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WHAT YOU DON'T KNOW  
YOU DON'T KNOW

# I Have an Idea!

- What do I do with an Idea that might have value?
- Who do I communicate with to convey the idea?
- When do I need to share my idea?
- What should I not share my idea?

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# Disclosure and Protection

- Disclosure of your Idea:
  - Internally – to your team
  - Externally – to your counsel
- Determine what type of protection
- Who are your collaborators, if any?
- Timeline for Filing:
  - Patents – file before you disclose outside of company
  - Trademark/copyright – not necessary to file before, but you may still want to file early.

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# Securing the Invention via Patent Protection

- Patent rights:
  - A patent gives a limited right to exclude another from making, using, selling, offering for sale, or importing a product covered by a patent.
- Requirements for a patent
  - New, Useful, Non-obvious, statutory limitations
  - Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title. 35 USC 101

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# Who owns this invention?

- Always ensure that the invention/patent is assigned to the company.
  - All employees should have a provision in an employment agreement to assign all inventions
  - All 3<sup>rd</sup> party developers also need an assignment provision
- Get assignments from all inventors completed as early as possible
- Identify all possible collaborators to ensure nobody is missed.
  - An inventor is a person who has contributed to the conception of the invention.

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# Competitor IP

- What rights does the patent grant me?
  - You can exclude others from making, using, selling, or offering for sale a product that infringes the patent (once granted).
  - Its expensive to sue, so factor this into the equation
- Do you have the right to make the invention?
  - Do competitors have IP that might be infringed by your invention?
  - Freedom-to-operate opinion can save you time and money.
    - Design around problematic IP owned by competitors
    - Seek license to IP that is necessary

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# Other IP may be valuable

- Broad IP coverage can be a powerful tool
  - Patent
  - Design Patent
  - Trademark
  - Copyright
  - Trade Secret

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# Maximizing IP Value

- Review your product and your competition
- Evaluate likely modifications
- Broad coverage in several different IP classes provides stronger coverage

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# IP as a Business Asset

- **Strategic Value:**

1. Competitive Advantage
2. Pricing Power

- **Financial Value:**

1. Licensing value
2. Financing value



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# Approaches to IP Commercialization

## 1. “Newco” that develops technology (pursue monopoly)

- Goals is to commercialize a product/service (e.g. startup)
- If others practice your IP, seek an injunction
- Responsible for all aspects of commercialization
- Keep all profits

**“Differentiating technology”**  
**Maximize strategic Value**

## 2. Commercial partner/ exclusive license:

- Find the best partner/licensee who will commercialize the product
- Licensee may have complementary assets
- Licensor may retain some responsibility for development
- Share in profits with partner

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## 3. Non-exclusive license / Licensing program

- License (on best terms) to many parties
- Share in industry wide profits

**“Enabling technology”**  
**Maximize Financial Value**

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## 4. Hybrid: commercialize & license:

- Commercialize the “core” application
- “Monetize” the non-core application

**Seek to Maximize Both**

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# Important IP Considerations for the “NewCo” / startup

- Scope of patent protection: *How much protection do/will my patents provide me?*
  1. Do my claims cover a complete solution, or just part of a solution?
  2. What alternative solutions are there?
  3. How difficult or costly would it be to “design around” my solution?
  4. How big would the market for my technology be?
  5. How many years of patent life/ exclusivity will I have once I am through R&D and on the market?
  6. How much profit potential is there in my patents?
- Freedom to operate”: *what patents am I infringing?*
  1. What patents may block me from practicing my “core” technology?
  2. What patents will I need to cover some of the “options” in my commercial plans?
  3. What are the potential costs of licensing these patents?
  4. What are the likely/potential consequences of infringing these patents?

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# Important Considerations for IP Licensing

- Exclusive licensing:
  1. Does the potential partner have all the capabilities and assets needed to succeed in commercialization?
  2. How do we ensure that the licensee will follow through on commercial plans?
  3. How do we ensure that the licensee will stop infringers?
  4. What is a fair split of profits if the licensee is successful?
  5. Who owns follow-on rights/improvements?
- Non- exclusive licensing:
  1. Is this achieving the best value for the technology?
  2. What is a fair split of profits/royalty rate for each licensee or field of use?
  3. Who owns improvements?

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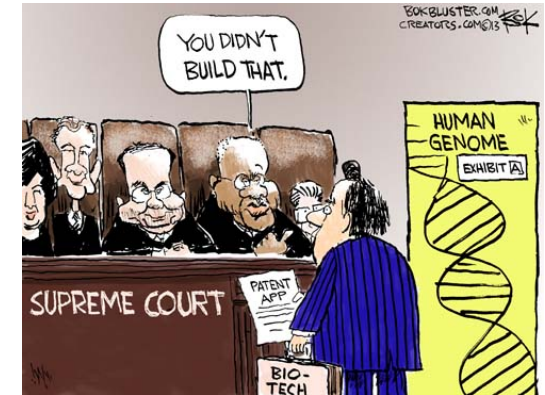
# Patents are (Uncertain) Investments

- Changes & Challenges in patent law have made it tougher to patent:

- Appellate and supreme court cases relating to “naturally occurring products” have made many gene and cell-based therapies as well as diagnostics challenging to protect with patents
- Other decisions related to “abstract Ideas” have made it difficult to patent inventions that are embodied in software or that cover process improvements

- Patenting costs:

- The cost to achieve a US patent is ~\$20K, and takes ~3 years on average
- Important healthcare discoveries should be protected in at least North America, the EU, Japan and Korea, which is likely to cost \$150-200K between legal costs and country fees.
- The average cost to litigate a patent dispute >\$25 Million in the US through trial and appeal is ~\$6 Million



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# What makes a Patent Valuable?

