

International Patent Strategy: Springboard to Going Global

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Introduction

In today's global marketplace, patent protection continues to be an important part of a company's overall business and intellectual property strategy. However, protection provided by any one patent is limited to within the country in which it was granted. For example, a U.S. patent provides no protection against infringing activities that take place in Great Britain or Japan, or even just over the borders in Canada or Mexico. Thus, to secure patent rights in countries other than the U.S., the company must apply for and be granted patent protection within each particular country of interest. This article provides a basic overview of applying for patent protection outside the U.S. and strategies for determining which countries provide the most value for a particular business.

In reviewing the options below, keep in mind that an application filed in the U.S. may be filed outside the U.S. under certain conditions: (1) the subject matter of the patent application was not publicly disclosed prior to the U.S. filing; (2) the application is filed under a treaty between the U.S. and another country that recognizes the U.S. application filing date, i.e., the priority date.

Evaluating Whether to Pursue Protection Outside the U.S.

In deciding whether to obtain patent protection outside the U.S., a company must consider a number of factors. As a preliminary matter, it is important to understand that most foreign filed applications will eventually be published in the U.S. and abroad. As such, a company will forfeit trade secret protection for the subject matter disclosed in a foreign filed application. If, however, the company affirmatively elects to only file in the U.S., it has the option of maintaining the secrecy of that subject matter until the application issues as a patent. Hence, a company should first decide if publication of the invention before any patent is granted is an acceptable consequence of filing the foreign application.

Next, the company must evaluate in which countries patent protection would likely provide value. Example inquiries for this evaluation include: (1) what countries will products embodying the invention likely be manufactured or sold?; (2) in what countries will other companies likely manufacture or sell competing products?; (3) in what countries will enforcement of patent rights be cost effective and practical? Note that a company's situation may vary by country. Nevertheless, generally foreign patent protection is sought in one or more of the following industrialized countries: Australia, Canada, China, India, Israel, Japan, Korea, Taiwan, and various countries in Europe, including Germany and Great Britain.

Once particular countries are considered for patent protection, the company must evaluate the costs of filing for protection in each country. These costs can be significant depending on factors such as filing fees in the selected countries and translations necessary in countries that do not conduct business in English. Thus, the company must perform a cost benefit analysis to determine what and where patent filings are justified. For ease of discussion, the cost estimates provided herein assume the filing is based on an earlier filed U.S. application.

Pursuing Patent Protection Outside the U.S.

Once it is determined that patent protection outside the U.S. is desirable, there are a number of available options. The first option is to timely file a patent application directly in the patent office of each country where patent protection is desired. The second option is to file a patent application in a regional patent office. The third option is to file a patent application under the Patent Cooperation Treaty (PCT), to which the U.S. and most other industrialized countries are members. Each option and possible strategies are further described below.

Turning to the first option, in determining whether to file a patent application directly in the patent office of a selected country, a company should consider three factors: (1) certainty with respect to which countries patent protection is desired; (2) a willingness to forgo the option to seek protection in other countries at a later date; and (3) a willingness to pay the associated filing fees and language translation costs, where necessary. Average costs for directly filing an application in a national patent office range from about \$2,000 to \$12,000 per country. The wide range is due to filing fees, attorney fees, and translation costs where necessary. It is important to note these estimates do not include periodic costs to maintain the application and subsequent patent. These fees can range from a few hundred to several thousand dollars. For example, maintenance fees in Japan typically range from several hundred dollars in the first year of a patent term to several thousand dollars in the last year of the patent term.

The second foreign filing option, timely filing of an application directly in a regional patent office, offers economies of scale of examining the application within a single authoritative agency and thereafter formalizing protection in the member countries of the regional patent office. The most well known regional patent office is the European Patent Office (EPO) and its members include Finland, France, Germany, Great Britain, Italy, Sweden, and Spain, among others.

Filing in the EPO allows the company to submit one application designating any of the member countries of the European Patent Convention instead of filing a separate application in each of the desired national patent offices. The EPO conducts an examination of the application, which can take several years, and “grants” the patent. Thereafter, the company must “perfect” that grant in the specific member countries of the EPO in which they seek protection. Perfecting the patent grant usually entails paying administrative fees and translating the patent into the appropriate national language. Some countries only require translation of the claims, while others require translation of the entire patent.

From a strategy perspective, if the company is: (1) only interested in European countries; and (2) intends to file in three or more of those countries, then the company should generally file an EPO application designating those countries, rather than filing individual national applications. This allows the company to avoid multiple examination fees,

and to defer payment of translation costs until the patent is granted. The cost of pursuing and obtaining an EPO patent grant and perfecting it in three countries typically runs about \$10,000-\$30,000, depending upon the selected countries, the application length, and the duration and extent of the prosecution. Again, as previously noted, these costs are exclusive of fees necessary for maintaining the patent application and patent on a periodic basis.

