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VIEWS ON THE REFORM OF THE PATENT COOPERATION TREATY (PCT) SYSTEM

Document submitted by Algeria, Brazil, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Malaysia, the Philippines, South Africa, Sri Lanka, Sudan, Syria and Zimbabwe

SUMMARY

1. This submission by the Development Agenda Group (DAG) PCT Member States (Algeria, Brazil, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Malaysia, the Philippines, South Africa, Sri Lanka, Sudan, Syria and Zimbabwe) is a working document presented to the third session of the PCT Working Group, with the views of the DAG PCT Member States on the reform of the PCT System, including comments on the study prepared by the WIPO Secretariat entitled “The Need for Improving the Functioning of the PCT System” (document PCT/WG/3/2).

INTRODUCTION

2. In its Guiding Principles Paper, submitted as an official document of the fifth session of the Committee on Development and Intellectual Property (CDIP), the DAG pointed out that the adoption of the WIPO Development Agenda contributed to challenging the universal applicability of ‘one size fits all IP protection models’ or the advisability of the harmonization of laws leading to higher protection standards in all countries irrespective of the levels of development. We also noted that WIPO should pursue a “development compatible,” approach, one that is driven by the different levels of development and varying interests and priorities” of Member States.

3. In this regard, DAG PCT Member States have an interest in the reform and the improvement of the functioning of the PCT. We are therefore deeply interested in the ongoing discussions in the PCT Working Group, and favor deepening the analysis and continuing the debate on the reform of the PCT within the parameters agreed at the last session of the Working group. In addition to the above mentioned principles, we underline the need to ensure that the reform of the PCT System does not entail any harmonization of patent law, in substance or in practice, including as stipulated under Article 27 (5) of the PCT.

4. Furthermore, we also support a technical discussion leading to the better and smoother operation of the PCT system. That discussion could include, *inter alia*, topics such as the possibility of and/or need for comments by third parties or written reports before a negative opinion is issued on a patent application; the extension or not of the so-called international phase; and the need for more comprehensive and detailed information on search strategies.

5. Prior to providing specific substantive comments, we wish to note the intensive consultative processes carried out prior to the convening of this Third Working Group session. We welcome the undertaking of such positive interactions and believe that such processes should be member-driven in nature, taking into account broad and transparent consultations. At the same time, the DAG appreciates the facilitative role of the Secretariat in Member States consultations.

6. We thank the Secretariat for the study prepared, as mandated by the second session of the Working Group in May 2009, entitled "*The Need for Improving the Functioning of the PCT System*" (document PCT/WG/3/2). We believe this study can serve as a good basis for discussions on the issue of the reform of the PCT. We have undertaken a careful review of the study and note that the study clearly points to problems in processing international applications, where increasing number of applications on the one hand, and inadequate manpower and capacity in Offices, on the other, have led to unsustainable backlogs and increased possibility of the grant of invalid patents. This is an issue of concern.

THE QUESTION OF QUALITY

With regard to the important question of quality, allow me to begin by a definitional clarification. We note that the study does not draw a clear line of distinction between two sets of questions that are of a different nature, albeit interconnected. These are the "quality" of patents (which has to do with compliance with the three criteria for patentability under TRIPS Article 27.1), and the "quality" of technical procedures used in the preparation of the examination of patent applications. The first set of questions relates to substantive legal issues and should therefore remain outside the purview of the current debate on PCT reform. We are therefore focused on the second set of questions.

7. The study clearly shows that, at present, international search and examination reports are not of a quality on which national patent offices can fully rely. Therefore, in our view, we should first focus on reviewing and improving the quality of international search and examination work, before asking national patent offices to rely on them more than they currently do. For this reason, we are happy that the study recognizes the need for improving the quality of international search and examination work such that national Offices can have confidence in those reports. We agree fully with the need to focus on improving the quality of International Search and Examination Reports and therefore welcome and support the decision to conduct a review through the quality sub-group, which would report to the fourth session of the PCT Working Group. We consider this as particularly relevant and timely and look forward to the outcomes of this important review process.

