

# Twelve ways to manage global patent costs

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In the face of scathing budget cuts, there is tremendous pressure on the finance and intellectual property (IP) teams of innovative companies to obtain broad and strong patents year after year. That is why it is so important for them to develop effective strategies to manage and minimize the costs of patenting their groundbreaking technologies throughout a patent's 20-year lifecycle. Here are some ways they can do so.

## **1. DO YOUR HOMEWORK BEFORE DECIDING WHERE TO FILE**

A first essential step is to develop a smart patent filing strategy. This involves assessing the market potential and growth of a technology over the life of a patent; the location of manufacturing centers; competitors and their filing strategy; the nature of the invention; and the enforceability of patents.

The nature of your invention will inevitably determine your target markets but when identifying them, it is really important to consider how different jurisdictions define what may or may not be patented. For instance, in certain jurisdictions, including Canada, Europe (via the European Patent Office (EPO)) and India, inventions relating to methods of treatment or diagnosis cannot be patented. The patentability of software, business methods, genetic material, and stem cells also varies across jurisdictions and should be factored into filing strategy decisions.

## **2. FEES VARY IN RELATION TO THE NUMBER OF CLAIMS**

Filing fees can also vary across jurisdictions. The number of claims in an application can affect the fees payable when filing a patent application, requesting its examination and maintaining its validity. For instance, in the United States, the filing fee goes up when an application contains more than 20 claims and more than three independent claims. An "independent claim" defines the unique features of the disclosed invention and can form the basis for one or more "dependent claims", which pertain to a particular embodiment of the invention and further refine an independent claim. In the Russian Federation, the fee for requesting an examination is set according to the total number of independent claims in an application. And in Japan and the Republic of Korea, both the fees

for requesting an examination and the renewal fees are determined by the total number of claims. This is also the case for renewal fees in Indonesia (total number of claims) and Viet Nam (number of independent claims).

When filing applications in Japan and the Republic of Korea, it may therefore be worth consolidating multiple claims to create a single claim that is dependent from multiple claims, deleting those that have limited value and a high probability of refusal.

Also, law firms often charge for handling any additional claims and these costs can exceed official filing fees.