A third foreign filing option is timely filing of an application under the Patent Cooperation Treaty (PCT). Generally, all of the major industrialized countries are members of the PCT. However, a notable exception to PCT membership is Taiwan. Hence, patent protection in Taiwan only can be pursued through a direct national filing and not a PCT filing.

The primary advantages of a PCT application include delay having to make a decision on where to foreign file a patent application and defer payment of regional or national filing and translation fees. Generally, a company should consider filing a PCT application when any one of the following apply: (1) the company wants to preserve its patent rights in various countries or regions around the world, which are members of the PCT, while assessing the commercial potential of those markets and deferring costs of national or regional patent filings; (2) the company is uncertain of the countries in which patent protection is desired; (3) the company wants to assess the results of the U.S. prosecution before filing in other countries; and/or (4) the company wants to assess the commercial viability of the invention in the U.S. before filing in several countries.

The PCT process is broken into an “international” phase and a “national” phase. The international phase includes two sub-phases, referred to as “Chapter I” and “Chapter II”, the procedures under which have recently changed for PCT applications filed as of January 1, 2004. Chapter I is required, and includes an international preliminary search for prior art. Prior art typically includes public documents that are prior to the priority date of the present application and that appear to disclose in whole or in part the invention of the application. The search is carried out by an international search authority (ISA), which is usually the United States Patent & Trademark Office (USPTO) or the EPO. The search is typically carried out within three to nine months of filing the PCT application, and a resulting search report is provided to the company.

The ISA establishes a written opinion based on the search report. The opinion is a preliminary non-binding opinion as to the patentability of the claimed invention. If no Chapter II “demand” is filed, the written opinion is converted into an “international preliminary report on patentability” (IPRP-Ch.1), which has the same content as the ISA’s written opinion. A company may respond to the written opinion, but without a filed demand, the company can only informally comment on the opinion.

If, on the other hand, a demand is filed, then Chapter II commences, where the “international patent examination authority” (IPEA) generally uses the ISA’s written opinion as its initial opinion. Unlike Chapter I, the company can amend the application and formally argue against the written opinion. The IPEA may respond with further written opinions, at its discretion. The IPEA then issues a final “international preliminary report on patentability” (IPRP-Ch.2). This report is also a non-binding opinion as to the patentability of the claimed invention.

Filing an optional Chapter II demand allows the company to formally argue the merits of the PCT application before the IPEA. This may be desirable in order to obtain a favorable IPRP, which may facilitate smooth prosecution at the various national patent offices that show deference to the IPRP. A caveat here is that a few remaining countries still require a demand to be filed in order for the company to defer entry into the national phase. With no timely demand filed, the national phase for these few countries must be entered about 10 months sooner than other countries. Otherwise, the PCT application will go abandoned. However, this requirement for a Chapter II demand is not applicable to most major member PCT countries in which companies typically pursue protection.

The next phase in a PCT application is the national phase, which is 20 or 30 months from the earliest priority date for most countries. At this time the company must file the application in each region or country where protection is desired, as previously described. Each national patent office may use the PCT search results and/or conduct further searching. A binding examination is then conducted by that patent office, which may or may not provide results similar to the non-binding IPRP, depending on the various patentability requirements of that country and additional prior art that is found.

One strategy some companies pursue is simultaneously filing a U.S. patent application and a corresponding PCT application, in which they designate the USPTO as the ISA. Often, the examiner that is assigned to carry out the PCT search is also assigned to examine the U.S. application. Thus, if the PCT search report is favorable, then the examiner may be inclined to grant an early allowance of the U.S. application. Note, however, that this strategy is by no means a sure bet, and a less than favorable PCT search report can just as likely result in an early rejection of all claims. In any event, such strategy may jump start an early prosecution of the corresponding U.S. application, which would otherwise not be examined for two to three years.

Referring briefly to legal costs, the cost of filing a PCT application usually ranges from about \$2,000-\$6,000, depending upon which chosen ISA, the number of countries designated, and the number of pages in the application. In addition, the cost for filing a demand runs about \$1,000-\$3,000, depending upon the chosen IPEA.

Conclusion

A company has various options for pursuing patent protection outside the U.S. Pursuing and securing patent protection outside the U.S. can take on average three to eight years from the initial U.S. filing depending on factors such as the countries in which protection is sought and the legal requirements and procedures for pursuing the application through issuance before each respective country patent office. In an increasingly global marketplace, companies with long-term vision must seriously evaluate whether patent protection outside the U.S. is a necessary element of their overall patent strategy. With the aid of patent counsel, a company can evaluate the cost-benefit analysis of patent protection outside of the U.S. and determine whether such protection is of value, based on business goals. Thereafter, the company can work with patent counsel to ensure strategic and timely filings of applications outside the U.S. based on their selected options.

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