



Financial Structures and Changing Economics

By
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Today's Discussion

- Sources of income
- Cost and income generating events
- Profitability at various stages of case
 - Timing
 - Work types
- Modern trends
 - Changing economics



A Little Axiom

- There must be an overall profit
 - If not, business fails
- Low or zero profit on certain events must be balanced by higher profit on other events



Subsidy Principle

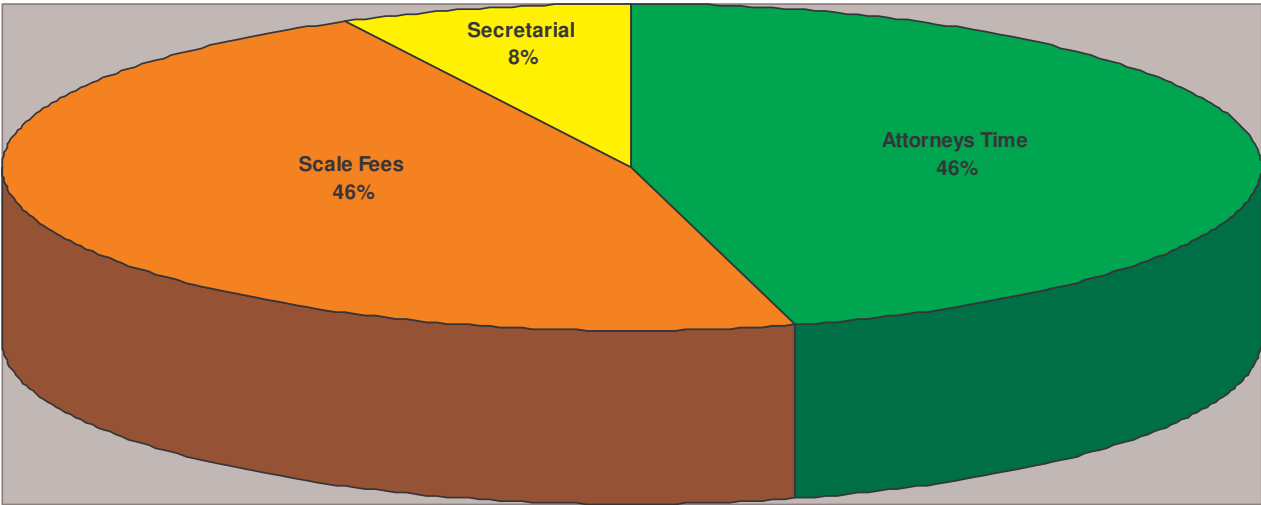
- Before 1852 in UK, no renewal fees
 - Minimum application/grant costs £310
- 1852 in UK, renewal fees introduced
 - Application/grant costs reduced to £25
- To this day renewal fees subsidise search and examination



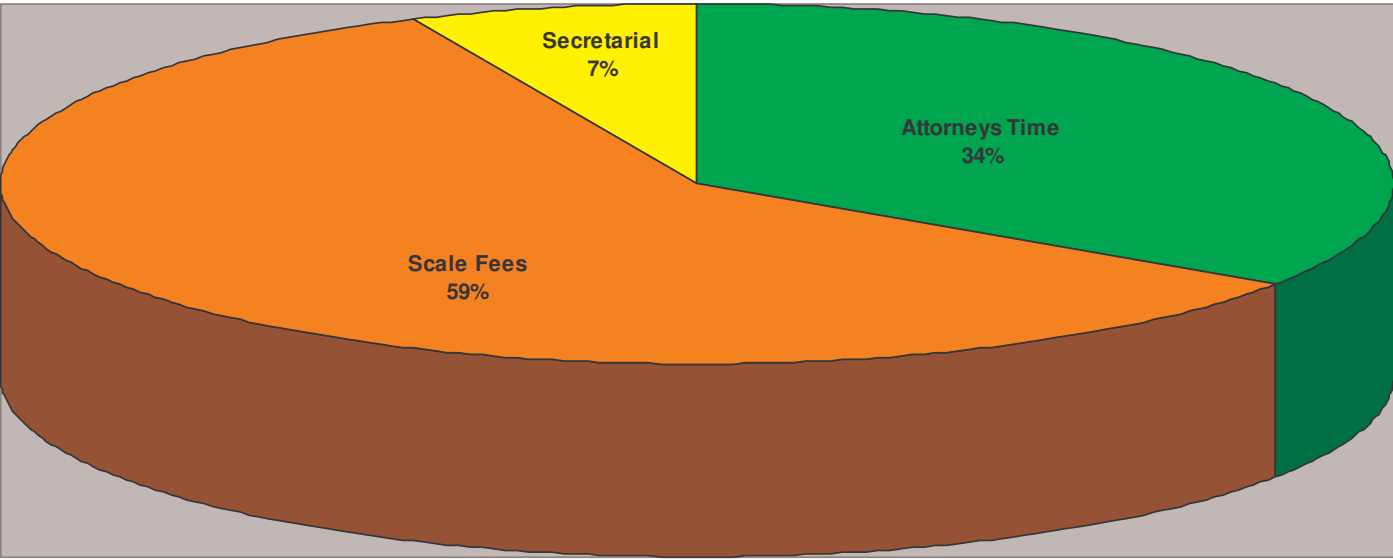
Sources of Income

- Attorney's work
- Secretary's work
- Records/formalities work

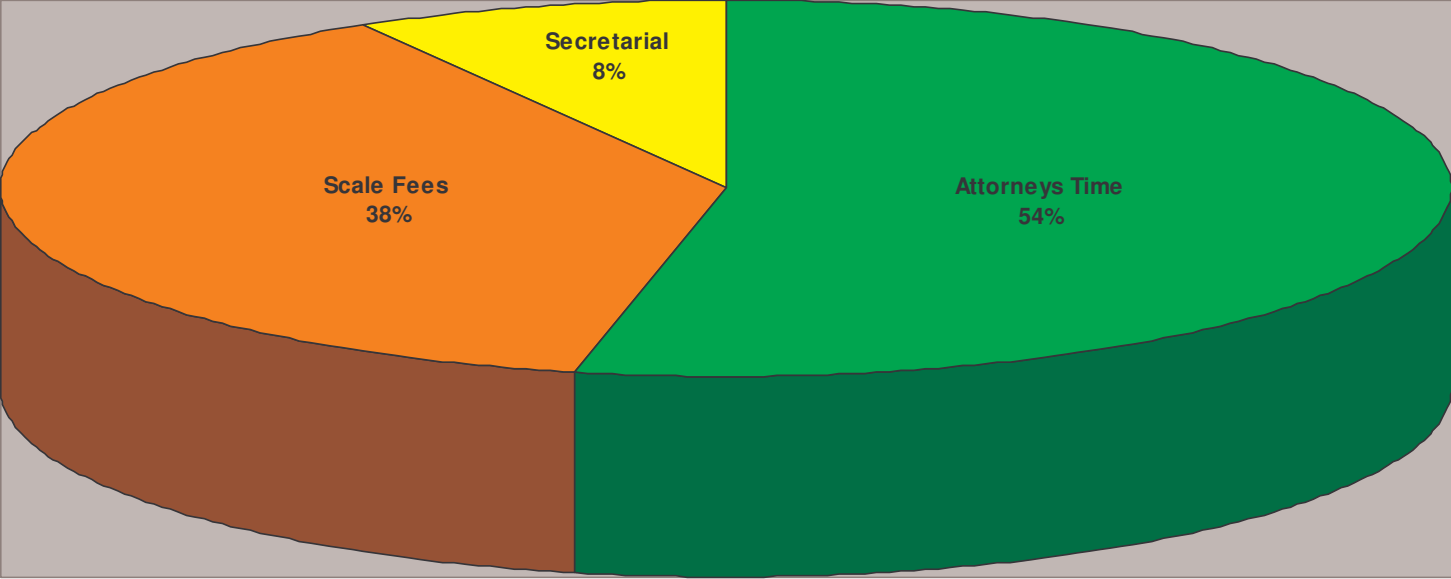
**EP (AGENCY & NON-AGENCY COMBINED):
Cumulative Fee Income by Source**