### 3. GO GREEN – OPT FOR E-FILING SERVICES

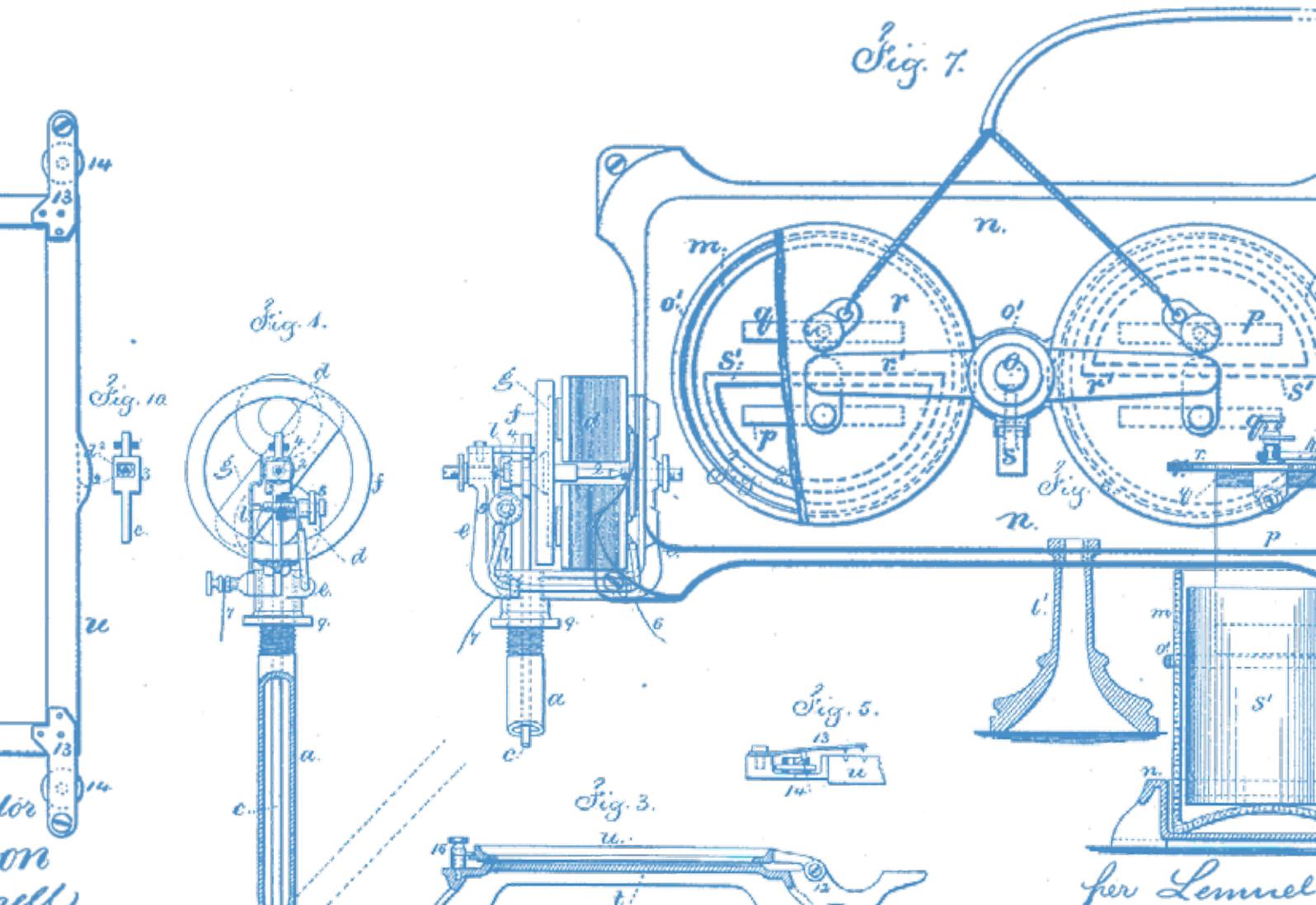
In an attempt to improve their carbon footprint, cut costs and improve efficiency, many IP offices, including those of Australia, Brazil, India, Japan, Malaysia, the Republic of Korea and the EPO, offer e-filing services at preferential rates. For example, it costs 46,000 Korean Won to file a patent application (unlimited pages) electronically with the KIPO, while the filing fee for a paper application containing up to 20 pages is 66,000 Won (with 1,000 Won payable for each additional page).

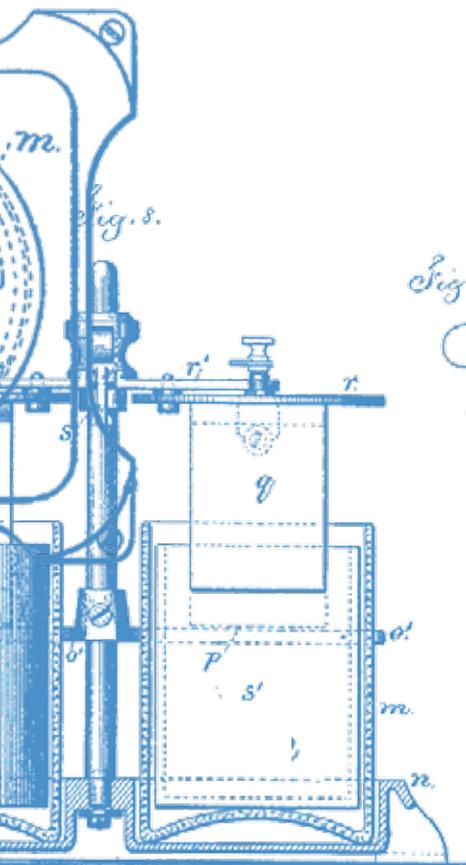
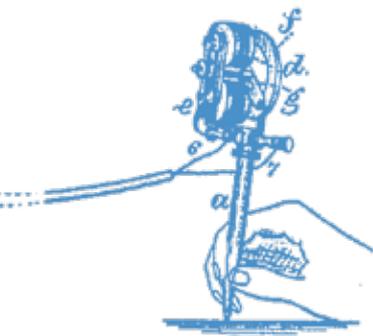
### 4. CONTAIN YOUR TRANSLATION COSTS