THE QUESTION OF RELIANCE ON INTERNATIONAL SEARCH REPORTS

The second issue we would like to refer to is the issue of reliance on international search reports. At the outset, and as a matter of principle, we do not favor the principle of automatic validity of international search and examination reports, nor do we consider that a national patent office is under any obligation to accept automatically any report by another national patent office.

8. We also have a second important caution. The study may be construed (or misconstrued) as indicating that Member countries of the PCT will always be divided across a line separating those that are international search and examination authorities (ISAE) and those that are not. The former would ideally produce top-notch quality examinations within the PCT system whereas the latter would have little if any capacity for conducting substantive examination of patents, thereby limiting themselves mostly to validating the work of the ISAE. We do not favor this approach that only freezes a divisive situation rather than contributes to the better integration and operation of the overall PCT system.

9. The study suggests that in most cases repetition of national search and examination by an Office that also conducted the international search and examination can be considered as "unnecessary duplication". Thus, it recommends that International Authorities should recognize the quality of their own work and not routinely conduct more than a top-up search when an international application for which they acted as International Authority enters the national phase.

10. In this regard, it should be borne in mind that the workload due to increasing backlogs and the requirement of conducting international work within the stipulated timeframe, could in practical terms, mean that an international application is not so thoroughly searched by the Office as its facilities could permit, for a national search. Hence, in our view, it would not be productive to insist that international authorities should rely on international search and examination reports produced by them, even in the national phase, merely for the sake of creating a 'perception of quality' across the system. Instead, we need to explore the root causes as to why international authorities are unable to conduct search and examination to a level of quality that their facilities permit. The quality review to be conducted before the fourth session of the PCT Working Group may offer valuable inputs in this respect.

ADDRESSING THE PROBLEM OF BACKLOGS

11. The question before us then becomes, how do we address the problem of backlogs? While improving the quality of the International Reports addresses partially the 'supply side' of the problem of dealing with backlogs, we also have to address the causal problems leading to the backlogs on the 'demand side' in order to come out with sustainable, long-term solutions. The reason behind the flood of patent applications which seems to far exceed the level of actual innovation in the world (as the Head of the European Patent office said at a recent seminar: "*there are hundreds of patent applications containing cures for baldness, and yet not a single cure for baldness has yet been found in reality!*") needs to be addressed by looking into issues such as raising the benchmarks for improving the quality of applications; discouraging poor quality patent applications through suitable disincentives; disincentivising 'strategic' applicant behavior (such as purposefully submitting unclear and incomplete claims to stymie competition); reviewing the fee structure by calibrating it to capacity to pay, etc. We also need to consider the proliferation of patent applications that do not comply with the necessary inventive step. Until now, as the study notes in its paragraph 24, the PCT "*system has been constantly improved, notably from the viewpoint of applicants*". Perhaps now we need to improve it systemically from the viewpoint of quality of work in patent offices in order to deal effectively with the problem of backlogs.

12. The study mandated by the last session of the PCT Working Group was supposed to be *"an in-depth Study factoring in, but not limited to…identifying the existing problems and challenges facing the PCT system; analyzing the causes underlying the problems; identifying possible options to address the problems…."*. As such, the study should have comprehensively looked into the problems being faced currently by the PCT system and the range of possible solutions, including possible review of the substantive elements of the PCT provisions. Nothing in the mandate precluded the Secretariat from proposing a more comprehensive range of remedial measures; on the contrary, the mandate called for an in-depth and comprehensive review of the functioning of the PCT. The promise of transfer of technology through adequate disclosure in patent applications and technical assistance were the two benefits that developing countries were supposed to get from the PCT system. However, these important issues have not been adequately addressed in the present Study. Therefore, we would request the Secretariat to undertake a follow-up study on the elements that have not been addressed in this study, such as an analysis of the root causes of the overloading of the PCT system *(as indicated above)* and the issues of Technology Transfer and Technical Assistance, as elaborated below. That study could also involve the econometrics of patent filing, involving the office of WIPO's Chief Economist.