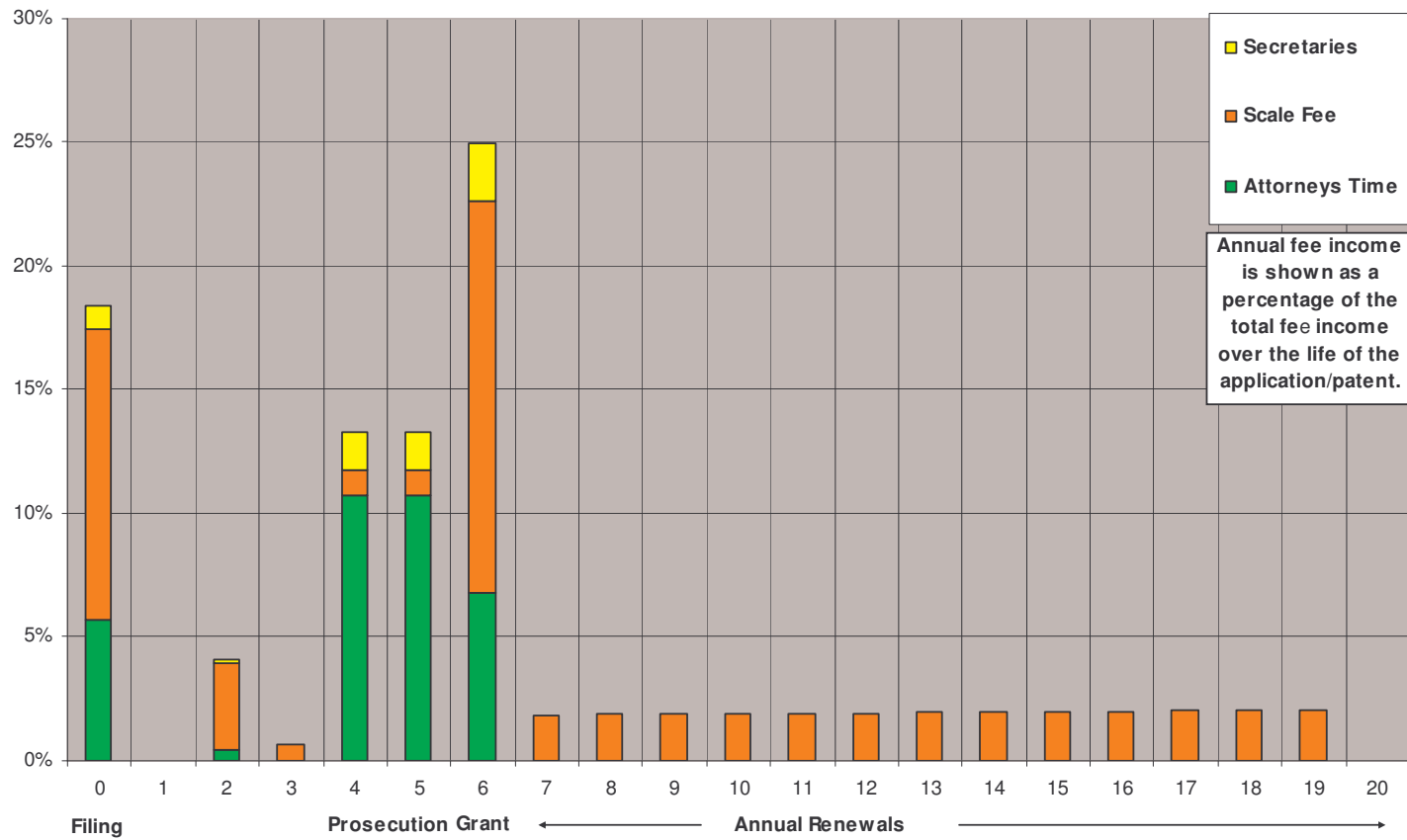
**EP (AGENCY):
Cumulative Fee Income by Source**



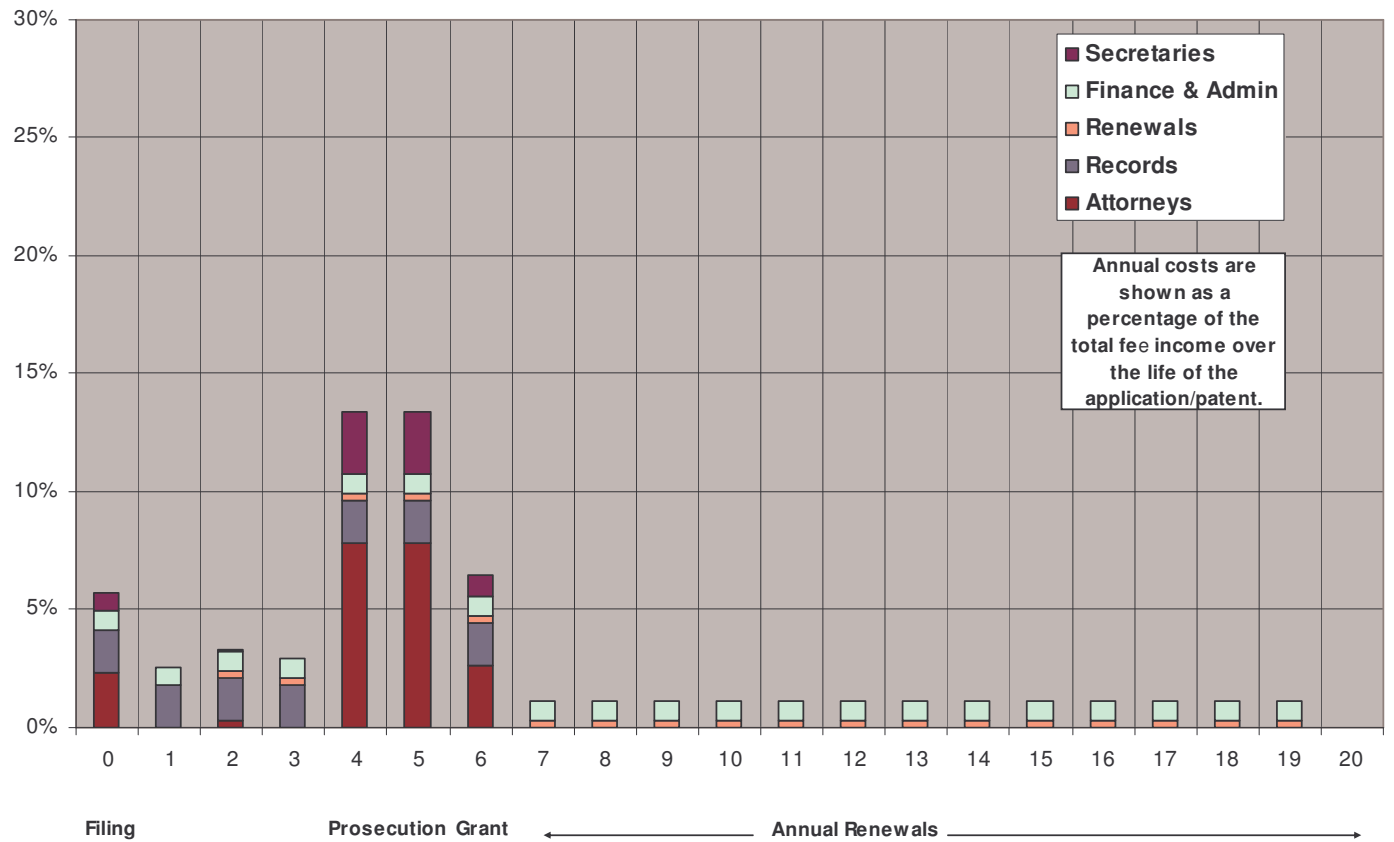
**EP (NON-AGENCY):
Cumulative Fee Income by Source**



