

# Integrating PCT Practice Into a Corporate Patent Strategy – a U.S. Perspective

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# Introduction

- Factors corporations use to formulate a corporate patent strategy.
- Three aspects of a typical corporate patent strategy:
  - **Acquisition** of patent rights,
  - **Exploitation** of patent rights, and
  - **Management** of patent costs.
- Examples of how the use of PCT can be integrated into all three.

# Corporate Patent Strategy – Factors

- Secure maximum enforceable patent protection for research and development pipeline and commercial product portfolio.
- Secure effective patent base to protect and leverage technology platform.
- Minimize risk of being blocked.
- Balance costs and benefits.

# Patents are an Investment

- Patent rights are a valuable **asset**.
- But they can be **expensive**.
- Optimum balance must be struck.
- Like any investment, a patent portfolio must show a good return.
- Reasonable relation to both R&D costs and sales of products or services.

# Managing Patent Costs

- Prioritize Inventions – protect inventions that are, or are proposed to be, commercially exploited.
- Which Countries – factors include:
  - Cost/complexity of obtaining/enforcing patents in each country;
  - Strength/type of patent rights available;
  - Business and legal value of patents;
  - Size (or potential size) of the market;
  - Competitive landscape;
  - Experience, developments, and trends.

# Managing Patent Costs – Patent Maintenance

- Maintenance of all patent filings should be reviewed regularly.
- Patent filings no longer covering subject matter of development or commercial interest, and not to be out-licensed, can be abandoned.
- Patent filings maintained for defensive purposes can be cut back to core countries or regions.

# Exploitation of Patent Rights

- Patents to Exclude Competition:
  - Establish barriers;
  - Block copying and competing alternatives;
  - Prevent intrusion into foreign markets;
  - Establish reputation as an “enforcer;”
  - Value re: competitors and customers.

# Exploitation of Patent Rights (cont'd)

- Patents for Survival:
  - Patent rights may be company's only asset;
  - Used to attract money from licensees, investors, or buyers.
- Patents as a Source of Royalty Income:
  - Universities, e.g. Cohen-Boyer patent;
  - Basis for supplemental income;
  - Basis for price differential.



# Exploitation of Patent Rights (cont'd)

- Patents as Bargaining Chips:
  - Provide a legal basis for strategic alliances;
  - Provide value for sale, merger, acquisition and joint venture opportunities;
  - Cross-licensing of key or parallel technologies;
  - Patent pooling agreements.
- Other Defensive Strategies.

# Integrating the PCT into a Corporate Patent Strategy



PCT practice can be an essential component of all of the following:

- **Acquisition** of patent rights;
- **Exploitation** of patent rights; and
- **Management** of patent costs.



# Acquisition Of Patent Rights – Some Practical Alternatives

- Today, there is no “World Patent.”
- Instead, patents are only **national** instruments.
- Several alternatives for obtaining patents in various countries:
  - **Non-convention** Filing
  - **Paris Convention** Filing
  - **PCT** Filing

# Acquisition Of Patent Rights – Non-Convention Filing

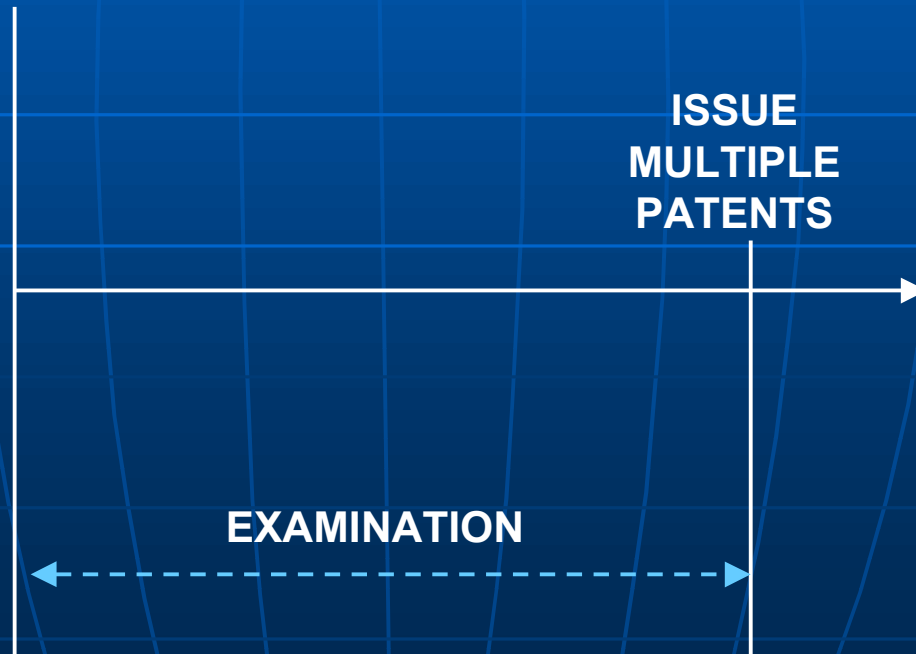
- All applications filed in all countries at the same time:
  - Very expensive;
  - Very complicated.
- Requirements:
  - Compliance with varied national or regional laws and procedures;
  - Retention of local attorneys;
  - Translations into national languages.

