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2006 PATENT COOPERATION TREATY CONFERENCE:
TRANSCRIPT OF PROCEEDINGS

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I. INTRODUCTION†

It is our pleasure to present a panel of such distinguished people. We have put together a truly international conference. We have speakers from Geneva, Germany, France, Ireland, the United Kingdom, China, and Japan.

The objective of today’s conference is to delve into the Patent Cooperation Treaty (PCT). As you all know, the PCT is the premier patent law treaty in the world today allowing for a single forum for the examination of patents that may subsequently be filed in 123 nations. Although the PCT operates largely as a procedural treaty, granting no specific substantive rights, the PCT is considered to be one of the World Intellectual Property Organization’s (WIPO) shining jewels.

Given that, I look forward to a very fascinating day of discussion regarding how the PCT is received in the nations from which we have speakers attending.

That being said, there are many people I need to thank. First, I’d like to thank Mike Schumann for providing a superb forum at which we held a pre-conference conference. Mike owns Rainbow Resort. It can be viewed by going to www.rainbowresort.com. We had a wonderful time snowshoeing, ice fishing, and chatting. Doug and Linda acted as great hosts and guides. It was an all around fantastic get-away.

I also need to thank some people. First of all, Adonis Neblett

† Kenneth Port, Director of Intellectual Property Law Studies, William Mitchell College of Law, St. Paul, Minnesota
from Fredrikson & Byron. The law firm of Frederickson & Byron has contributed generously to this conference and made it all possible, so thank you very much. Also, Phil Goldman from Fredrikson & Byron is here. Thank you so much last night for dinner. I’m not sure if that was planned or we just stuck you with the bill, but thank you so much. I really also need to thank Phil for introducing me to Jay Erstling. Phil introduced me to Jay two years ago. It was then that we conceived of this conference. Therefore, Phil deserves the credit for bringing Jay and me together and for making this conference possible in the first place. I am very indebted to Phil as well.

The law firm of Merchant & Gould has also contributed. Tonight, they will host a dinner in honor of the speakers at today’s conference. For that, in advance, we are very appreciative.

Jim Rienke, the president of the Student Intellectual Property Law Association (SIPLA), is here. You saw the people in the hallways helping and directing traffic. These students are all from SIPLA. SIPLA has been exceedingly helpful and gracious.

And of course I’m very indebted to Jay Erstling for helping to put this together. Jay is the Director of the Office of the PCT. Jay substantively put today’s conference together. Basically what happened was Phil introduced me to Jay; Jay said, “Can we do a conference?”; I said “Yes”; then I turned to Meg and said, “Please.” That was basically all my role was—to say “yes” to Jay and “please” to Meg. So, it worked out pretty well for me. And also thank you to all the speakers.

We have a very, very packed day. We have people from Beijing, Shanghai, Munich, Tokyo, London, and Geneva. Am I missing anyone? Oh yes, Minneapolis. We even let a few people from Minneapolis come across the river. I hear they had a little bit of trouble at the border, but otherwise everything was all right.

Finally, I’d like to thank some people from William Mitchell. Elizabeth Warmka did a very nice job marketing this conference. Meg Daniel, of course, played the largest role in administratively putting this conference together. She has worked long hours on this conference and deserves your heartfelt appreciation. So, when you see her in the hall, just pat her on the back and say, “a job well done,” because she’s done a really great job and deserves a lot of praise.

I think we’re ready. We have a very crowded agenda for today’s conference. Therefore, I’m going to dispense with long
introductions of each speaker. Please refer to the materials before you for each speaker’s detailed biographical information. I will be very brief in my introductions of people to allow them time to talk. It seems a little funny that we’ve asked people to come from Shanghai and Beijing, etc., and given them twenty minutes to talk. It’s kind of a long way to go for twenty minutes. So to extend that as long as possible, I’m going to be quiet.

Without further ado, our first speaker is Jay Erstling, the Director of the PCT.

II. THEME ONE: THE PCT IN THE SHORT TERM

A. Topic One: The Current State of the PCT: Accomplishments and Challenges, Opportunities and Threats

1. WIPO Perspective: Jay Erstling†

What I would like to do is talk to you a little bit about the current state of the PCT. We have, I think, true justification for being extremely proud. I would also like to talk about the direction in which we are trying to go and the really important challenges that we are facing.

What I had hoped to be able to do, and I think it was Meg who came up with the title, “Accomplishments and Challenges, Opportunities and Threats,” is to say, this is a really cool opportunity. Those of you who know me know I am not the most structured, linear person in the world. I thought, great! Here there are these four categories and I can put together a presentation that says, here are the accomplishments, here are the opportunities, and here are the challenges. As I started to do that, I realized that I absolutely could not because with every accomplishment there is a challenge. And with every threat there is opportunity. So, maybe I am being true to myself and being kind of random and scattered, but I hope that you will put up with me as I lump things together in talking about basically where the PCT is.

What it really is—as I think many people recognize, is a tremendous success. I think that the PCT is a success is a surprise even to the most ambitious of the founders of the PCT. In fact, it

† Director of the Office of the PCT, Geneva. The opinions expressed are those of the speaker and not necessarily those of the WIPO.
really has become synonymous with the international patent system. It has also been in some ways a victim of its success; because of its very success, very numbers, the fact that it probably has at least twice as many applications as anyone ever had imagined. It creates many challenges and lots of stresses on the system that we are trying to deal with.

The PCT is now well beyond its one-millionth application. We celebrated the one-millionth application a year and a couple of months ago. The PCT has had, since its start, continued growth every single year without exception. It has also grown to an extraordinary large number of countries. There are now 128 and we expect actually a bunch more this year. That has sort of been an ironic thing which I want to come back and talk about later because about one-half of the countries have no patent activity, but they are members of the treaty. It is our job to make sure they have a meaningful role to play in the treaty even if it is a hope for the future that at some point in time they will be able to play a meaningful role in the intellectual property system.

We no longer do much to attract new countries. That job is often being done by the United States and the European Union which, when they enter into bilateral trade assistance, or free-trade agreement negotiations, sometimes include in the negotiations a list of treaties that the country should join. The PCT is usually at the head of the list. We find ourselves, actually sometimes to our surprise, with new member countries, some of whom have only very basic functioning patent systems.

There are nevertheless a few countries that are not yet a part of the PCT that we think would benefit from it. Thailand, Malaysia, and Argentina are examples of countries that really should be PCT member countries in terms of their level of economic development, their level of industry, and their level of patent activity. The International Bureau maintains contact in particular with Thailand and Malaysia and provides them with information and assistance about PCT-related matters whenever they request it.

As I had mentioned, there has been non-stop steady growth. Part of what the International Bureau tries to do is to chart that growth. This year we had an increase of over 9% in PCT applications filed. It was almost double of what we had expected and projected. Of course, what that means is that the Office had to do a lot of scrambling. In fact, the strains that unexpected growth puts on the system become particularly great for us at WIPO at the
International Bureau in Geneva, but obviously also for all of the major receiving offices and the searching authorities. We are proud of the fact that we actually did cope with the growth, and the way we are trying to cope is by becoming more efficient, automating, changing our methods of workflow, working closer with the different national offices, and hopefully giving the kinds of service deserved by users. For next year the International Bureau expects and has projected an increase of growth of about 5%. Just as we under-estimated growth for 2005, I certainly hope we have not over-estimated it for 2006.

If you look at the chart you see that the PCT is still dominated by the major industrialized countries. If you put all of the European Patent Convention (EPC) countries together, they are the number-one filer of PCT applications, but just by a bit over the U.S., which from the very start has been the dominant filer. What you can also see is that the increases from the U.S. and Europe are relatively small while the increases from Asia, in particular, are just astonishing. What we see is that the PCT is moving east. If you can just look at the figures from Japan, the Republic of Korea, and China there has been remarkable growth. We are starting with very low numbers because the PCT is only now truly becoming accepted and popular in Asia. Furthermore, over the past two years there was over a 40% increase in filings from Japan. The Republic of Korea has overtaken the Netherlands as the number-six filer. What is also truly remarkable is how much publicity this gets. We recently released statistics for the year 2005. And if you look at financial press coverage in Asia, particularly in Japan, China, Republic of Korea, also in India (which is a country where there is astonishing promise and great increase in use of the PCT), this has made front page financial press in the region. The PCT is taken very seriously. Where we also see great promise is in other emerging developing countries such as Brazil and South Africa. The numbers are still infinitely small, but there is almost a direct correlation between economic development and a take-up of the use of the PCT. I will want to come back to that in a little bit.

Of the twenty top filers for 2005, 3M is the second biggest U.S. filer and the eighth largest filer worldwide. Medtronic, is I think, the thirty-seventh or thirty-eighth largest filer of PCT applications worldwide. What is truly interesting, I think, is that the companies that file 100 applications or more, file only about 20% of the total. The typical applicant, the typical user of the PCT, is someone who
files only a few applications a year. Despite the fact that the United States is the largest country filer, there is no U.S. company that is within the top five. Most of the applications that come from U.S. companies come in small numbers, not in large ones.

What is also kind of an interesting aside is that, for example, with companies like Philips, Nokia, Ericsson, their filings constitute the major bulk of filings coming from their home countries. For example, for Philips, filings are about 90% of the filings that come from the Netherlands. Philips files all of its applications directly with us at the WIPO Receiving Office. You are probably aware that the International Bureau has its own receiving office, which is currently the fourth largest receiving office worldwide. Philips not only files all of its applications at the RO/IB, but all of its international applications are also via the PCT. They are a good client.

Another great accomplishment of the PCT is in the area of PCT reform. I think the greatest accomplishment has been how quickly, smoothly and efficiently all of the 128 member countries were able to agree upon reform. It is still too early to tell how successful that reform really is, and we have to depend on you to tell us that. Isabelle Boutillon is going talk to you in greater depth about what some of these reforms have been, but what I would like to do is tell you a little bit about the reform process, because if you know the reform process, the fact that it works is almost stupefying.

Reform really began as a response to the fact that suddenly the number of applications was so great that the major offices, the USPTO (United States Patent and Trademark Office) and EPO (European Patent Office) in particular, were having trouble coping. The offices began to look for ways to streamline and reform the system to allow them to deal more efficiently with the growth. One of the solutions that the PCT countries came up with, as you all know, is that you no longer needed to file a demand in order to be able to enter national phase at thirty months as opposed to twenty months—you were automatically granted a thirty month date. The main purpose of that, as well as the subsequent reform, about which Isabelle will go into in greater depth, of moving the Chapter II issuance of the written opinion into the Chapter I international search procedure, was done with the

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1. Now 130 countries.
2. See infra Part II.B.1.
primary purpose of decreasing the amount of demand for international preliminary examination. Before the reforms went into effect, 85% of applicants sought preliminary examination and now the figure is down to below 20% of applicants seeking preliminary examination. Whether that is good or not, I think it is frankly a little bit too early to know, but filing patterns have certainly changed.

There is a Working Group on Reform of the PCT. At any given meeting there are usually eighty, or even more, countries that are represented by their delegations. In this huge conference room filled with country delegations, including a whole bunch of non-governmental organizations like AIPLA (American Intellectual Property Law Association) and ABA (American Bar Association) who attend as observer representatives, everyone deliberates. In the entire process of reform not a single vote was ever taken. In fact, in the entire history of WIPO working groups and committees, I do not think a substantive vote has been taken. The process is one of discussion and compromise. Countries say a certain aspect of a proposal is unacceptable and then it becomes incumbent upon WIPO to try to figure ways around it. The result is ultimately provisions that every country can buy into because if one delegation raises its hands and says, “No, this is unacceptable to us,” then we simply do not proceed to adoption. You have to reach the point where everyone finds the proposal acceptable or else it goes nowhere.

The result is, usually, very complicated, complex, multi-layered proposals; which is why we all talk about the PCT not standing for Patent Cooperation Treaty, but as standing for “Pretty Complicated Treaty.” One example that is going to enter into force in April 2007, again Isabelle Boutillon will go into the details of the proposal, is a proposal that was taken from the Patent Law Treaty that provides for—and it is a really great and important proposal—restoration, a grace period for restoration of the priority right if you miss the priority filing date. Initially, one generally hoped for a very simple provision based on “oops I forgot the priority date so I’ll pay some extra money to the receiving office and please now grant me my priority date.” But, some countries felt that this type of forgiveness was a significant deviation from the Paris Convention and absolutely unacceptable. There were other countries that said, “Well, we think it is okay, but you cannot give restoration away so easily, applicants should really have to prove that they exercised all
due care and despite the exercise of all due care, somehow the date was missed.” There were also a couple of countries that said, “Why do you even have to prove anything? All you should do is pay some penalty fees and get your priority back.”

The end result is a system that has put all of the views together. Countries can opt out if they find the restoration provisions contrary to their national systems. Countries that are willing to provide for restoration, but only upon a showing of “exercise of all due care,” may opt for that. In addition, countries that are comfortable with “unintentional absences of filing” may restore on that basis. Ultimately, we have ended up with a three-layer, complex provision. Although it is still a very good and worthwhile one, it will probably require some years of PCT seminars and training before everyone properly understands it.

That is just a simple example. There is a proposal on the table now for multiple-language publication, which really is not so much for the benefit of U.S. applicants, except if you want to get provisional protection in another country. It is mostly for applicants who file in languages other than English who want to get 102(e) prior art effect in the United States. For example, an applicant could file an application in German, for example, and then give the International Bureau an English language translation. We would publish the English language translation and the applicant would get 102(e) prior art effect under U.S. law. However, we have learned through Working Group negotiations that this provision would conflict with the national practice of a few countries. It is very likely that because of that conflict, unless the Working Group can get super creative and find a solution that will be acceptable to everyone, the proposal will end up dying. If that is the case, it will be a pity for those who do not typically file in English, but that is how the reform process has worked.

Another area where there has been a lot of change, but now only starting in the United States, is in electronic filing. We are trying as an office to become paperless, and in our communications with receiving offices and designated offices, to communicate as much as possible with each other electronically. The reason is largely to deal with workload and cost issues. We have an electronic filing system in place, although it is not yet applicable in the United States. What we have found is that the take-up of electronic filing has been tremendous, mostly in Japan and Korea and also in China, where electronic filing has been the
The International Bureau has been working very closely with the USPTO. The USPTO has been doing an excellent job of developing an electronic filing system and I believe, and Charlie will correct me if I am wrong, there is hope that there might be electronic filing by the fall of 2006; and if the system does work, it is going to be fantastic.

The International Bureau is also trying to do things, and is considering methods, that will have a direct impact on you as users. Instead of sending you a paper pamphlet once your application is published, we want to be able to notify you that it has been published and send you either the URL number or the application number so that you can download or print the published application. We are currently seeking the views of major PCT filers, including 3M, on what a system like this should entail and what we absolutely need to avoid.

One of the biggest non-starters in improving PCT procedure proved to be trying to make PCT forms more efficient. The PCT system contains something like seventy-nine different forms. I have colleagues who can tell you what each one of those is, which astounds me all the time. Seventy-nine forms! To me this was crazy. I thought we had to get rid of lots of them. We had to change things. However, offices and users said that the idea of rationalizing and making forms more efficient was unrealistic. The forms made sense to them and they saw no reason to change. So even though the International Bureau hopes to be able to communicate forms more electronically and more efficiently, the seventy-nine forms, I think, are probably here to stay, and they will likely increase considerably by the time we are finished reforming the treaty.

I think the most challenging element of our accomplishments has been the fact that there is a much larger group of countries that are now members of the PCT than the PCT's founders ever imagined. The PCT has gone through, I guess as all of international intellectual property has gone through, a major process of decentralization and democratization. The initial idea of the PCT was that there should be only one International Searching Authority that would be the international searching authority for the world. We now have twelve international searching authorities. Nevertheless, whether you think of that as a negative or as a positive development, the number of international searching authorities is likely to grow within the next couple of
years. Some growth will come from industrialized countries. For example, there is a likelihood of a Nordic international searching authority. More particularly, the growth will come from emerging countries—emerging developing countries.

Egypt has made it very clear that it wants to be an international searching authority and it wants to be the first searching authority to search Arabic language applications. Arabic is now a publication language under the PCT. Some Indian officials have mentioned that India would like to achieve capacity to be a searching authority by the year 2010. For some people, both within WIPO and outside of WIPO this is an absolutely positive development. Countries that have generally been suspicious of intellectual property or patent protection and hesitant to grasp it are now saying they think that intellectual property is important enough that they want to play a central role in the international patent system. I personally think this is wonderful and I hope that the offices will continue to be encouraged in order to help reach the technical level that is necessary so they actually can serve as searching authorities and play more meaningful PCT roles.

What this increasing democratization also means, when we do have these conferences and meetings, is that there may have to be some new sharing of power and authority among the traditional PCT countries and the newer PCT forces. In the early days there were only a few country delegations that would actively participate in meetings and a lot of countries that would be rather passive. Now more and more country delegations are playing active roles in the deliberations. The number of players in making PCT policy has grown significantly. What that means, obviously, is that some of the authority, some of the power that the major industrialized countries have had traditionally within the system is going to have to be given up so that the voices of other countries can be heard. For the continued expansion of the PCT, I think we will all need to pay increasing attention to ensure that the perspectives and ideas of emerging countries get the respect and attention they deserve.

With that, I would like to focus on just a few things that I feel really are the major challenges that the PCT has to face, some of which I have already mentioned.

The biggest challenge that I think the PCT faces is how to succeed as a truly multilateral system when there are huge gaps between the industrialized world and the developing world. As you can see on the two pie charts—the industrialized countries only
make up 21% of PCT membership. Seventy-nine percent of PCT is made up of either developing countries, countries that are designated as least developed countries, and another group composed of the former socialist countries of Eastern Europe and Asia. These latter groups make up almost 80% of the membership. If you look at filings, the group that is 80% of the membership only filed 7% of the applications in 2005. If you remove Korea, considered a developing country in WIPO practice, and China and India, the two largest emerging countries, that 7% shrinks greatly.

So our major challenge, and I think the future of the PCT, will perhaps depend in large part on our ability to make sure that the divide between the players in the system and the members of the system who are not yet players does not continue to grow and subvert the system. This means that WIPO should, for all who are responsible for the administration of the system and for promoting intellectual property protection, maintain a focus and emphasis on trying to provide training and opportunities for countries with little or no patent activity to begin to develop that activity.

From the perspective of users of the system, I would say that the most difficult and greatest challenge facing the PCT is the question of timeliness and quality. Unfortunately, it is a challenge that the International Bureau has the least control over. Only slightly more than half of International Search Reports are issued at the time—sixteen months from the priority date—when we expect those search reports to be issued. Almost half of the search reports are issued late. Unfortunately, the almost half that are issued late tend to be search reports issued by the USPTO and to a lesser extent by the EPO. Now, there is a very good reason why those are the offices that are more often late because they are the ones under the most pressure and the most strain. The EPO issued almost 50% of all search reports last year and the U.S. Patent Office issued almost 20%. Nevertheless, in terms of users of the system, the International Bureau is mindful of the fact that applicants are not getting the service that they deserve. In fact, looking at the more dramatic side of things, about 14% of all search reports issued come after the twenty-first month, and 3% issued become effective after applicants have already been obliged to enter the national phase—that is the bad news.

The good news, to the extent that there is good news right now, is that the USPTO and EPO are also mindful of the problem; they are aware and realize the difficulty, and they are attempting to
take measures to rectify it.

Most American applicants are generally aware of only a few International Searching Authorities, USPTO and EPO, and perhaps JPO (Japan Patent Office) and CIPO, and we tend to think that the numbers of searching authorities are very limited, but in fact, there are a considerable number of them. In taking advantage of the considerable number, I think that the USPTO has been quite progressive and visionary in trying to find solutions that are a little bit “out of the box.” For example, as of January 1, U.S. PCT applicants can use KIPO—the Korean Intellectual Property Office—as an International Searching Authority. KIPO is a very good office. It is possibly the most technologically advanced office in the world. It has excellent searching software. It issues search reports in English and it issues search reports on time. I think the cost is something like $218 to get an international search report from KIPO. I believe USPTO obviously would like people to use it, to relieve some of the pressure, and I would venture to say that it may be worth the try.

In addition, the USPTO has undertaken to subcontract out some international search reports to the Australian Patent Office, and the USPTO announced a pilot project to subcontract out international search to some private search agencies, all in order to relieve pressure.

The EPO is also making progress. For those of you who use the EPO as a searching authority, you may realize that your search reports are beginning to come a little bit earlier. There has been, again, a real recognition of the need to speed up the process. One solution the EPO has adopted has been to institute an enhanced European search report system that parallels the enhanced PCT international search report system, which allows workflow to take place more efficiently within the European Office.

To finish, there are other challenges that the International Bureau faces. On a daily basis, we strive to work effectively and efficiently with the PCT’s member countries to ensure that the system works harmoniously. We spend considerable time consulting with countries concerning PCT obligations and requirements, for example, reminding countries that they may not under the Treaty demand legalizations for entering national phase, or informing them about new procedural changes. In particular, for newer receiving Offices, providing training is an important activity of the International Bureau.
As successful as the PCT is, there is a looming question: Is there a better system? Currently some discussion has taken place and ideas have been floating around the JPO and the USPTO about means to supplement the PCT or to provide alternatives to it. These ideas focus primarily on improving coordination among a small group of industrialized countries.

As the International Bureau, our role in such discussions must be one of neutrality. At the same time, in keeping with WIPO’s mission to promote respect for intellectual property throughout the world, WIPO actively supports the establishment of more efficient intellectual property systems that would allow greater recognition of search reports and of the work of different offices. At the same time, going back to the fact that the PCT membership is 128 countries and WIPO has 183 member countries, effective intellectual property protection should not be seen as leaving a large part of the world out and widening the divide between the industrialized and developing countries. Any new improvements should bring those worlds closer. Moreover, it is in the International Bureau’s best interest to make sure that the so-called improvements do not make your life as PCT filers more complicated and burdensome.