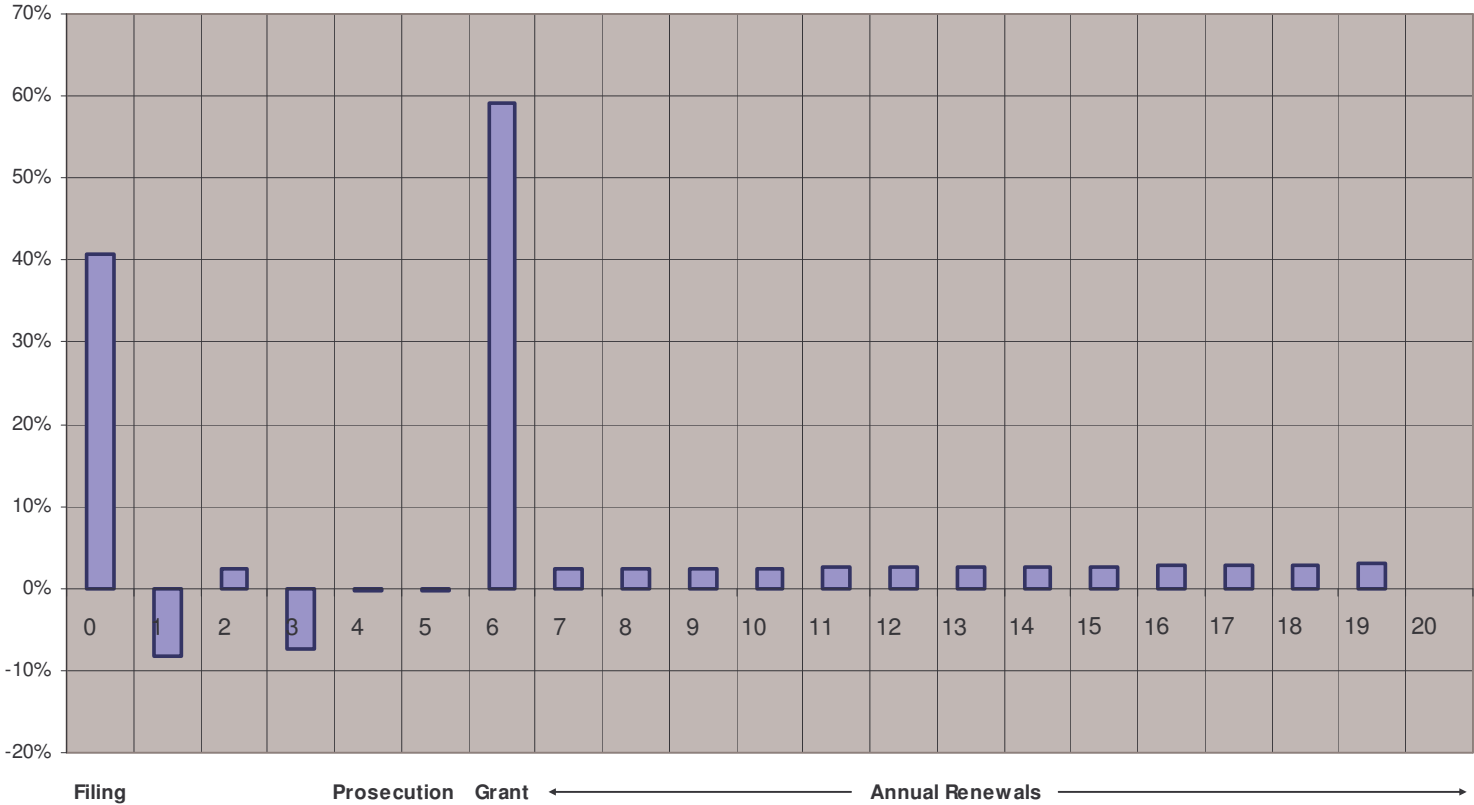
EP AGENCY 2: Annual Fee Income by Source