# Acquisition Of Patent Rights – Non-Convention Filing (cont'd)

- No deferral of Foreign Filing

FILE MULTIPLE  
APPLICATIONS

ISSUE  
MULTIPLE  
PATENTS



# Acquisition Of Patent Rights – Paris Convention Filing

- Priority application filed first, e.g. U.S. Provisional or U.S. Utility application.
- Multiple Paris Convention foreign applications claiming priority to first application.
  - Must be filed within 1 year of priority application;
  - Must claim priority.
- Benefit of earlier filing date - limits prior art.

# Acquisition Of Patent Rights – Paris Convention Filing (cont'd)

- All Paris convention applications filed in all countries at the same time:
  - Very expensive;
  - Very complicated.
- Requirements:
  - Compliance with varied national or regional laws and procedures;
  - Retention of local attorneys;
  - Translations into national languages.

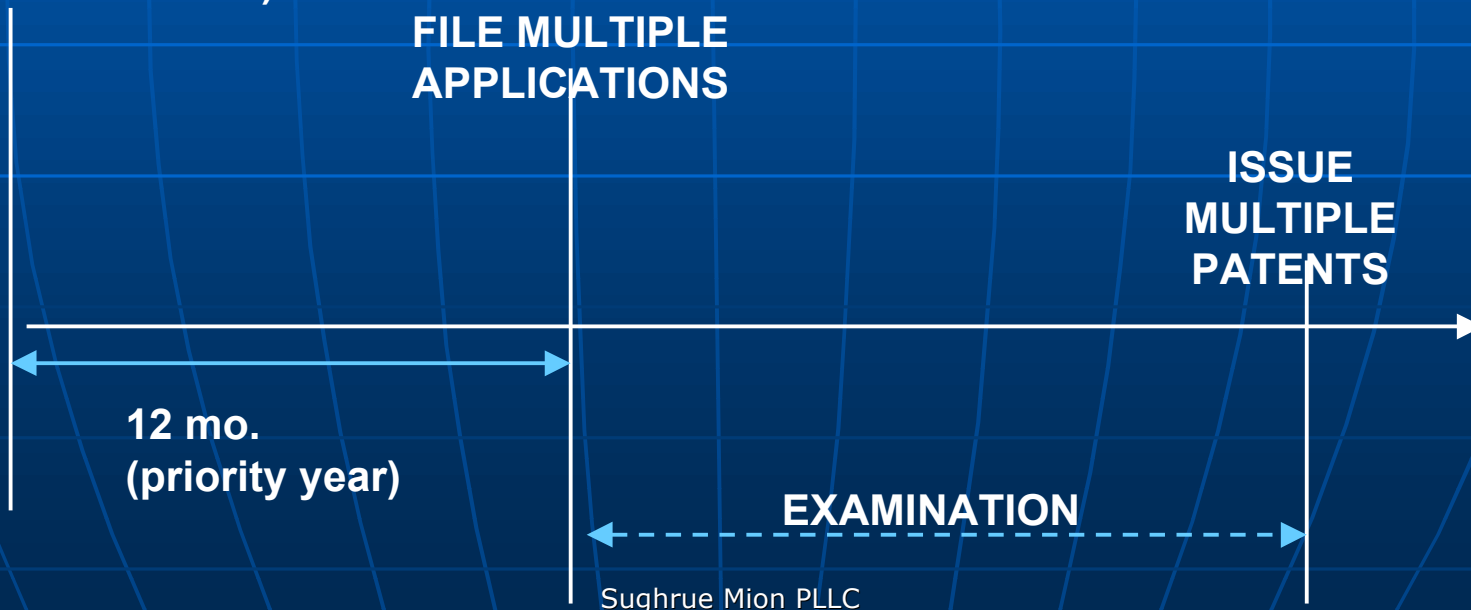
# Acquisition Of Patent Rights – Paris Convention Filing (cont'd)

## ■ 12 month deferral of Foreign Filing

FILE ONE PRIORITY APPLICATION, e.g. U.S. PROVISIONAL OR UTILITY APPL. (PRIORITY DATE)

