



**Matthew M. Roy, Partner**  
Intellectual Property  
Ottawa  
(613) 786-0297  
matthew.roy@gowlings.com

Matthew practises patent drafting, relating to both mechanical and electrical engineering, and prosecution. He also renders patentability, validity, infringement and market clearance opinions.

## Managing Costs in an International Patent Portfolio

by Matthew M. Roy

Globalization has increased international trade and has opened new markets for innovation-based corporations and sole inventors alike. Products embodying innovative technologies can be sold in a variety of jurisdictions across the globe. Protecting these new technologies with patents, however, is a complex and expensive proposition. This article outlines some of the techniques that can be employed to efficiently manage the costs of an international patent portfolio.

### **Selecting Jurisdictions: Where to File?**

It is axiomatic that patents are national in scope and accordingly have no extraterritorial effect. It is therefore necessary to file a patent application in each and every country where protection is sought. However, filing in each and every country in the world is prohibitively expensive. A cost-effective filing strategy therefore requires careful selection of key jurisdictions that will present a sufficient obstacle to a competitor, such that the competitor will have little or no motivation to displace manufacturing operations or to manufacture the product only for the remaining unprotected markets.

There are, in general, two schools of thought in selecting jurisdictions: the first is to file in those countries where the product is manufactured, and the second is to file in those countries

where the product is sold. In each case, the underlying question is one of enforceability. If a manufacturing facility can be easily displaced from one jurisdiction to another, then patenting in the country where the competitor manufactures its product may only be a minor impediment to the competitor. However, if complex manufacturing facilities and a highly skilled labour force that cannot be easily transplanted are required, then patenting to block the manufacturer may be a good strategy. Filing in a country where the products are heavily sold may be a sensible strategy where there is an identifiable potential defendant, e.g., a large retailer, distributor, end-user, etc. But if the products are bought, for example, on the Internet from an offshore supplier and imported individually by consumers, then the patent holder is in the impractical position of having to sue individual consumers. The enforceability end-game is therefore crucial in any analysis of where to patent.

### **Prosecution Efficiencies**

The Patent Cooperation Treaty (PCT) is commonly regarded as the cornerstone of any international filing program. A PCT application enables the applicant to obtain a central search and examination and to make amendments in response thereto. The PCT procedure is considered more cost-effective than filing parallel direct national applications.

In the latter case, the costs associated with making amendments and filing responses to examination reports are often duplicated when the same objections are raised by national patent offices.

Translation of the examination reports and of the responses can also add further cost. While the PCT provides useful prosecution efficiencies, it is not a panacea, particularly where the number of countries in which protection is ultimately to be sought is relatively small. A rule of thumb is that a PCT application only becomes cost-efficient when the number of countries exceeds about five or six. This is not a hard rule, since the tipping point will vary, depending on the number of foreign-language jurisdictions and the International Searching Authority (ISA) and International Preliminary Examining Authority (IPEA) that is available to the applicant. Where the PCT application is searched and examined by an ISA/IPEA that has a solid reputation, e.g., the EPO, then the International Preliminary Report on Patentability (IPRP) that is obtained at the end of the PCT international phase will carry more weight with each national patent office than if it were issued by a less well-regarded ISA/IPEA.

However, many applicants do not take full advantage of the PCT, and simply use it as a cost-deferral mechanism, waiting until the 30-month deadline before entering the national phase. To get the most out of the PCT, and hence to minimize overall prosecution costs, the PCT application should be prosecuted proactively in the international phase, to ensure that the best possible claims are obtained by the time the international phase comes to a close. A favorable International Preliminary Report on Patentability (IPRP) will expedite national phase prosecution, thus minimizing costs.

The timing of examination can also be useful for parallel direct filings or even for national and regional phase entries. By expediting the examination of certain applications while deferring examination of others, the applicant may be able to save costs. For example, examination can be advanced in the USPTO by filing a petition to make special, in Canada by filing a special

order, or in the EPO by filing a PACE request. Conversely, some countries like Canada allow the applicant to defer examination. In Canada, applicants may defer examination for up to five years from the Canadian or international filing date. To save costs, the applicant would seek early examination before one patent office, e.g., the EPO or USPTO, that has the best reputation for providing a solid examination and for discovering the closest prior art. The applicant may then make voluntary amendments in the other jurisdictions to adopt the claims so as to take into account the prior art that has come to light in the first examination.

The Patent Prosecution Highway (PPH) is also a useful tool for certain applicants who have allowable claims in one jurisdiction to fast-track allowance in another jurisdiction. Patent Prosecution Highways have been established between the U.S. Patent and Trademark Office and the Japanese Patent Office, the Canadian Intellectual Property Office, the (South) Korean Intellectual Property Office, IP Australia, the U.K. Intellectual Property Office and the European Patent Office (EPO).

Depending on the nature of the invention, costs may be further minimized by seeking utility models or petty patents in lieu of regular patents.

### **Culling the Portfolio**

The effect of maintenance fees (annuities) on the overall portfolio cost is substantial; hence the importance of vigilantly culling the portfolio of any patents that are no longer useful. Some patented technologies become obsolete, while others cease to generate licensing revenues. In many jurisdictions, such as for example Canada and the United States, the maintenance fees become more expensive as the patent ages toward its full term. Thus, the culling of a portfolio is particularly important for older patents. A “file, issue and forget” mentality can be unnecessarily costly for patent holders who fail to periodically reassess the importance of their patent holdings. Money saved by dropping unwanted patents can be used to finance the next generation of applications.