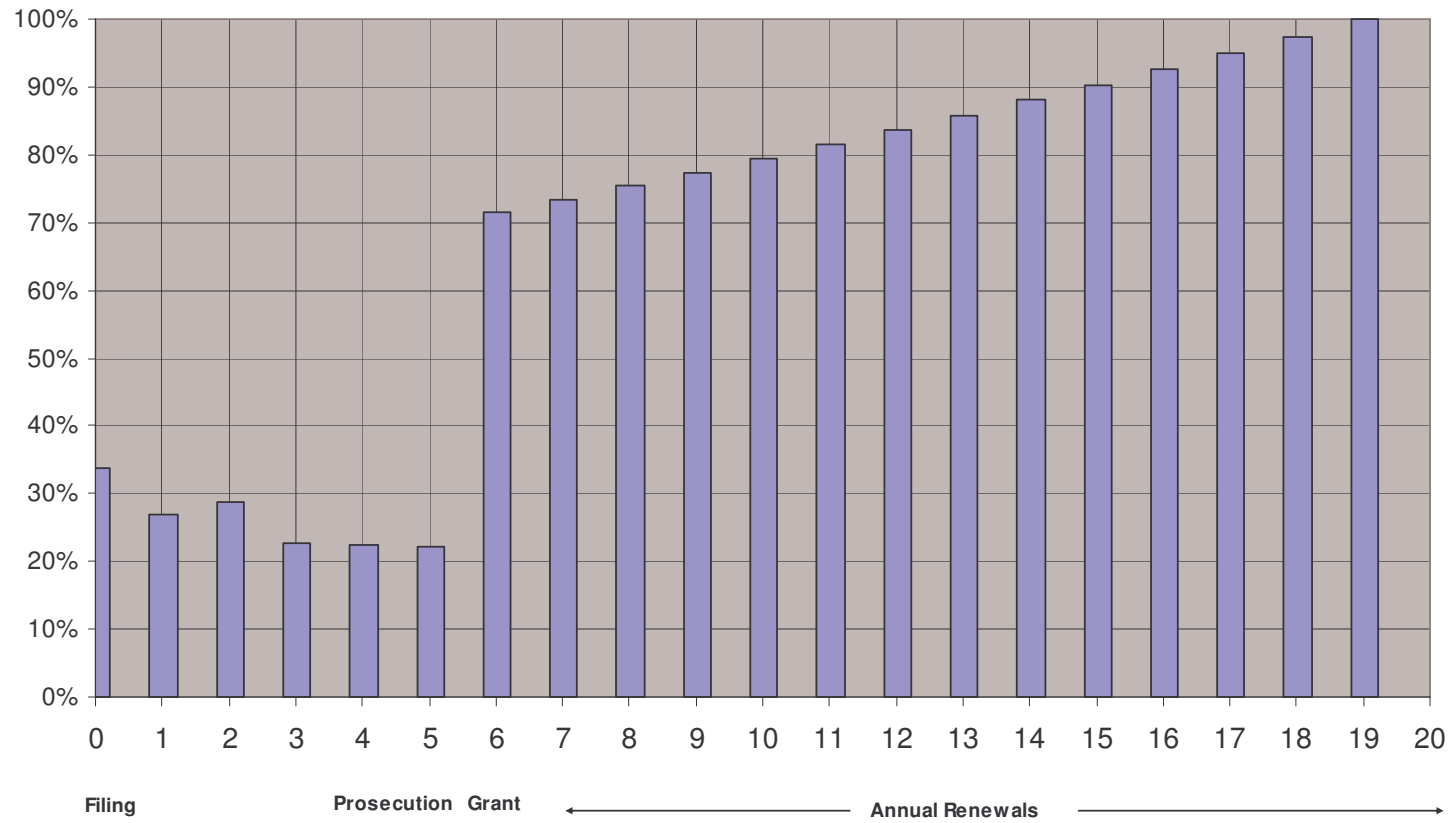
EP AGENCY 3: Annual Costs by Department



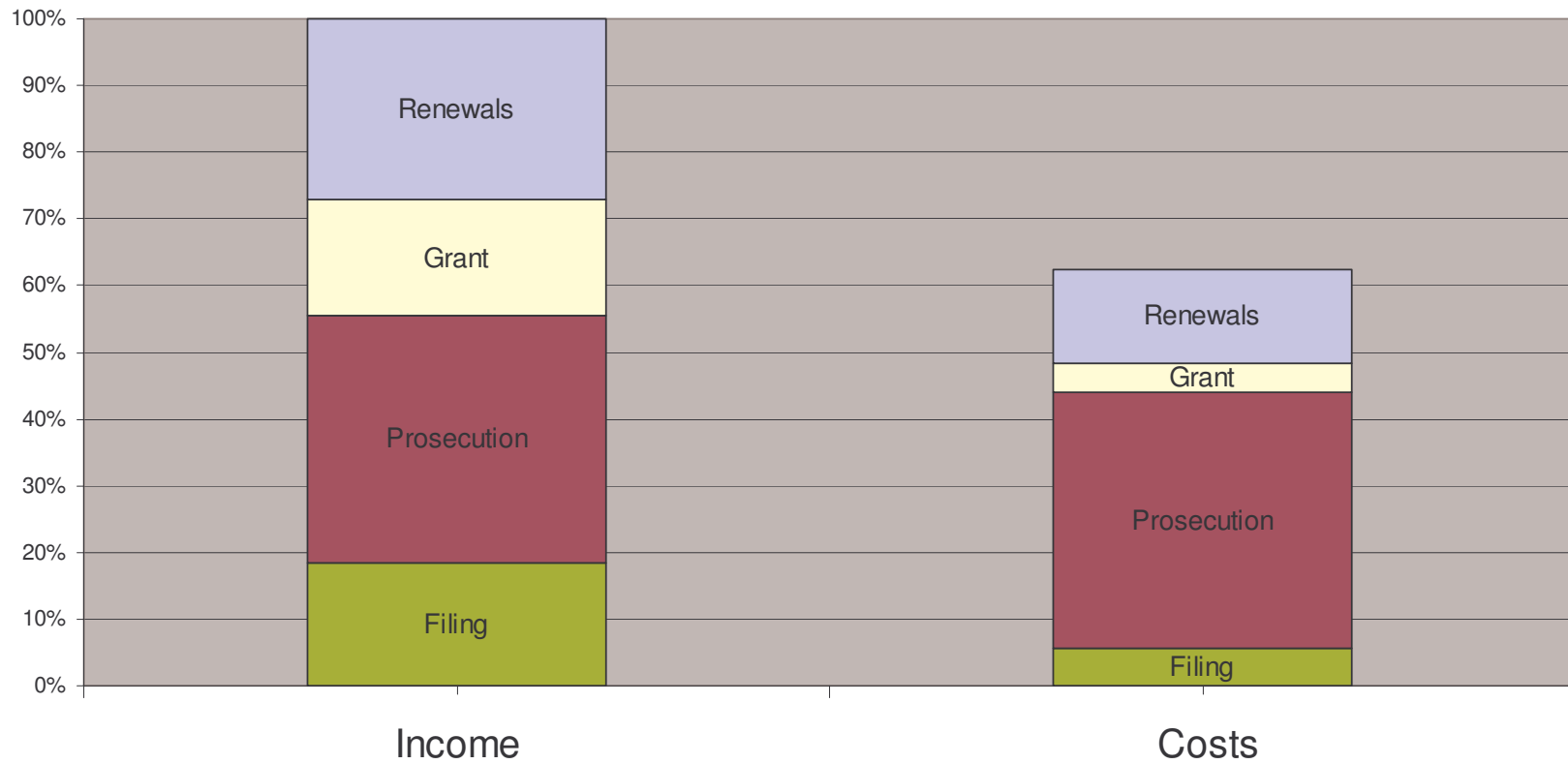
**EP AGENCY 4:
Annual Net Profit/Loss**



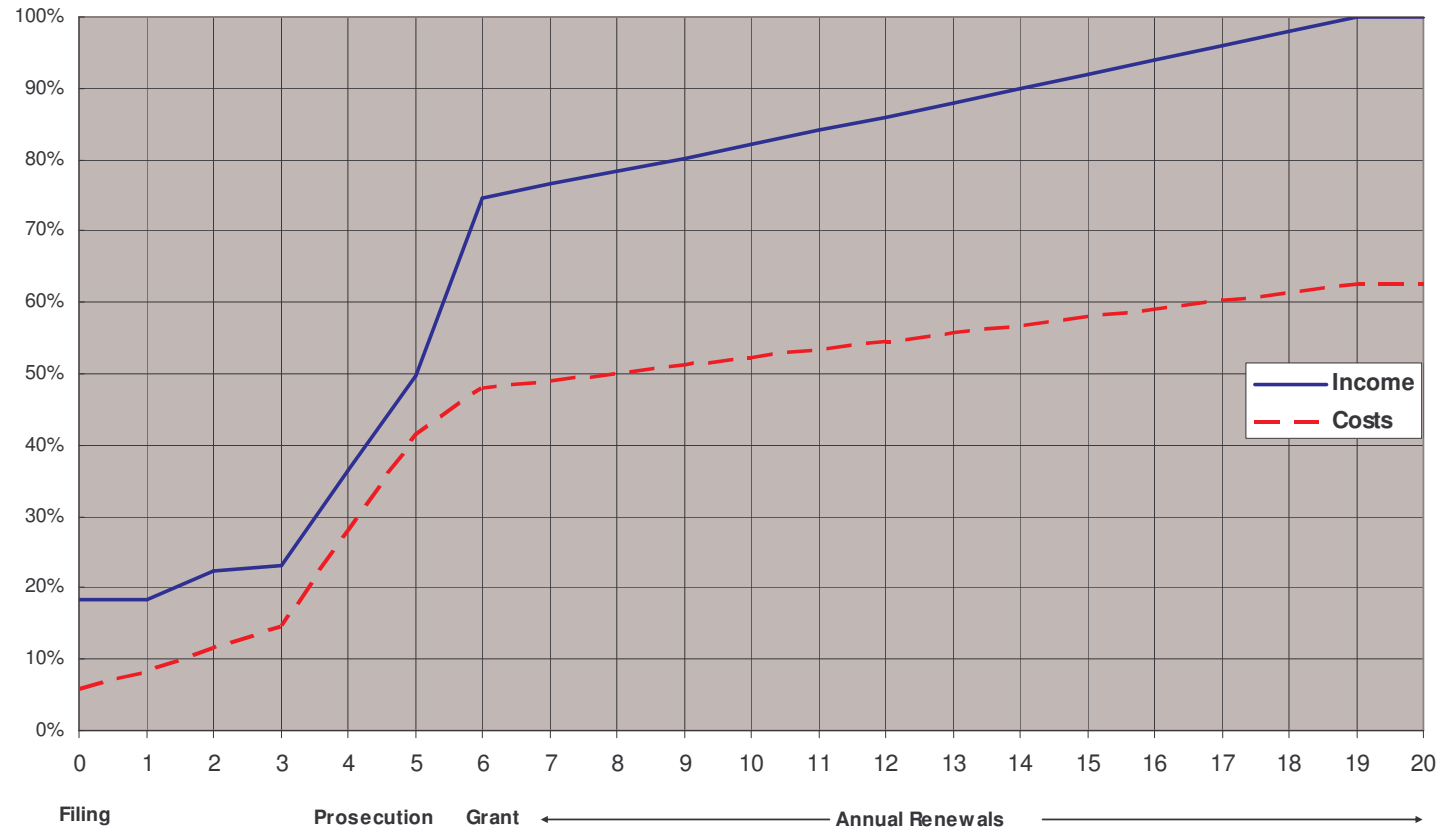