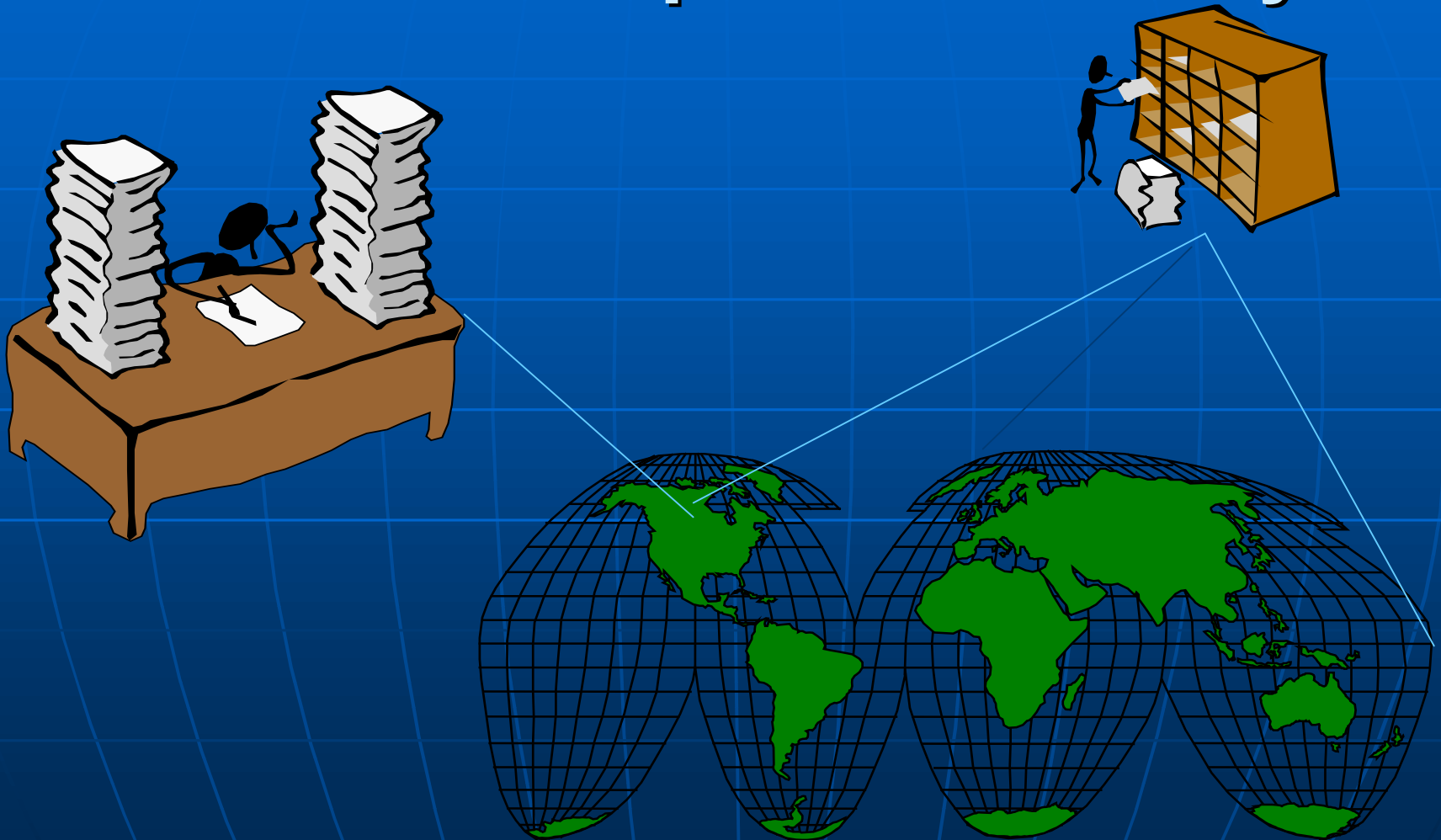
FILE MULTIPLE APPLICATIONS

ISSUE MULTIPLE PATENTS





# Acquisition Of Patent Rights – Patent Cooperation Treaty



# Acquisition Of Patent Rights – Patent Cooperation Treaty

## ■ Characteristics Of The PCT System

### 1 . Multiple Offices

- **International Bureau (IB)** - The Main PCT Office of WIPO for PCT Coordination, Publication and Filing.
- **Receiving Offices (RO)**- An Application may be filed in a designated Patent Office or the IB.
- **Designated Offices (DO)** - All Patent Offices designated in Chapter I to receive a copy of the Application and the Benefit of PCT filing and search.
- **Elected Office (EO)** - All DO's that are subsequently identified to receive the result of PCT Examination under Chapter II.