Translation costs are incurred in three circumstances: when filing or prosecuting a patent application in jurisdictions where English is not an official language; at the time of grant of a European patent; and when validating a granted European patent in certain EPO member states (i.e. those that have not signed the London Agreement, which seeks to reduce the costs of translating European Patents).

Translation costs can be hefty. The estimated costs of translating an application into Chinese, Japanese, Korean and Russian lie between USD 3,000 and USD 6,500 (approximately 75 to 80 percent of the total filing costs). Moreover, a significant proportion of the costs of validating a granted European patent arise from the need for translations.

Translation costs can be managed or reduced by focusing on English language jurisdictions, or blocs such as Latin America that share a common official language. Translation costs can be further reduced through effective patent drafting and by removing any redundant text from patent specifications.





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## 5. USE WIPO'S PATENT COOPERATION TREATY TO DEFER NATIONAL FILING COSTS

By filing an international application with an appropriate Receiving Office under WIPO's Patent Cooperation Treaty (PCT), an applicant can defer the costs of filing national applications in more than 150 countries by around 30 months from the date of first filing.

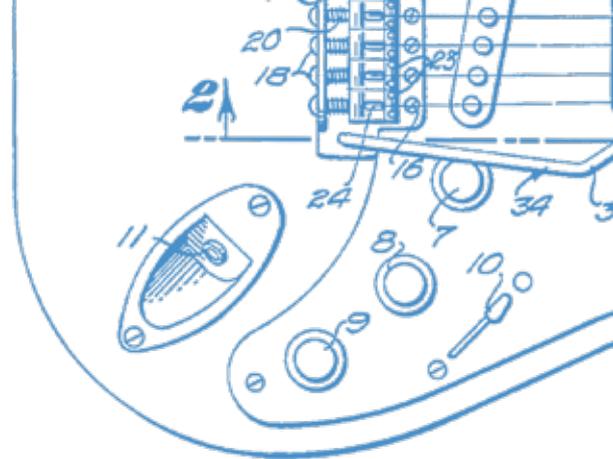
The PCT offers various strategic advantages. These include more time to study the commercial viability of the invention in target markets, and invaluable feedback on the potential patentability of an invention thanks to a mandatory International Search Report (ISR) and an optional International Preliminary Examination Report (IPER), which make it easier for applicants to make informed decisions about their patenting strategy. Search and/or examination fees may also be reduced in some circumstances at the time of national phase entry (i.e. when a national office examines the substance of an application). Costs can also be reduced by opting for expedited examination through the PCT-Patent Prosecution Highway (PCT-PPH).

## 6. CHOOSE SEARCH AND EXAMINATION AUTHORITIES WISELY

Filing an application under the PCT involves selecting an International Searching Authority (ISA) to undertake a search of the prior art to determine the novelty and the inventiveness of the technology for which a patent is being sought. These searches give applicants an idea of the patentability of their technology. Twenty-two patent offices operate as ISAs. The ISA that applicants can select depends on the jurisdiction in which they first file their application. For example, an applicant filing a PCT application with the United States Patent and Trademark Office (USPTO) (as PCT Receiving Office) may select the IP offices of Australia, Israel, Japan, the Republic of Korea, the Russian Federation, Singapore, the United States or the EPO as ISA. Each PCT Receiving Office has specified one or more competent ISAs.

In general, it is advisable to select an ISA located where you intend to file a national phase application. If, for example, the aim is to obtain a European patent, then the EPO is best placed to do the search. But ISAs set their own fees which can vary significantly, and some offer discounts. For example, the EPO, among the more pricey ISAs, offers a EUR 190 discount on ISRs drawn up by the patent offices of Australia, China, Japan, the Republic of Korea, the Russian Federation and the United States. Likewise, the Russian





Patent Office offers a 50 percent reduction on the examination fee for the ISRs it produces and a 20 percent reduction for those drawn up by other ISAs. The speed with which the different ISAs produce their reports, and their quality, are other important considerations when selecting an ISA.