EP AGENCY 5: Cumulative Net Profit



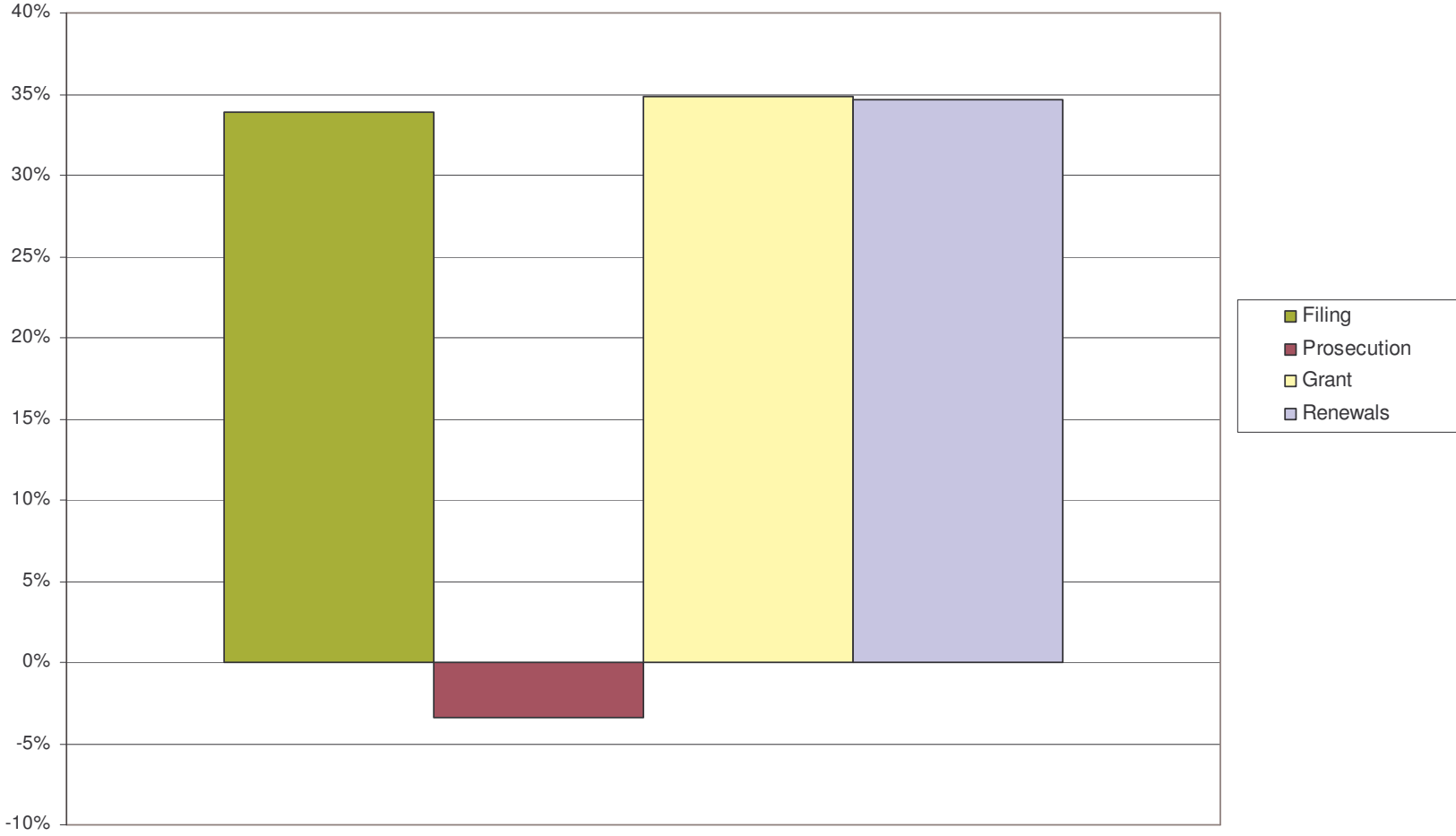
**EP AGENCY 6:
Fee Income & Costs by Patent Stage**



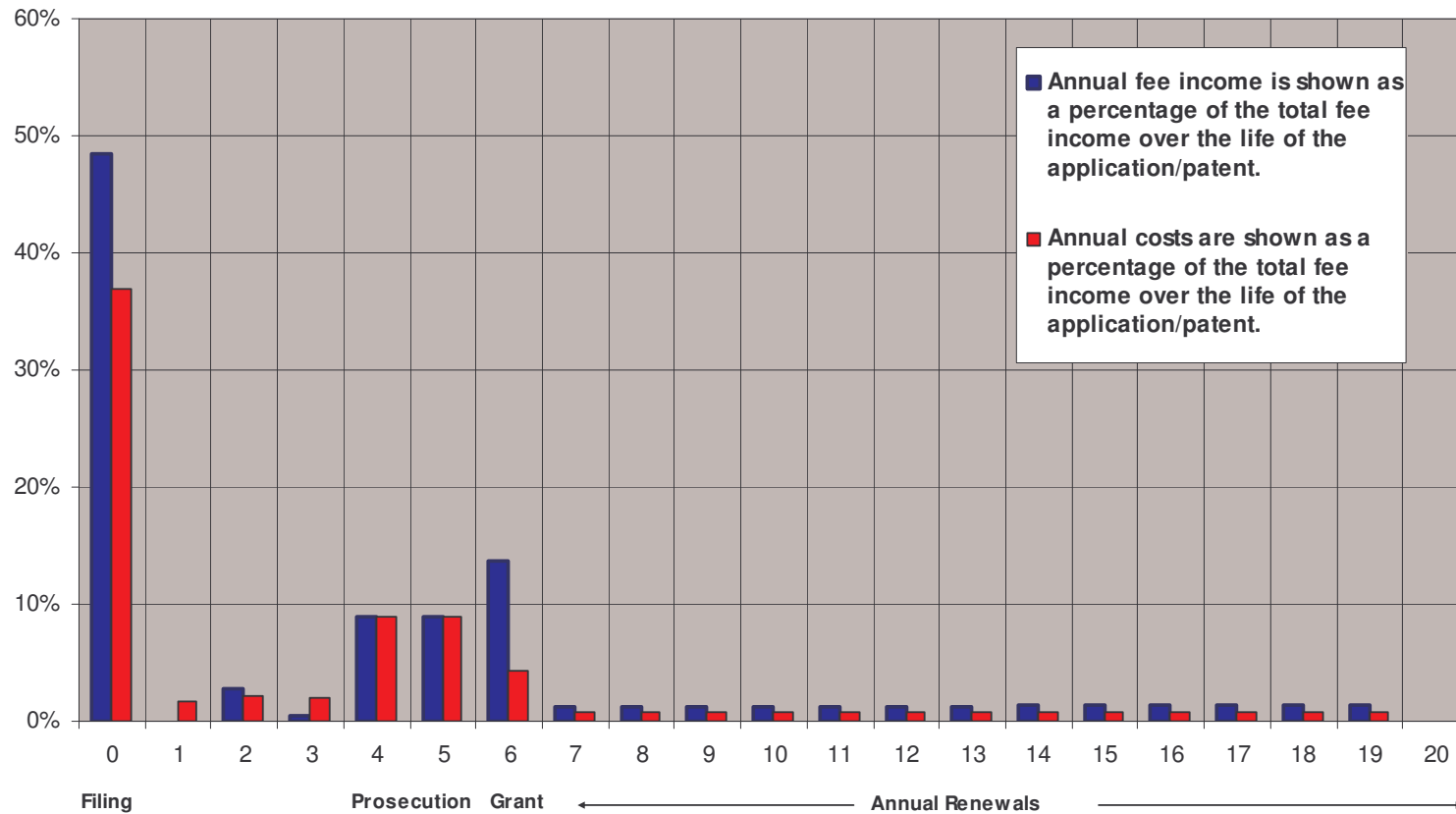
EP AGENCY 7: Cumulative Fee Income & Costs