# Acquisition Of Patent Rights – Patent Cooperation Treaty

## ■ Characteristics Of The PCT System

### 2. Elected Authorities

- **Int'l Search Authority (ISA)** - The Patent Office designated by the Applicant to perform a search for prior art and issue an Int'l Search Report (ISR) and comment on formalities, including unity of invention.
- **Int'l Preliminary Examining Authority (IPEA)** - The Patent Office elected by the Applicant to perform an examination of the Application for compliance with novelty, inventive step and disclosure requirements and issue a Written Opinion (WO) and examination report (IPRP).
- ISA need not be the same as the IPEA (If US is ISA, it must be elected IPEA; If EPO is ISA, a choice)

# Benefits of PCT Filings

- Only **one** application need be filed.
- In **one** office.
- In **one** language (of the Receiving Office).
- Can claim **priority** to earlier application(s):
  - U.S. Utility or Provisional Application;
  - Paris Convention Priority.
- **Search, publication** and, optionally, **examination**.
- Opportunity to **amend** spec. and claims.
- Opportunity to **delay** national processing.

# Benefits of PCT Filings (cont'd)

- **Amendment Of Claims During Search And Examination Process**
  - Amendment of **claims** under Article 19 during Chapter I.
  - Amendment of **claims and specification** under Article 34 during Chapter II examination:
    - Goal is a favorable international preliminary report on patentability (IPRP).
    - Not binding for purposes of national or regional examination.
    - However, U.S. and foreign national examiners increasingly give great weight to a favorable IPRP.

# Opportunity to *Delay* – A Primary Benefit of PCT Filing

- **Delay of 30-31 Months** for National Filing:
  - Delays **Filing Fees**;
  - Delays **Translation Costs**;
  - Delays **National Attorney Costs**;
  - Delays **Election Of Countries**.
- New **Chapter I** rules permit 30-31 month delay at even lower cost:
  - No demand;
  - No international preliminary report on patentability (IPRP).

# Opportunity to *Delay* – A Primary Benefit of PCT Filing (cont'd)

- Eventual Country Decision (where to Nationalize) Based On Evaluation Of:
  - Cost/complexity of obtaining/enforcing patents in particular countries;
  - Strength/type of patent protection available;
  - Business and legal value of patents;
  - Size (or potential size) of the market;
  - Competitive landscape;
  - Experience, developments, and trends.

# Delay of National Processing

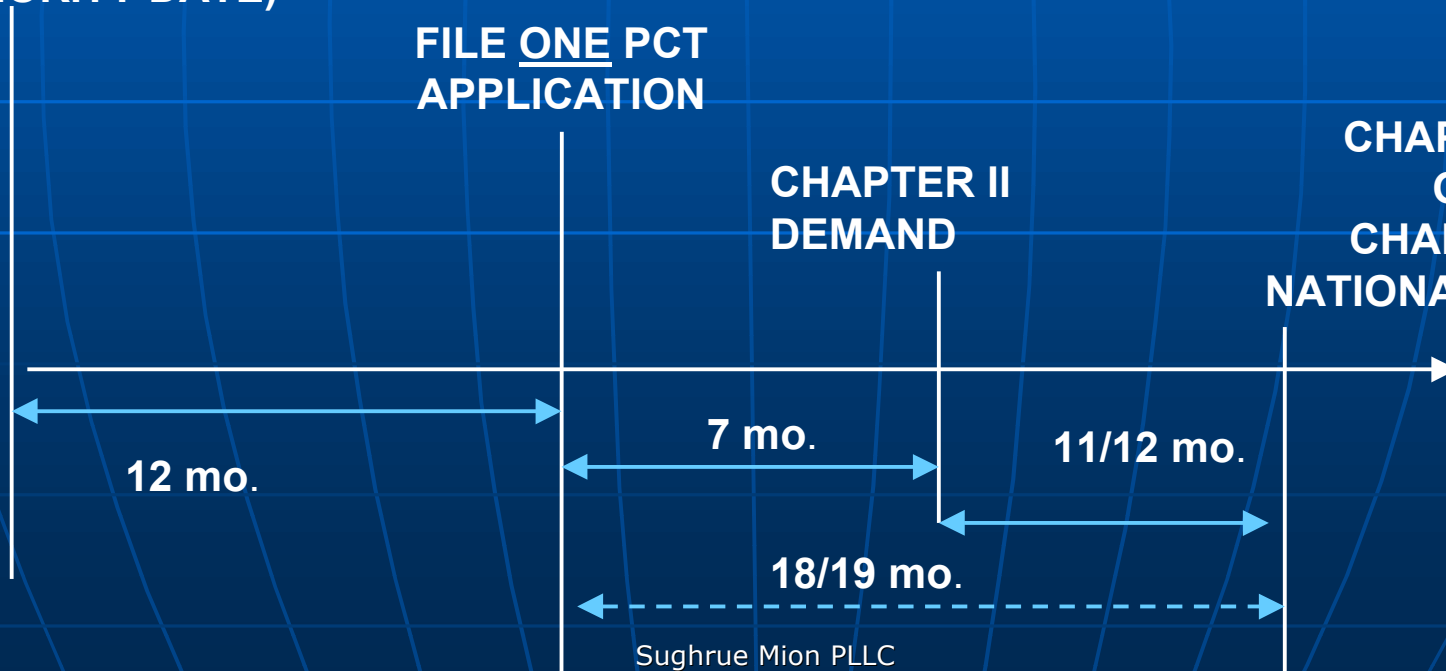
- Saves money and keeps options open:

FILE ONE PRIORITY APPL.,  
E.G., U.S. PROVISIONAL  
OR UTILITY APPL.  
(PRIORITY DATE)

FILE ONE PCT  
APPLICATION

CHAPTER II  
DEMAND

CHAPTER I  
Or  
CHAPTER II  
NATIONAL APPS.