Dealing with the political climate becomes a challenge. At the same time, the International Bureau knows—and partly because of the political climate—that we just cannot rest on our laurels. The International Bureau needs to continue to innovate, to think of improvements that can add value to the system. For example, improving the PCT patent and statistical information database, now known as PatentScope, so that you can more meaningfully and easily use it to get important information or beginning to provide information on national phase filing so that you can use PatentScope to track where a competitor’s application has gone once it has left the international phase. Trying to put things into place so that you can say, “The PCT is increasingly worthwhile.”

The International Bureau also has to be mindful of keeping the PCT free of the policy quagmires that right now are appearing in the international patent system. We have to keep in mind and remind others whenever necessary that the PCT is a technical procedural system and it is not there to solve substantive intellectual property policy problems. For the most part, we have been able to steer a pretty clear path. There is generally a positive sense of cooperation among PCT member states, particularly as the
discussions in working group sessions have remained at a fairly technical level, focusing on how to make the PCT a more efficient and streamlined system. If the PCT and the International Bureau can continue on its path, then it hopefully will have paved the way for the future and the PCT will continue to be an effective mechanism that you will be able to use with pride.

I just want to end by paraphrasing the Director General of WIPO, Dr. Kamil Idris, who recently spoke on behalf, not only of the PCT, but also of the Madrid Trademark System, which also had good results in 2005. What the Director General said was that the overall performance of WIPO services to the private sector in 2005, and particularly the PCT, had been exceptional and reflected the growing integration of the PCT into business strategies. He also said that he was confident that these trends would continue as new countries come to realize the concrete business advantages offered by the PCT.

There is a Yiddish expression that when loosely translated states, “From your mouth to God’s ears.” When I read the Director General’s quote, that was what came in mind. I hope that all of us involved in the PCT will be able to do our job properly, so that in fact we do play, and are able to continue to play, a central role in patent strategies and business strategies. Furthermore, I hope that we will be able to continue to be meaningful to you. If we start to be meaningless, then I guess I have to end with a plea that you let us know because our mission is to serve you. It is nice to know that we are doing it well. It is probably more important that we know when we are not doing it well. For the future of the PCT, we are really going to depend on you.

2. Practitioner Perspective: Ted Ringsred

My name’s Ted Ringsred. I’m an assistant chief patent counselor at 3M. My primary role there at 3M, I handle the pharmaceuticals and drug delivery systems division. But I am also what we call our OUS, or Outside the United States, portfolio manager. So as part of that responsibility, I spend a lot of time on things like selecting law firms that we’re going to use outside the United States. Then if issues come up regarding the procedures, including PCT, I get involved in discussions and we help work through whatever procedures we’re going to use on those types of

† Assistant Chief Patent Counselor, 3M, St. Paul.
issues.

When I was asked to speak at this symposium, my initial reaction was, “boy it's kind of hard to think of what to talk about with the PCT” because so much of it to me—and I think one of the greatest compliments I can give right now to the PCT—is that it is potentially transparent. Or at least I take it for granted and I think most my colleagues do as well, because it’s really just going so well.

But, of course that wouldn’t be very much fun to talk about so I did go through and think about a lot of different issues that are important to 3M and that we face. I do a lot of prosecution with the PCT but I’m not really an expert on the details or procedure, but we use it a lot. And I thought what I would do is divide up my topics into three. Sort of just to give some context to all of this and for people who sort of want to benchmark, I’d talk about what 3M’s usage overall of the PCT is like. Then I would talk about my perspectives and I think overall 3M’s perspectives of what the benefits are with PCT, and Jay actually mentioned a lot of them. There are a few things that we think—that I think—are worth talking about. Then finally I’ll end as well on trends and suggestions and improvements and challenges for the PCT. I don’t have a lot on that, but I have some things that are a little bit different maybe.

So to begin, and as I've kind of alluded to, the PCT is very important to 3M. We’re the second highest PCT user in the United States. We kind of assume that a typical patent family can easily cost over its lifetime more than $300,000. Because of that, it’s very important that we make sure that the decisions along the way are good ones because we don’t want to waste that money. We spend about $20 million a year on our portfolio. For 3M, anyway, about 50% of our business is outside the U.S., so our international files are extremely important. I’m sure that this is true at a lot of companies but it’s certainly true at 3M that IP is considered to be quite critical to a lot of our businesses. So the message is: the PCT is actually very important even though we take it for granted.

A few statistics. In 2006 we expect to file around 700 PCT applications. That translates, as far as national stage filings off the PCT, into about 3400 cases. That’s increased quite a bit over the years. You can see in 1995 it would have been about 1200 cases and it’s gone up quite a lot to about 3400 now. Part of the reason for that is the number of countries. We spend quite a bit of time actually agonizing over what is the right number, which countries
to file in and that sort of thing. It is a question I get pretty often from colleagues: “What’s the formula we should use to decide whether or not to go into a country?” It’s hard, but the bottom line is that in the last decade we have gone from an average filing list, and this is just cases that come off of the PCT. But on average we started in 1995, about a decade ago, having an average of 400 filed off the PCT in national stage to now where we are at 500 to 600, or we expect that to be this year. That might not sound like a big increase, but it’s actually quite a large increase as a percentage basis. It’s costing a lot. So we are under a lot of pressure to answer questions about, if we are filing in too many countries, is the PCT the right path actually. I’m going to talk about that in a little bit.

You know this list of 3M’s top countries for filing matches pretty closely with Jay’s (Cargill’s), I think, in a lot of respects. But it is different in some. At least to me the more interesting issue is how it has been changing. What’s happened, the list on the left, China moved up to file a lot of cases. Nearly all of our cases now it seems like are going into China. That’s changed over just the last couple of years. I think it was only in about 2002, I think only 24% went into China. And part of the reason for the change is this list on the right. China, Brazil, India, Russia, and Poland. Now to some extent that’s 3M-specific because those are areas where we think business is likely to grow. That’s a major part of the equation in determining where we file. But the other part of the equation is respect for patents. I think we’re foreseeing that all of these countries are increasing well past the threshold where we’re filing. So that’s changed the mix quite a bit. Countries that just a few years ago would have been on the top-ten list that aren’t now, and it’s nothing against those countries, it’s just that others have increased. Italy, and I guess Australia, are not on the list and they both would have been before.

Something that I doubt is very interesting, but it’s something we kind of look at, is our conversion rates both at the stage of the first step in situations where we could file a PCT—in other words we filed an original, or an application in the United States, and then it could be converted to a PCT—what percentage do we convert? Well you can see that it is somewhere between 80-90%. We watch that because it’s an indication of things like: Are we properly looking at cases that really don’t have any business being converted because they’re just not worth it? During that year period you can sometimes find that out. On the other side of the
coin is if we were to have a very low conversion rate then I think some anyway would surmise that maybe we’re filing a lot of cases that aren’t very good. They aren’t even worth converting into a PCT application. Right now I actually think that 80-90% probably is right in about the right zone.

Similarly, the next step of this is how many cases that get filed in PCT actually get converted into national stage filings? This number is higher than I think I would have guessed. You can see that has been 87-97%. One of the benefits of PCT that we often cite is a delay in decision making. If that delay is so important, then why are we actually not dropping more cases? I think, again these cases are so good, so valuable, that we keep getting it right in ninety plus percent of the times. The other side of the view could be that we’re not critically reviewing the cases. All that said, again I actually think this is probably in the right zone where we’d like to be.

Some other observations about 3M’s use of the PCT anyway, because of the changes, we have gone from basically going Chapter II nearly 100% of the time down to about 20% of the time. Now Jay expressed some, I think, reservations about whether that’s a good thing.\(^3\) I don’t harbor any of those reservations. I think the reason we were going Chapter II, 100% of the time, is to get thirty months delay and it’s also very nice that an international search is being performed without having to go Chapter II. Also, by the way, it’s nice that if you sort of want to half prosecute your case, but not go Chapter II, you can at least file some informal comments. So if you’ve got something about international search and international search opinion that you don’t like, you can at least plant your response by filing a response informally and then that will go to the national stage when the case finally goes national stage. We aren’t using that much, but I think we’re going to look at it and see what people think.

3M overall uses the EPO primarily as our search authority. At the beginning I mentioned that I handle pharmaceuticals and drug delivery systems at 3M and we don’t actually use EPO as our primary search authority. For the two divisions that I’m responsible for, we have shifted now and we much more often use the United States to do our search. There’s a lot of debate about that and I could probably talk for a half an hour about at least the percep-

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tions, and that’s what it seems to be—a lot of perception.

Also we get about 30% of our cases that we file as PCT we get a positive search report and I guess they are called now but preliminary. And I don’t know if that’s good or bad—30%. I’d actually like to know how that compares to other companies. But what I find interesting is that even though cases have a positive report, only about half actually go straight to grant. That’s a little bit of a disappointment. It would be nice to think that if you get a positive and preliminary exam that your case is really good. In most instances, more than half of them, it should go and sail through, and it doesn’t. That’s not a major concern but it’s a disappointment I think for us.

And also, by the way, we happen to use outside counsel in situations where we are going to EPO for our search authority, if we’re going to Chapter II, we typically use outside counsel just because we think they’re more familiar, sort of, with dealing with the EPO. That may change and I don’t know if it’s a good thing or a bad thing, but that’s just how we do it.

Okay, I get this question all the time: what’s the ideal sort of . . . what’s the best route for filing? It is a practical issue, it used to be pretty standard at 3M that we would file a U.S. regular case and then that U.S. case would just go through, it would be our U.S. filing all the way. And then in parallel we’d file a PCT case and that PCT case would not go back into the United States. That would be for everything outside the United States. Then that shifted and I’d say probably the majority still do something like that, although provisionals have been added to that process. But there is a definite trend at 3M to add provisionals more. But the real change is no longer filing a parallel U.S. application. The reason for that, or reasons for that, I would say relate to the fact that people are comfortable doing that now because of the fix to § 102(e) in the United States. We used to, at least in my mind, one of the good reasons to use the upper paths was because you didn’t get your § 102(e) date for your case going PCT until you went national stage with the PCT, so it was delayed. Now, that’s been fixed. You get your § 102(e) date all the way back. That’s been a huge reason. Right now I can’t see the interest—that people had a good reason other than when you want to get a case granted earlier and you think it’s faster to through the United States or if you want to get two searches basically—use the EPO as your search authority and then also have the United States. Those are perfectly legitimate
reasons but I think that at 3M we have a dramatic trend forming to switch to this last route.

Oh, incidentally, why not just start with the PCT? Anybody know? I actually get this question sometimes: “Why don’t we just skip all this and start with the PCT?” If you think about it, if you start with the provisional in the United States you get twenty-one years from your filing date and if you go straight into PCT you won’t get that. So, at least, that’s my reason.

So why has the PCT been so successful with 3M? This is a summary, and I’m going get into at least some parts of this in a little more detail. We regard it as cost effective. It’s not the cheapest; at least, on the surface, we would say that it’s not the cheapest. Pretty much every time budgets get tight, somebody suggests, well, shouldn’t we drop the PCT in some of our cases and start going direct because we’ve calculated out that it will save this much for the patent family. I think the consensus view though is that when you factor efficiencies and administration, and at least what is often cited is a sort of a hidden benefit in that the delay in decision making by going through PCT, it allows you to drop cases before you have to national stage that you otherwise might spend money on. If you were forced to make the decision right out of the gate, you might file in a lot of countries that by having a delay of thirty months you decide later not to go into. I’m not sure that our numbers actually bear that out, but I am sure that overall the benefits are there. So we think it’s cost effective. Of course we’d like it to be cheaper, but still efficient to administer.

There are some legal benefits, at least one in particular, that I want to mention because I think it’s probably not as widely known as maybe it could be. Also the recent improvements have been tremendous. Jay’s mentioned a lot of them and I’ll summarize some of those as well.

Of course the usual benefits of the PCT: one application/one language; receiving office; centralized document location—which is very convenient for administrators; preliminary search and examination of course is great; making amendments as well as corrections from inventorship or to the applicant and which comes up with some frequency; it’s very nice to PCT since you can just do it one time and then it carries through in all your national stage filings. Of course, there is the delay in the cost which is good.

Filing your national stage cases via the PCT, in terms of documents and standardization, is actually easier. That’s another
one of the usual benefits. Then it’s flexible. If I had to pick something that I’m not sure we at 3M think about and take advantage enough, maybe we’re starting to but I think we probably don’t, it would be the flexibility. I think we get used to a particular filing and a particular search authority and whether to go Chapter I or Chapter II and those things just don’t change as much as they probably would if we spent more time understanding our options and understanding the benefits of the different options. I think the PCT offers a lot more flexibility than we probably take advantage of. Actually just having seen and heard some of what Jay said I think one of the things I’ll probably do is go back and say, you know, we should really try out using KIPO. We should really think about doing some of these other things; like instead of going Chapter II, let’s just see how well it works if you file some written comment at the end, after you get your international search opinion, instead of going Chapter II. So, that’s an area that we have to work on.

The thing I alluded to regarding the favorable legal effect of filing a PCT is I like this a lot. Hopefully a lot of people are familiar with it. Okay? So you may think, “Hooray I filed my case before our competitor” and you’re disappointed to find out that you chose not to file your case in certain countries where they did and then you’re not prior art. They can go and get a patent claim on exactly what you had already filed on. Now what I like about the PCT, especially with the recent changes, is that in many countries, not all, just having filed a PCT that designates “all” automatically creates this prior art on behalf of the application. Sometimes you have to go in actual, but it’s a big benefit from a legal perspective and I think, in my mind, a fairly decisive reason to use the PCT.

I mentioned the important timing benefits but just to quickly break them down a little bit, you know it gives you time to assess the patent value. You can also assess the commercial value of whatever the technology is that you are talking about. The other less-stated time benefit that I see is that you have sort of a natural portfolio management tool. And that really ought to be a good portfolio tool, a good geographic decision-making tree that you can map very nicely with the business. That’s pretty much how I think we’re using it. Although I think doing that deliberately, and I’d say over the last year or two we’ve started to look at it much more deliberately that way.

Okay. I only have two slides on this, and actually the first slide
is really more a matter of saying how much we like the recent improvements that come with automatically designating “all.” The fact that we don’t need to go check in thirty months, the preliminary opinion is very nice to have. Our administrators very much appreciate that PCT declarations are accepted by most countries, so you don’t have to go through and get a fresh assignment document. And my favorite has been, and I think the second most impactful, behind getting the automatic thirty months, has been the 6012B, which has really driven a change in our practice.

Now I will spend a fair bit of time on some of these points—but not a long time because I don’t have it. What are the areas that we might improve the PCT and what are a couple of challenges? Translations Jay did not mention. At least from the perspective of a big corporate user of the PCT, translations are a major headache and expense. And what we’d really like to see, because we spend so much on translations, is whether or not the PCT could run a centralized sort of official translation service so we didn’t have to hire different translation companies or go through the law firms in various countries. It would be a . . . if it could be done cost effectively, and that’s of course what we wonder about, would it be more expensive in which case it wouldn’t get used . . . but if it could be done competitively I think 3M would welcome a change like that.

This is more in the realm of the challenges; the calling of the searching in the preliminary advantage. I will say for myself that I am worried about this because I am finding, and I’ve heard a lot of colleagues start grumbling about this, that maybe the search qualities are pretty good but the preliminary opinions are really not that good any more. A decade ago we would have said that they’re quite good and that a lot of times we agreed and looked that up and said, “That’s probably what I would have done.” Now I think we’re finding more and more often it’s spotty. I kind of feel like they are just pushing it off to national stage now. I also, and maybe it’s just me—maybe the cases I’m dealing with are just not very good—but I don’t think so because I’m hearing it from colleagues as well, I think it’s probably perhaps because examiners are busy and maybe stretched a little too thin.

It also seems like even if you think you have a really good response for that, in those situations in particular where maybe the opinion was not great in the first place, those are the hardest ones
to change the examiner’s mind. So that’s an area. Of course Jay said this is the area of most importance that we have least control over. I understand that, but it is critical.

The lateness, of course, is important. Harmonization as well is very important. I think it’s really quite good, but it is important and it makes a big impact when you’re talking about a large number of cases. The harmonization in terms of forms, whether or not you’re being required to have a legalization for documents, it really translates into something that is quite important to us, at least as practitioners.

Jay already mentioned this, so I don’t need to belabor it, but it would be so nice to get some of the straggler countries into the PCT. It just creates so many headaches to have to separate those out. In my practice, for pharmaceuticals and drug delivery, we file in these countries a lot. So it really is . . . it seems unnecessary and you just think, “What a waste!” We would like to see that changed.

The electronic filing issue actually came up, a little bit to my surprise, but we are watching that. It’s nice to hear that hopefully by the end of 2006 the USPTO will accept electronic filings. We calculate that, roughly, it would save us around $50,000 a year.

Here’s one that I don’t think I’ve ever heard suggested. At least at first blush it sort of makes sense. It wouldn’t be bad to have what amounts to PCT division. It would make things easier. I think it would make sense; I don’t know, maybe? I’m getting some nodding. So we’d like to see that. It’d be a nice benefit. Not critical but it would be nice.

With that, that’s the end of my discussion unless people have questions?

B. **Topic Two: A Deeper Look at Some of the New Developments**

1. **WIPO Perspective: Isabelle Boutillon†**

The PCT system in the international patent law context is a lot of different things, a lot of influence and impact of different cultures; different ways of doing things, ways of explaining things, ways of understanding. At WIPO, we are confronted with that mixture every day. When we call a meeting for whatever reason, of course it’s PCT, it’s either operational, legal, or policy making, and

† Office of the PCT, Geneva.
around the table you would most likely not have more than two or three people of the same country or speaking the same language. The language of the meeting will often depend on who are the main persons involved in the discussion. It can switch from English to French. But it can also be Japanese or Chinese or German or Spanish and then switch back to English at some point, because English is the only real common language for discussions on such matters in the Office of the PCT in WIPO.

In the office of PCT, we have employees of about sixty different nationalities. Jay was saying before that the major industrialized countries are in the PCT as well as many other countries now that have made their voices heard. For us, the diversity has been there every day for years and years.

So now, PCT reform. I’m only going to be talking here about the question of search and examination. There are other aspects of reform like the automatic designation system and a few other features that I will not cover here. The main purpose of this discussion is to explain why the ongoing reform has meant a change to the PCT search and examination procedure, which basically amounted to shifting from the Chapter II procedure a part into the Chapter I procedure. There is something very awkward about this shift, as the system was not conceived for that. Why did this happen? Because major patent offices are involved in the system and do a substantial amount of the work. The PCT system has been very successful, in particular, until about five years ago when the increase in use was exponential (which is luckily no longer the case). Offices have had in some cases to take steps to deal with this increased workload.

In 2001, the EPO changed the time limit for entering into the European regional phase from twenty-one to thirty-one months, which meant that the need to file demands for Chapter II in a large number of cases decreased tremendously. And of course it has meant that the EPO as an examining authority had less Chapter II examinations to carry out, which was one of the expected results of the change.

In one way it meant that the objective, which was to reduce the workload of one of the major offices, was met. But immediately a problem was raised by small and medium-sized offices, which found themselves receiving PCT national phase entries with only a search report and no longer what they used to get, that is in 85% of cases, also an examination report.
Now, whether the examination report was useful in all cases, complete in all cases, had been based on applicants’ amendments or arguments, and was as close as possible to a positive report, of course, that can be discussed. But the issue, at the time, was that these small and medium-sized offices got only PCT search reports for their national processing. One of the most vocal delegations on that point was Singapore. The Singapore delegation very early on said that their office counted on those examination reports. Years ago the legislation had foreseen that the applicants would generally come with a Chapter II examination. So it was much more difficult to adjust the procedure to deal with these concerns. Of course major offices did not have to worry too much about the matter, because they generally re-do most, if not all, of the examination in the national phase (especially if the national office was not the one that acted in a PCT capacity). That was the case for the United States, European, and Japan Patent Offices. However, when the same office acted as searching and examining authority, the fee structure takes that into account, and the first office action received in particular from U.S. or EP could be almost a grant decision. You can make amendments, of course, but the examination is basically over because the same office, and often the same examiner, did most of the work before. But when you go to another office, it still doesn’t work that way. Of course, this is a reality.

The bottom line as far as the effect of reform when seen at the pre-reform stage was that small countries would only receive a search report. How do these countries get what they expect? The alternative of creating a full-blown patent office is not workable—having examiners and other staff, search facilities and whatever is needed to carry out examination in all technical fields all year around. So the PCT system has to be there for them. In the same way that the system has to cater to certain national peculiarities (and Jay will come back to this, this afternoon), at WIPO we have to always be aware of the practical, logistical and every day reality of all patent offices.

So, this is one side of the background. In general, the heavy workload and on-going backlogs of the major offices showed that about 60% of all search reports were not on time. Now we are at about 50%; it’s getting better. The other side of the background is that since the year 2000, other things had been going on in the framework of the PCT Assembly. Discussions had started, in part with initiatives from the USPTO, but also from the EPO and other
countries, to streamline and modernize the system. So, the framework was about making changes to take into account the reality—how the work was being carried out generally, and not only from the viewpoint of workload, and it was about many other issues. And, of course, the year 2000 was also the year when the Patent Law Treaty (PLT) was adopted in Geneva. Since then, it has entered into force—about a year ago now—since ten countries have joined or ratified. The PLT is also a subject of today’s discussion per se. And, of course, some PLT discussions were going on with some of the same delegates as came to PCT meetings. So, all of this created a good environment to proceed. The PCT Assembly reviewed proposals drafted by WIPO on the basis of more or less formal proposals presented by USPTO, but also others such as, in particular, EPO, JPO, and a number of other offices, as well as some others which had been in our drawers for some time. The PCT Assembly had to very quickly examine a large package of changes. In summary, we had committees and working groups meeting—sometimes three or four times a year—to prepare the work of the PCT Assembly.