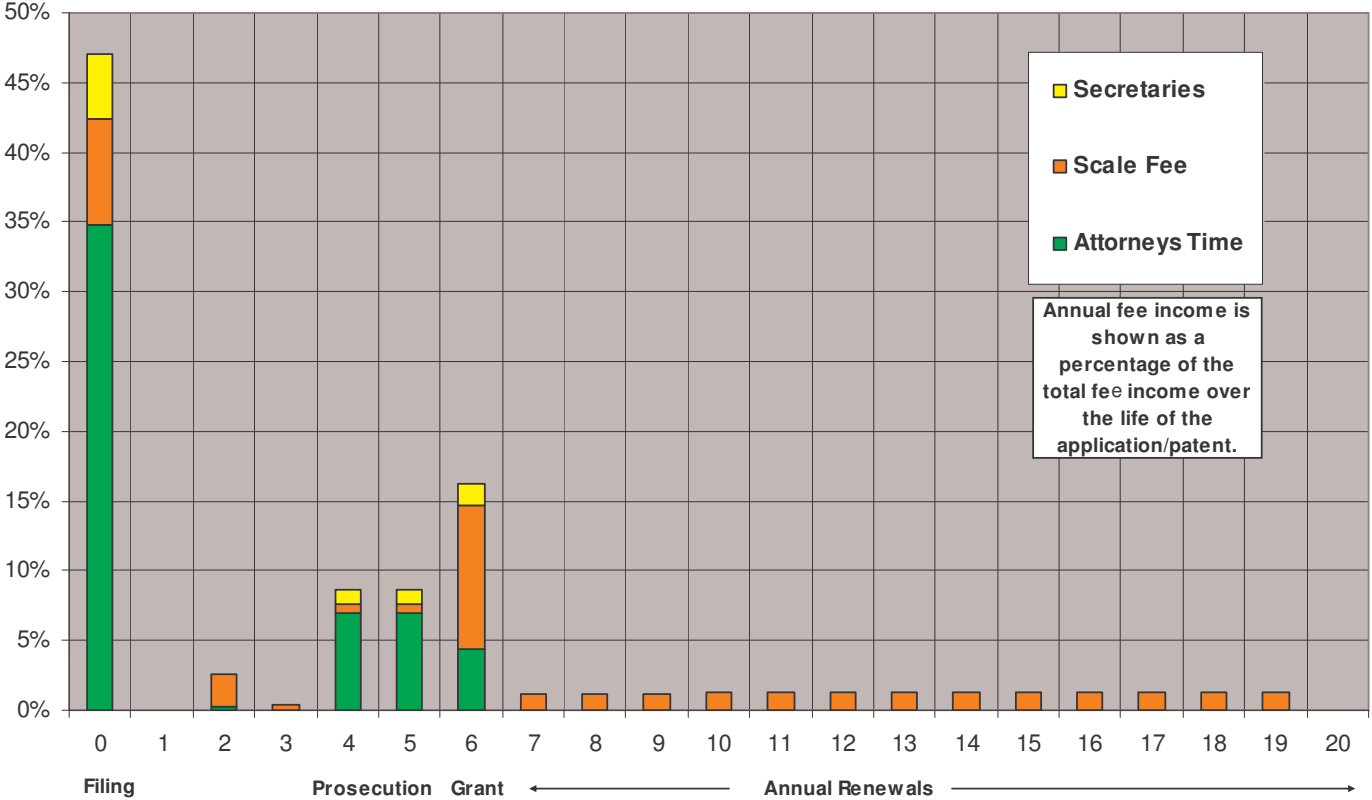
EP AGENCY 8
Percentage Profit/(Loss) by Stage in Life of Application/Patent



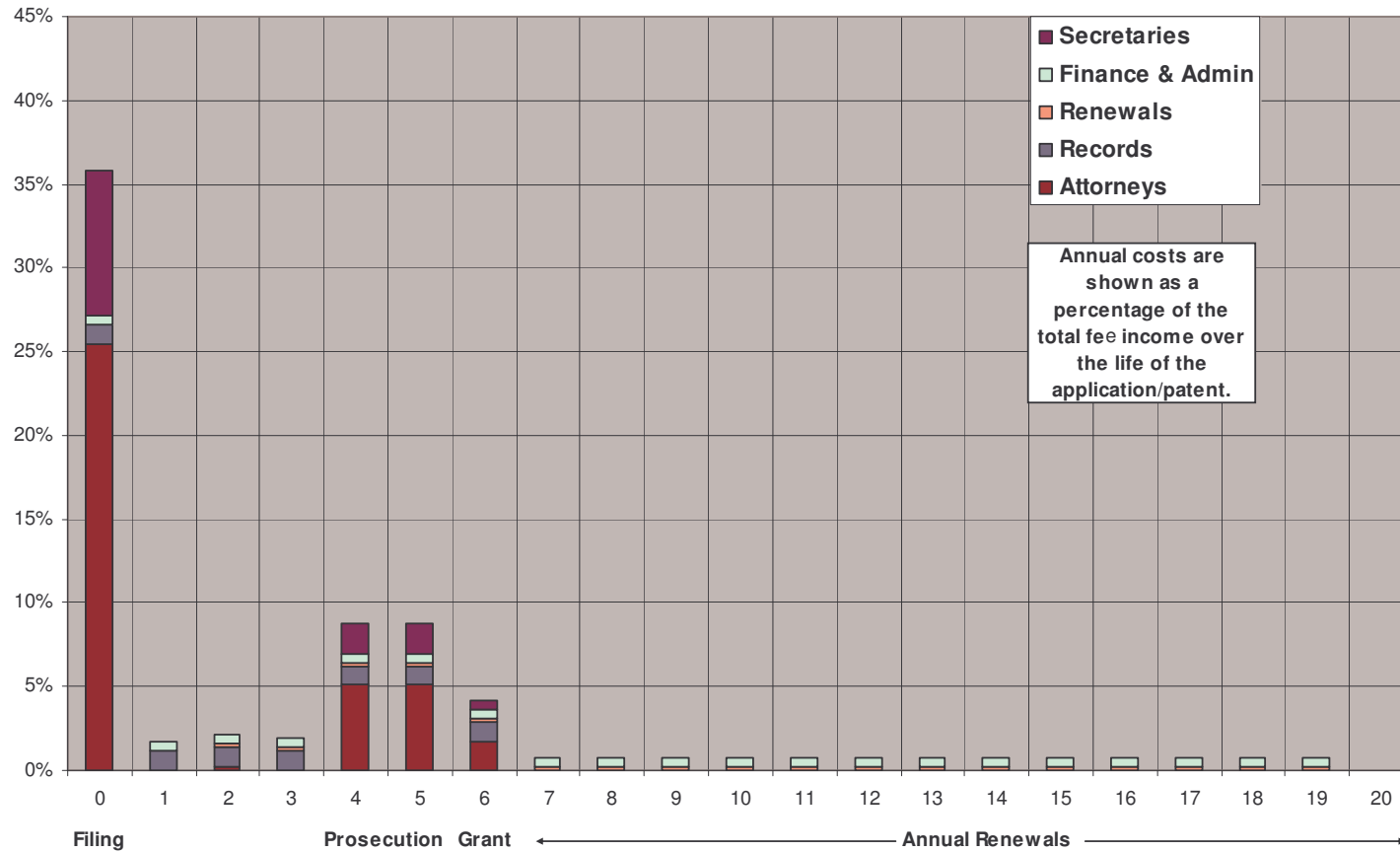
EP NON-AGENCY 1: Annual Fee Income & Costs



