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PATENT APPLICATION & REGISTRATION

STRATEGIES FOR KEEPING THE COST OF IP PROTECTION DOWN

1. Introduction

Even during good economic times, clients demand that IP lawyers maintain careful control of patent prosecution and other intellectual property (IP) costs. During the current economic downturn, IP lawyers, whether outside counsel or in-house, face increasing pressure to slash IP legal costs to enable their clients to survive the global recession. The challenge, of course, is determining how to reduce current IP legal expenditures without harming the client's ability to compete successfully in the future and without incurring undue legal risk. Arbitrarily cutting expenses (and eliminating the corresponding useful activities and benefits associated with such expenses) that ultimately result in loss of revenue or increased costs in the future may amount to being penny wise and pound foolish. This article will explore some strategies for effective and rational approaches to reducing IP costs during these challenging times without undue long-term, adverse consequences in the future.

2. Reducing Patent Prosecution and Maintenance Costs

Other than IP litigation costs (if a client is involved in current IP litigation), the largest part of the IP legal budget for most technology companies is its patent prosecution budget. An overly simplistic but tempting approach to reining in the patent prosecution budget is simply to reduce patent filings by an arbitrary percentage, or mandate that an arbitrary number or percentage of patents be abandoned. Presumably, however, each abandoned patent and each unfiled patent application will result in reduced competitive advantage and potentially reduced future revenues for the patentee.

If filing fewer patent applications is not the answer, then how can a patentee reduce patent prosecution and maintenance costs? The answer is that the patentee should be more circumspect and strategic in deciding where to file, how to file, when to file and what to file. Although this may incur slightly greater upfront expense for the more careful analysis required prior to filing, in the long run this will result in overall lower expenses.

Where to File

Where to file refers to the countries or jurisdictions where the patentee will ultimately file a given patent application. A patent only offers protection in the country or jurisdiction (*e.g.*, Korea, China, USA, Canada) in which it was filed. Therefore, in order to obtain patent protection in multiple jurisdictions, one must file a patent application in each jurisdiction of interest. Unless the patentee operates exclusively in its home country, it will necessarily have to file in multiple jurisdictions. Notably, the foreign filing expenses for a single application can often total several hundred thousand dollars.

Many smaller companies fail to perform a complete analysis before formulating a foreign filing strategy, thereby filing in too few jurisdictions or too many. Many companies simply file just in their home country. Even if their commercial operations are located only in their home country, filing in only one jurisdiction eliminates the potential of royalty income that can be derived by licensing their patents in other jurisdictions. Other companies choose to file in all countries in which they have any sales or commercial operations, which drastically increases their patent filing and maintenance costs. Still other companies simply defer to their patent lawyers, often with a simplistic instruction to file wherever other similar companies 'normally' file. All of these approaches are deficient and analytically unsound.

How should a company decide where to file? Essentially, the foreign filing decision, like all business decisions, consists of a cost-benefit analysis. The patentee should consider what the expected return on investment (ROI) will be if it chooses to invest by its funds by filing a patent application in a particular jurisdiction. The factors to be considered in determining whether to file in a particular jurisdiction include the cost of filing the application and maintaining the patent, the benefit (in terms of increased revenues attributable to excluding competition in such jurisdiction), and the probability of obtaining a patent and later successfully asserting the patent in such jurisdiction.

How to File

Another potential avenue for reducing and/or deferring expenses is by careful consideration of how to file an application. For example, an applicant should consider filing an "international" patent application or PCT application rather than directly filing national patent applications in each jurisdiction of interest. The PCT process allows the applicant to defer the filing of national phase applications in foreign jurisdictions, thereby deferring associated expenses, including translation costs for the application (which can be very expensive). In addition, the deferral of the decision to file in specific jurisdictions provides the applicant with additional time to obtain information relevant to the foreign filing decision, such as the commercial potential of, and size of the market for, the patented invention in each jurisdiction. Moreover, by obtaining an international search report, written opinion and international preliminary examination report, the applicant will have a more accurate assessment of the likelihood that the patent application will be allowed and will be better prepared to respond to anticipated rejections and/or objections by the examiner once the application has entered national phase.

Another aspect of how to file is how the applicant manages translation of the application into the language(s) of the foreign jurisdictions where the application has been filed. Often, applicants simply delegate the task of translation to their foreign patent agents, under the assumption that local patent firms will be able to obtain the most cost-effective and highest quality translations. However, this approach will frequently result in higher costs (and at times poorer quality) than the alternative of the applicant actively managing the translation process. First, certain languages (such as Spanish, French, German, and Russian) are official languages of multiple countries. Delegating to local patent agents may result in multiple translations into the same language (with potential inconsistencies in these translations). Working with a single translation company to obtain translations of an application into each of the major languages will avoid duplication of costs and will result in consistency of translations. Indeed, working with a single translation company (or specific group of individual translators) to handle a family of related patent applications may achieve certain efficiencies because portions of the specification of each application will likely be similar if not identical. Notably, translation costs, especially for long applications, constitute a major portion of foreign filing expenses. In short, actively managing translations in a centralized manner can achieve significant cost savings.