In terms of what the PCT Assembly had to do, it was really the largest ever package of changes—and a more substantive package of changes than it ever had to review in its entire history going back to 1970, the date of the treaty adoption, and the start of operations in 1978. It’s pretty remarkable to realize that within about three years’ time, let’s say 2000 until the end of 2002, this actually was discussed, prepared, proposed, discussed, rediscussed, and re-rediscussed, and eventually adopted at the end of 2002 to enter into force on January 1, 2004. This, as such, is a major achievement. And, of course, the member states in their diversities and their constraints, preoccupations and objectives, had to come to the meetings for sometimes lots of intense discussions. And there were a lot of side meetings and a lot of discussions between some of our colleagues, as International Bureau officials and delegations, to try to work out details of some of the proposals.

So, now we have this reform in place. What does that really mean? Well, it means a major change to the system per se. But looking at it now and looking at it backwards, we can see that it was mainly done to address workload problems. If the PCT had not been that successful, it would not have created so much work, workload and backlog for major offices. We would most likely not have the kind of complex system we have in place today.
Discussions would have been going on, changes would have been made, but there would not have been the pressure to deal with workload that basically put us all against the wall and forced us to do something about it. Now, whether the result is good or bad is another issue. We heard from some users that it’s good, basically; we have other users that say it’s not that good. We go to certain countries, like India, or certain other countries in Asia or Africa or smaller countries in Eastern Europe, where the results do not all appear too good. But that has to be an issue because we have so many different stakeholders in the system. And we cannot expect everyone to agree with one same thing or another, every time. We should not have this as a goal because we would never achieve it. So, what do we really want to make out of this?

One way to address it is that whoever is the stakeholder in question gets the best out of the system under the circumstances, whether you are in a corporation, a law firm, or the patent office, or whether you are another type of user. All of this is possible.

But when we look at it from the legal viewpoint, from the viewpoint of the system based on the Treaty, with the Regulations and quite an extensive set of legal documents and provisions, we can see that what we have today is a system being stretched to the limits. As you know, a treaty cannot be changed, basically, without a diplomatic conference. Now, you might wonder, how did we get to change the time limit for national phase entry under Chapter I without a diplomatic conference? Because the Treaty expressly provides in one of the later articles that the change of time limits can be done by the PCT Assembly, by the member states meeting in assembly, without a need for a diplomatic conference to revise the Treaty. The writers of the Treaty had foreseen that situation. And some of you may remember that in the early days, the time limit for Chapter II was not thirty months, but twenty-five, and that had been changed in 1985.

We have changed the system and we have to live with it. So, we have again to look at all the stakeholders. Now who do we do this for? Or, “For whom do we do this?” maybe is better English. And people will say, “the offices,” “the member states,” “the staff,” and so on. And some of us, like Jay and I, would be saying, “What about the applicants, the agents?” You could lose sight of all of this.

Patent offices are users of the system because they get the applications, other documents, in electronic form or on paper; they get assistance from us, legal advice when they need it, and also
training for their staff. Member states’ delegations too have asked us occasionally to provide them with information about, for example, what can they say about the PCT to their parliament? How can they sell the system, what is good in upcoming changes? And so on. WIPO is really the only place where all of these viewpoints get confronted, and have to be heard.

One reason why we have more of this kind of meetings now is that, while we think we know what we can expect, we are faced regularly with something that no one predicted and we have to deal with it, find some solution. And sometimes we should say that we shouldn’t just imagine what we should expect, we should ask the users. Some of us in the PCT area come from the private sector, so we know what the users in the private sector expect or should be able to expect. We know a little bit about the offices because we meet them a lot, we visit many of them. We know the staff in many of these offices. We know people in the diplomatic missions in Geneva.

We may never have any change that big unless we reach the point of a diplomatic conference to revise the treaty altogether or a protocol to the treaty or some other instrument. Who knows? Maybe all the countries will denounce the treaty when, as Jay was saying, there will be no need for a PCT one day. We don’t know. But in the meantime, we don’t stop looking at the system and trying to still improve it.

As soon as the Rules package for 2004 was adopted—that was at the end of 2002—we had a year and three months to put it in place. That was done. But it didn’t mean that we stopped discussing the remaining issues which had been left aside. We started to look at some of them. However, we were faced with the lack of interest by a number of offices and particularly the large ones. They said basically that we had to slow down. They could not absorb this amount of change and train their people and so on, while, at the same time, start discussing seriously so many other new issues.

We slowed down; we had to. We made proposals for various changes. As you have noticed lately, every year there is a more or less small package of changes entering into force. Last year, there were a few changes relating mainly to unity of invention, the purpose of the procedure, the process when there is lack of unity. Some of the procedures were simplified, mainly for the big offices which have a particular protest system (the two-way review in case
of lack of unity). And there were a couple of other minor “housekeeping” type of changes.

Then we had another package, which mainly related to electronic publication. This April 1, electronic publication will become the legal publication. The paper versions will be available in some cases, but the true version of the full text of the PCT application and the PCT Gazette will be the electronic versions on WIPO’s website. The practical details are still being worked out by our colleagues. For example, when you, as the applicant, or the agent will receive the notification telling you your case has been published, you will have the URL or some other indication as to where to find the document, so that you can download it if you want or just know it is available.

Also, Arabic becomes an official publication language on April 1. It is already an official filing language, because a number of offices in the Arab region have specified it. In WIPO, at our own receiving office, we have received in past years a number of cases in Arabic already, because that’s accepted at our office. Of course, those cases have to be translated for any future steps. They will still need to be translated, but only for search (as today no searching authority can search in Arabic language) and examination, but not for publication.

There was a loophole in connection with the self-designation system relating to, in particular, the Japanese designation. This was a situation relating to the national laws of Japan, Germany, the Russian Federation, and the Republic of Korea. A system was put in place as part of the 2004 Rules package, but, as happens in legal packages, there was a loophole. We drafted quickly and were able to obtain quickly the agreement of all delegations concerned. We went back to the plenary session; the text was adopted. And, of course, a few weeks or a few months later we tried to implement it, and we could see that there was a major problem with it. Still today, it is not possible for applicants to exclude Japan, which was the major candidate for this exception. Maybe I should just recall what it is about.

If you have a PCT application, subsequent to an earlier national application designating the same country—so Japan, based on a Japanese priority, or Germany, based on a Germany priority, etc.—the mere fact of making the designation has an effect on the previous national application. If the designation is maintained in the subsequent PCT application, the previous
application goes abandoned automatically, by effect of the national law, at some point in time, unless you do something to prevent the designation in the PCT application to proceed. Those countries could not accept the fully automatic designation system as far as their designation was concerned. They wanted a way out for their applicants.

That’s different from saying a country is designated and then the designation is withdrawn. To withdraw the designation, you have to assume there is first a designation. These countries wanted a procedure allowing applicants not to designate them at all, otherwise the law would apply and the national application would then go abandoned. The solution was to permit to exclude the designation.

So, at the same time as we invented the principle, we had to invent the exception, which is often the case.

But there was a loophole in that regulation. I won’t go into this now, but you need to know that as of April 1, and for all applications filed from April 1, you will be able to exclude Japan, Republic of Korea, Russian Federation, and Germany for national protection. But you will have to first have a priority application from that same country, of which you will have to claim priority from it.

Then the declarations. We heard about them a little bit earlier. The famous declarations in which you can indicate who is the inventor, who has the right to the patent (for example, following an assignment or chain of titles), the inventorship declaration, which applies only to the U.S., and finally exceptions to novelty, which relate to non-prejudicial disclosures, such as those made six months before filing. All of these declarations have been available for a large number of countries, for national purposes, since 2001. They haven’t been used much so far. We had only a few thousand cases, but it’s increasing.

These declarations are filed by applicants with the application papers, usually in the request. We process them and pass them on to the national offices concerned. And in very many cases, they were taken as such. No need to provide further evidence, or no need to provide new declarations. There are still a number of countries that have opted out, so for those countries you still need to provide new declarations.

These were mentioned in the published application, but they were not published per se. The change as of April 1 will be that
they will be published as part of the application papers in the PCT published application at eighteen months or shortly after eighteen months. So they will be available immediately to all; that is, not only to national offices that will need them in their national processing, but also to third parties.

Next year, we are going to have another package of changes. They were adopted also last year. But the member states asked that not everything be put in place at the same time, as some changes will require more preparation in the vast majority of the offices. Four major subjects are covered.

We have missing elements and parts of the application and restoration of priority rights. These two matters have their bases in the PLT discussions. And, in fact, some of the language introduced in the PCT is very foreign to the PCT terminology, and it comes straight out of the PLT concepts and PLT principles. These changes are features that will help applicants. Why? Because mistakes happen. You can take all the care and attention you can possibly take in all your work; things happen. So this is recognizing that things happen, and there should be ways for remedies, and these will be some of them.

The point here is not to go into too many of the details of what these are about. The first change will allow you to basically make an incorporation by reference in terms of missing elements and parts. It happens that a page of drawings or a page of specification is missing when the papers are filed. You will make a reference to the priority application, and if you miss pages in your PCT filing, you will quite easily in the future get back into the PCT application the part or parts that were in the priority document but which you missed in the PCT application. Of course, it’s not going to be just automatic from the start. Some of the offices will have the possibility to opt out of this provision.

Restoration of priority rights. Same thing. You basically will end up with twelve months plus two, that’s fourteen months. You will have to either show due care or non-intentionality. Non-intentional and non-avoidable—it’s basically where the line is. The words are a bit different, but that’s really what it means. Some offices have said that they could not accept the change at this point. But, of course, for offices like the United States, which knows this kind of provisions for various other areas of the patent law—the non-unavoidable and the non-unintentional types—it would work at the receiving office.
The next question is, what if a receiving office agrees and then the case gets to the national phase, what about each designated office? In some cases you will have the guarantee that in the case where you showed due care, and the receiving office accepted it, then the designated office would have to accept that. Of course, unless they opt out altogether. If they opt out altogether, they don’t have any obligation to accept. But if they did not opt out, and they accept either showing, if the more strict criterion was observed, they would of course be bound by that. If it’s the other way around, if the receiving office agreed to on a non-intentional basis, but the designated office requires due care, then the designated office can say it’s not acceptable to them. So, once again, you see we had to cater for the different types of approaches.

Now, why do we bother? Because altogether we advance on making the system better and safer. And one after the other, some of the countries will eventually make a change in their national laws and policies and will take out the reservation they made in the PCT system. So we think it’s anyway a good thing.

What could be done for rectifications of obvious errors to be made much easier? It used to be that anyone should agree that there was an obvious error, and anyone should agree that there was only one rectification possible—that’s the one you provided. Almost impossible to meet. So now it’s going to be something like “the person skilled in the art.” Someone in the office concerned who will make a judgment about the issue. That will be sufficient.

And then we have Korean patent documents becoming part of the PCT minimum documentation. Some offices will introduce those earlier on, but by April 2007, they must all include them when they search PCT applications.

The last part of the presentation is for new developments for the future. The multiple language publication is still being discussed, even though, as you heard this morning, maybe it won’t go much further. The meeting is planned for May. Supplementary international search, which would be beyond the current search by the main searching authority, would generally be another search done in other languages or in certain types of art by certain offices.

A quality framework will be introduced. It has been introduced somewhat in the discussions of all the International Searching and Examining Authorities, which are all working on defining what are the criteria. And the International Bureau, for its own activities, is also looking into the matter.
And finally, USPTO has been discussing proposals relating to the font size of the text part of the application and color drawings. Maybe some of the proposals will come through. But you will see already the latest news on the state of discussions in the PCT Newsletter that is published after the May meeting.

2. Practitioner Perspective: Steven Keough†

Seriously, I’m very honored to be among many colleagues and former friends. Former colleagues and friends. I was hoping to make it humorous being the closer for the morning.

Also, we’re very much indebted to the people in the international area. This is really an international conference; an international legal conference. When you step back and say, well it’s the mundane view of this but there is also a very powerful view. Over several decades of being in this area, I look back at some of the contributions with Jay, by Mr. Keough, Mr. Nagaoka-san and many of the other individuals—Mr. Berry and William Mitchell, for that matter. When you look at it as this area of contributing to world peace and economic development, it puts a different light on what we’re doing. So, in that context I am very honored to be here.

SurModics is going to talk in this presentation about business development tools using the PCT. We’re going to talk about business and PCT planning and securing new markets. . . .

What do we do? We’re not talking about PCT in the context of what we do at SurModics. We are a public company. We’re heavily, heavily dependant on the PCT. You’ll see later in our slides that about 100% of our foreign cases and its OUS are via the PCT route. So, somebody said to me, “Well Steve, you ought to go up and introduce yourself as: ‘Hi, I’m Steve and I’m addicted to the PCT.”’ But I’m not because that would be trite.

What are the issues that important to us? The designations? The classifications of IPC’s? We watch that pretty carefully. We’re concerned about that, that the categories of examination, the classifications of our inventions—many of which are combination inventions. Many of which are nuances on medical device improvements. Many of which are with medical device partners. Some of those companies are in this room today. We worry about the classification system. It may seem arcane to some of you but it’s

† SurModics, Inc., Minneapolis.
a very important issue.

We improve the functionality of medical devices, but as I just alluded to, we enable new product categories. That’s where we sometimes have difficulties with the PCT. Frankly, with the United States office as well.

Improving clinical outcomes; well, many of you know that is hard to claim. You have to be very creative. So working with our foreign associates, who are prosecuting international states cases, it’s often difficult to have people understand except in person how you can claim improved clinical outcome.

Today we’re going to talk about some examples of our product, but first we look at the picture of the company. Without getting into detail, what it shows us is that it’s a very innovative company, relatively new, public company, only since 1998. But in relatively recent time, you’ll see the break in the time-line, in recent time the pace of filing has increased quite a bit. In fact last year we filed fifty-one patent applications. I had great pleasure the other day when the announcement of the world’s greatest patent filers came out—we were twenty-first with a little fudging—we added a zero to our filings from last year. We were right up there.

We really do file a lot of patents. We file a lot of patent applications internationally . . . . Our patterns have changed though. In the past it was almost rote as to where we would be filing. Currently we are trying to file more consciously in North Asia, when in the past we haven’t. I’m still trying to push filing in India . . . that’s a difficult sell, though, until we get the medical device products that we’re on sold there. We can in turn relate to the economic system and reimbursement system for the medical products. Nevertheless, we’re actively looking for partners. We’re actively looking, particularly in North Asia and southwest Asia—China, India, Japan, and Korea.

You’ll also see that some of our recent partners and investments in companies are with OUS companies. So we get into the combination portfolio analysis. How do the Dutch file their cases both in Europe as well as in other regions? How does that relate to our cooperative partnership? It’s a very interesting discussion for patent lawyers.

I put this up because it summarizes last year’s revenue. We’re into our second fiscal quarter, but last year’s revenue breakdown, which is public, is very fascinating. It really goes to the heart of “are we an IP company?” Do we depend on the PCT? Absolutely!
Seventy-five percent of our revenues are directly related to royalties and license fees. Well you don’t get a license for a promise. You get a license fee because you have something—something tangible that our customers want. It’s very, very important to us—patent filing.

A little bit of customer device examples here: a small sampling of some of the items that are out there. Again you look, where do we file? We’d love to file in more places but the products are not sold there, unfortunately. Many of these products are not sold in many countries. You come back to the economic development aspect of this and improvement of people’s lives. I just wish more of these products were sold in other places.

When we look at our customer base, particularly the top four up there—Cordis, Guidant, Medtronic, Boston Scientific—I think you’ve read about a few of those recently. We really have to exercise discretion within our company. We have very compartmentalized code work type environment in order to maintain confidentiality among companies. But more importantly it reminds us that we are very international, we’re very much the Swiss model of licensing in that we have customers that are often going at each other competitively in the market place. We bring different technologies to each of them—sometimes slightly different, but certainly different. Most of the time we’re very successful at that. But at any given time . . . there are a number of companies that are going at each other right now in the courts. It’s nothing personal I’m sure, but they have a lot of fights. So we have to be very careful with our own intellectual property so that we can continue to license in a very litigious patent oriented environment. Of course then we do internal development with our customers. They, in turn, have their own patent filings per arrangement with us. This is a list of our business units.

What drives growth? It’s a pretty simple question, but it has a complicated answer. For us there is a short list here, literally a handful of items that we’ve identified as the growth drivers for SurModics in our industry. We’re a small company, relatively speaking, but we have to be able to partner with many companies in the same industry. I’ll show you an example in a few minutes of the drug market.

So, we’ve found multiple ways to partner and participate in the drug market, but again, patent-based. Of course the DEF market is huge in Europe, huge in Japan, and huge in the United States.
Those regions sound familiar? It’s very important to us, the OUS patent filings there.

We have a growing pipeline—I’ll show you an example of that and why that’s relevant to today’s discussion. The convergence of drugs and devices, my colleagues to the left at the table, work in the pharmaceuticals and drug delivery areas are well aware of that. Tom’s well aware of it. Many of you are aware of that. A lot of the practitioners in the room are heavily employed by many of the previously shown customers in this region and working in this area. It’s very active. But, do the colleagues at the examining offices, in the countries other than the United States, understand the nuances? I’ll show you an example of the nuances related to this field.

Climbing the value chain, that’s really internal jargon for owning more of the piece of the end product. No U.S. patent portfolio. This was not put on there just for their brief. This is real. We really believe that. You can see from our revenue breakdown why that’s so critical to us.

These are just some simple examples of how we participate in multiple aspects or areas in one market, the U.S. market. We’re very honored to be with one of our customers, the Medtronic Endeavor Product system, a drug eluding stent system. We help with one of our products of hydrophilic coatings in the delivery system part of that. Cordis, J & J Company, we’re very proud our drug eluding polymer is part of that system. So in both instances, heavily patented areas and we’re fortunate to have both United States and international coverage, and a lot still pending.

This is my favorite. Is this an example of Bryce Canyon National Park in the United States, or is it just a micro-graph (which it is) of a surface defect on one of the medical device surfaces where the drug is crystallizing on the surface and it’s broken through?

Our surface defect characterization specialist, Dr. Warmath, loves these pictures. He gives them away as gifts. But I’ve come to like them too because they stand for—and you’ll see a few more in a minute—how important it is to get down to the real small issues that make things work. Or, getting down to the real small elements in patents. The nuances, I keep saying that word, in the patent areas in medical technology that make the difference between a successful, non-harmful, healthful product in patients and one that’s harmful and should never see the light of day. Often you
don’t see this level of detail. That’s the realm we’re in, we work in the space that is a very small scale.

Let’s go to an example of a good drug eluding coating. This is an example of an actual device that’s out there. It’s a stent with drug eluding coating on it. Out of that stent when it contacts the tissue in the body, it helps prevent re-stenosis, or re-clogging of that stent—opening up the lumen of an artery. You can see the nice consistent appearance of the surface, there aren’t any of those previous Bryce Canyon-like objects blurring out which would result in the dumping of drugs in an unregulated manner into the person’s tissue area.

The topography of the devices are very important. How you are able to get coatings on a turn, or on a piece of a device that’s going to expand. What are the mechanics and physics of that? Without having the surface coating, you’re lost.

In a similar manner, this is an example of what you don’t want. You can make it out there is a web of polymer that is there after this particular device was put in and stretched out, and deployed inside of a person’s body. Well that web is just like a spider’s web when it’s inside your blood stream: it will clot up pretty quickly and maybe cause a stroke or other problems. You can also see there’s a reference arrow there. That’s pointing to bare metal where some of the polymer has been chipped off to bare metal. That’s also a potential problem depending on your view of this device. It’s very important—this means patentability for this. It means non-enabling perhaps for this device and the claims that go with it because it isn’t doing what its claimed to do, in the way it’s supposed to. Those are the issues we talk about with foreign examiners. That’s why we need slides . . . .

All right. Why is a robust pipeline relevant? Well it’s relevant particularly in showing our business planning, and of course our investors look at this and say, “Well how many do you have licensed but not launched?” They project ahead on earnings per share for the future. It’s important for the nexus between business planning and PCT planning. It’s a very important nexus . . . . [O]verall the percentages are getting better in terms of the line up and the alignment of those planning tools. Of course it also requires you to be diligent in prosecution in any office.

Now we’ll look at another product of ours that is actually in trials right now. Just a little bit of basic anatomy here before lunch. At the back of your eye is something called the macula. The
macula helps you to be able to see well. Well, when the back of the eye diseases occur, we can’t see well. Here’s an example. This is diabetic macular edema, or swelling in the macula or around the macula. We’re all trying, in the medical field, to try and prevent that. This is classic for people, of course diabetics, but also happens with non-diabetics in a different form of this—typically as they advance into their fifties and beyond. It’s a very significant cause of blindness right now. Many companies are working at solving that, as are we.

This is an example of trying to move up the value chain using intellectual property. We have an intra-vitreal implant that we have with three customers now—of these three, at least one of which is a major pharmaceutical company. You can see the blowup of the device to the upper right. But it’s placed in the vitreous space. You can actually see it in a patient if you look close. I’ll just give you a sense of the size. That’s a U.S. dime—and the device inside it.

If you look at the distal tip of that, the sharp tip, there’s IP around that. If you look at the coil structure, there’s intellectual property around that. There’s fundamental intellectual property around the coating that’s on that coil. That’s a coated coil with the drug eluding coating on it. Prime-syalone or another type of material to prevent that swelling, that inflammation, that edema in the back of the eye. It goes right to the location so it doesn’t in the front of the eye, just at the back of the eye, just where you need that drug. Then there’s IP around the tip of the proximal end—that screw-in piece, that looks like screw top—that allows us to remove it if we have to. So, that little tiny screw, it’s so critical with so many different portfolios of IP around it, from different sources.