# What If You Don't Want Delay?

- Certain fast-moving technologies such as electronics and software.
- Long delay may mean product obsolescence before patent issuance.
- PCT can also be used to selectively speed up/streamline national processing:
  - File **PCT** application as a first filing (no priority);
  - Upon receipt of ISR (at **9 months**), immediately file demand and enter the national phase;
  - In U.S., for example, the same examiner who performs the search and issues IPRP will likely examine the national application.

# What Do You Have As A Result Of The PCT International Stage?

- An **International Application** with specification, drawings and claims.
- An early effective **filing date**.
- A **search** of prior art.
- An Examination and Opinion on Patentability (**IPRP**)
  - If Chapter II
- **Amended claims** (Articles 19 & 34).
- All **documents** are located in the Int'l Bureau (**IB**).
- Copies of all documents have been **forwarded** to the elected or designated countries.
- **Easy entry into the national phase**.

# Use of the PCT in Managing Patent Costs



# Use of the PCT in Managing Patent Costs

- Megasoft Inc. - Outside patent budget of **300,000 USD** annually.
- 10 inventions per year – varying complexity.
- Average cost for U.S. preparation and filing: 15-20,000 USD, depending on complexity (total of **150-200,000 USD**).
- Foreign markets are in the **U.S., Canada, New Zealand, Australia**, and potentially **Europe** and the **Far East**.
- Manufacturing facilities are in **China**.
- International patent protection:
  - **How, where, when and how much?**

# Use of the PCT in Managing Patent Costs (cont'd)

- **First Year:** Cost of **150-200,000 USD** for new U.S. filings:
  - No prosecution, no foreign filing.
  - Surplus of 100-150,000 USD.
- **Second Year:** Cost of **150-200,000 USD** for new filings, **plus:**
  - U.S. prosecution of first 10 cases: 30-60,000 USD.
  - Foreign filing on first 10 cases: 50-70,000 USD.
  - Likely even or approaching a deficit condition.
- **Problem** - Third Year: clearly a **deficit condition.**
- **Solution** - More money and/or **tighter management of patent costs.**

# Use of the PCT in Managing Patent Costs (cont'd)

- Reduce U.S. filings and/or abandon pending U.S. applications?
- Reduce or eliminate foreign filings?
- Defer foreign filings?
  - Pending more knowledge of importance (offensive & defensive).
  - Pending more knowledge of patentability.
  - Pending allocation of more funds.
- **ONE Solution** - use of U.S. Provisional applications and/or PCT to preserve priority rights and ensure adequate time to decide.

# Use of the PCT in Exploiting Patent Rights



# Exploiting Patent Rights

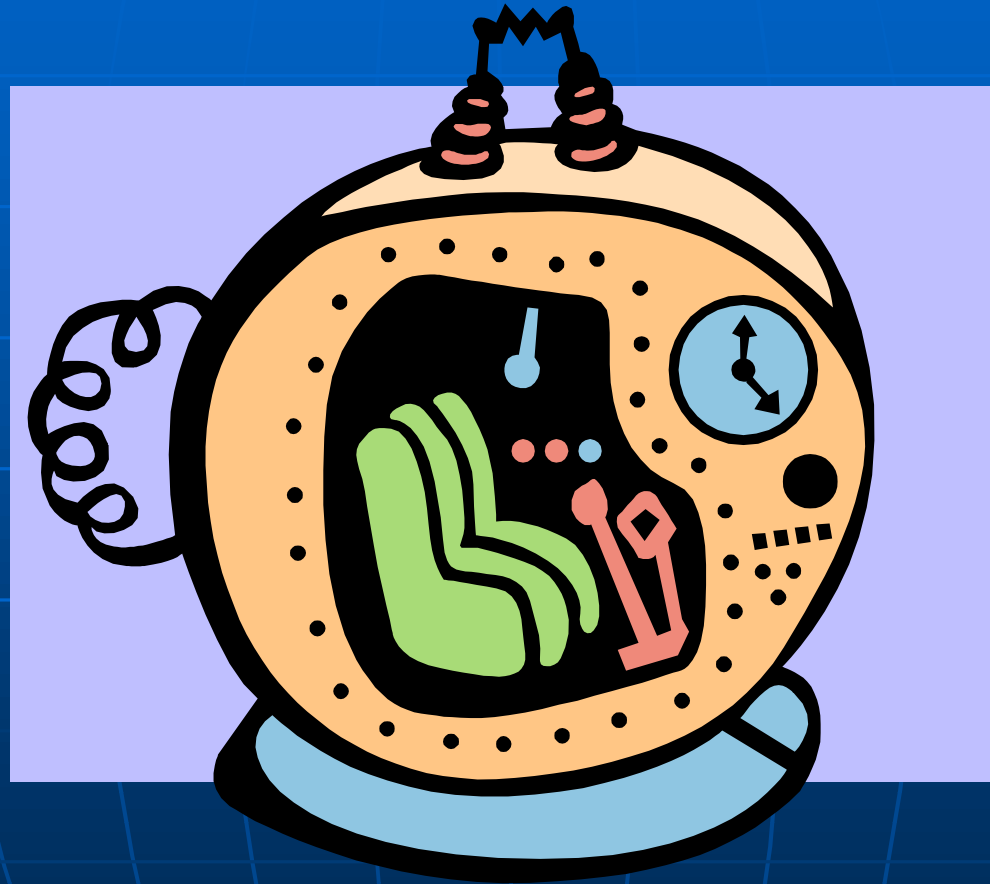
- Patents to Exclude Competition.
- Patents for Survival.
- Patents as a Source of Royalty Income.
- **Defensive use of Patents/PCT Applications.**