## 7. TAKE ADVANTAGE OF EXPEDITED PROCESSING OPTIONS

Several national patent offices collaborate through what is known as a Patent Prosecution Highway (PPH) to streamline and expedite the processing of patent applications. PPH arrangements effectively allow each of the participating national IP offices to benefit from work already done by another patent office on a given patent application. Examples include the PCT-PPH, the Global PPH (GPPH) covering the IP offices of 22 countries, and the IP5 PPH covering the world's five largest patent offices: the State Intellectual Property Office of the People's Republic of China, the EPO, the Japan Patent Office, the Korean Intellectual Property Office, and the USPTO.

The ASEAN Patent Examination Cooperation (ASPEC) offers another type of work-sharing agreement. It includes the patent offices of Brunei Darussalam, Cambodia, Indonesia, the Lao People's Democratic Republic, Malaysia, Singapore, Thailand, the Philippines and Viet Nam. ASPEC generates search and examination reports in English and offers applicants an opportunity to make substantial savings on translation costs.

## 8. FILE A REQUEST FOR EXAMINATION WHEN YOU FILE YOUR APPLICATION

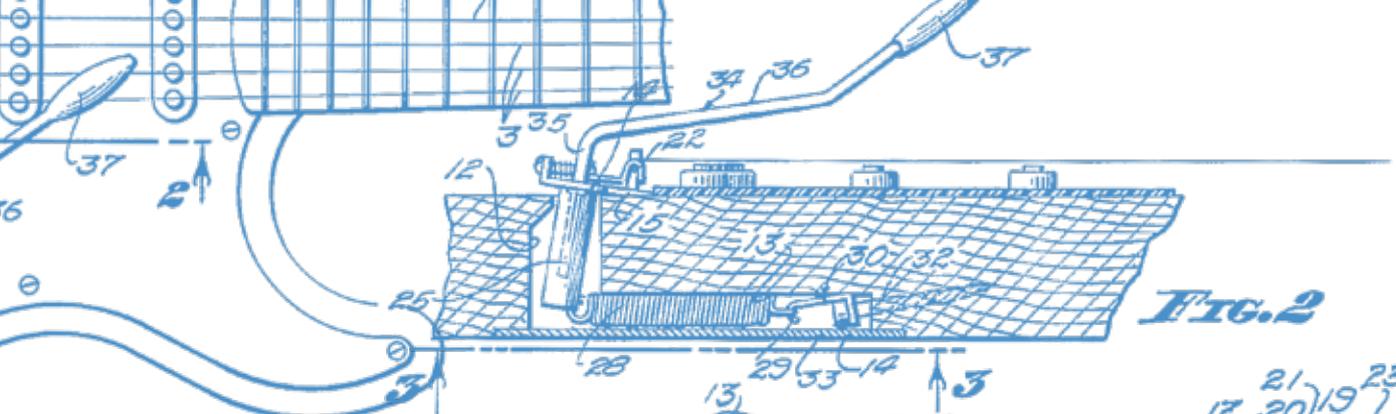
Unless additional time is required to test the commercial potential of an invention, it may be advisable to file a request for examination at the same time as filing a patent application. Some law firms do not charge anything extra for this. Such an approach could save time and money in jurisdictions like India, which follow a deferred system of examination (see box) and have not signed up to any PPH agreements.