1) **Validity**: even once a patent is granted, it can and will be challenged in two independent venues:

- The Patent office via the Patent Trial and Appeal Board (PTAB)
- In district court litigation

2) **Use**:

- Someone has to be practicing the claims of the patent
- The infringement has to be “make, use or sell” in the region where patented
- Patent applications are not enforceable

3) **Economic value**:

- The Patented claims have to provide an increase in the profits of the party using the patented claims
- “design around” or “next best options” provide ways of measuring the value of the invention on a per unit basis

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# How Do We Assess Value?

	IP Exposure		Economic Value	
	Use/ Infringement	Validity	Competition	Value
Screening	<ul style="list-style-type: none"><li>• Claim scoring</li></ul>	<ul style="list-style-type: none"><li>• Validity risk scoring</li></ul>	<ul style="list-style-type: none"><li>• Competitive landscaping</li></ul>	<ul style="list-style-type: none"><li>• Technology area benchmarks</li></ul>
Analysis	<ul style="list-style-type: none"><li>• Citation analysis</li><li>• Product feature search</li><li>• Evidence of use/ claims analysis</li><li>• Non-infringement / design around</li></ul>	<ul style="list-style-type: none"><li>• 102 &amp; 103 analysis</li><li>• 101 analysis</li><li>• PTAB data/risk analysis</li></ul>	<ul style="list-style-type: none"><li>• Alternative technology approaches</li><li>• Competitor contribution to patented approach</li><li>• Historical &amp; current Litigation</li><li>• Product competition</li><li>• In-licensing &amp; acquisition</li></ul>	<ul style="list-style-type: none"><li>• Sales of infringing products</li><li>• Contribution to value of patent features...</li><li>• .. Or Normalized royalty rates</li><li>• Historical &amp; current licensing/litigation comps</li><li>• Litigation risk factors</li></ul>

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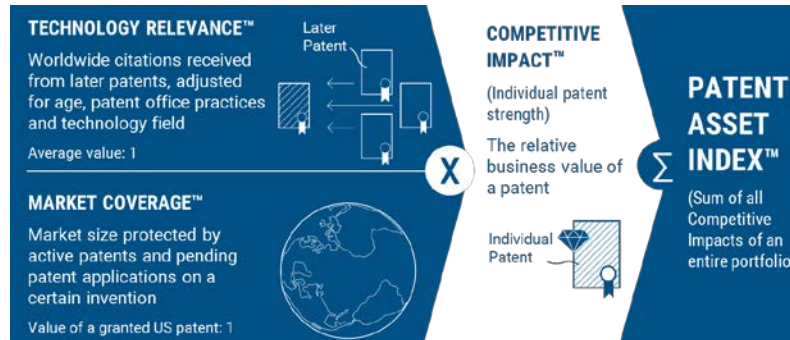
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# Patent Screening



- Estimates the relative importance of patents based on citations and geographic coverage



- Proprietary Investor platform used for licensing
- Q score: Patent's Relevancy for licensing (0 to 100)
- PGR Score: A measure of prior art risk (100 to 0)



- Evaluates Patent landscape for multiple parameters that aid in measuring how a company's IP is differentiated
- Typically indexed from 0 to 1



- APIX score estimates the likelihood of a patent surviving an invalidity challenge
- Rating: AA – F

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# Economic Value:

- **Lost Profits:** the amount of profits I would have made but for infringement
- **Relief from royalty:** the amount others have made from use of my IP
- **Relief From Royalty Method:**
  - What is the addressable market?
  - What is a reasonable royalty rate?
  - Important Variables:
    - Price and profit “with and without” licensed features
    - Share of value of licensed features derived from our technology (vs. competitors).
    - Comparable license rates (share of revenue or profits)
    - Adjustments for rates in and outside of litigation
    - Cost of “design around”



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# IP Finance for Startups

## 1. Venture Capital/ Institutional Investors

- The tried and true pathway for commercial stage IP
- Traditional view on IP as strategic, not financial asset.
- Participating preferred – control IP
- Corporate VC – implied license..

## 2. Corporate Partnerships/ Sponsored R&D

- Fortune 500's will fund basic, translational & commercial R&D on different terms
- Startups (who already raised vc money) will fund commercial R&D
- Licensing/sharing of IP produced before and during partnership

## 3. Specialty Finance

- Provide secured debt against real or anticipated royalty streams
- Provide secured or unsecured funding for parties damaged by IP infringement

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# Thank You, and Good Luck!