# Exploitation of Patent Rights - Defensive Strategies using PCT

- Patents as Bargaining Chips.
- Create Basis for counterclaims if sued.
- **Create Prior Art:**
  - Filing and Publication;
  - Preserve trade secrecy?
- Prevent others from patenting key basic technology and improvement technology.
- **Ensure Freedom to Operate (FTO).**

# The § 102(e) “Time Machine”

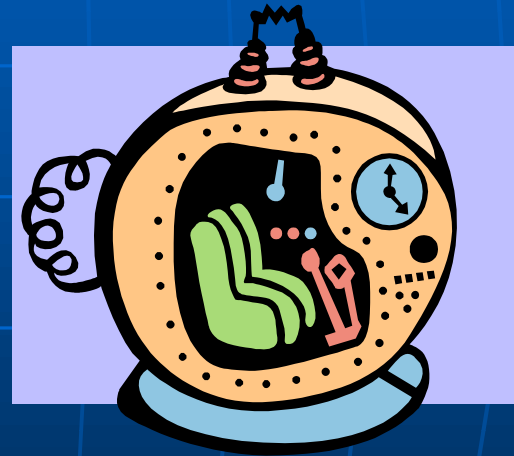


# The § 102(e) “Time Machine”

- The effective date that certain patent documents are considered to be prior art in the U.S. is the **effective U.S. filing date**, which can be much earlier than the publication date.
- Used to only apply to issued U.S. patents.
- Now also includes **published PCT applications** and published U.S. applications **under certain circumstances**.

# The § 102(e) “Time Machine”

- Upon publication, these documents go “**back in time**” to create prior art in the U.S.



- In the meantime, a limited period of **trade secrecy** before publication.

# 35 USC §102(e)

“A person shall be entitled to a patent unless —

\* \* \* \* \*

(e) the invention was described in

(1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or

(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent,

except that an international application [i.e. PCT application] filed under the treaty defined in section 351(a) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language; or”(emphasis added)

# Prior art references now available in the US under § 102(e)

1. **U.S. Patents** (formerly: could not use a PCT application filing date)
  - Now: If a U.S. patent issues from, or claims benefit of, a PCT app., the U.S. patent's prior art date may now be the PCT app. filing date if the following three conditions are met:
    - the **PCT app. was filed on or after 11/29/00**;
    - the PCT app. **designated** the US; and
    - the PCT publication (by WIPO) was in **English**.
  - Note: when the three conditions are met, the PCT app. filing date is a U.S. filing date for § 102(e) purposes.

# Prior art references now available in the US under § 102(e) (cont'd)

## 2. U.S. Application Publications (did not exist before 11/29/00):

- Now: A U.S. application publication is prior art as of the application's U.S. effective filing date, which can include a PCT application filing date, if the same three conditions are met.

# Prior art references now available in the US under § 102(e) (cont'd)

## 3. WIPO Publications of PCT Applications

- **Formerly:** A WIPO publication was not prior art under § 102(e)
- **Now:** A WIPO publication of a PCT app. is § 102(e)(1) prior art **as of the PCT filing date**, if the same 3 conditions are met:
  - the **PCT** was filed **on or after 11/29/00**,
  - the PCT **designates** the **U.S.**, &
  - the PCT publication (by WIPO) is in **English**.