## 9. DON'T FORGET THE MODIFIED SUBSTANTIVE EXAMINATION OPTION

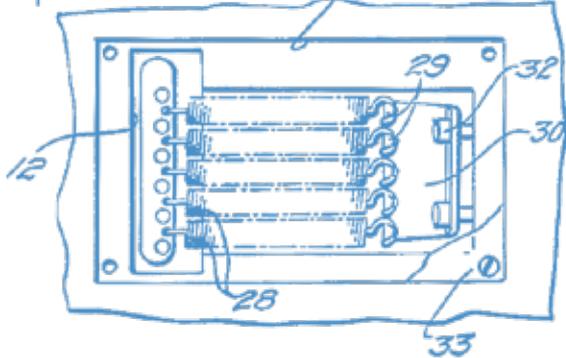
Modified substantive examination, where an IP office grants a patent if it corresponds to one granted in another jurisdiction, could lead to substantial savings in prosecution costs. Malaysia, for example, has such a system for patents granted by Australia, the EPO, Japan, the Republic of Korea, the United Kingdom and the United States. In Thailand, the Prime Minister's Office recently authorized the Department of Industrial Property to grant applications when: at least five years have lapsed since the filing date; a request for substantive examination has been filed; a corresponding patent

## About deferred patent examination

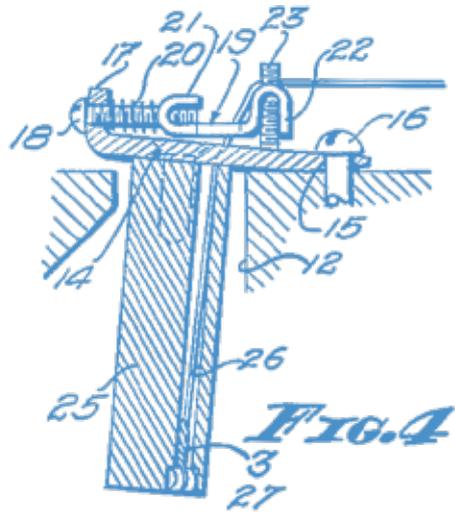
Some national patent offices offer applicants the possibility of deferring the examination of their patent application for a specified period. This effectively takes the application out of the queue for examination for the period of the deferral, after which it is placed back in the line and will be processed in the usual way. Deferred patent examination effectively extends the pendency of the application. It can be a valuable marketing tool, for example in extending the "patent pending" status of consumer products, and can be useful for companies seeking to defer patent examination fees.



**FIG. 2**



**FIG. 3**



**FIG. 4**

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has been granted in another country; and the claims in the Thai application correspond to those of the granted foreign patent.

Israel also has modified substantive examination for patents granted by Australia, Austria, Canada, Denmark, the EPO, Germany, Japan, Norway, the Russian Federation, Sweden, the United Kingdom and the United States, but retains the discretionary power to reject a request for modified examination.

**10. KEEP ANY SUPPORTING DOCUMENTATION IN ORDER**

Be sure to gather any supporting documentation, such as assignment deeds and certified priority documents as soon as possible. Delays can be painful and costly.

**11. CONSIDER LICENSING RIGHTS TO REDUCE MAINTENANCE FEES**

Maintaining a patent can be expensive: maintenance fees account for up to 75 percent of the total estimated costs of a patent across its 20-year lifecycle. However, by declaring their intention to license a patent to a willing third party, applicants can benefit from discounted maintenance fees in around 20 countries, including

Belarus, Brazil, the Czech Republic, Germany, Ireland, Italy, Lithuania, Latvia, , Slovakia, Spain, the Russian Federation and the United Kingdom.

**12. BE OPEN TO STRATEGIC ABANDONMENT**

Last, but not least, right holders need to continuously monitor the value of their patent and to abandon it when it loses value. This may occur when a protected technology becomes outdated or obsolete or no longer supports a company's business goals. Strategic abandonment can lead to substantial savings in maintenance fees payable throughout the patent's life. These generally increase substantially as the patent ages.

Strategic abandonment is used by companies like Samsung Electronics, Fujifilm, Toshiba, IBM and others to prune their patent portfolios and contain patent maintenance fees.

**OVER TO YOU**

Obtaining and maintaining a global patent portfolio can put a huge strain on the financial resources of companies. That is why it is so important to carefully develop cost-effective IP strategies that support your business goals. These are some of the ways to do so.