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## **PATENT COOPERATION TREATY - CREATES NEW HORIZONS**

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Foreign trade is becoming essential to the economic survival of our nation. The use of foreign patents is an excellent tool to protect foreign markets. An international treaty, the Patent Cooperation Treaty (PCT), which will be discussed in this article, permits for effective and relatively inexpensive foreign patent protection.

Foreign patent protection is needed because patent rights are territorial. Thus a United States patent only protects against infringement throughout and within the United States. 35 U.S.C. ^154; 35 U.S.C. ^271(a); Deepsouth Packing Co. vs. Laitram Corp., La. 92 S.Ct. 1700, 406 U.S. 578, 32L. Ed. 2d 273, rehearing denied 93 S.Ct. 94, 409 U.S. 902, 34L. Ed. 2d 165 (1972). For example, the use of a process in an Oriental or European country to make a product sold in the United States, is not an infringement of a U.S. patent for the process. Infringement of the U.S. patent cannot be predicated upon acts consummated in a foreign country. Dr. Beck & Co. G.M.B.H. vs. General Electric Co., D.C. N.Y. 210 F. Supp 86, affirmed 317 F. 2d 538 (1962). The only remedy would be from the enforcement of a process patent which exists in the particular foreign country.

The PCT is a system that includes countries responsible for about 90% of the total world patent filing: 40 countries including most of the industrialized ones. Essentially all are accessible now to U.S. patent applicants and practitioners. As of July 1, 1987 the U.S. adopted Chapter II of the PCT. With that we have taken a major step towards an "international" patent.

### **A major step towards an "international" patent**

After filing a U.S. patent application, an inventor has a one year priority period granted by the Paris Convention of 1883 to decide where to file for foreign patents, and retain the benefit of the U.S. patent application filing date. Without the benefit of the priority period it may be too late to file a foreign patent application because of intervening sales and usage by the inventor.

Different routes are available to an inventor for obtaining a patent in foreign countries. There can be unique and different situations that dictate creative and special foreign patent filing techniques. However, for most inventions, once the various possibilities have been evaluated, the most effective procedure for foreign patent filing will be the PCT-EPO route. By "PCT-EPO" is meant an international PCT application filed in Washington with the European Patent Office searching and examining the application. The PCT and European Patent Office system will be further explained.

### **National, Regional or International Filing**

One can file foreign patents nationally, regionally or internationally. National filing requires the applicant to file separate applications in each country. Essentially, regional filing is a single European Patent Office filing covering some 13 western European countries. (United Kingdom, West Germany, France, Sweden, Belgium, Netherlands, Luxembourg, Austria, Switzerland and Liechtenstein, Italy, Spain, Greece. In the future Denmark, Finland, Portugal and Yugoslavia could join). An international filing is a single PCT application that designates

as many countries in that system as required. With the PCT system, the application is searched internationally and, if desired, examined internationally. Thereafter the applicant selects particular countries where the patent is to be filed.

A valuable and new filing route is the combination of the PCT- EPO filing procedures. After an analysis of the various factors which go into deciding how to file a foreign patent, the PCT-EPO procedure will dictate itself as the most appropriate generally.

A comparison of some features of the various routes for filing foreign patent applications is presented in the Table.

### **Considerations For Foreign Filing**

The considerations and objectives of deciding on a foreign patent program generally come down to obtaining the most effective foreign patents, most economically and commensurate with various factors which include the subject matter; the nature of the applicant; and the commercial purpose for the foreign patents.

#### **o The Subject Matter**

The high-tech area usually deals with biotechnology or computers, and this generally dictates filing in the European Patent Office, rather than national filings. In the mid-tech and low-tech areas there is no need to file nationally since there is harmony between the laws of the national countries and the EPO.

#### **o The Nature of Applicant**

A large corporation, generally with a defined budget seeks the best patent protection possible relative to cost, and hence the EPO and PCT is advantageous. An R & D venture corporation often also needs to extend finances as far as possible. Alternatively a venture company may seek as many patents as quickly as possible and, in such a case, national filings could be of help. Mid-sized corporations would generally benefit from international PCT filing procedures followed by the EPO system, as would an individual or smaller corporation, because of the deferred expenses.

#### **o The Commercial Purpose For Foreign Patents**

To be evaluated here is whether the patent is required for the sole benefit of the applicant's business, for licensing to third parties or cross-licensing internationally or nationally. Alternatively, is it entirely speculative? In general, a PCT application followed by an EPO filing will be appropriate.

### **National Filings are Expensive**

Within the 12-month Paris Convention period, the applicant must make his filing decision. Where this route is selected, expenses are of no concern to the applicant, because some foreign patents are needed, and it can be that some of these must be obtained as quickly as possible. Except for special circumstances, national filing is on the decline in Europe in favor of EPO applications.

### **A European Patent Office Filing Defers Expenses**

The European patent has largely replaced national filing, because a U.S. applicant can prosecute in English, have a single prosecution, and can keep options open much longer.