So quality of examiners is very important to us. Quality of the examining core in any office is extremely important to all of us, but particularly in the medical arts area. Medical providing in many countries is very political—profit, reimbursements, medical structures, and access to it. Even in most countries now there is a very vibrant cash-pay-for-service system and so we’re seeing that as at least hope of getting more of these technologies to other people.

This is just an example of one of the charts that we’ve used to talk about, for example, that product with examiners. Trying to show them efficacy in ways that you may or may not really put in your patent application. Also an example of the type of commentary you can now put into the PCT process that was referred to earlier.
One more product. This is a product we’ve been working with a company called Novacell—which has recently merged with Cell Source company—they’re out on the West Coast. This is basically to create an insulin pump within your body. So the way it works, if you look on the right you can see the eyelet cell and it’s surrounded with (the native eyelet cell it’s called) a corona of sorts. That corona that’s around it is our coating that we put on that individually. What this enables is the eyelet to create the insulin and for the insulin to come out, which is what you want, for the nutrients to go in, but the antibodies and immune cells will be repelled. So it doesn’t self-destruct. So it’s really, I call it, a little insulin pump. It’s an insulin pump made of natural cells and manufactured agents. It’s a combined portfolio with one of our customers. But is the corona a device or is it a mere coating? Which classification would you put this in? Would it be chemical arts? Would it be a device? That’s maybe off the charts, but not really, it just depends on your perspective. That’s in human trials now.

One more that we just announced. It gives just another example of the challenges in the medical area. This is the natural scaffolding in your tissue for growth of cells. Looking a little closer on that box from the previous slide, you can see a cell body growing along in a longitudinal way—a lengthwise fashion—not just that... but if you can look to the upper left it is extending in a long direction up to the upper left of that view and to the lower right. But there’s a problem. When researchers try and recreate that cell in labware—plastic labware in laboratories, in vitro—to try and test the many drugs pharmaceuticals or other techniques and try to emulate the disease pattern, for example, they don’t get the same growth. The labware is flat planer. So you end up with what’s on the left in these views. It’s very planer, spread out, surface rather than three-dimensional and longitudinal in its growth.

Through combining of intellectual property portfolios and working as partners, we have a very unconventional relationship by medical standards with one of the leading companies in the world on filtration. One of our leading community leaders in corporate in the Twin Cities is named Donaldson—Donaldson Filters. When I was back at M & G in the 1980s, I remember they were our customers, they were our clients. I remember working on tank filters. It’s a far cry from tank filters to the technology and the ability to make repeatable structures of nano-fibers and then the
ability of SurModics to be able to coat those with very thin coating without clogging the pores. It enables a remarkable outcome.

What this does, combining nanotechnology, chemical coatings, labware—we’re able to get artificially grown in this example, neurites. You can see the length difference. With just nano-fibers, three dimensional rather than a flat plane, and the nano-fibers with a SurModics coating on it, those coatings can promote any number of different features of cell growth. But doing that, without clogging pores, you end up getting a much more in-vivo like structure in the labware, resulting in more accurate analysis, diagnosis and therapeuti development using that labware. It’s very exciting. It’s just announced about two weeks ago.

Here’s another example of the ability to take those combinations of IP portfolios, because why make the investment otherwise if you’re not protected, international portfolios and United States. An example of a flat generated breast cell and then breast cells forming into a conical more human shape using the three dimensional structure. It’s very interesting science.

There are some patent offices where I couldn’t even show that. We don’t have that in the patent application. We can’t show that. That’s a problem. We can show that carefully to male patent examiners in some countries—most countries. It would be offensive to others. We will use other examples. Just a reminder on the international aspects that we’re dealing with.

So again the types of things we do. In summary, for this particular example, these are the different types of functions that result from relatively common technologies being merged together for new purposes.

Some examiners don’t like to say that’s an inventive step. They might say, well the combination is novel, but where is the inventive step? You ask the people who benefit by this and they’ll say it’s definitely an inventive step. You ask the scientists in a lab, it’s definitely an inventive step. But we’re fighting that. It comes down to quality and experience of the examining corps, including in search reports.

Okay we’re just about done. The PCT. Long time user of PCT—SurModics. Virtually 100% apply to PCT. We are moving to electronic filings. We’re hoping that in about one year from now we’ll be at about 90% electronic filings. We’re just barely getting there, but we have the pieces starting to come together. We think
that’s the way to go for a lot of reasons—many of which Ted mentioned. 4

Intellectual property is essential to our customers. We’re a marketing tool for the PCT. We need it because our customers are generally large medical device companies or biotech or pharmaceutical companies that rely on international protection. Also, obviously when you look at the OUS opportunities for many of these devices, pre-FDA clearance is very important. That fund, when you think about the royalty revenues from pre-FDA clearance sales, OUS, that’s a very good justification for filing those cases alone.

Comparative numbers? We’re at about three-to-one of our prior filings from about four years ago, three years ago but we’re going to be entering fewer national stages. We’re finding that the relevance of entry in a number of countries that used to be normal is just relevant—it doesn’t pay. That’s an interesting framework for us. We’re very similar with 3M in terms of fewer Chapter II demands. We’re backing off on those quite a bit—in a strikingly similar conversion rate from filing to converting to national stage as 3M.

Ongoing concerns for us are new developments. Capabilities of examination corp—we’ve hit on that extensively—the nuance and the criticality of minute differences. More unity of invention challenges. We’re seeing that as just continuing. That is a cost of doing business rather than, I think, anything else. Although it could be lack of detail by the examiners, I don’t want to lay it on their team.

Cost of claims? You know the requirement to have fewer claims, increased cost of claims, it’s a cost of doing business that we’re all aware of. Nevertheless I keep reiterating it as other companies do, let alone individuals trying to file. Relevance of states versus cost? I’ve mentioned that.

Search report delays? Also we’ve noticed an interesting phenomenon where even though the English language, or Japanese abstracts—English language/Japanese Abstracts—are part of the critical or essential document searches, we’re finding that often our searches are preliminary exams, don’t have Japanese language abstracts. If you just looked at the patent you’d see it’s probably relevant. Then we get into the national exam and we

have a lot more references than we counted on. Interesting little issues here and there. If you recognize them then you’re much better off.

So, pretty good track record for us using an intellectual property model. We’re fundamentally a lot of scientists, IP geeks and we’re proud of it. It works for us and that’s not a bad model. Some of the shareholders in the room here have already told me that today—keep it up!

III. THEME TWO: THE PCT IN THE LONG TERM: LOOKING AT THE BIGGER INTERNATIONAL PATENT PICTURE


1. WIPO Perspective: Jay Erstling†

I have to start this talk with a disclaimer. What I am about to say is very much a personal perspective, although I trust that it is not a unique one. The subject of patent law harmonization and its respective viewpoints, I think, come from two angles. The efforts that have taken place to embody substantive patent law harmonization in a multilateral treaty, in other words, to legalize it globally, have so far been unsuccessful and, if they were to be graded, would receive a low one. At the same time, there has been a remarkable amount of harmonization of patent law and patent practice worldwide.

So while the structured multilateral treaty efforts, or for lack of a better term, what can be labeled de jure harmonization, have not made much progress, de facto harmonization is bringing the patent laws and practice of countries closer together. Furthermore, from a de facto harmonization perspective, the role of the PCT in bringing about harmonization has, I believe, been crucial.

As a result, if de facto harmonization continues or better yet, the pace quickens, sooner or later the need to have de jure harmonization is either going to be such a “no-brainer” that it will

† Director of the Office of the PCT, Geneva. The opinions expressed are those of the speaker and not necessarily those of WIPO.
occur quite easily or there no longer will be the necessity of de jure harmonization because of its execution through informal means. The future of international patent law might not any time soon be an international patent, a global patent that we all dream about having, but it will be one in which international practice will flow, I believe—I hope, in a relatively easy way.

What I would like to do very quickly is to talk a little bit about de jure harmonization and a little about where it seems some of the de facto harmonization is taking place.

As Isabelle alluded to earlier, there is now a Patent Law Treaty, which deals with procedural harmonization and which Brent Routman was very much involved in negotiating.” The Patent Law Treaty came into effect in April of last year when ten countries ratified the treaty. There are now thirteen member states. The member countries that have the most active patent systems are Finland, Denmark, and the United Kingdom. The PLT itself has not yet made that much of an impact except for the important fact, as Isabelle also mentioned, that the PCT incorporated, as a part of PCT reform, some of its provisions dealing with safeguards for applicants, reinstatement of rights, and relaxation of formalities. Now, interestingly, the PCT also incorporated some of the advances in the PCT framework concerning electronic filing and electronic processing of applications.

The treaty has not yet been terribly successful in terms of numbers of countries that are jumping onboard. It is in its influence on PCT reform that the PLT is having an impact. The cross-relationship is likely to remain strong, because the PCT member states are invited to participate in the discussions at PLT meetings on the PLT regulations and other matters of PLT governance.

Efforts to harmonize substantive patent law have been anything but conclusive. There is in WIPO a body called the WIPO Standing Committee on the Law of Patents, which is responsible for elaborating a substantive patent law treaty acceptable to member states. This committee has made little progress. One of the issues, although not the only one, concerns the scope of the treaty. Should the treaty focus on traditional notions of patent law—for example, definitions of novelty and inventive steps; or, should it (as many developing countries believe) encompass

5. See supra Part II.B.1.
additional elements—such as, disclosure of the source of traditional knowledge of genetic resources or flexibility for considerations of public health or economic development? Despite the fact that discussions have been going on about substantive patent law harmonization, I believe, for at least twenty years, deadlocks persist.

There are current efforts to break the deadlocks. One of them, under the leadership of the Ambassador of the Philippines to the international organizations in Geneva, is the organization of an open forum on harmonization in Geneva from March 1 through March 3 this year. It will be the first time that many of the leading scholars in the area of patent law harmonization, representing all points of view, are going to come together at WIPO to talk about the issues in an open setting. Regardless of the outcome, this is a positive step. Nevertheless, overall, on the de jure side, there is lots of unproductive talk, lots of frustration, and little progress. If you look at the de facto side, there is a surprising amount of progress. The very fact that in the PCT system there is a common patent application, one application that is the equivalent of 128 applications, is extraordinary.

Efforts are now underway to establish a common application format for national patent applications. If successful, there will be a nationalization, so to speak, of the PCT application—a commonly accepted standard for all patent applications. One of the layers of the PCT’s dense legal framework, and the PCT probably has one of the most complex and dense frameworks of any treaty system ever, is a set of guidelines—the International Search and Preliminary Examination Guidelines (ISPEG). They have been around since the earliest days of the PCT, but often ignored, particularly by examiners at the USPTO. The guidelines were very straightforward, but little thought or attention was given to them.

Under the leadership of the USPTO, together with the contributions of the other searching authorities, the ISPEG were recently re-written. The ISPEG made an effort to come up with mutually agreeable guidelines that all the offices could apply. This proved, in practice, more difficult than it had appeared.

Instead, rather than trying to force agreement, which was probably one reason why the earlier guidelines were ignored. It was decided that where there was not agreement, for example, in questions of unity of invention, the guidelines would simply acknowledge there was not yet full harmonization. The guidelines
now tolerate a certain amount of flexibility from authority-to-authority, but the differences in search and examination practice now require clear demarcation. In terms of the ultimate goal of harmonization, maybe the new guidelines are not that great, but the fact that there are now clearly stated guidelines being used in all the authorities, with clear statements of where the disagreements are and are not, is a considerable step forward.

Isabelle also alluded to a quality framework. The new Search and Examination Guidelines now have a full chapter on quality framework, which is a further step forward. Moreover, under that framework, the authorities must report regularly on the steps they are taking to improve quality control and share those reports among the twelve authorities.

The PCT establishes the set of patent and non-patent minimum documentation that need to be included in search and examination. The newest addition to that minimum documentation is Korean patent documents. Under the championship of the EPO, the authorities are attempting to rethink and re-look at what minimum documentation should consist of in today’s world, as opposed to the world of 1978, when the PCT came into operation.

The purpose of PCT minimum documentation is to bring about a commonality of international search results. The minimum documentation also serves to influence national search and examination. The availability of minimum documentation as well as the whole body of published PCT applications, is tending, I believe, to bring about a common sense of the prior art, which in turn should lead to greater respect and mutual recognition of international and national search reports. While progress is less swift than what one might hope for in terms of mutual recognition of search results among the major offices, the impact of international search and examination is quite noticeable among some of the smaller and medium-size offices.

The International Bureau recently informally polled some Indian agents to find out whether they perceived a difference when they were prosecuting either a Paris route application in India or an Indian application in India, as opposed to an Indian national phase application. They all said, and said instantly, when the application includes a positive search report, the agents examine the claims much more positively. There is a sense of confidence in the opinion of a major office. As that happens more and more,
what is indirectly happening is that examiners all over the world are recognizing, identifying and accepting harmonized notions and harmonized standards of search, examination, and patent grant.

Finally, I should mention that possibly the biggest harmonizing impact of the PCT has been its contribution to WIPO’s enormous program of technical assistance to developing countries. That program has had an important influence on the creation of new markets for intellectual property and the development of systems that effectively grant and enforce intellectual property rights. The growing emergence of modern intellectual property systems the world over bears witness, at least in part, to the success of that technical assistance.

So what will happen in the future? I personally think that despite what might happen in these next couple of months in terms of substantive patent law harmonization, the process of de facto harmonization will continue in a positive direction, and that from a de facto perspective the future is good. As long as countries like India, China, Korea, Brazil, South Africa, and others continue to emerge as economic forces, the more recognition there will be that an effective patent system serves a nation’s own self-interest. There will be strong incentive to put into place internationally compatible patent systems and to grant appropriate levels of protection.

I think there is an important caveat, however—that is, what is the burden on us? It cannot be all-for-nothing-in-exchange. There has to be some form of quid pro quo. In this context, I really need to speak in my personal capacity as a former American practitioner. From my perspective, and again this is very personal, I think the quid pro quo is that we have to take a step back and look with much greater seriousness than we have previously looked at the demands of developing countries, who wish to use intellectual property as a tool for development. I think we have to take the development agenda seriously, particularly in the area of traditional knowledge and genetic resources, and carefully look at the prevailing international framework to see whether it fully meets the needs of developing countries. We should at least be more open to examining and questioning, so that, without necessarily coming to any conclusion, we can be sure that there is a balanced global approach to moving forward.

I think that if we are able to take that step back and be more open to recognizing the legitimacy of the demands of developing
countries, then the harmonizing movement that is taking place is destined to continue.

I am often asked, particularly when I am in developing countries, when will there be a global patent. My usual answer is not in my lifetime, but it will not matter because we will all be moving in the right direction towards that goal.

2. Practitioner Perspective: Brent Routman†

As the last of five speakers on this panel, and having had my time expire before speaking, I have very little new to add at this time. I’m not going to bore you with talking about the PCT and the PLT as you have already heard the most important aspects of each. But I do want to say a couple of things.

On our perspective as users, I’m not a corporate representative. I’m not a government agency. I don’t represent a trade association. I’m a lawyer representing clients, trying to get them efficient, cost-effective patent protection around the world, and billing for it accordingly. What I’m looking for is harmonization. I think harmonization makes sense.

I had the honor to attend the Diplomatic Conference for the PLT as Jay had mentioned earlier. You have to appreciate the difficult role WIPO has to play in coordinating a treaty negotiation of that type. If you thought we were having problems in our Senate with potential filibusters, you should attend one of these conferences and see what that’s like. There are representatives from 160 countries sitting there. Everyone has a say. It’s a one-person-one vote system. It takes time—an inordinate amount of time—to give everyone their say, and things do have a tendency to bog down.

It’s unfortunate that the tone of the debate seems to have ended up a North/South (or rich/poor) debate related to traditional knowledge and genetic resources. I think that it’s important and equitable for the developed countries to address the issues and concerns of developing countries. Practically speaking, I believe that it is necessary if we really want to move forward. Whether we do that in a trade agreement such as an amendment to the TRIPS Agreement, or through harmonization of the patenting process, these critical issues need to be addressed. The harmonization process has languished for years due to these few

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important issues. In some ways very little progress has been made since November 2000 when the negotiations on the Substantive Patent Law Treaty (SPLT) were first started.

In the minute that I do have, there are several ways to move forward that would be possible. Let’s consider centralized filing of a patent application outside the PCT system utilizing WIPO as the centralized filing authority. Not everyone is a member of a PCT. Many countries are not. We could come up with some kind of regimen where there’s a centralized filing system.

I think it’s also important that the United States ratify the PLT. The United States was a signator in June 2000 but has made no real progress in moving the treaty through the Senate.

Similarly, the U.S. agreed many years ago to adopt the Unity of Invention standard rather than restrict practice, but has failed to implement those changes—waiting instead for it to be part of a larger harmonization process. Perhaps revenue has something to do with that decision.

Another concern I have is that there should be full recognition of search and examinations by the tri-laterals. I know there are perceived quality issues. Why can’t we adopt a system, similar to the Madrid system for trademarks, where a country has a certain number of months, after reviewing an application, to object or refuse to grant the patent? Absent a timely objection, the search and examination of the sister office is accorded full faith and credit.

We should quickly move toward universal acceptance of color and digital drawings. The Tri-lateral office of the USPTO, JPO, and EPO should assist smaller offices in obtaining the equipment and training the personnel to enable those offices to accept color and digital drawings.

Translations remain a significant bone of contention as it relates to revenue, national pride, etc. If we are to really resolve the harmonization issue, we need to find a solution to this problem, both at the prosecution level and in litigation.

In a nutshell, I am encouraged that we are moving forward. I think it’s important that we come to some type of agreement on issues on which we can find common ground, such as prior art, grace periods, etc.—even if it means that we bifurcate that process. But to truly achieve a meaningful harmonization scheme, we need to address the issues raised by the developing countries sooner rather than later as it is equitable and it is the right thing to do.
That’s it. The other things—I had a whole presentation about where we’ve come from—I was going to go back to the Paris Convention of 1884 which I remember well. I decided to pass on that. Thank you.

Special thanks to Jeff Anderson for his assistance in preparing these materials.

3. Practitioner Perspective: Harry Gwinnell

A lot of what I will be presenting will touch on some of the things that have already been said, but here from the user’s perspective. So there may be some differences compared to what the experts have spoken about. But again, it is from the perspective that I have, that I think Brent Routman has, and that some of the folks that we know have, who are all really wondering about the possibility of harmonization. As I ask in the title, is there really any hope for this?

I think a lot of us have felt the same way that Jay spoke of earlier, and we are wondering, and trying to figure out how many grands there were in the grand-children who might see this occur. But, I think that is the feeling for a lot of folks; that there is a lot of opportunity, but there is also a lot of work to be done.

Again from a 10,000 foot perspective, I think there are things that are favoring harmonization, and it is clear from all of the activity described in the presentations you have heard already, that we have really come a long way. There are a lot of groups pointed in the right direction. There is certainly interest, and certainly enthusiasm for it. The PCT is a perfect example of not only just pulling it off in the first place, but of the improvements and modifications for the users that have come about, those still on the drawing board, and those that will continue to come about. These developments are a very encouraging sign. I haven’t met anybody who doesn’t think harmonization is a good idea. That is encouraging as well.

To me one of the most significant pieces, and I’ll touch on this a little bit more, are the economic drivers for getting it done. I think it was in the Cabaret musical in which it was said that, “Money makes the world go round.” I think about that often, because the economic drivers are so strong that they are really getting things done here. In my opinion, that is one reason that harmonization

† Cargill, Inc., Minneapolis.
will happen.

On the other side of the coin, the experience thus far could have been better. We continue to hit what appear to be significant stumbling blocks from time to time which can be discouraging if you are not willing to keep at it. What we have been involved in is trying to get agreement by committee. Occasionally you can actually get it done. However, this is a committee in grand form, with 100-plus nations trying to agree on one form or another. It is very difficult to get done.

There are some economic drivers in the other direction which will take away from it as well. I think the translation business, for one, is quite a cottage industry in quite a few countries. So you will be taking dollars from some folks as one of the issues that we solve in reducing the cost of translations.

One of the encouraging signs, over the course of my career, was the establishment of the PCT process. I was actually in the Patent Office when that came about. I was very encouraged with it, and that is one reason I left: because of the new opportunities this appeared to present. The advances made in Europe, as we just heard, are very significant, and continue to be significant. Nevertheless, the activities on the community patent (that is a European community patent) are tough. However, I think the differences were sharply defined at the last meeting, as best I can understand, and clearly stating the problem is always a big step to solving the problem. I think there are some encouraging signs there.

The government tri-lateral group was mentioned as one activity that is taking place, and there has been significant progress made with the government tri-lateral group. Also, from my perspective, I have been a little closer to the industry tri-lateral group recommendations, and that is another initiative where folks are really trying to facilitate, and energize the whole process as well.

I believe that these can be perceived as ignoring or overlooking the interests of some developing companies, but I see it more as a straw proposal to facilitate, or to move, a whole initiative a little bit more quickly. I do not really see it as against the developing countries’ interest, but rather as a straw proposal to get the process moving a little more quickly.

From my perspective, I think it will happen as a result of economic drivers, because there is tremendous industry pressure to get it done. I will get into a little more detail as to why I think there
is a lot of industry pressure to get it done later. However, I believe that industry pressure is also translating into government pressure to get it done, with industry pressure and government interest both being part of that push.

I notice that there are a lot of legislative changes taking place. It is a continuing process. We see it in the United States with the Patent Reform Bill. A lot of that bill, in my mind, is an attempt to harmonize the laws of the United States with the laws of other regions and other countries. I see that as another point of pressure, and another positive response . . . .

I think, as was mentioned earlier, the PCT is really at the heart of the universal patent application. Interestingly, the things I’ve read from both of the tri-lateral groups point to the PCT model, and it is interesting that everybody points to the PCT as the real objective.