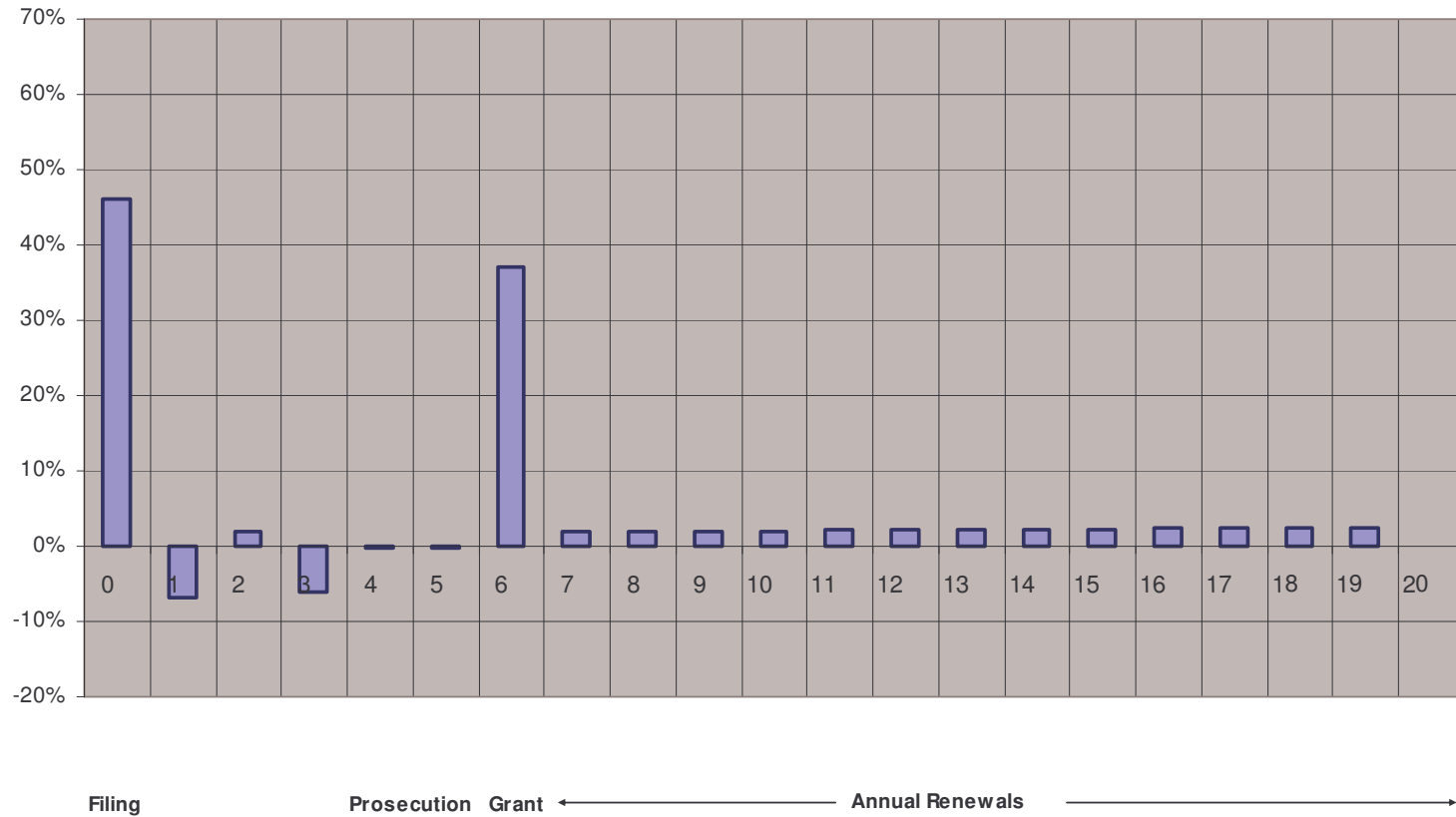
**EP NON-AGENCY 2:
Annual Fee income by Source**



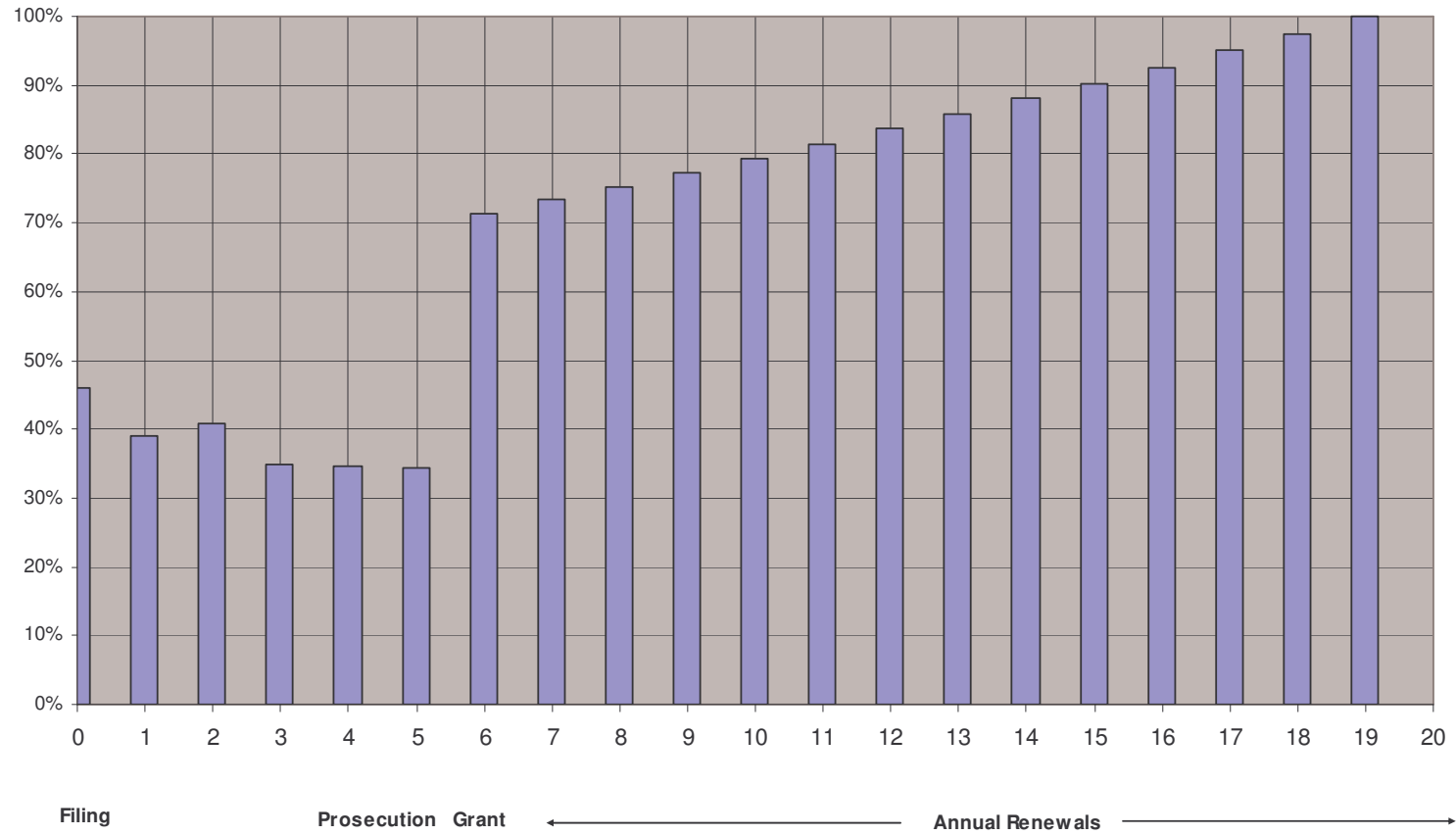
EP NON-AGENCY 3: Annual Costs by Department