TECHNICAL ASSISTANCE

13. We believe that the issue of technical assistance is a key issue to be dealt with under PCT reform. While the study recognizes that the problems of backlogs and quality can be ultimately addressed most effectively by national Offices recruiting, training and equipping a sufficient number of examiners, it leaves this to be addressed by national Offices and the big Patent Offices. It focuses instead on how these issues can be addressed at the international level through work-sharing arrangements aimed at minimizing duplication of work in Offices.

14. It should be recognized that an effective long-term and sustainable resolution of the problems of backlogs and quality would require augmenting the capacity of Offices to conduct as comprehensive search and examination as possible for every application in a timely manner. This would require enhanced support for Offices, especially in developing countries which must be provided in accordance with the provisions of the PCT and the recommendations of the Development Agenda. It may be recalled that one of the two principal aims of the PCT is the *"organization of technical assistance, particularly for developing countries"* (paragraph 15 of the Study).

15. Developing country patent Offices should be provided enhanced access to effective search systems and good search databases at subsidized rates to facilitate better quality of search and examination *(the study acknowledges that many offices have limited access to effective search systems and databases owing to high costs)*; funding, training and assistance should be provided to address the identified skill and manpower shortages; assistance in digitization etc.

16. Furthermore, Article 51 of the PCT calls for the setting up of a Committee for Technical Assistance *"with due representation of developing countries"* to which the *"Director General shall,…invite representatives of intergovernmental organizations concerned with technical assistance to developing countries to participate in the work of the Committee".* The Committee for Technical Assistance was supposed to "*organize and supervise technical assistance for….developing countries in developing their patent systems….,*" including through training, supply of equipment etc. The mandated Committee has not been established so far. We believe that it should be set up now to enable the Secretariat to look at Technical Assistance requirements comprehensively and address them in a focused manner.

17. We believe that a follow-up Study by the Secretariat should comprehensively look into how the Secretariat can facilitate the provision of technical assistance as mandated by the PCT treaty, rather than just leaving it to the big IP offices to provide such assistance bilaterally. Finally, Article 51 also envisaged that WIPO would "*enter into agreements….with international financing organizations and intergovernmental organizations, particularly the UN*" and its Specialized Agencies connected with technical assistance "*for the financing of projects pursuant to this Article.*" This has not materialized to date and should now be explored.

TECHNOLOGY TRANSFER

18. Another important concern pertains to technology transfer. The Preamble to the PCT outlines the following objective: *"Desiring to foster and accelerate the economic development of developing countries …….by providing easily accessible information on the availability of technological solutions applicable to their special needs and by facilitating access to the ever expanding volume of modern technology".* As the Study acknowledges, the PCT has been reformed over the years to streamline it from the viewpoint of the 'applicants' interests. However, issues that are critical from the viewpoint of developing countries such as whether and how well PCT has been contributing to facilitating access to technical know-how for developing countries, as mandated by the Treaty, has never been reviewed or addressed by the PCT Working Group. It has also been sidelined in the present study. This important aspect with regard to the functioning of the PCT should also be reviewed in a follow-up study.

SUFFICIENCY OF DISCLOSURE

19. Finally, with regard to the issue of sufficiency of disclosure, we note that the Preamble to the PCT also outlines the following objective*: "Desiring to facilitate and accelerate access by the public to the technical information contained in documents describing new inventions."* This translates into the requirement of ensuring 'sufficiency of disclosure', which is an important issue from the viewpoint of developing countries. In fact, the promise of transfer of technology through adequate disclosure in patent applications was the primary benefit that developing countries were supposed to derive from the PCT system. However, this important issue has not been addressed in the present study by the Secretariat. Even procedural ways of improving disclosure in patent applications through practical measures such as streamlining the application forms etc. have not been explored. The follow-up study should therefore also assess how well the PCT system is functioning from the viewpoint of 'sufficiency of disclosure'. This is a critical issue from the perspective of maintaining the right balance between the holders of rights and public interest.

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