Then of course there remain other issues—and again they’ve been touched on before—such as, agreeing on what represents prior art, the novelty and obviousness issues, and developing a single search across geographies. I think this is one that will go a long way if we can get to where a search in one jurisdiction, or one region, can be applied globally. That, in itself, would be a huge advance. I don’t see that as being that far away. I think that is something which is doable, and which would have a tremendous impact on the whole globalization initiative.

Some of these again were already mentioned, such as a universal grace period and a clearly defined and universally applied set of patent validity elements. I think we can not overlook the subsequent issues too. Again I will touch on that, but it is very important to the industry folks to not only obtain the patent, but to know what happens afterwards, and that can not be overlooked in the whole harmonization.

I think another issue that is going to have to be resolved somewhere down the line is the compensation to inventors. That issue seems to be getting more and more attention. Especially from industry users of the system, both throughout Europe and from Japan, where we are seeing some scary headlines. Especially for a global company, where you may have inventors in one region, who will be compensated independent of where they originate for patent issuance in other regions. Again, I think the harmonization debate has got to include some resolution of these issues.

I think the regional aspects are another noteworthy event,
because the individual regions, and the EPO is a perfect example, can harmonize their laws. I think the pieces that you have to put together are getting bigger, so there are fewer pieces that you have to put together. I think that will really facilitate the whole process. I am hearing some rumblings about some possible regional coverage in Asia now, which is another encouraging sign. That is a very encouraging development.

In the interest of time, I am just going to touch very quickly on the Casablanca Compromise versus Brazil-, Argentina-, and India-led opposition. When I first read about that, it felt like a significant setback. But, I think with all of these developments, there is some silver lining in the setbacks. I think there were some good things that came out, especially in clearly defining the issues of importance to all parties. The better job you do on really clarifying what the real stumbling blocks are, I think the better chance you have of resolving those issues. Not necessarily a bad thing.

The reason this issue is so important to industrial users of the system is that, as I think we all know, we have limited resources available for international filing. I know, and I have been with four different companies now, we always face the tough decisions on where to file, because there is a limited budget and limited resources. You really have to start picking and choosing. Sometimes it is very difficult with these limited resources to decide where to file. It is not just the patent acquisition and the patent filing in these countries, because whether or not you have a patent in these countries really determines what goes into those countries from a technology perspective. If you do not have good patent coverage for these countries, then we have made decisions not to send our best technology into certain countries, because of the softness of the patent system, or the fact we didn’t have enough resources to get patent coverage in those countries.

Economically, long term, especially for the developing countries, it can take them longer to develop under those kinds of circumstances. It is almost circular. I think it is important for all member countries that the move toward harmonization be made. The long term benefit for all countries is really there.

From my perspective, the bottom line is that it will be a slow process, but it is evolving. I see signs that the pace is picking up. I think a few years ago I would have agreed with Jay that one of those grands of grand-children would not live to see harmonization. I do not feel that way any more. Optimistically, I think it could be in the
ten to twenty-year range where we will really see some significant harmonization. Those who are still practicing will look back and say that they thought it would take longer.

I think there is going to be constant pressure from industry, and from different governments. We are seeing activities that look somewhat disconnected, but there are little points of light in all types of different areas. Everybody wants harmonization to happen. I really, truly believe that we will see it sooner than we think.

4. U.S. Perspective: Charles Pearson†

In the area of international patent law a number of treaties have been developed which you have heard a lot about today. Of course you heard about the PCT. Also, the Standing Committee on the Law of Patents has worked on the PLT and has been working on the Substantive Patent Law Treaty (SPLT). Because of certain controversies among the member states in WIPO, some of the activities have moved outside of WIPO, so I'll try to deal with that a bit today.

Of course, you have heard a lot about the PCT. The PCT simplifies the process of filing foreign patent applications. It provides for the filing of a single international patent application having the effect of a national application among the 128 member countries. The PCT regulates the formal requirements of the international application and results in a preliminary, but non-binding, opinion on issues such as novelty, inventive step and industrial applicability.

The PCT is not perfect. It has a few disadvantages. It does require prosecution in each of the designated states, or the regional offices. It does not regulate the substantive requirements that are left up to the national law. The PCT does not require designated states to abide by the [resulting] opinion on patentability. Most importantly, as far as the USPTO is concerned, it probably results in substantive work duplication by the national and regional offices which can be very expensive and inefficient.

The PLT, as you heard earlier, was adopted in 2000 and has just recently entered into force. The ratification and implementation process in the United States is still pending. Implementing legislation has been prepared by the USPTO and

† Office of PCT Legal Administration, U.S. Patent and Trademark Office.
sent across the river. [It is] still languishing over there.

The PLT does harmonize the formal procedures in national and regional patent applications and patents and does so by incorporating the formal requirements in the PCT right into the PLT. However, the disadvantages of the PLT are similar to those discussed regarding the PCT. Once again the PLT requires prosecution in each member country to obtain multiple patents and does not regulate the substantive requirements. Like the PCT, it also results in work duplication and inefficiencies in the national and regional offices.

The proposed SPLT originally sought a very deep harmonization so that the underlying practice would be harmonized. This would reach way down and create a single set of guidelines for the entire world. The idea was to focus on the best practices of the various issues involved in drafting, filing and examination of patent applications. In the negotiations, sometimes delegations prefer a position because it mirrors the way that country operates. That was not the intent. The intent of negotiations was to look at the various options and determine which one was best for the patent system.

The intended result of the SPLT was to provide for a single application that would then be examined in each of the member countries and provide consistent worldwide examination results. This idea would result in work sharing, cost reduction for both the applicants and the offices, and a more efficient system.

Of course there have been a number of controversial issues that have been involved in the SPLT—issues such as patent eligible subject matter and exceptions to patentability. For example, our U.S. business-method patents caused a great deal of concern around the rest of the world. Things like computer programs and inventions dealing with human, animal, and plant life have certainly created a number of issues.

Probably the biggest issues that have confronted the delegations during these negotiations have been those issues relating to genetic resources and the disclosure of traditional knowledge. A number of developing countries are very concerned about these issues, which has caused the slow down in the entire negotiation process. In addition, many developing countries are concerned about social development and public health. Certainly the AIDS epidemic is a prime example of their concern, which certainly affects the developing world more so than it does the
There are also questions about the appropriateness of norm setting at WIPO. Many of the developing countries already feel that the World Trade Organization’s (WTO) agreement on Trade-Related aspects of Intellectual Property rights (TRIPs) is too onerous. They are very leery of any other treaties that might result in additional requirements that they feel would be imposed upon them.

Because much of the activity at WIPO has stalled, efforts outside of WIPO have emerged, which seek to advance substantive harmonization. Certainly the EPO, the JPO, and the USPTO, together known as the tri-lateral offices or the tri-lateral, have been discussing these issues. In addition there has been a meeting of industry groups to come up with certain proposals. The goal here is to make progress in harmonization. As a result of these meetings, consensus has been reached that it would be best to have a simplified first package to proceed with, in the hope that we might arrive at some near-term success.

In the tri-lateral, the working group meeting in February 2004 discussed the idea of having a first package of simplified issues. Basically this package would include proposals on the definition of “prior art,” deal with the grace period, and deal with novelty and inventive step. The tri-lateral offices introduced this first package at the SCP and it unfortunately was not adopted. In addition, the tri-lateral has come up with a working group on formats and forms, which was established last November.

As I mentioned, the first package that I talked about was not adopted at the 2004 meeting of the SCP. In fact, there was no agreement as to what form any future work would take. The U.S. and Japan did introduce this first package to the WIPO assemblies in 2004. However, it was not adopted there. In addition, this first package has been discussed at meetings of the SCP. For the most part, the developed countries support negotiations on this first package, or reduced package. However, the developing countries generally support the inclusion of all the proposals, an approach which looks at everything as we move toward a substantive treaty.

A new working group has been formed among the tri-lateral offices to discuss patent application forms and formats. This arose out of a recommendation from the industry group. I certainly feel that this would be a good proposal for applicants and offices. The standardization would result in more efficient filing and processing
of applications. We generally refer to this project as the International Standard Application Format, or the ISAF. The idea is that you can allow practitioners to prepare one application in one format and take that directly to the national offices. This is something a little bit outside the PCT, but I think it is worth exploring at this time.

Another group that has been formed is referred to as the Alexandria group, or the B+ Group. This group basically comprises the industrialized countries at WIPO. It is generally the industrialized countries who met in Alexandria at an exploratory meeting in February of 2005. The purpose of that meeting was to assess the current state of harmonization and to formulate a plan on how to proceed.

As a result of this meeting, a statement of intent was developed. The statement indicated an intent to have coordination on key issues. Primarily, this coordination involved taking a look and hopefully making progress toward a substantive patent law treaty. In addition, the group decided that it needed to look at issues related to intellectual property and development. Certainly the developing world is eventually going to have to be brought back into the process and their needs should not be ignored. Certain working groups were established and the group decided that a plenary meeting and a strategy meeting were to be held. Of course, like I say, this is another effort outside of WIPO and the feeling is that this group, B+, may be able to make progress where that progress has been thwarted at WIPO.

The group met twice in Munich last year and a meeting is scheduled for next month in Tokyo. Considerable progress has been made. I do not want to imply that we are near an agreement, because certainly a number of political issues remain, but progress is actually being made.

Several issues are on the agenda and are being discussed. Certainly a big issue in the U.S. is whether the system would be a “first-to-file” or “first-to-invent” system. The treaty is drafted from a first-to-file perspective. I think it is safe to say that if there is going to be substantive patent law harmonization, it will have to be on a first-to-file system.

Another big issue that is being discussed is the grace period. Of course the U.S. is pressing for a rather expansive twelve-month grace period. The rest of the world has certain reservations. Some are pushing for a six-month grace period. There are additional
issues, such as who benefits from the grace period—is it the inventor, or the inventor’s successors in title? Plus, it is unclear if a published patent application would be covered in a grace period. All these issues are being considered.

Concerning inventive step, current language in the proposed treaty discusses the differences and similarities between the claimed invention and prior art. That has been an area of contention. It contains a possible clause that talks about reasonable expectations of success. These are issues yet to be resolved.

Another major issue is the prior art effect of prior filed applications. The U.S. stands pretty much alone here and basically feels the 102(e) effect of a prior application should extend both to novelty and inventive step. Primarily the EPO and a few other countries feel that it should be limited to novelty only. However, a few countries, such as Japan, Canada, and Australia have proposed a “novelty plus” standard. Here, the prior art effect of prior-filed applications would extend to novelty, plus it would take into account the general knowledge of the skilled artisan. That is another issue that we have been discussing quite a bit.

Of course, concerning eighteen-month publications, the U.S. excludes applications from publication where the applicant has indicated they will not be filing abroad. That is another issue that is being addressed. Certainly we are in the deep minority there.

Concerning the abstract—whether the abstract forms a part of the contents of the application as a whole for prior art purposes is another issue being discussed. The group also has discussed whether we should have provisions similar to those found in 35 U.S.C. § 102, where secret commercial uses and other activities could cause a loss of rights. Once again, the U.S. is proposing this and we are in the minority. Under the Hilmer Doctrine in the U.S., you can go back to the U.S. filing date for prior art effect, under 102(e).6 Certainly the U.S. is also advocating that position and is in the very small minority.

Jay Erstling alluded to a few different proposals under consideration. I think he referred to the patent prosecution highway earlier. I will refer you to the materials here on the new route. It is very similar to the patent prosecution highway, but there is another proposal that makes a lot of sense to me, which is being discussed in the tri-lateral. If you have corresponding

applications filed in each one of the tri-lateral offices, and the application is ready for examination, the first office will then provide or create an office action, and will put it on a tri-lateral dossier access system. The other offices may then rely upon these results and do their own searches. The idea is, for example, the USPTO does a pretty good job of searching U.S. patents. Certainly the Japan Patent Office does a much better job of searching Japanese language documents. The EPO, once again, does a very good job in handling certain other languages. If the three offices could coordinate their activities and cooperate, we feel that this would certainly result in a much higher quality patent.

In summation, I just want to say that international patent protection is very important in the global economy. The current situation is not acceptable. Costs are too high. There is duplication of work. Right now, unfortunately the prospects of a successful conclusion at WIPO appear dim. However, certain efforts outside of WIPO appear to be promising. I just hope that we can move forward.

5. European Perspective: Brian Derby†

Well, thank you very much. I have a fairly short presentation to make today. I want to speak to you about patent law harmonization and the patent cooperation treaty as seen from the point of view of the EPO, which is the largest international search and international preliminary examining authority under the PCT.

I [begin with] the early 1990s failure of the PLT. That PLT, which Isabelle Boutillon mentioned to you this morning, attempted to deal not only with formal aspects for international patenting, but also with the substantive aspects of international patenting. It was generally considered in the early 1990s, when the negotiations were wound up, that the entire exercise had been something of a failure.

Was it a failure? That depends on your perspective. If the object was to conclude a comprehensive deal on international patent law harmonization, then I don’t think you can put any other spin on it. You have to acknowledge it didn’t succeed. But if you take a slightly more cynical view and you ask, “Was the objective to

† European Patent Office, Munich. The views expressed are personal to the speaker and do not necessarily represent the views of the EPO.
7. See supra Part II.B.1.
conclude a comprehensive deal on international patent law harmonization, or was the objective really to make everyone feel they’d not lost out in the negotiations?" Then you could say it was a resounding success!

American negotiators could certainly feel confident when the exercise finally broke up because they were able to say to their domestic constituency, “Look we were under all sorts of pressure from abroad, particularly the Europeans, to give up all the things we hold sacred in our patent system—like first-to-invent and utility and industrial applicability. We came under all that pressure and we resisted it! And we still have our patent system pretty much intact.” The Europeans could say to their constituency, “Well, you know everyone on this side of the Atlantic really knows that the European patent system is the best patent system in the world. We came under a lot of pressure to change our standards in the interest of international patent law harmonization and we resisted all that pressure. We still have everything that we hold dear intact. It looked as though we might have actually had to give things up that we like.” As it transpired, they played hardball, so both sides could walk away and say, “No deal.”

Was anyone that terribly disappointed? My own very personal opinion is that they weren’t. It may come across as a very cynical perspective, but I think that the expectations during the course of those negotiations had diminished anyway. So no deal was done. All sides may have wanted progress but I don’t think anyone was desperately disappointed, rather took it philosophically.

Now we are faced with another attempt at patent law harmonization under the guise of the WIPO standing committee on patents. We have two opportunities, I would say now, to tackle the issue of international patent law harmonization. We have the SCP dealing with substantive patent law issues and we have PCT reform. Now, if we’re serious about achieving some kind of harmonization this time around, I think we have to avoid the mistakes that were made in the early 1990s concerning the PLT. We have to get down to some serious negotiations.

Charlie Pearson mentioned some initiatives that were happening at the moment in the tri-lateral context. That’s true. There is some interesting work being done within the tri-lateral. Some serious discussion is taking place on these thorny aspects of international patent law: first-to-file, first-to-invent, industrial applicability versus utility, concept of novelty and inventive step,
and so forth. That’s promising, but in today’s context we have another dimension. That is the developing countries.

We’re trying to achieve progress in the tri-lateral—and actually it’s not just the tri-lateral it’s what’s called tri-lateral plus, it’s the EPO, JPO, and USPTO, plus certain EPC contracting states and Canada and Australia. I think there is a willingness on the part of those countries to tackle some of the thorny issues, but now we have the developing countries who say, “Well we don’t really like that approach. We don’t like industrialized countries going off and trying to carve up a deal amongst themselves and then coming back with a fait accompli’ and saying look, look how successful we’ve been. We’ve achieved progress, the kind of progress we couldn’t achieve in the 1990s. This is the basis that we’re going to work on.” Whether that’s a reasonable perception or not, it’s a perception and developing countries don’t like it. Their view is, “We don’t want any reduced package. We don’t want any side deals. What we want is for talks on international patent law harmonization to continue under the auspices of WIPO.” If we can agree on everything, that’s good. If we can’t agree on everything, then we keep trying. But they are wary of tri-lateral-plus discussions and they’ve made that perfectly clear.

Where does that leave us then? Well, I wouldn’t be quite as pessimistic as Jay Erstling when he said that maybe the bottom line is that we will never actually come to the stage where we can take our pens and sign off on a deal, on a patent law treaty. From the point of view of the EPO, I think the experience of our organization is that, though progress is tortuous and slow, that doesn’t mean that you should give up on the ultimate prize.

The ultimate prize in this case is a deal, a comprehensive deal on international patent law harmonization. It seems a difficult prize to achieve at the moment, but if you take the example of the EPO, the idea for a European patent system emerged in the late 1950s. During the 1960s people said, “Well there are just too many problems with this whole project to ever see the light of day. We have so many differences between U.K., France, and Germany.” Just one example is inventive step.

Germany, the German Patent Office, took a traditionally strict attitude towards inventive step. They set the bar at a pretty high level for the applicant to satisfy them that the application satisfied the inventive step requirement. The U.K. Patent Office, on the other hand, was seen as adopting a slightly lower threshold for
satisfying the inventive step requirement or at any rate approached the issue in a different way. How do you reconcile such differences? Lots of people said you can’t do it. Yet we have a standardized provision in the EPC. The inventive step requirement is anchored in Article 56 EPC and has been defined in the EPO Board of Appeal case laws which by and large sets the standard at the European level.

There was also a difference between the culture and philosophy of the U.K. and Germany on the question of scope of protection and infringement by equivalents. The U.K. approach, traditionally, is a literal approach to the scope of protection. What did the applicant actually intend when he was drafting his claims? Much focus is given to the intent of the applicant and the actual wording of the patent specification. Particularly in Germany there is less focus on what the applicant intended and the literal wording of the application and more focus on “functionality”—hence the protocol to Article 69 EPC—a kind of “middle ground.”

Despite not actually being able to come to a meeting of minds on all these different approaches during the EPC negotiations, the EPC was signed into life in 1973 and came into force in 1978.

What I’m trying to get across is that you can’t always achieve consensus in advance when there are such differences at international level; you will not always achieve consensus. But that doesn’t mean that you should give up.

If you look at the European patent system today we have thirty-one member states, stretching right across Western Europe and behind what used to be referred to as the Iron Curtain. Our newest member states come from Eastern Europe. Latvia was our most recent accession to the EPC during the course of 2005. No one would have thought that possible twenty years ago.

Obstacles remain to development. Obstacles can remain within a system. But that doesn’t necessarily stop development. To tackle those problems within the European patent system we’ve set up all sorts of mechanisms such as, for example, the judge’s symposium, which takes place every two years. The European patent judges come together and discuss practical issues which are perhaps impeding harmonization of jurisprudence. We try to narrow down the differences at the European level.

A similar first instance mechanism exists, a body called EuroTAB. The national offices of the EPC member states and EPO come together to discuss differences in practice and see whether a
harmonized approach is possible.

The point is that it is unrealistic in a modern environment to expect agreement, or total agreement, on all aspects and points of difference that emerge during negotiations, and even beyond the negotiations into the actual practice. That isn’t meant to say that you become hung up on those individual items. I think what has to be done is you say, “Yes, we have differences. Maybe we can’t resolve them all in advance but we acknowledge each other’s differences, we try to find common ground and we accept that actual harmonization, harmonization in practice, is something that’s going to continue well beyond the actual signing of a treaty.”

Another example from the European patent system. One of the speakers this morning mentioned translation costs and the fact that the European patent system was hindered by the high cost of translations. Well at the European level it looks as though we are making progress on “the London Agreement,” which is an agreement whereby the EPC states, not all of them—certain EPC member states—have agreed to say, “We won’t insist on a translation of the entire patent specification. We will restrict our translation requirement by and large to the claims only, with a full translation only in the event of litigation.”

For example, Germany would say, “Under the EPC, we are entitled to insist on a translation of the entire European patent specification.” What we will do instead is say, “If a translation of the specification is available in a certain nominated language, say for example English, we will accept that. We’ll still need a translation of the claims into German and a full translation prior to enforcement.” Other countries are expected to follow the same example. The U.K. and Germany have recently ratified the London Agreement. We still haven’t arrived at the stage where we have enough ratifications for it to enter into force, but that’s expected to happen within the next few years, if France ratifies.

I think that’s a concrete example of progress on a very difficult issue, the translation issue, even though at an earlier stage people said, “Well, translations are sacred; there will never be any progress on that.” It doesn’t mean that it’s true. It might be difficult but progress is possible.

So what does the European experience tell us in the context of international patent law harmonization? I think it tells us two

8. See supra Part II.A.2.
things. It tells us that despite difficulties—and there are certainly difficulties at the moment in the SCP—you can still finally arrive at your goal, which is the conclusion of a treaty.

The second aspect of the European experience is that even when you actually get people to sign up to a treaty, and I think that we will eventually get people to sign up to some form of patent law treaty, that isn’t the end of the road. Because even when you have everyone signed up, even when you have some form of harmonized legislation and harmonized principles, the European experience tells us that there is a lot of work to be done beyond that stage. Differences in practice still persist. I think it would be naïve to assume that even if we do get signatures on some form of patent law harmonization treaty, that overnight everyone is going to abandon what they’ve been doing in the past and we’re all going to be witnessing absolute, crystal clear perfect harmonization. We’re not. I think that the situation is that even if we get a deal, for the next twenty to thirty, maybe forty years, there’s still going to be an enormous amount of work to be done on de facto harmonization.

So what happens in the meantime? Where does that leave us? Rather conveniently it brings us to the PCT. Jay Erstling mentioned that the PCT delivers a form of de facto international harmonization. I tend to agree with him on that. It certainly doesn’t have the glamour of the SPLT; it’s not a headline grabber. You’re never going to open your copy of the Financial Times and see headlines screaming out at you which say, “WIPO Member States Agree on Uniform Time Limit Under Articles 22–39 PCT,” or, “International Search Reports to be Accompanied by Preliminary Opinion on Patentability.” That’s not going to happen. It’s not that kind of treaty.

