney to send copies of important letters to the members of the board.

The patent attorney should be considered part of the team. When this happens the team spirit between the company and the investor is strengthened. The attorney should be informed much like an employee. The more the attorney knows, the more the company benefits. Of course, the attorney will try to profit from good cash situations. At the same time, if well informed about difficult cash situations, the attorney will react with consideration.

One point, however, should remain unambiguous: the patent attorney is the attorney of the company and receives instructions from nobody else but from the management of the company. If there are any differing opinions between the company and the patent attorney concerning the IP strategy, it is for the board to discuss the matter and the management to advise the patent attorney accordingly, once a decision has been taken. Clearly, the patent attorney should be involved in the decision-taking process.

So, to finish, when it comes to appointing a patent attorney, here are four points to remember:

- The investor should choose the patent attorney.
- The patent attorney's secrecy obligation should be waived with regard to the members of the board.
- A good information flow between the company, the patent attorney and the board should be put in place.
- A systematic portfolio-building plan should be put in place as the consequence of having a suitable patent strategy.

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