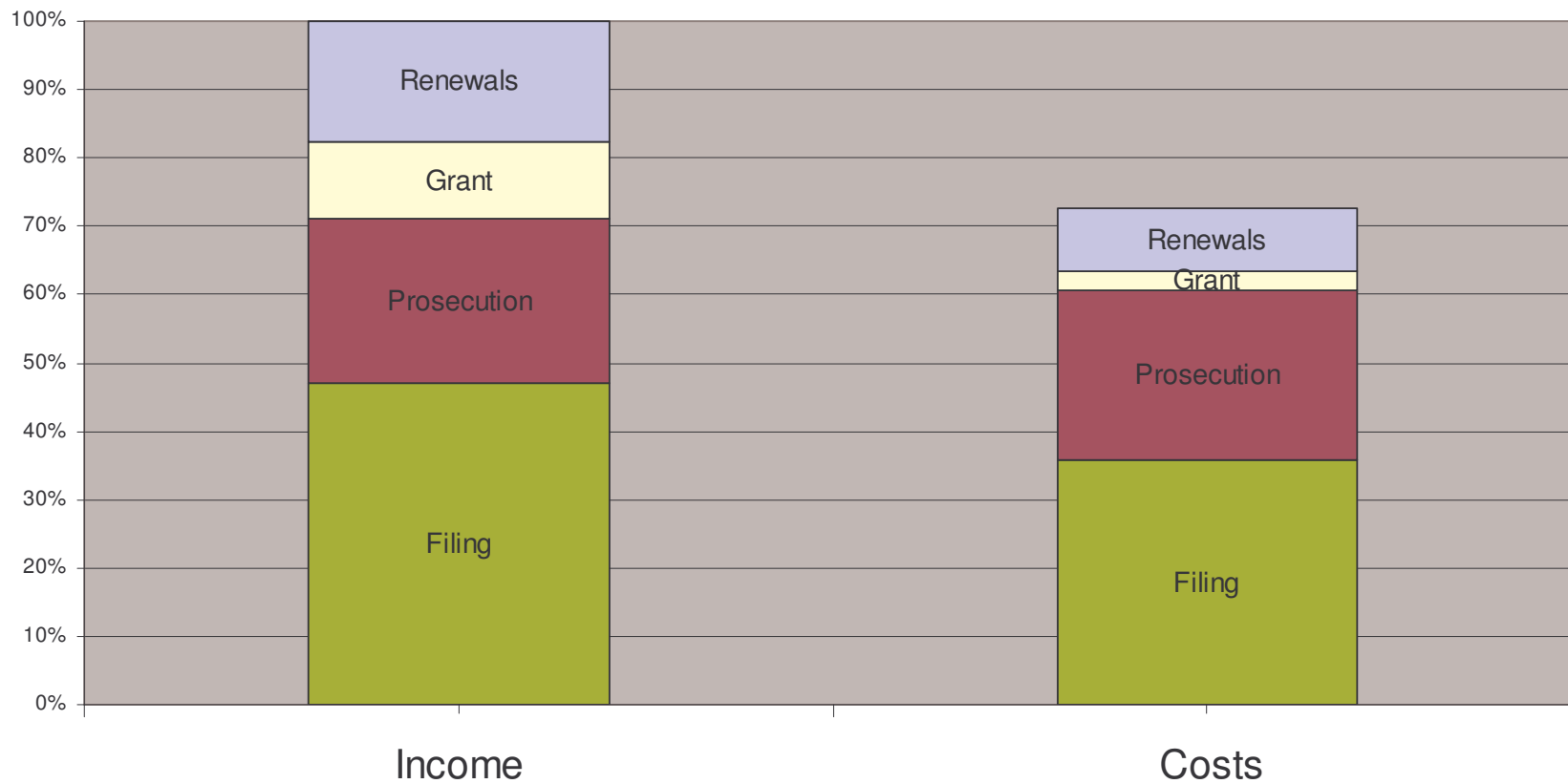
EP NON-AGENCY 4: Annual Net Profit/Loss



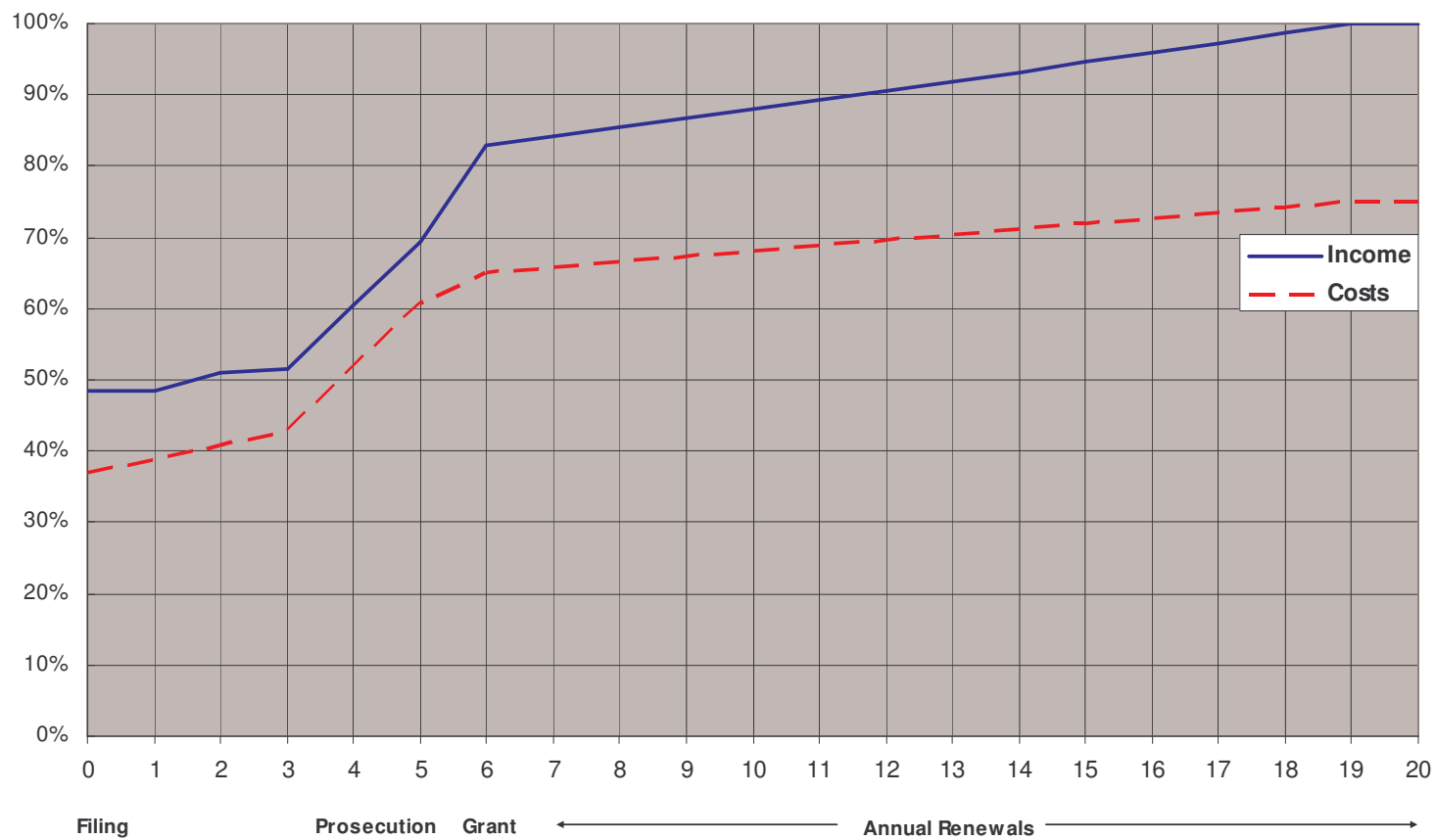
EP NON-AGENCY 5: Cumulative Net Profit



**EP NON-AGENCY 6:
Fee Income & Costs by Patent Stage**



EP NON-AGENCY 7: Cumulative Fee Income & Costs





Some Policy Issues

- Should the percentage profit on all types of event be the same?
 - Profits early in life of case
 - Profits late in life of case
 - Zero profit on some events?
- What about client who entrusts low profit events to firm and high profit events elsewhere



Costs: Secretarial

- Typing and photocopying
 - Charging by page
 - Charging by time
- File keeping
 - Cover by per page charge?
- Don't underestimate
 - Skill and machinery involved
- Real example of client's failed attempt



Costs: Office

- Fit out costs
- Furniture costs
- IT costs, general and patent management
- Cost per employee
 - Per fee earner
 - Per secretary
 - Per records/accounts clerk



Costs: Staff

- Finding
- Training
- Employment costs
 - Salary
 - Extras
 - Office space



Costs: Associate Network

- Establishing
- Maintaining



Modern trend

- No renewals
- No scale fees
- No patent administration
- Ultimate result: no firms
- Attorneys become “freelancers” only handling drafting and prosecution



Why a firm?

- Training
- Library and periodicals
- Discussion of problems
- Mixing with people handling different technologies



That's It