It’s an on the ground, low-key kind of treaty, but it delivers very concrete results. I think at the outset of the PCT reform exercise, which we started in 2000, a sensible decision was taken, to split the reform proposals into two batches.

The first stage was reform proposals which would be implemented by way of change to the PCT rules, the regulations, without having to call a diplomatic conference to revise the treaty articles. Under that heading we’ve made progress. As I say, we came up with a uniform time limit for entry into the national phase under Article 22 and 39. We agreed to introduce the international report on patentability for all applications which accompanies the search report. And we made a number of small-scale, relatively
small-scale, changes to PCT which made it easier for applicants to use the treaty.

We made changes to the rules on non-unity, for example, that entered into force in April 2005. From the EPO perspective I can make something of an announcement. We filed a number of reservations during the course of the PCT reform exercise because, though we agreed on the changes in principle, we couldn’t actually implement them because they were inconsistent with the EPC as it stood.

The EPC was revised in 2000 but the necessary number of ratifications was not achieved until December of last year to allow it to enter into force. We now have the necessary number of ratifications. EPC 2000 will enter into force in December 2007. So, I can tell you today that a number of reservations that the EPO has filed, concerning, for example, the new rules on missing parts and restoration of the right of priority which was mentioned this morning—those reservations that we filed, or filed on an interim basis—are expected to be lifted by the latest in December 2007. We will also be able to implement the single-stage, non-unity procedure.

As I think Isabelle mentioned this morning, the changes that were implemented in the PCT reform exercise by way of rule change—we’ve pretty much gone as far as we can go with that exercise. There’s not much more that can be done by way of rule change.

So we come to the second stage of reform. There’s some suggestion that we should now embark on a deeper reform program for the PCT; that we should tackle other issues like, maybe, making the international search reports, the international preliminary examination reports, binding under certain circumstances for those contracting states which would be interested in developing the treaty in that way. That’s one possibility.

The EPO’s perspective is that we have changed a lot during the course of the last five years. We’ve changed a lot for the better and there have been a lot of changes that applicants and national offices and international authorities still haven’t entirely come to terms with.

The EPO’s opinion is that, before we embark on any second-

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stage of reform, or any fundamental reform which would involve changing the treaty articles, we should allow adequate time for those changes to filter through into everyday practice. So we’re not in favor of embarking on deep reform at this stage.

Jay mentioned this morning that during the course of the tri-lateral discussions, some delegations had come up with ideas representing alternatives to the PCT. He said that he hoped that phase was at an end. I think the PCT certainly has come a long way, but not everyone is entirely satisfied that it is “the” vehicle to lead us into the future. There are certainly some ideas floating around that there should be some kind of alternative to PCT.

Once again I’d like to stress that the EPO is fully committed to developing the treaty. We’re not really interested in developing alternatives to the PCT. I just want to give briefly some reasons why that is so.

As you can see from the chart, we are the largest international searching authority. That chart is taken from 2004 when we carried out 56% of all international search reports. Preliminary figures suggest the number of preliminary examinations has gone down last year, but we’re still the leading international authority; we still carry out the international search and preliminary examination reports in just over 50% of all cases.

In the earlier days of the PCT, the number of applicants who filed Euro-direct—in other words filed the European Patent Application without using the PCT at all—and the number of applicants who filed the European Patent Application via the PCT was more or less equal. You’ll see this if you look at the chart figures from 1995.

By 2004 you can see that the number of Euro-direct applications was 58,500, whereas the number of Euro-PCT applications had risen dramatically to 120,000. So roughly two-thirds of all European patent applications now come via the PCT.

The EPO, almost uniquely among international authorities, has embraced the principle of universal competence. That means that we say we act as searching authority for any PCT contracting state which wishes to use us as an international searching authority. We don’t restrict our competence to our own nationals or residents. The reason for that is that we see the PCT as a truly international system and wish that to continue.

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10. See supra Part II.A.1.
There was some mention of delays in issuing search reports. That’s true. In some fields we have to hold our hands up and say, “Yes, we have been guilty of delays in issuing international search reports, though in some cases that is beyond our control.” We could solve that problem by restricting our competence to European applicants only. We don’t want to do that. We want the PCT to remain truly international and we’re committed to playing our part in that.

We see the advantages of the PCT particularly in the fact that it delivers non-binding reports which are not a threat to national sovereignty, and also in the fact that it is attractive not only to developed countries but to developing countries. We saw this morning impressive statistics for PCT growth, particularly in Asia.

I just want to wrap up with a few words about future trends. We mentioned this morning that the number of PCT Chapter II demands has gone down very much. It used to be the case that in 80% of all PCT applications a demand for Chapter II was filed; now it is about 20%. That’s also our experience, as you can see from the chart. Just a word of caution: at the EPO we see a certain amount of confusion still on the part of applicants and their attorneys concerning usage of PCT Chapter II. There’s a certain impression on the part of applicants that you simply file a PCT Chapter II demand and you’re going to get something more than you would have had under Chapter I. That’s not the case. There is absolutely no point in filing a PCT Chapter II demand unless you, as the applicant, are either willing to file amendments to your international application or are willing to counter the statements which have been made in written opinion of the international searching authority. If you’re going to do that, you shouldn’t wait for a second written opinion issued by the EPO. There’s still a perception on the part of applicants that they are entitled to two written opinions following a demand in Chapter II and that’s not the case.

The international preliminary report on patentability under Chapter I, in our case, becomes a first written opinion if you file a demand in Chapter II. You will not usually get another written opinion. We will then go straight to issuing the international preliminary examination report, unless you file Article 34 amendments, or unless you put forward good arguments countering statements which have been made in the written opinion. Those arguments/amendments will always be taken into
account before issue of the final report but won’t usually prompt a second written opinion. I just wanted to make that clear.

And then, finally, the next step from the perspective of the EPO is that we should pursue the SPLT negotiations, but we should avoid over ambitious expectations. We should enhance the PCT by striving towards continued simplification. We should develop the electronic filing infrastructure and we should develop the quality management provisions so as to bolster confidence on the part of authorities in each other’s work.

I want to close with one important point that Charlie mentioned in his presentation: that there is still a lot of duplication under the PCT.11 This is a common point of view brought forward in the PCT reform negotiations, that we could solve many of the problems under the PCT if authorities simply avoided duplication and accepted the results of other international searching authorities.

Let me just say from the point of view of the EPO that we don’t think we have gotten to that stage yet. We acknowledge that there are problems with timing. We have acknowledged that there are sometimes problems with backlogs. We’re working, as are all of the Authorities, on solutions; but quality is absolutely fundamental to the service which is delivered under the PCT. Before you get to the stage where you can place any more extensive reliance on the work of other authorities, you need a much more developed quality management infrastructure. You need more progress on international patent law harmonization. You need more clarity on outsourcing. None of which we really have at the moment. We’ve made progress, but we still have a long way to go.

With that I’d like close my presentation and thank you very much for your attention. Thank you.

IV. THEME THREE: MAKING THE BEST OF THE PCT

A. Topic 4: Strategies, Considerations, and Best Practices

1. WIPO Perspective: Isabelle Boutillon†

In the first part, I’m going to raise questions or issues. I’m not

† Office of the PCT, Geneva.
going to provide answers. There could be, for some, as many answers as there are today people in this room, or yet even more if we asked one of the questions to other PCT applicants and users. This is because the circumstances differ, as well as the reasons why you would use the PCT, what you expect to see coming out of it, and, generally, what is your patent strategy. Even in private practice, for different clients you would have different reasons for using one feature or another.

PCT filing is usually a subsequent filing, but it can be a first filing. If it is the latter, it gives you the same benefits as a first national filing followed by a subsequent filing, claiming priority under the Paris Convention. A PCT first filing can be used as a priority filing for subsequent filings, within twelve months, in non-PCT countries.

Another example: the time limit for national phase in PCT countries is thirty months from the priority date. That’s the usual national phase entry time limit. It is a guarantee for all your applications that you don’t have to do anything until then. No national office can ask you to comply with anything until the thirty-month time limit or, for many now, even thirty-one months. For example, a number of national offices, because of the applicable national laws, require payment of maintenance fees two years after filing of the application. In case you do not claim priority, your time limit for paying those fees would happen before thirty months from the priority date. All of these requirements have to be pushed back to thirty months, and it has been for a lot of them after a lot of discussions with us. But eventually, this is in place for all now. It is to be seen as a sign of what the PCT has done. It is a significant element when you look at the cost of patent protection and how soon are you prepared to pay additional fees and other costs.

Do you just want a defensive publication? The PCT can do that. It’s not the only system that allows this to be done, but it can. PCT applications become widely known as part of the prior art when there are published. They enter immediately in the PCT minimum documentation that must be looked into by each and every PCT Searching Authority.

Do you want an effective defensive publication? Then it may be a matter of language. It depends on whether the language of the PCT publication is the official language of a country of particular interest to you, such as the country in which is one of your competitors or potential competitors. We haven’t gone that
far in PCT. It’s linked somewhat to the issue of multiple language publication, which Jay mentioned this morning.

Do you want to secure your rights almost world-wide at the cheapest cost, at a time when, just months after the first filing, it is still quite uncertain what will happen to the invention, even to the company, to this area of research, whether the funding will be there on next year’s budget or not? The PCT allows you, with a very simple filing process and minimum requirements to be complied with, to secure rights in 128 countries today at minimum cost. And then you see what happens. And maybe you’re going to be happy in a year and a half from now that you made this filing because the prospects are better and you can pursue the application in more countries.

Do you want to know more about prior art in languages other than English? Well, you can choose a particular authority that works in other languages. And now with the possibility for you to use the Korean IP office, you would have access to Korean language documents being searched by the Korean examiner, but also by all other examiners provided there is an English translation of the abstract. But nothing prevents them from citing documents for which there is nothing in English at all. The PCT minimum documentation is what must be searched by all the offices. But they are absolutely free to search more; that’s what they have in their own files, and many of them do. So, in that case, you get access to the original text of applications published elsewhere, patent documents, or non-patent literature documents that could be useful to you in a particular area. That will not be the case every time. But if it’s good enough for you in one case out of 100, and that is an important case, then the system has allowed you to get that benefit.

Do you just want a filing date? PCT allows you to do that. You file, you don’t pay any fees. You can achieve the same result with a provisional in the U.S. or another application elsewhere. Yes, indeed. It’s just another alternative in that case.

Do you want to find out about the areas of specialization of certain offices that are available for certain examinations? That is kind of related to one of my previous points about Korean language documents—that is, with what are the areas of technology that the Korean office is more specialized in? Why? Because for national applications the main companies filing in Korea are the Samsung, the LG Electronics, and the others. If these are in the
same areas as your own technologies or your client’s technologies, maybe it is not totally useless to look at the WIPO website, search for the cases which have been searched by the Korean office, and see what kind of documents they cite. In this example, you don’t use the PCT to file a PCT application; you use the PCT system to get information about other applications, about what offices do.

Do you want to be able to wait until almost the last minute to prevent an application from being published? Almost the last minute, because we have what we call “technical preparation” time: fifteen days, fifteen calendar days. (Of course, as you know, sometimes things happen; we have to say we’ve had once from time to time, but hopefully not very often, a case where we could not prevent publication.) But it’s been fifteen calendar days from day one in the PCT system, when we got 1000 applications in one year or so, in the very early days, or today, when we get 130,000 applications. We can still maintain the fifteen calendar days, which is the time before which we must know whether you want to let the case go published or not. We are, I think, on the top list of offices which can give you such a service at such a late time.

Do you want to have amended claims published in the PCT process, even if you do not intend to pursue the application? These are the so-called “Article 19 amendments to the claims” that you can file after you get your search report. They will get published with the application and distributed widely. If you don’t want to pursue the application, you would not do this for seeking patent protection. But it’s a manner of possibly preventing others from getting patent protection for certain claims that are in your application, as amended since they are published. When they are published, they are “published.” You file in English, we publish in English. The coverage you get is pretty wide. So, why not sometimes consider that?

Now I move onto best practices. A couple of things dealing with habits that maybe you should reconsider. And I am sure, some of this you have considered. One thing that people sometimes say about PCT is that it is too complex because it has too many options. Well, Jay said this morning that the PCT issues many forms and many things. But you can avoid getting so many forms by having the minimum in order on day one. Now, of course, if you work in private practice—I used to, so I know—it is, like, impossible. You

can’t do that. Because you get the instructions from the client on the day which is the last day of your time limit, of the one-month reply or other. Yes, but it’s not always the case. And you can anticipate some of that. Of course, you need to put some system in place in your company, in your patent department, or in the firm.

You have complete application papers on day one. You do not pay the fees. Then you’ll have to worry about it. Of course, if you have to advance money for the client, maybe it’s a little bit unsure.

You do not file incomplete declarations, for example, for the right to file, the right to claim priority, or the inventorship declaration for the U.S. You make sure that one is signed properly. It will go through the international phase into the U.S. And the others in many other countries.

You ensure that you have at least one qualifying applicant signing on day one. That’s an effect of reform. You no longer need to have all your applicants sign the application at any point in time in the entire international phase unless you want to file a withdrawal. If you withdraw, say, the application, you must get everyone to sign the notice of withdrawal or the power of attorney. Then it’s another complication. But to get your filing date and not get an invitation to comply with missing requirements, you just need one applicant who qualifies to sign.

Papers should be reasonably well formatted. Use A4 size, not letter size or legal size; we see less of those, nowadays. But that’s a very simple thing to do. It can avoid some of the minor inconveniences. And do not overlook drawings. This is still one of the major problems that we see, both in paper filings and electronic filings.

Now, anticipate timing for critical decisions. When you are working in a corporate patent department or in a law firm, you have to deal with the PCT process, of course, and then with what you have to do either in terms of workflow and getting management decisions. That’s about continuing with the application or not, or having budget cuts for this area. And if it’s a client, when do you get to see the client? When can you ask the client and get an answer so you can align the times when you need to make these decisions to the PCT time limits as much as possible? And, really, you only have two events in the PCT to be worried about. That’s filing PCT or not at twelve months; and at thirty months you enter national phase or you don’t, and where you enter. Everything else should be managed in the back of the scene.
You shouldn’t need to involve the agent or the client or the company management for each and every piece of paper that comes with each and every invitation.

An exception: You may have two other critical events. Publication or not. That is the most critical other event, because it has many more effects outside of just the PCT process. And Chapter II. You heard this morning that there are less and less Chapter II demands being filed. But there are still some, and maybe because there are so few left, the reasons why they should be filed requires more thinking today than it did two years ago.

This really shows that if you have to be careful about certain events, they are really limited to two and sometimes one or two others. And in these two cases, usually you would never have the two additional ones together, because if you don’t let the application be published, then you don’t have to worry about the Chapter II demand.

So that was all I wanted to say. Once again, it was just raising issues, not finding the answers. And I’ll let my colleagues and counterparts offer their suggestions on these and other matters.

2. Practitioner Perspective: Philip Goldman† and Thomas Berry††

Philip Goldman:

First of all, I will start by saying that on behalf of Fredrikson, who is sponsoring this event today, welcome to everyone. And thank you to Ken and the rest for putting this together. . . .

Tom Berry, from Medtronic, and I are going to play tag team a little bit on our perspectives of various strategies and tips. We will start by talking about a couple things. First of all, just the in-house and outside counsel perspectives, and then some practice tips and some practicalities. So I’ll turn it over to Tom to start with the in-house perspective.

Thomas Berry:

Thanks Phil. Good afternoon. I thank you for inviting me to speak here today.

The inside law firm model for your client is going to vary, obviously, by business. And since we’re in the medical device and medical industry business I’ll talk about the topic from that
perspective. One of the things you are going to want to do when you’re looking at supporting your business is your understanding of your business’s needs and the urgency of those needs. For Medtronic, what that means is early filing dates and early issuance dates. The medical device industry is a very litigious industry. Everyone seems to know that. There is very little licensing except for, perhaps, the settlement of litigation. Accordingly, on the device side of the business, we have to be careful to file a regular non-provisional patent application and then, if it is foreign-file, we’ll go through the PCT almost exclusively. We probably file internationally 40% of our first-filed U.S. cases.

On the research and development side of the business, we’re focused a lot more in the area of biologics, chemical compounds, which we almost always try to obtain a provisional U.S. patent for and then file PCT. If you go internationally, you get a twenty-one year term, which for a patent on a molecule of protein is usually a lot more important because the research disclosed is far more perspective than the advanced development disclosures obtained for the device side of our business.

What I like about the PCT is—and this has been discussed several times today—it’s consistent, it’s transparent, and it’s easy to do. If there is turnover among your in-house staff, the new people can pick up the files and they’d know how to handle a PCT case. As a result of these practices, we rarely file Chapter II any more, except if there is something that we want to challenge or clean up.

This is different from prior practice, as you would always file Chapter II to obtain the benefit of keeping your options open for the thirty months. As in-house counsel, I’m always interested in keeping my options open as long as possible.

Thomas Berry:

First of all I’m also going to mention that just as an aside, I don’t think there’s any chance for harmonization until we can agree with the Europeans on how to spell harmonization. I cannot imagine reconciling two patent systems until we can agree on the word.

Putting that aside. I will provide a bit of the outside counsel perspective and actually a little bit of a transitional perspective, because for many years I was in Ted’s spot at 3M. I was there while I attended law school at William Mitchell, spent about eleven years there, and then moved over to the firm. So this functions to balance my perspective I think. I’ve seen the progression of both
in-house and outside counsel, and I’ve also seen the growth of the PCT back when Harry was in the patent office and I was at 3M. I remember back in the old, old days, there was no PCT; there was foreign filing, and it was something you started about a month before your twelve months was up. You had to copy all these things, usually with carbon paper, and you had to sit there at the IBM Selectric and write all these letters to the associates and get them out the door at about eleven months. You just kind of got used to that process, and I remember they marched us all down the hall and we had a presentation on this new thing called the PCT. I remember thinking it was kind of a fad. I’m not an early adopter of those kinds of things, so I kept plugging away with my old ways of doing things until almost everyone else tested the waters. And then I got into it. I think I’m kind of like that still. I’m trying to reconcile the in-house practices that I learned there with the way the PCT has evolved. I remember when we were there, I think even before Ted, we probably got rid of all these back when Dale had his scrappy day and we were all encouraged to throw out all our old stuff. But we used to have a three-ring binder on foreign filing practice. And in there was a tab for every country and it would tell you what countries had absolute novelty and so forth. There was a primer at the beginning, I think, that Don G— in all likelihood wrote. They gave tips for writing applications with foreign filing in mind. I’ve kept a lot of those tips and tried to apply them, but we’ll get to those in a second. I also think another goal of the outside counsel is one of understanding the whole process and then adapting it to the unique circumstances of the in-house counsel or the client, whatever they may be. When we handle PCT practice, it’s very different if we’re doing one on behalf of Medtronic versus one on behalf of a person when it is going to be their one and only PCT application. In the latter situation, there is typically no in-house counsel, and we do it all. We make the recommendations and we suggest what Chapter II might be. But the person typically has no idea whether they should do it or not, so they will rely heavily on our recommendation. So I think it’s been an interesting process to see unfold. Looking into the future; if the PCT changes as much in the next twenty years as I’ve seen it from the day I thought it was a fad, I think it will be a tremendous system. I think it will have lots of potential.

Practice tips. I think it might be alright if we can bounce around a little bit here. Some of the basics that I remember are
just simple things like the length of the application, and that the translations costs are enormous but if you have a twenty-page application, it's going to cost half as much as a forty-page one. So, if you can be concise and you can leverage applications and translations, if you happen to be filing in Mexico and already have a Spanish translation, think about that and use it when you get all the way through Europe and enter Spain. There are a lot of big and little ways in which you can try to conserve costs. The units is another example. It's easy to think they will file in non-metric units, not realizing that somewhere down the road somebody is going to have to pay time and attention and dollars to converting those to metric units.

So, there are a lot of ways. I suppose on the length of the application, I liked all of Ted's suggestions, they actually were things where . . . he wasn’t afraid to say what the PCT ought to do. I think one of them that deserves emphasis is that there’s really no reason why we have to write a sixty-page application if forty pages of it are from somewhere else. We’re building on an old technology or we’re combining the old parts of whatever it might be, yet there’s no opening to incorporate by reference or to rely on other things that have already been done . . . we have to pile it all on there. So, there would seem to be a lot of ways where the system itself plus our practice, down to even our simple day-to-day practices, would facilitate the process itself and conserve costs.

Another thought on translations, and then I’ll turn it over. I hammer the guys from Fredrikson all the time on this issue, and it is getting away from long, drawn out, convoluted patents, these kind of things, where the here and the fore, said second appendage, releasably, slidably, whatever it is. And if you’ve had the chance—and maybe you should take the chance—to take one of your applications, get it translated wherever it’s going to be translated, and then take a snippet of it, and putting the U.S. version that it came from aside, have it retranslated into English again and then compare the two. It’s like night and day. Whenever I write, I try to think of that poor person who has an overnight period to work on this and who is going to try to take this long, cumbersome, arcane language and convert it into Japanese and in a way that we’re not going to have to come back and try to rectify errors and so forth. I think we can mitigate and even prevent a lot of those errors just by adjusting the way we think about it from day one.
Translations costs are awful. Keeping the length down certainly is something you really want to try to do. In terms of the translation, in terms of the accuracy or the errors, you really do want to try to write very, very simply. The audience for a patent is not the inventor; he can look at it and say what great thing he’s invented. It’s for the jury and the judge. They’ve got to be able to do this. And if you write for those people, then the person who is going to do a translation is automatically going to get a document that is presented more simply and will be easier to translate and will be more accurate.

