

You Better Shop Around

International patent protection: Where in the world should you file?

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Filing a patent application in the United States starts the process for protecting an invention in the U.S. But it does nothing to protect it overseas. Patent applications must generally be filed on a country-by-country basis to secure foreign patent protection, but filing applications in all of the world's patent offices would cost close to \$500,000. Going forward in just five or six countries, a more modest approach, can cost \$20,000-\$30,000. Foreign filing decisions can therefore have a big impact on a company's legal budget.

Fortunately, such decisions don't have to be made right away. Under an international treaty dating back to 1883 (the Paris Convention), a patent application filed in the U.S. can be filed in any of 171 other countries within one year of the U.S. filing date. In essence, patent applicants get a "free year" before they need to decide where else in the world they want to pursue patent protection.

To qualify for patent protection overseas, though, a U.S. patent application has to be filed before any public or commercial use of an invention. At the time corporate decision makers need to make their foreign patent filing choices, therefore, they'll have data from less than a year of commercial sales of a patent-pending product on which to base their decision. As in-house counsel, how should you advise them?

In many cases, it makes sense to delay the decision until additional commercial data becomes available. For about \$3,000, a final decision about where to seek foreign patent protection can be delayed in most countries for an additional 18 months by filing an international patent application under the Patent Cooperation Treaty (PCT). Filing such an application preserves the right to file for patent protection in the 139 member countries of the PCT

for a total of up to two-and-a-half years from the original filing date of the U.S. patent application.

The primary downside of deferring foreign patent filings this way is the additional cost of filing the international application, which is on top of the country-by-country application fees that must still be paid at the end of the PCT process. The other disadvantage is that certain countries are not yet members of the PCT, including some in East Asia (Thailand and Taiwan), the Middle East (Saudi Arabia and Pakistan), and South America (Argentina and Venezuela).

A final decision must eventually be made, though, regarding where to seek patent protection. As a starting point, examine what other patent owners have decided. The latest data from the World Intellectual Property Office (WIPO) indicates that patent applications that were filed internationally (i.e., in at least two patent offices) were filed most frequently in Japan, the U.S., Europe, and Korea, in that order (see Table 1 at below).

Table 1: International Patent Filings (2001-05)

Country	Patent Applications (% of total)
Japan	29.9
U.S.	28.4
Europe (Sweden, France, Germany, Switzerland, Italy, U.K., Netherlands)	25.6
Korea	5.5

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Another metric to consider is where the largest numbers of patent applications are being filed, as an indication of where there may be markets for innovative products. As of 2006, the busiest patent offices (in terms of the number of patent applications filed) were those of the U.S., Japan, China, Korea, and the European Patent Office.

In order to determine where in the world to protect a particular product, it helps to understand how patents bring value to that product. The primary value of patent protection is in providing exclusivity in the marketplace for a particular, inventive aspect of a product or service. Patents therefore have value if such exclusivity provides a higher profit margin for a product or service. If margins for a product or service are similar across different countries, the additional margin that a patent can provide will be larger in countries with larger markets, i.e., a patent in the U.S. or Europe will have greater value to a company than a patent in a smaller market, all other things being equal.

The cost of filing for patent protection, on the other hand, is not significantly different from country to country, give or take a few thousand dollars. Because of this, the greatest bang for the buck when seeking patent protection can generally be had by filing for protection in countries with the largest economies.

As listed in Table 2, below, the top five world economies are the European Union, the U.S., China, Japan, and India. Together, these countries account for approximately 65 percent of world GDP and 50 percent of the world's population.

Table 2: Largest Markets

Rank	Country	GDP (purchasing power parity)
1	European Union ¹	\$14,430,000,000,000
2	United States	\$13,780,000,000,000
3	China	\$7,099,000,000,000
4	Japan	\$4,272,000,000,000
5	India	\$2,966,000,000,000

Source: The 2008 World Factbook (Central Intelligence Agency, based on 2007 data)

¹ Data for the European Union is used to approximate data for the countries that belong to the European Patent Office (EPO). EPO member countries include those of the European Union as well as Norway, Switzerland, and Turkey.

By contrast, the next five largest economies, Russia, Brazil, Mexico, Canada, and South Korea, make up only 12 percent of world GDP and 8 percent of world population. Since the costs to file for patent protection in the top five world economies are about the same as the costs to file in the next five largest economies, protecting an invention in the next five largest world economies becomes a matter of diminishing returns.

Differences in the legal systems between countries can also be a factor. For example, while South Korea and Canada have relatively well developed intellectual property systems, China and India have only relatively recently updated their patent laws to conform to international standards.

Keep in mind, however, that a patent is an investment with a life span of 20 years, and the growth potential of countries like China and India far exceeds that of most other countries. The legal systems in China and India also may very well look different in a few years' time. China's patent system has changed dramatically in the past ten years, and the large number of patent applications being filed there (more than are filed in the European Patent Office) reflects this. The increasing value of technology to the domestic economies of China and India, as well as the increasing experience of their legal systems with patent matters over time, is likely to increase the value of patents in these countries.

The conclusions reached in this analysis thus mirror the decisions already being made by patent owners worldwide, who favor patent filings in the U.S., Europe, Japan, China, and Korea. To get the most out of your legal budget, therefore, file for patent protection in those countries with the largest markets.

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