# § 102(e) Prior Art Date – PCT Application



(10) International Publication Number

**WO 02/44176 A1**

**PCT**

(21) International Application Number: PCT/DK01/00791

(22) International Filing Date:

28 November 2001 (28.11.2001)

(25) Filing Language:

English

(26) Publication Language:

English

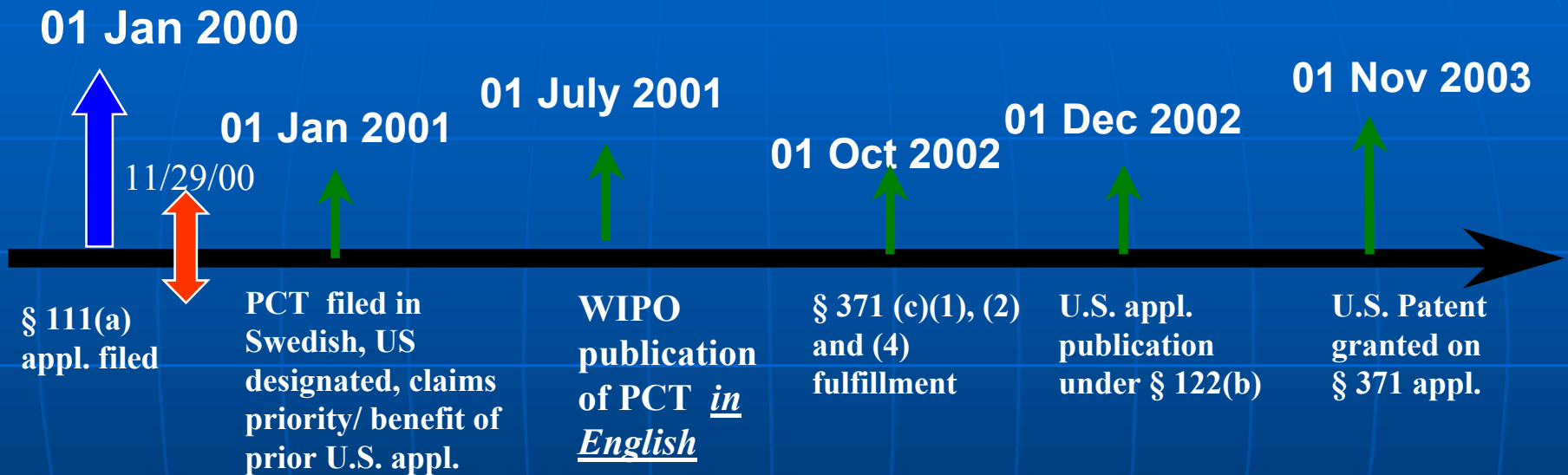
(81) Designated States (*national*): AE, AG, AL, AM, AT, AU, AZ, BA, BB, BG, BR, BY, BZ, CA, CH, CN, CO, CR, CU, CZ, DE, DK, DM, DZ, EC, EE, ES, FI, GB, GD, GE, GH, GM, HR, HU, ID, IL, IN, IS, JP, KE, KG, KP, KR, KZ, LC, LK, LR, LS, LT, LU, LV, MA, MD, MG, MK, MN, MW, MX, MZ, NO, NZ, PH, PL, PT, RO, RU, SD, SE, SG, SI, SK, SL, TJ, TM, TR, TT, TZ, UA, UG, US, UZ, VN, YU, ZA, ZW.

*Sample WIPO Publication*

# § 102(e) Prior Art Date – PCT Application

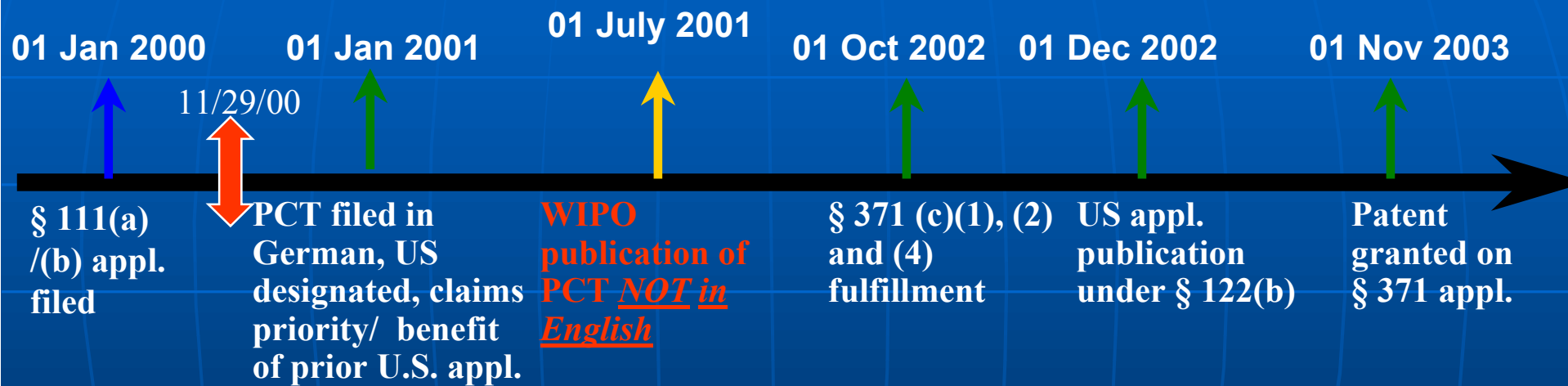
- If the U.S. patent, U.S. application publication, or WIPO publication issues from, or claims benefit to, a PCT application that has an international filing date on or after 11/29/00, designates the United States, and is published in English by WIPO (under PCT Article 21(2)) the **§ 102(e) date is the international filing date, or any earlier effective U.S. filing date.**