The overall length—one thing to think about, depending on what your invention is: you don’t pay by the claim to PCT, you pay for the page, and so you might take a strategy where you’ll stack up a good number of claims in a PCT case—you’re dealing with unity, not restriction practice. You can survive that when you get back into the U.S. national phase. But then you can make a pivot later. Again, keeping your options open on what you want to do in the U.S. is important, given the fee structure is that you don’t pay until you enter the national stage. So, that’s something to think about.

**Philip Goldman:**

And that goes to the second point. As if you’ve seen the coming wave of changes in the patent office, having to do with continuation practice and number of claims and so forth, it’s going to be mind-boggling to just figure out how to deal with that—let alone how to deal with the ripple effect back to your PCT practice. If you’re going to have to pay an enormous amount for your U.S. claims and will be very strictly limited on how many continuations, I know that the patent office recognizes that there is going to be a cause and effect and everyone else is going to think, well I’ll do this or I’ll do that in the PCT and so forth, so there’s this kind of moving, a stuttering kind of movement towards some sort of agreement, but basically it’s going to have a profound change on both our practice in the U.S., but also by virtue of the PCT application that gets us there. And how that’s going to all unfold, I don’t know.

**Thomas Berry:**

One of the other things they’re talking about for change, obviously, is going to a first-to-file system. And then on the inside, we’re always concerned with budgets. One of the reasons we don’t file 40% of our patents outside the U.S. is a budgetary reasons. Now, in all of our businesses, we generally have some sort of
backlog of both inventions to be reviewed, to be pursued or not pursued, and things to be filed, things we prepare. If you go to the first-to-file system, you can’t have much of a backlog any more. So, in this current budgetary planning cycle that I’m in right now, I’m already increasing my filings, which may mean I may have to reduce my old U.S. filings to take out that money. So keep that in mind as you watch those changes progress. As near as I can tell, the first-to-file system will ultimately happen. It’s just a matter of when it gets through Congress.

Let me just make one other point. People have talked quite a bit about some of these other things—such as a choice of searching authority and so forth. I’ll just mention one other thing that I learned just this morning. Tom had mentioned the value of examiner interviews in the U.S. and does that translate into PCT, and Jay confirms that it does. Examiner interviews are an option in the PCT. In fact, they are required if by phone, and optional or discretionary if in person. So I think we . . . I never would have thought of actually using these. I use it all the time in U.S. cases, but never would have thought of using it in the PCT case as well.

Philip Goldman:

Just one last thing on filing, we hardly ever go PCT first. The first thing you’ve got to remember is to get a foreign filing license, and I just don’t want to deal with that. What I really don’t like about it, though, is delayed U.S. prosecution. If you use the U.S. as the preliminary examining authority or the searching authority, they’ll take your application out of sequence. But I want a faster U.S. issuance date, which is usually why we don’t use the U.S. as a preliminary examining authority. The one exception we’re playing around with now is where you have a medical procedure invention along with your medical device. Because those claims are patentable in Europe; I can file that in the U.S. now, get my foreign filing license, and then take those claims out and file the advice claims over in the PCT side. This allows me to have as many claims as I want and then make the pivot on the U.S. side when I come back in the national phase.

The last slide. Maximizing with potential of the PCT versus, in effect, just using it as a holding pattern. I think this goes back to what Ted said as well, which, in my mind, is that maximizing your use of it and the flexibility of it and so forth can be difficult. A useful analogy I came up with this week is buying consumer electronics. When I buy electrical equipment, electronics, cameras
and things, I always go for the best and newest model with all the features and gadgets and so forth, but inevitably I hit the record button and that’s all I ever do. And to me the PCT is kind of like that. There’s so much potential in there and all I ever do is file it. Most of the time I file it here and I come out thirty or whatever months later, and that’s how I use it. I know there’s a lot of potential there. I have a sense of when and how to use it, but it’s a difficult thing. To me it’s just like buying fancy electronics and only using the simplest mode.

Thomas Berry:

I think we do pretty much the same thing. Medtronic’s business is only about 20% revenue outside the U.S. We’ve got a number of patents across Europe and many other countries. We do very little litigation there. And as I said before, we do very little licensing. But one thing we do want to do—keep in mind I’m on the inside—is that if you’re a multinational company and you’re on the inside, all of your subsidiaries are set up as subsidiary agreements. And you use those agreements to expatriate funds back to the U.S. parent corporation. And you do that on the basis of IP. So you need to have a base amount of intellectual property in these countries to support your subsidiary arrangements.

And the last two, I hate to keep picking on Ted here, but I will. Maximizing the potential plays in a little bit to the last two points. The first has to do, in my mind, with accommodating differences in attorney and agent styles and perspectives over time. It is a long process. I mean, it’s up to five years between writing your first application and going into the regional phase of lodging the application in Europe and so forth. And people change. Like the people handling the application. I might not ever see it after filing the first application. Somebody in-house in Medtronic picks it up and runs with it. In my case, I left 3M in ’92 and Ted was there by ’95. He was probably handling things I had put in place in ’92. Yet, if there is some strategy that I had in mind, he probably didn’t know it unless I left a pretty good memo to the file, which you’re inclined not to do.

I am not sure what to do or what to say about that sort of problem, but to me it’s a reason to kind of put it in there and come out at thirty months. To do anything more has to be a very intentional effort, as opposed to kind of an institutional continuum that these things are often on.

The last thing I’ll mention is that I think the concern about
harmonization—and this goes, I guess, to harmonization with an “s” or a “z.” It’s the binding effect and what we do or say or don’t do or say in the PCT. It’s great to have the options for amendments. You can make a lot of progress, especially if it’s a European search and it’s a European application and so forth, but other than that, I think our general tendency—for whatever reasons—is to say as little as possible until you are really in there with an examiner that’s going to be handling and granting you a patent or not. Until we have some sort of a reciprocity or binding effect, those looming fears and concerns, or what you’re saying on one side of the ocean having an impact some day being used against you on the other side, especially when it’s different people at different stages and so forth, can be very unwieldy.

Philip Goldman:
We experience the same thing. We have changes in staff. People will be promoted, move to different businesses, that kind of thing. And having a very simple, common system that’s transparent is a lot better for us. The thirty months is also good in terms of keeping your options open to give you some pivots on recent changes in U.S. law. Sometimes, some sort of precedent will come down and make you rethink how you want to take the direction of the claims, and, if you’ve got a whole collection that are in a thirty-month window, you may have options with all of those claims.

3. Practitioner Perspective: Heinz Goddar†

Ladies and gentlemen, we are colleagues. We are friends for about fifteen minutes to talk about something that might first sound a little bit strange to you, because I wish to talk about strategies of using PCT by small and medium-sized enterprises and universities in Germany. Why do I wish to talk about this? First, we have heard this morning from Jay already that a major number of clients are not the giants. They are small companies, even in the United States, if they use PCT. Typically the same applies for the clients of a German IP firm or a European IP firm, like my firm. I work in Munich in a larger IP firm, I would say; probably one of the largest ones in Germany, even. Our typical clients are, as far as they are domestic clients, small and medium-sized enterprises and recently—since two or three years, I will briefly refer to that—universities. Why is that so? Big German companies may be

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different from companies in the United States and certainly
different from Japan. They don’t make use of outside counsel.
They have huge in-house legal departments. If a company has
more than 1000 employees, I would say, usually they would have an
in-house patent department, which essentially is able to draw up all
patent applications, etc. They make use of the services of firms like
from other European colleagues who will speak later or my firm
just, I think, in case of conflicts. When it comes to invalidation,
there is opposition litigation. Why? Not because we are better, but
they have to blame somebody later on if the case is lost. Nobody
wishes to be responsible for this.

I think there is something to learn also for smaller companies
here, for pre-practitioners here, for the students, but also for even
big corporations. I wish to share a little bit of my personal
experience that I have with my clients and particularly why my
clients take certain steps in the wonderful PCT world and don’t
take other steps. They use, as you will see at the end of today, PCT
just in order to buy time.

First of all, what happens if a smaller German company or the
university wishes to protect a certain invention? The first step is
generally, and they always will recommend this, to file a national
application at the German Patent and Trademark Office with an
immediate request for full examination. The reason is very simple.
To conduct such a patent application, to have it prepared by a
patent attorney, and to file it, you will have a total cost of about
3000 to 5000 euros. This is a very conservative figure; it’s based on
broad experience, I can tell you. So, 3000 to 5000 euros to prepare
the application, to pay the official fees, to pay the expense of a
patent attorney, and to file the whole thing. If you have done this,
you get an accelerated examination procedure, which means a
phone call with the responsible examiner, which is enough. You
get this within ten months, guaranteed, after the filing date of your
first examination report. File it in your own language (German).
You get a qualified examination report. And you have spent, keep
this in mind, 3000 to 5000 euros.

If you would do something else, if you would go a way which
colleagues in other countries sometimes recommend, maybe to do
external searches—of course, I would recommend that my clients
do internal searches—in a library or on the Internet, but this would
involve a higher cost. If you go to an outside search plus
evaluation, you have already spent about 4000 euros just before you
make a decision whether to file. This money is enough to guarantee a filing date in Germany and to draft the application and to pay the official fees. And you are now, ten months later, in a much better position, because if you don’t go ahead with this invention and the protection thereof, you have spent about the same amount of money you would have paid for an external search plus evaluation anyway. But if you go ahead, you already have a filing date, which is ten months earlier and you can’t lose that time any more because some competitor might have had the same brilliant idea as you, have particularly if you work in the highly competitive field of technology.

So, this is the way they go. And now you have to go into the decision, of course, ten months after which you’re deciding whether to file abroad or not.

All of my clients, I would say, go through PCT. Even if it is a small- or medium-sized enterprise, or whether it is a university. It doesn’t matter. They do this for a simple reason: it doesn’t cost them at that stage more than the amount of money which I have mentioned above, that is, about 4000 euros. Hereby, a first priority is created. This procedure has always been followed in Germany, since we have a first filing tradition as long as Germany has had a patent system. Of course, there are several times when further applications of improvements are filed. Applications are filed at a very early stage of development of an invention. So, very often you end up towards the end of the Paris Convention one year, that you have several applications which you easily can, at least with a rather generous consideration of whether the invention is uniform or not. You can put it to one application and save at least at that stage a lot of money.

So, maybe 4000 euros and—this figure is important later on—4000 to 5000 euros and you are now in PCT. I would say based on my experience nowadays in the globalizing economy, out of about ten applications we may file for a certain domestic client in Germany per year, maybe about five to seven go into PCT. The other three or four are dead by that time; not so much even because the first examination report of the patent office in Germany may show that there is no hope for the application because it’s not novel, not inventive, or whatever, but because it has commercially died. Look at pharmaceuticals. They may be beautiful candidates to start with, ones that you file immediately, but may later be proven as ineffective or toxic—I don’t know
what—and at least you don’t wish to go ahead with it anymore. So, maybe five to seven out of ten go into PCT.

Now, what happens thereafter? Certainly not requests for Chapter II or anything like that. My clients don’t even react usually to the search report. The costs are kept as low as possible. The whole procedure has only one purpose: to shift the decision time for going into international filings, which are very expensive, from the twelve months of the Paris Convention to the thirty months or even thirty-one months at the EPO, but usually other considerations play a role, of course. So thirty months after prior, if you are under PCT.

Now, what is to invest now? I would like to draw your attention a little back to the cost-saving effect of PCT, even if you don’t make use of this “funneling” effect. By this effect I mean—you may go from the ten applications originally to only about two applications out of ten, when you come to the nationalization after the international phase of PCT. But even if you don’t do this, look at the cost. You now have to file in all the countries that you have chosen under PCT and which you finally wish to use for patent protection afterwards—and that will cost you per country, I would say, 4000 to 5000 euros. This is an average figure internationally under PCT. It might be a little bit more expensive in the United States, but I think if you look at five to ten countries or so, you come to a cost of 4000 to 5000 per country. And if this is ten countries, which is not atypical, you have invested a cost of 40,000 to 50,000 euros. These 40,000 to 50,000 euros, and I think not only our smaller companies and clients in Germany know this, but this is the reason why big companies in Japan, big clients of mine in the United States—some of them manufacturing semiconductors on the west coast, for example—go only through PCT. I think they have to file these applications in the ten countries at 40,000 to 50,000 euros in total twelve months after your first filing date or, in the case of PCT, eighteen months later. The bank interest, which you save on 40,000 to 50,000 euros by shifting the investment date by eighteen months, is about 7500 euros on a very conservative basis.

Now, you have saved the interest of 7500 euros just by making the decision to go PCT, even if you would have known exactly already after one year where to go. But now you shifted; 7500 euros saved. That means a total cost savings, even if you don’t look at the additional advantage of narrowing down the number of cases
which you file, of 3000 per application. This is just saved money which you can put into your pocket, and if a company files 500 or 1000 applications of this type per year—which happens very often as you all know—this is a real considerable savings. I mean, this is a savings which takes place even, once again, without this narrowing down effect where you go to a smaller number of cases because certain months after you start you are much wiser than twelve months after you start as to whether the invention will fly and whether it is worthwhile to prosecute. You just have saved this money.

I would like to stress, however—and I was very much surprised when I saw this morning the example from 3M—that very little use is made obviously of this narrowing down effect. I am personally of the opinion that one of the alternatives which you have described happens here which I observe also with my clients very often, that not a reasonable reconsideration of the filing strategy at that point takes place. I think that to put a few people, to hire two or three people—I heard from one client that “our machine is not big enough to make that decision again after thirty months” (West coast, northern part we are talking about)—I think it would be very wise to invest in two or three people there, who before that takes place, before the thirty months expire, really say, “Okay, no we don’t do this now” and other things. So the various stages give a lot of flexibility. But even if you don’t do all of this, you have saved 3000 Euro per application.

Now, let’s discuss how German universities and small enterprises structure their filing strategy. They go to PCT. They do this as a rule, because universities have no chance to commercialize their inventions in foreign countries themselves by manufacturing and exporting. It normally doesn’t happen. But they have, if they wish to make use of it, outside of Germany, they have to go into licensing or some kind of collaboration. Very typical. It’s useless for a German manufacturer of bicycles to have an application and a patent later on in Brazil if they don’t find a corporation partner who is willing to open the market to manufacturing the thing there. So they rely on the filing date of the German application and try to find a collaboration partner. If they don’t find it, after thirty months or just before the thirty months, usually on the last day of course, thirty months, the small and medium-sized enterprises find in a few foreign countries—I don’t see more than you’ve got five countries maybe outside of Germany, that’s it—where
they finally nationalize. Not more. But still, PCT has paid already. We have seen this. They have their 3000 euros in their pocket, but now they go into five countries only. One country finances itself already by the saved bank interest. So, that’s also a nice consideration here.

The universities in Germany. I know particularly well a central technology licensing office of the Berlin universities because they are the central one for all Berlin-based research institutes and their universities. Three years ago, the law changed in Germany. We don’t have a professor’s privilege any more. The professors don’t own their inventions. They must give it to the university. The university takes it, must file patent applications, and commercialize. If the university, thirty months after the original filing date, has not found a licensee collaboration partner, they quickly give the pending PCT application back to the inventor or inventors. That is necessary by German law; they are required to do so. They cannot just drop the application. They give it back to the inventors and say, “good luck.” And then the inventors can invest the 40,000 or 50,000 Euro if they like for foreign filings, but there is so little hope—and I always tell this to my clients also in the university field—there is so little hope, if after thirty months of very diligent and intense efforts to find a licensee, you have not found somebody, that you find someone in the next year. That is not worth the effort. Under special circumstances, if you are already in promising negotiations with some licensees somewhere in another country, this might be a different situation. But otherwise, the only person on earth who doesn’t believe this is the inventor. He believes that next month the big miracle will take place. So what they do is they give it back to the inventors. No German university goes further than PCT international phase. The nationalization later on has to be paid by the licensee somewhere or another collaboration partner, otherwise—at least in my personal opinion of experience. Maybe it is different in other cases. In other cases, they don’t keep these applications alive themselves anymore.

Last, but not least, maybe introducing by this a little bit to the next scene, we have developments and perspectives, not only in Europe but particularly in Asia. For a strange reason, for my clients at least, it is a big, big burden that they have always to make the most of the PCT application. It’s a wonderful channel to get cheaply into foreign countries that they can’t designate, in any manner whatsoever, like Taiwan. Because when you look into
China and you wish to have patent applications in China—we will talk about this later on, maybe a little more—it is not just one national market. The Taiwanese market and the Chinese market are so closely interrelated that if you don’t have patent protection in Taiwan for the mother company of a Chinese unit in Taiwan, it is so easy to outsource or to shift the technology into Taiwan where you may not have patent protection or the other way around. So always, if you are looking at China, you must make an early application in Taiwan, already with additional cost, of course. If that could be included into the PCT, that would be a miracle, of course. And I think there would be a way if the PCT office spins off and is no longer under WIPO, because refused only that Taiwan—for good reasons, I think, from their viewpoint—becomes a member of the WIPO. But if the PCT office would work as an agency for WIPO for their outsourced intellectual property work, this would be a different story. China (the People’s Republic of China) allows Taiwan and the People’s Republic of China to coexist in international organizations like WTO, under the name—of course—of “Chinese Taipei.” Not only in WTO is this the case, but even, since last summer, we have, in LES International, a chapter “LES Chinese Taipei” with the approval of LES China and, indirectly, the Chinese government. I think if the PCT office would have a second “head,” acting as WIPO agency, that might be a good idea.

B. Topic 5: Looking East, Looking West: Optimizing the PCT in Europe and Asia

1. Asian Perspective: Xu Yiping

Today the Organizer of this Symposium wants me to introduce PCT in China. I greatly appreciate your attention. I’ll give you some information about the PCT system in China.

My presentation will focus on three main points. The first one is the history of patent system in China; the second one is the present status of PCT in China; and the last one is the characteristics of PCT in China.

Actually, the Chinese patent system is a very young patent

† Chairman, Board of Directors Shanghai Patent & Trademark Law Office, LLC.
system. As you know, the Chinese Patent Law was issued by the National People’s Congress in 1984. And then this law was into force on April 1, 1985, so that we have a very young patent system.

But this patent system running in China is very successful. You may find more and more new applications filed to the Chinese Patent Office year after year.

For the PCT system, I think it is booming in China now. Actually, China’s government signed agreement with WIPO to join the PCT in 1993. PCT filing started in China since January 1, 1994.

According to the agreement signed with WIPO, the Chinese Patent Office is a PCT receiving office, a search authority, and a preliminary examination office. But at that time, we hadn’t amended our Chinese Patent Law yet. Chinese Patent Law was first amended in 1992. The second amendment was in 2000 and so we add some contents relating to PCT in our new amendment in 2000. This new amendment of the patent law went into force in July 1, 2001. It added to Article 20 of the Patent Law and Chapter 10 of Implementing Regulations of the Patent Law.

Of course, for the PCT case examination, we had to amend our patent examination guideline at the same time. So in the new guideline we added Part 3 for PCT Chinese national phase filing.

Since then, Chinese applicants have filed more and more PCT cases. According to the report from WIPO, China has a ranking of number ten among PCT member countries for filing PCT international applications. It also ranks number two among the developing member countries in filing PCT international applications.

So, as you see, China still does not have the larger international filing cases as in United States, Japan, and the European countries. PCT international applications filed by Chinese applicants at the Chinese Patent Office as a receiving office increased from 103 cases in 1994 to 2438 cases in 2005. You may find the increasing rate is very high.
China is a very big country. Here I list the top ten provinces for international applications of the year 2004. You may find most provinces are located in the eastern part of China, the more developed area in China.

Top Ten Provinces for International Applications of Year 2004

Then I also give you some information about the percentage of technology occupation in PCT international patent filing.
The subject matter of PCT international filings are mostly in telecommunications, optics, materials, electronics, mechanics, pharmaceuticals, and chemistry.

I don’t think the 2438 PCT international filings made last year is a big number; but I believe that the increases made last year show more international filing from China will be happening in the next five years.

Then I will discuss a little bit about PCT Chinese national phase applications. Because China is a very big country and a very huge market, all of the companies, not only domestic companies but also foreign companies—all pay more attention to put the goods into such an attractive market. Of course, they consider intellectual property protection in China. According to the report from the Chinese Patent Office, the total cases received by the Chinese Patent Office was 476,264 last year. Eighty percent of the total cases are domestic. About twenty percent of the total cases are from abroad. You may find that 40,761 cases filing used the PCT into Chinese phase. It means that nearly half of the foreign cases use PCT into Chinese phase.

Here I list PCT Chinese national phase applications from 1994 to 2005.
PCT Chinese National Phase Applications from 1994 to 2005

You can see that the PCT Chinese national phase cases increased very quickly during 2002-2005.

PCT Chinese National Phase Applications from 2002 to 2005

Also, I list the top fourteen countries filing national phase
applications in China (2001-2003).

**Top 14 Countries Filing National Phase Applications in China (2001-2003)**

You may find the cases using the PCT into Chinese phase from the United States is number one and Japan is number two, and then some European countries and Asian countries like Korea.

Also here I list the top five foreign companies in the years of 2001-2003 in filing Chinese national phase applications. You find Philips, Matsushita, Siemens, Nokia, and Sony file to most PCT into Chinese national phase applications.

**Top Five Foreign Corporations in 2001-2003 in Filing Chinese National Phase Applications**

<table>
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<tr>
<th>Nation</th>
<th>Applicant</th>
<th>Number</th>
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<tbody>
<tr>
<td>Netherlands</td>
<td>Royal Philips Electronics</td>
<td>2355</td>
</tr>
<tr>
<td>Japan</td>
<td>Matsushita Electric Industrial Co., Ltd.</td>
<td>1750</td>
</tr>
<tr>
<td>Germany</td>
<td>Siemens AG</td>
<td>1071</td>
</tr>
<tr>
<td>Finland</td>
<td>Nokia Corporation</td>
<td>1008</td>
</tr>
<tr>
<td>Japan</td>
<td>Sony Corporation</td>
<td>962</td>
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</tbody>
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This is the basic situation of the PCT in China. I would guess that in the coming three to five years quite a lot of the foreign leading companies will use PCT into Chinese national phase. I believe that the more PCT cases that enter Chinese national phase, the more and more business these companies will do in China.