When to File

A major strategic consideration in the patent filing process is when to file. Obviously, the sooner an applicant files an application, the earlier the priority date for the application, making it less likely a competitor will have filed an application for the same invention be-

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fore the applicant, and making it less likely prior art references will be found to invalidate the claimed invention. Less obviously, the sooner an applicant files an application, the greater the chances the applicant will not properly claim the full scope of the invention, and the greater the chance the disclosure of the application may be insufficient. This is because an applicant may not fully appreciate the true scope of the invention early on, and may not fully understand what details are necessary to adequately describe and enable the invention.

Another advantage to filing later is that patent term is generally measured from the date of filing, which means that a later-filed application generally will have a later expiry date. For example, consider the pharmaceutical drug discovery research process. Often, drug research in the pharmaceutical industry begins with high-through-put screening of a library of compounds against a so-called target to determine what compounds inhibit a particular protein (or in some cases activate or otherwise modulate the activity of a particular protein). Once one or more 'hits' are generated, these 'lead compounds' are modified, during the lead optimization process, to improve the activity, specificity, bioavailability and other characteristics of the compounds being studied. As the medicinal chemists better understand the structure-activity-relationship (SAR), various chemical moieties will be added or subtracted to improve the drug until a 'development candidate' has been identified, which will then be tested in animal models, and finally in humans. Ultimately, clinical trials will be run to determine the safety and efficacy of the potential pharmaceutical drug product.

Filing 'too early' – before the scientists have completed the SAR assessment – may result in claims that do not cover the ultimate drug product or are otherwise too narrow, allowing competitors to easily design around the allowed claims. Alternatively, if the claimed genus is defined too broadly, it may encompass prior art references, thereby rendering the broad claims invalid. In addition, it is possible a specification that is drafted prior to completion of pre-clinical testing may not provide an enabling disclosure, thereby rendering the application or any issued patent invalid.

What, then, is the solution of this conundrum of balancing the contrapuntal benefits and drawbacks to filing early? One approach is to file a series of provisional patent applications, ultimately filing a non-provisional application or a PCT application claiming priority from the series of provisional applications. As the inventors continue to develop and refine the invention, the application may be revised and updated to reflect new data and the inventors' better understanding of the invention. For example, in the context of pharmaceutical drug discovery, an initial provisional application may be filed at the beginning of the lead optimization process, with additional, updated provisional applications filed each quarter (or possibly even monthly) until a non-provisional or PCT application is filed after the filing date of the first provisional application. Given that provisional applications are not made public, the applicant could abandon the earlier provisional applications and delay filing the ultimate non-provisional or PCT application at the point in time when the applicant is satisfied it has full appreciation of the scope of the invention.

What to File

Finally, careful consideration of what to file (*i.e.*, the content of the patent application) can also lead to cost savings, as well as to a stronger patent. As noted previously, translation costs constitute a significant portion of the foreign filing costs for most patent applications, and translation costs typically vary directly with the length of an application. In addition, many jurisdictions charge fees that are proportional to the number of claims or the number of pages in an application. Hence, the applicant should refrain from filing overly prolix applications and conversely should strive to file the most concise application possible that satisfies statutory disclosure requirements and adequately claims the full scope of the invention.

Drafting a succinct but complete disclosure and set of claims requires the applicant to fully understand the invention, the prior art and competitors' products (past and future). Making an adequate assessment of these factors becomes even more crucial in light of the USPTO's recently implemented rule changes. New Rule 75's requirement that an applicant who submits either more than five independent claims or 25 total claims provide the examiner with an examination support document (ESD) and Rule 265's requirement that an applicant filing an ESD conduct a pre-examination prior art search and explain how each independent claim is patentable over the references provide significant motivation for an applicant to keep the number of independent claims to five or fewer, and the number of total claims to 25 or fewer. In addition to pruning the claim set to the most important claims, a circumspect applicant will also include appropriate "blaze marks" in the specification to allow the applicant to narrow the claims during prosecution should prior art references that the applicant was previously unaware of come to light.

2. Conducting an IP Audit

Performing an audit or systematic review of a company's IP assets (including all patents, trademarks, copyrights and trade secrets) is an activity that should be performed on a periodic basis, preferably at least biennially. Such an audit starts with the task of listing all IP assets and then mapping each IP asset to a commercial product or process the IP asset is useful for. There are now numerous software tools that can be used to analyze a portfolio of patents; in addition to generating statistics, these tools can be used to generate 'patent landscape maps' and other charts to enable the visualization of patent analytic data.

Often, an audit will reveal gaps in the company's IP assets, and may require the company to acquire or develop IP assets to protect core businesses or products. On other occasions, particularly when an audit has not been performed recently, the audit will reveal that certain IP assets are not relevant to any current product or business, in which case the company could safely abandon the assets without an effect on its business (*e.g.*, trademarks for brands no longer being sold by the company, patents directed at products, processes or technologies that the company has abandoned). In some cases, an analysis could reveal non-core IP assets that could be out-licensed to generate additional revenue for the IP owner.

A thorough IP audit should also include an analysis of competitors' IP portfolios and an analysis of the company's freedom to operate (FTO) in light of competitive IP. Software tools for patent analytics and visualization can be helpful in this endeavour as well. The output of the IP audit process should include not just an inventory of assets but also an action plan for addressing problems and issues uncovered during the audit. For example, the IP owner may consider enforcing (or licensing) certain IP assets if the audit reveals infringement by competitors; or the IP owner may wish to license IP assets that could cover its future (or current) products.