# U.S. Patent Derived from the National Stage of a PCT that Claims Priority/Benefit of a U.S. Application – (PCT Filed On/After 11/29/00)



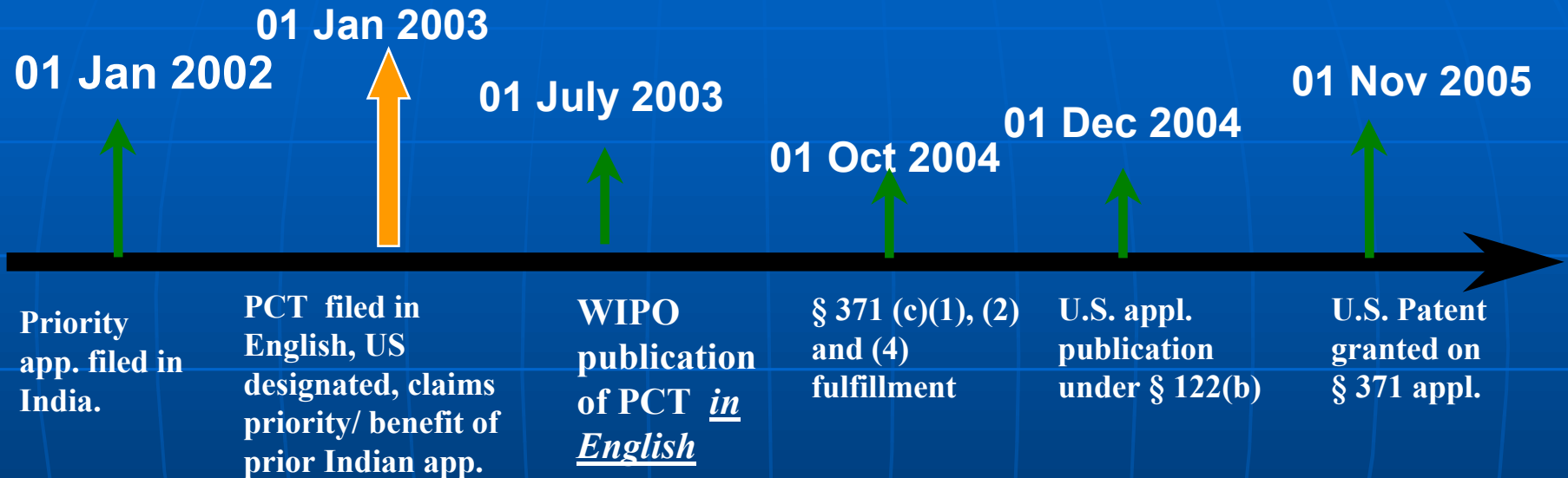
- § 102(e)(2) date of the patent: 01 Jan 2000
- § 102(e)(1) date of the WIPO publication is 01 Jan 2000
- § 102(e)(1) date of U.S. application publication is 01 Jan 2000
- Prior to the new law, the earliest prior art date would have been the 01 July 2001 WIPO publication date.

# U.S. Patent Derived from the National Stage of a PCT that Claims Priority/Benefit of a U.S. Application – (PCT Filed On/After 11/29/00) – WIPO Publication *Not In English*



- § 102(e)(2) date of the patent: **NONE**
- U.S. appl. publication and WIPO publication do **NOT** have a § 102(e)(1) date because the PCT was not published in English.
- The best prior art date for the disclosure is the § 102(a) or (b) date 01 July 2001 of the PCT publication by WIPO.

# U.S. Patent Derived from the National Stage of a PCT that Claims Priority/Benefit of an Indian Application – (PCT Filed On/After 11/29/00)



- § 102(e)(2) date of the patent: 01 Jan 2003
- § 102(e)(1) date of the WIPO publication is 01 Jan 2003
- § 102(e)(1) date of U.S. application publication is 01 Jan 2003
- No benefit of the 01 Jan 2002 Indian priority application is given under § 102(e)(1).

Source: USPTO

# Thank You

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