Once an application for a European patent is selected, the incremental expense should be undertaken to cover essentially all of the 13 EPO countries at that time. The applicant is thereby extending the time for Europe up to the date of patent allowance before having to incur heavy translation expenses.

### **The PCT Route Has Many Advantages**

A U.S. national and resident can now file a PCT application in Washington, designate 40 countries, and have the

EPO search and examine that application. The U.S. applicant has up to 30 months to make his decision as to which countries finally to select for foreign filings.

In the PCT after the 40th country designation, there is no further charge, so that one can freely designate all relevant countries beyond 10. This provides a free option for most countries for at least 8 more months under PCT Chapter I, or for up to 18 months under PCT Chapter II, beyond the Paris Convention priority period of 12 months. This gives us the 30 month period for finalizing the foreign filing decision.

Moreover, by using the PCT-EPO route, it is not necessary to designate exactly which European countries are required in the EPO system until the end of the EPO prosecution, which can be another 12 months. What is achieved, therefore, is a valuable extension of the time before substantial expenses must be incurred.

During this time the applicant can search and review the prior art, determine to what extent the subject matter is commercially viable and practical for patenting, and determine whether licensing is likely. This way the applicant delays the bulk of the investment in patent costs until an intelligent and knowledgeable business decision can be made.

If the U.S. applicant does not wish to adopt Chapter II applicant, the PCT Chapter I can still be used. The applicant can thereby have either the U.S. or EPO conduct only a search. Within 20 months of the first filing date, the U.S. applicant will have to decide where to foreign file based on results of the international search, namely without an examination.

### **Centralized Search and Examination is all done in English**

Under Chapter II, with the PCT-EPO routing, a U.S. PCT application filed in Washington, is searched to locate any prior art by the EPO at The Hague in the Netherlands, and, is examined based on the search results by the EPO in Munich. This centralized search and examination is all done in English, and all actions can be handled by a U.S. patent attorney. Thus, for patents in countries as far flung as in Europe, and Brazil, Japan, and the Soviet Union, it is now possible to have the examination in the English language, and U.S. patent attorneys can conduct the international preliminary examination firsthand from the U.S.

### **U.S. patent attorneys can conduct the international preliminary examination firsthand from the U.S.**

This procedure does not mean that the various countries will not "re-examine" the applications later, but certainly one should be ahead with a good start, having had an EPO examination. Often in difficult cases, particularly with some genetic engineering inventions, other countries desire to find out the results of the EPO examination before proceeding. This provides an important advantage.

With increasing efforts towards patent law harmonization and internationalization, the PCT-EPO route is a significant first step for securing an "international" patent directly from the office of the U.S. practitioner. U.S. practitioners have the right of interviewing the EPO in Munich. As the responsible attorney closest to the inventor and the real heart of the invention, the U.S. practitioner probably can make the most informed international decision about an invention. With this centralized approach, the inventor will be best served.

### **U.S. practitioners have the right of interviewing the EPO in Munich**

This advantage of international practice could turn out to be short-lived since the EPO is only prepared to examine 500 cases from the U.S. per year over the next three years. The EPO is however, increasingly likely to become the prime international patent office and could open itself more rather than restrict U.S. originated cases.

### **Deferral can save tens of thousands of dollars in foreign prosecution costs**

With a PCT Chapter II filing, the costs incurred are low and it provides an independent patent search and complete examination. U.S. prosecution can be deferred for this 30-month period with a replacement of the PCT application for the original U.S. application. This deferral can save tens of thousands of dollars of foreign prosecution costs and simplify internal patent management. If one files nationally, then at the 12th month, the cost of getting an application on file can be about \$30,000 or higher. This expense will increase periodically from that time forward as prosecution commences. Under PCT Chapter II procedures, the first requirement for a

foreign attorney and for translations or other national procedures commences only at the 30th month. The overall cost could therefore be under \$5,000 for the first 30 months. Additionally, total costs can be offset against later national or EPO fees. Thus, the EPO provides 100% credit for the search fee and 70% credit for the preliminary examination fee.

The PCT Chapter II thus includes important time shift advantages. With the more rapid European procedure, where the examination under PCT Chapter II is measured from the priority date and must be completed within 28 months, U.S. inventors and businessmen will benefit from a much earlier determination of the likelihood of granting a European patent. The U.S. examination will also be more informed after completion of searches at both the U.S. and EPO patent offices.

EPO	NATIONAL	EPO	PCT (CHAP II) -
1. When are national expenses for each country incurred	12 months	36+ months	30-36 months
2. Can U.S. Attorneys Prosecute Directly	No	No	Yes
3. Overall Relative Cost of Prosecution and Patent Program	High	Medium	Medium/Low
4. Is Prosecution in English	No*	Yes	Yes
5. Quality of Search/Examination	Varies	Good	Good
6. Examination Results	Varies	30-36 months	22-28 months

\* except in Great Britain

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