

NEWSSTAND

Strategies for Cost Effectively Securing and Maintaining Foreign Patent Rights

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In today's challenging economic environment, for individual inventors or companies, large and small, the decision whether to seek patent rights beyond U.S. borders is a difficult choice to make.

Further, once the decision has been made to pursue protection abroad, the individuals or corporate entities must then decide in which countries pending applications and issued patents should be maintained.

In the context of patent filing, the following foreign filing options are usually available to clients: 1) no foreign protection, 2) file a PCT international application, 3) file one or more regional applications, and 4) file national applications in selected countries. It should be noted that the second through fourth options can be selected individually or in combination. Obviously, if the technology has little present or future economic value, no foreign filings should be made.

The second option listed above concerns the filing of an international application under the Patent Cooperation Treaty (PCT). The PCT established a union for cooperation in the filing, searching, and examination of applications for the protection of inventions. What the PCT does not provide is a patent right. In other words, filing an application under the PCT provides applicants with an understanding of the potential patentability of the disclosed invention (in the form of a search report and written opinion) but does not result in an international patent. Ultimately, after approximately 20 or 30 months from the priority date of the invention, depending on the "contracting state," a separate application must be filed in each of the contracting states in which patent protection is desired.

Over 140 nations are members or "contracting states" of the PCT and, therefore, the PCT application can serve as a mechanism for extending the deadline for filing national applications in many countries and deferring the associated cost. This extension of the national filing deadline provides time for marketing the product and/or identifying a licensee. Additionally, the search and examination that is conducted on the PCT application provide the applicant with an opportunity to amend the claims of the application in order to place the application in better condition for entry into national patent offices.

Certain disadvantages are noteworthy when filing a PCT international application. First, there will inherently be a delay in obtaining the ultimate patent. Because published PCT applications provide at most only provisional claim protection in most jurisdictions, such a delay gives competitors the ability to market and sell competing products during that time period.

Additionally, all PCT applications are published 18 months from their priority date. This pre-grant publication provides advance notice to the competition of the applicant's products and potential scope of protection.

One way to reduce the cost associated with filing a PCT application is through the applicant's selection of the International Searching Authority (ISA). On November 1, 2008, the Australian Patent Office (IP Australia) became the fourth agency designated as a competent International Searching Authority (ISA) and International Preliminary Examination Authority (IPEA) under the PCT for applications filed in the U.S. With this addition, U.S. applicants can select the U.S. Patent & Trademark Office (USPTO), the European Patent Office (EPO), the Korean Intellectual Property Office (KIPO) or IP Australia as the ISA or IPEA. Currently the search fees for these agencies differ significantly, as the U.S. and EPO fees are \$2080 and \$2164, respectively, while the fees charged by IP Australia and KIPO are \$1091 and \$609, respectively. Thus, an applicant can save roughly \$1555 dollars simply by selecting KIPO as the ISR, in lieu of the EPO.

The third option listed above concerns the filing of regional patent applications. Regional patent organizations, such as the European Union, consist of groups of countries (i.e., "members states") that have agreed to apply a unified set of patent laws. As a result, a regional patent application will mature into an issued patent, which then only needs to be validated in the desired members states (countries) in order to obtain full national patent protection in the selected countries. The cost associated with validating the European application can be reduced by selecting a European associate that has offices in the desired member states. Still further, selecting a U.S. law firm with an office in Europe can also reduce filing and prosecution cost by eliminating the need to engage local counsel for the European filing.

The fourth option listed above concerns the direct filing of national patent applications (also called direct convention applications) in the countries of interest or in those countries that are not contracting states of the PCT or member states of a regional patent union. Before a decision is made as to whether to incur the expense associated with one or more direct foreign filings, one must first determine if foreign protection for the invention is available.

Unlike U.S. law, patent protection is only available in many foreign countries if a patent application was filed prior to any public disclosure. This rule is often referred to as the "absolute novelty" standard.

Once it has been determined that the invention was not publicly disclosed prior to the filing of an initial patent application, the costs associated with filing abroad must be considered. The estimated cost to prosecute a foreign language patent application to issue is approximately \$6,000/country. Further, the estimated cost to prosecute a foreign language patent application to issue is approximately \$15,000/country, if Asian language translations are required. These costs do not include annual maintenance fees or annuities that each country charges in order to keep the pending application or issued patent alive or in force.

One important factor to consider when determining whether to file abroad is whether there is a licensee for the technology. In other words, if the U.S. rights have been licensed, does the

licensee desire foreign protection or does the license require the pursuit of foreign protection and will that party pay for the associated costs? Or, are there foreign entities that need a license?

Another factor that must be considered when making a determination as to whether foreign protection is desired, is the lengthy pendency of foreign applications. In Europe it is not uncommon for applications to be pending for 5 to 10 years. The application process often takes even longer in Japan. As a result, if the applicant is seeking to patent technology that will be outdated or outmoded by the time a patent grants in a foreign country, it may be advantageous to forgo foreign filings and maintain the technology in confidence as a trade secret.

Once the initial decision to seek protection abroad for the technology has been made, the applicant must determine in what countries protection should be sought or maintained. Business savvy clients will appreciate that protection should be pursued in countries where a substantial market for the invention exists. Obviously, the definition of “substantial market” differs from applicant to applicant, and from technology to technology. Another significant factor for determining where to file abroad is where the applicant and its competitors are doing business or will be conducting business. Dunn & Bradstreet reports and various patent databases can often be used to shed light on a competitor’s activities.

Applicants should always first look to protect and maintain their intellectual property in countries where they have a manufacturing facility. Next, for obvious reasons, applicants should consider seeking protection in countries where the competition has manufacturing facilities. For example, if the applicant manufactures tanning lamps, and its biggest competitor has only one factory capable of making tanning lamps and the factory is located in Hungary, the applicant should seek patent protection in Hungary. A Hungarian patent would be effective at restricting the competitor’s worldwide sales.

Lastly, an important factor to consider when deciding where to file abroad or whether a foreign portfolio is to be maintained is the ability to monitor and enforce the patent once issued. The world news is littered with articles concerning other governments’ lack of intellectual property policing. The Federal Trade Commission publishes a “priority watch list” that identifies countries that fail to adequately protect intellectual property and violate intellectual property enforcement agreements.

In conclusion, foreign filing decisions are not easily made. Such decisions require a complete understanding of many factors, such as the present and future value of the technology, the costs associated with the filings, a competitor’s activities, and the enforcement policies of foreign nations.