

# Overcome obstacles to profiting from expiring patents



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The recent increases in patent maintenance fees has led many patent holders to abandon an increasing number of patents because the cost of maintaining a large portfolio is becoming too high. Selling patents that are about to lapse is one option, however, doing so presents two primary concerns: lack of investment in expiring patents and litigation pricing, according to News 9.

U.S. patents must be renewed three times during their lifetime. Maintenance fees are due after the issue date of the patent every 3.5 years, 7.5 years and 11.5 years. Maintenance fees escalate at each renewal portion. Small entities are entitled to a 50 percent discount on maintenance fees and micro entities receive 75 percent off patent maintenance. These fees can be paid up to six months prior to their due

date. Patents are not abandoned until a six-month grace period ends at years 4, 8 and 12 respectively. Patents can be renewed during their grace period for \$160.

Most buyers will not pay a significant price for patents that are nearing their expiration date, for the same reason we are less likely to buy products in the store that are close to their "sell by" date. Also, in many circumstances, buyers may decide to enforce the patent, sometimes resulting in costs to the patent holder, making selling a patent for a lower five figure price undesirable.

To overcome transaction costs of selling patents for a low sale price, the patent holder must lower the transaction cost. This can be done by using the same negotiated patent purchase agreement for repeated transactions. Once the first transaction is completed, the patent holder and buyer can use the same patent purchase agreement for future transactions.

The second concern is primarily driven by the sale price of the patent. Most companies would be comfortable in selling the patent if the sale price of the patent significantly exceeded the cost of responding to discovery. In many respects, discovery issues in patent litigation are no different from discovery issues that arise in all other cases.

While it may not be realistic to sell a single patent nearing expiration for significant revenue, selling groups of these patents can generate significant revenues and responding to discovery for those few patents is manageable.

By selling groups of patents to the same buyer throughout the year, a patent owner can virtually eliminate the transaction costs while generating six figure annual revenue from patent assets that would otherwise soon become worthless.