Next topic: I would like to discuss and compare the Chinese PCT system with the PCT system of other countries. I think the
foreign applicants are very interested in characteristics of the Chinese PCT system. Actually, we have a lot of question dealing with this field.

First of all, according to the Chinese Patent Law and its Regulations, the Chinese Patent Office is a receiving office and an international search authority and a preliminary examination authority for PCT international applications. So, I think this is the reason why there are a lot of Chinese companies that could use this system to file more PCT cases every year.

Either Chinese or English versions of the application can be used for international application received by the Chinese Receiving Office. Because China uses the early publication and deferred examination system for examination, so if Chinese language is used and later on entered into the Chinese national phase, the statutory protection for the pending year can be traced back to the date of international publication. According to the Chinese Patent Law, the applicant can enjoy the provisional protection during this pending period in China. So that for the PCT international case, if an applicant uses the Chinese version for filing in the international phase, they can enjoy the provisional protection.

The second, for the Chinese national phase applications, demand of Chapter II is no longer needed. So all international applications can enter China in thirty months.

Here I have to mention that in China an additional two-month grace period can be used by paying extra fees. So, if you pay the extra fee you can enjoy thirty-two months. But there is no extension at all.

Another thing I have to mention: entering China before the eighteen-month international publication is applicable, but no official filing receipt will be issued until the international publication is available. Because in this case the Chinese Patent Office hasn’t got any information of this case from WIPO PCT department. So until the international publication reached the Chinese Patent Office, the applicant would not get the formal official filing receipts.

Also here I mention that the national phase for either invention application or utility model application is available for international applications filed after January 1, 2004.

Here I also have to mention, sometimes the case deals with two or more subject matters during the international stage; the search
authority just searches the main subject matter. Unsearched parts of the international application can also enter the Chinese national phase. Of course, applicants have to pay the restoration fee for unity of the invention application.

Another important thing is the cost for translation. Actually Chinese translation is necessary and must be filed together with the application forms (i.e., late filing for Chinese translation of specification and claims is not accepted).

Also here I have to mention that the specification of the international publication is the basis of the national phases. Official fees and translation fee are charged based on this version, based on the international publication version. The amendment’s decrease of claims at the time of entry cannot decrease costs; amendments are allowed but should be filed as substitute pages.

When the PCT case enters into the Chinese national phase, bibliographic data of national phase should be precise with those in the international publication. Any amendments should be made either in the international stage or after the Chinese national phase filing.

The priority document, assignment document or name change certificate, if not provided in the international stage, shall be provided in the national phase.

2. **Asian Perspective: Shigeyuki Nagaoka†**

Good afternoon. I am Shigeyuki Nagaoka, Director of JPAA—Japan Patent Attorneys Association. Today, my presentation includes three parts. The first part deals with how Japanese applicants use the PCT. The second part deals with statistics and analysis. And the third part is my proposal to make the PCT more user-friendly.

How do Japanese applicants use the PCT? In a short answer, they use the PCT when it is most cost-effective, or when it is more optimal than the Paris Convention for the Protection of Intellectual Property. For example, an applicant will use the PCT when the applicant cannot decide in which country the application should be filed. An applicant will also use the PCT when the application should be filed in many countries, when there is no available time for translation, when the applicant wants to delay fee payment, or when the applicant wants to use the ISA (International

Search Authority) as a prior art searching agent. Finding prior art before translation is very, very important. The ISA finds secret prior art. The secret prior art is an application filed before an applicant’s application but published after an applicant’s filing date. An applicant does not know that secret prior art exists when he or she files a PCT application. The ISA finds this preceding application as a category E prior art.

An applicant will also use the PCT when patentability of the invention seems to be relatively unlikely. In this case, we expect that ISA will find the strong prior art. Then we will show the prior art to the inventor, so that inventor will stop working on his or her invention. A particular ISA has the best prior art information in a particular area of technology in the world. For instance, the Japan Patent Office has the best prior art information about semiconductor technologies. So, if the invention relates to semiconductors, we use the Japan Patent Office as the ISA.

The advantage of the PCT is that the PCT is able to rectify obvious errors and correct translation errors. The disadvantage of the PCT as compared to the Paris Convention is that the PCT is more expensive. Expense for the international phase is avoided if an applicant uses the Paris Convention route.

U.S. Patent Law section 102(e) states that no prior art effect is given to a PCT application if the PCT application is published in the Japanese language.

The written opinion prepared by ISA is confusing because it often misleads the applicant. This is because the written opinion is prepared based on different patentability criteria. Patentability criteria of one ISA are different from those of another ISA.

Statistics and analysis: Japan is now the number two PCT user country. Japan caught up with Germany in 2003 and has become the second biggest PCT user. The number of PCT applications filed by Japanese applicants increases every year. In 2004, more than 20,000 PCT applications were filed in Japan. The top three PCT user countries are the United States, Japan, and Germany.

The JPO (Japanese Patent Office) report indicates that 61,000 patent applications originating in Japan were filed in the United States in 2003. Among those, PCT applications account for only 5000 applications. This means that 56,000 applications were filed through the Paris Convention. Use of the PCT accounts for only 8%. What does it mean? It means that Japanese companies do not highly value the advantages of the PCT because they need not
designate so many countries. Further, PCT applications are expensive. Additionally, a PCT application is not given a prior art date in the United States.

Japanese companies do not need written opinions. Additionally, the standards of unity of invention are different in the United States from Japan.

When do Japanese applicants appreciate the value of the PCT? The applicants value the PCT when they abandon the PCT application during the international phase. In the international phase, there is no cost for translation and no expense for prosecution. So the reality is a little ironic, I think. Many people say that the PCT is very good, but the PCT shows its power when the applicant gives up the application.

Now my proposals.

I think the ISA written opinion practice should be amended so that the written opinion is optional. Some applicants do not want to receive the ISA written opinion. Thus, the ISA written opinion should be prepared for the applicant only when the applicant wants it. Written opinion has, at least psychologically, a binding effect and it can be a final decision. Written opinion is prepared based on different patentability criteria. Inventive step criterion of one ISA is higher than another ISA. Also, the definition of the prior art is different in many countries. The PCT examination guidelines admit such differences. Therefore, the written opinions often confuse the applicants.

My second proposal is to amend U.S. patent law section 102(e) to avoid the language discrimination. Some applicants do not use the PCT because of section 102(e). And section 102(e) issues are invisible. An applicant will not know if his or her application or patent is used or not used as a prior art reference until a patent is issued to his competitor.

My third proposal is to allow multiple ISA searching. Prior art searching is one of the most attractive features of the PCT. Currently, only one ISA performs prior art searching. If the applicant can ask another ISA for a supplemental search, predictability of patentability will be improved dramatically.

My last proposal is to amend the all-inclusive designation system. The all-inclusive designation system takes away a very fundamental right of the applicant. Every applicant should be able to decide which country should be designated and which country should not be designated. This right of applicants is taken away by
the all-inclusive designation system. The current all-inclusive designation system is not a truly all-inclusive designation. The current system is an all-plus-one designation system. “One” is your own country. The PCT was originally designed to file patent applications in foreign countries. You need not designate your own country.

The true all-inclusive designation system is designation for all the PCT member states, except for an applicant’s own country.

The current all-inclusive designation system forces the applicant to file two applications in his own country. If a PCT application claims priority based on a national application, the applicant will have a PCT application and the national application for the same invention because a filing date is given to the PCT application, even if the PCT application does not enter the national phase in each country.

The PCT permits designation of your own country, but this is an exception. This exception, however, becomes a non-exception under the current all-inclusive designation system.

3. European Perspective: Sandra Pohlman†

First of all, I want to say thank you that I can be here today on behalf of the DFMP in Munich and be part of this distinguished group of speakers. I also find the conference extremely interesting—long, and I am tired as well—but interesting. As you might have heard, I actually come from the United States, yet here I am speaking about the European perspective. I started my career in the United States and did my legal training here, but have been practicing in Europe for the past ten years. So, this is really part of my daily experience and life and the way I think about things. How does this compare with what is going on in the United States? What is Europe doing? What are the good things about what Europe is doing? What are the good things about what the U.S. is doing? The bad things, and so on and so forth.

I, for one, am very much a proponent of harmonization. Or at least, I also do not think maybe we will have perfect harmonization. That may be utopia, but at least it is very encouraging that things are proceeding in the right direction. There are all kinds of different initiatives—not just with the PCT. The tri-lateral efforts, I think, were also very interesting. I work in the biotechnology area

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and the tri-lateral paper regarding nuclei-type sequences and orphan receptors has really changed the way we practice. It has reduced the number of filings, but it has also caused us to think about when we should file—more specifically, the timing of our filings. Many years ago there was a lot of investment and a lot of open questions. People really did not understand what to do with these things. I refer to that paper a lot. These kinds of projects are very helpful. So, I just want to thank those people who are really involved in the harmonization process.

As a general comment, talking about optimized PCT practice, at least for me, an optimized practice does take into account other systems. I often hear people saying, “oh this is the way it is done in the U.S.,” and “this is the way it is done in Europe,” or “this is the way it’s done in Asia.” One thing that is very good about this conference is that we are much more on a level of trying to compare and contrast. This approach is also part of optimized practice. We should be interested in understanding other systems. Of course you, as U.S. attorneys, or someone practicing in Europe, you can only really be an expert in one field. It is not possible to be an expert in the patent systems of every country. But, it is important to make an effort to know about this and be interested in and open for exposure to other systems.

Coming from the United States, especially when I think about law school and when I was starting to practice in the United States, I found that it was very hard to get information about Europe, about the PCT, and I hope that this is changing. I have seen some changes in this regard. Actually, there are law school programs in Munich that provide training on globalized patent systems. This global training is really important. I just wanted to make that comment here because this is part of the optimized practice.

Michael also mentioned the practice of taking one application and using it for every country. One question I would pose is: Why not optimize it from the start? Why not start with the optimized kind of application? Now this is, of course, very difficult because actually to get that template you would have to, I think, involve practitioners from at least a few jurisdictions; at least the main jurisdictions that you care about. You can have your U.S. attorneys draft it but then maybe develop some sort of template where we say, no that is actually not so good, or at least you should have this other language. It is not so easy. What happens with added matter? The EPO is almost crazy about this issue. Furthermore,
sometimes you get examiners that if you do not have the literal language, you really have a problem. As a result, you come into these issues when getting into re-writing claims—such as method of treatment claims when you want a medical-use claim. I would think that is clearly supported, but you do run into these problems and also in the way you write an application.

Something that I have noticed—or that is often said in Europe or at the EPO—about American applications is that they are so long. They really are very long compared to applications from other countries. I understand the rationale for this. Much the length has to do with the development of the U.S. case law. After all, let’s face it, the U.S is still the most important market and you want to make sure that it is going to stand up in court. On the other hand, maybe you should think about whether more is always better. I am not really sure it is. I have had experiences trying to litigate or interpret something for a client that had very little disclosure. In a way, that was the broader patent because you did not say what it meant, you did not say what the certain terms meant, things were more open. So this is another thing to think about. Your applications from the U.S. are huge compared to the rest of the world. Is more really better?

The main thing I wanted to talk about today, and then I will turn it over to Steve, is the EPO and its acting as a PCT authority. And also, the role of the EPO as an international search and preliminary examination mechanism.

Now a lot of it has already been said, so I will try to avoid being repetitive. I am going to try just to give you some insight that comes from things that the EPO have recently published. This information is hard for you to get in the United States. Since I came all the way over here, I might as well let you know what the EPO is saying in the bulletins about how it is doing PCT practice.

We have seen statistics basically stating that 50% of applicants use the EPO to do their searches or preliminary examination. It is pretty obvious that the EPO is playing an extremely important role. The way the EPO is doing the PCT is actually quite likely to be familiar with this because in fifty percent of the cases that is who is handling the PCT search and examination.

We have seen these numbers before. I mean in terms of applicants, the U.S. is quite dominant. Actually, with the EPO as a receiving office, it is ranked only third. But again, if you go to the statistics, international search and examination, the statistics based
on the numbers from 2004, we are up at 50% and the U.S. actually
goes down quite a bit compared to Europe. It is a fact that many
other countries are using the EPO to do the search and the
preliminary examination. The country that is probably doing it the
most is the United States. There are a lot of advantages to doing
this. As was mentioned before, the EPO is basically available to be
the search authority. It is available to U.S. applicants but not just to
U.S. applicants. This has advantages. People take advantage of this
because it often streamlines the EPO procedure. There are also
cost benefits to this. All of this I will touch upon now.

One thing that happens is that the EPO did limit its
confidence as an international searching authority just for the
United States because, at some point, it got to be too much. It is
clear from the numbers, and we have heard that this also has to do
with a lot of volume and work-load problems. There were some
restrictions that the EPO came up with. For example, they will not,
if there are any claims relating to business methods, process any
international applications filed after March 1, 2002. Actually, last
year there was a decision to extend this further. Thus, the EPO is
clearly against business methods. If you have any claim relating to
a business method, you cannot have it searched by the EPO.

There was also a limit on biotechnology, but this no longer
applies. It has been phased out. This limitation has to do with the
fact that there were so many sequence-type applications. Now this
has really been reduced, I think, because the biotech industry has
changed its practice in this regard, so that restriction has been
lifted. There were also similar restrictions to acting as the
international preliminary examining authority on business
methods, biotech and telecommunications claims. But again, the
only one that was extended in 2005 was applied to business
methods.

Another interesting aspect of the EPO is the rationalize
procedure. I do not know if any of you have heard of this
procedure. Okay, well this actually no longer applies. It was an
interim opinion and a substantive examiner was never going to be
involved. That was an EPO effort to reduce its workload, because it
has a huge workload. You had to ask for a detailed process. Now
this step has been phased out, but it has basically spilled over into
how the EPO is going to act as an examination authority. Now, of
course, they are following the enhanced international and
preliminary examination procedure—not the recognized
procedure anymore. It was already confirmed that the EPO, according to the new guidelines under these rules, was basically not going to issue a second written opinion. They are going to consider the WO, ISA as the first written opinion. . . . Thus, if you have a negative written opinion and you want to do something about it, you basically have to do something about it right away. You have to file arguments and convincing evidence and deal with the issues otherwise you’re just going to get another negative opinion.

This was also recently made clear by the EPO. This is something that they just published in the guidelines. The PCT guidelines under the new regulations give discretion to the examining authorities to allow a second opinion—to grant a second opinion—but the EPO has clearly said in the official statement, “no basically we are not going to do this, it is up to you to change the case and to do so quickly when you file with them.”

The EPO has also issued a notice about interviews with EPO examiners handling the preliminary examination under Chapter II. The EPO has essentially said that if a request is timely filed, we will grant you one interview by telephone. This is not a personal interview—it is a telephone interview. We will normally grant this. You have to give a written request that you want an interview. This request should be filed as soon as possible, ideally with the demand. You should give a clear indication of what should be discussed in the interview. If you just make a generic request, at least according to this notice, your request might not be accepted. Or, at least if the request is not very helpful, they will not appreciate it. So you should definitely give a clear indication of what you want. It also says that although second interviews are at the discretion of the examiner, very likely it probably will not go ahead. You definitely do not have a right.

Just thinking about the EPO acting, under the PCT, this was a new thing that I want to talk about. There are a few reasons to use the EPO. One reason is that it will help streamline your procedure in the regional phase because, and maybe in other countries as well, the EPO is quite influential. But clearly, if you have a positive search, or actually anything, any search, they will not search again. They will just use the results over again. If you have a positive search at the EPO, then you can go into the regional phase expecting either office action, essentially asking you to clean up the application and bring it in condition for grant . . . . This is one
reason we are potentially going to streamline your regional phase.

Another reason is experience. The EPO has done a lot of applications—you can see it from the numbers. Compared to the other national offices, the EPO has a lot of experience. It is generally said, and I think it is true, that it is a very high quality search and preliminary examination. As we know, actually none of us are really doing preliminary examination anymore. But it really is a high-quality search.

Basically, interestingly enough, there is a new Rule 44A. The EPO had basically decided to conform to the PCT rules and now you do not just get a search report, supplementary European search report, or a supplementary search report. But, you will also get an opinion on patentability with your EPO search. It is an extended search report. So now even in EPO proceedings this is getting pushed forward.

If you recall, if you have to do a supplementary search report, because we are talking about going into the PCT-EP, then at some point you will be asked whether you want to proceed further in the European phase after you have seen the search report. Now you can make an even more informed decision because you have this opinion of patentability. This applies to applications that were filed after July 1, 2005.

This is just a chart to show you how this new Rule 44A breaks down. You can see that the search fee goes up if the European search is reporting. The examination fee went down a little bit. Now, if you could see the whole overview, it is quite a complicated system. Don’t worry, I am not going to explain it. This is just to give you an idea that, depending on who is the ISA, there will be different fees involved. The EPO fee structure clearly prefers using the EPO as the ISA. It is much cheaper for you, even under this new system.

You will see there are other national offices which cost very little for the search. There is also discussion at the EPO, I do not know how advanced this is, but there are other national offices who want to get into this picture. You see it is only a barely nominal fee of 150 euros. Then, if you take into consideration the examination fee it is basically the same. For example, other national offices where you want to get it are from former Eastern European countries. They also want to have this recognition. Now there is a lot of discussion about this.

Okay, we have talked about the quality of the EPO search. Can
we be guaranteed that if this happens, then this quality is still there? Maybe not. I think this is just a concern that the user might have with this happening.

Also, if you look at the third column coming from the United States, it is going to be more expensive. There is a little bit of a fee reduction if the USPTO does a search. But, if you compare it to the EPO doing the search, it is significantly more expensive. So this consideration is also part of the choice.

In terms of optimized practice, there was one comment I wanted to make: when do you enter the EP phase? The EPO basically says that they will not examine an application until the end of the thirty-one-month period. But, if you want, you can enter the EP phase earlier. You just have to file an early processing request, which is just a piece of paper that indicates you want early processing. It does not cost you anything. They are going to mention that you might want to enter, why wait? I would also say it depends on your client, of course, but why wait? Especially if you already have a favorable opinion, you were at the EPO as an ISA, why wait? You are going to wait ten months? What does that really gain you?

I also thought of something that you might really lose in not going in early. I actually only thought about this sitting here because of what Ted mentioned. The EPO, or a prior filed application, a WIPO application, has no prior effect unless it enters the EP phase, unless you have paid the national fee. So, for a certain period of time, and if you are talking about ten months, that might be quite significant. This PCT application, though published, has no prior art effect. You are losing that time. You might miss an opportunity there. Maybe something grants and you have missed the opportunity.

The last thing I want to do is address the question that came before that—the diagnostic method. If you still want the answer? You’re talking about the decision for a diagnostic? Yes, basically the problem with what was said about this decision was that there were a lot of boards going and in a very strange area. Basically saying that it did not have anything to do with a human body and this was a diagnostic method. Then there were other boards taking a very restrictive approach that said, well, you basically have to take all the stuff to the doctor. That is where you have to claim different perspectives including the deductive reasoning of making a diagnosis. Luckily the board of appeals came out with the more
restrictive view. Really, unless you claimed something and described it that way, so you cannot claim it any other way. It doesn’t change anything.

4. **European Perspective: Steven Howe†**

I’m going to talk about the international regional phase in Europe. This is the bit after the PCT—the bit that gets the patent granted. . . .

To get a granted patent you have to go into the national or the regional phase and you have to convince the national or regional patent offices—under their rules and their laws—that you should be entitled to a patent. The rules and laws of all national and regional offices are not necessarily the same. As we have heard, we are not harmonized yet. I’d like to talk a bit about things in Europe to help you get your PCT patent applications through to granted patents.

Now what I want to do is—and perhaps this might be a reoccurring theme—is concentrate on three areas or three effects: to get your patents granted in a way that gives you better protection; in a way that you can get your protection more quickly, or more efficiently, if that is what you need; to save costs to get your protection cheaper. . . .

Now what I’m actually going to do is to split the talk into three areas. I’m going to talk first about countries and the way you can get protection in different countries in Europe. In particular I’m going to talk about the choice between national applications, which just cover individual European countries, and the European regional patent application, and why you may wish to choose the national or regional approach depending upon your particular criteria.

As far as the regional phase application is concerned, I’ll talk a bit about contracting states and extension states—terms you may have heard but which you may not be too sure about the difference, so we’ll talk about those, and I’m going to talk about claims—things that you can do, perhaps when you enter Europe to save costs and save time.

If I’ve managed to save enough time, we’ll talk a little bit at the end about accelerating prosecution—ways you can get your patent granted more quickly.

† Lloyd Wise, London.
Let’s begin with national phase. National phase—as opposed to European regional phase applications which we’ll talk about in a minute, where many European countries are covered by a single application, means filing a national application in individual countries where you want protection. To file national applications, perhaps in two or three European countries, you file a separate national application in each of those two or three countries. You pay your filing fees, other official fees, you appoint a local agent and if necessary you file a translation into the national language of that country.

Why would you want to file national applications in just the two or three countries perhaps, rather than a European application? One reason is because it is generally quicker. We’ve heard a little bit about the delays in the European system. That sometimes is a problem. Often it’s not a problem. Often people want to delay things as long as possible. But in general, if you need quick patents in a European country, it’s often quicker to file a national application. Certainly that’s the case in the U.K. I think that’s also the case in Germany.

It may also be cheaper to file a national application. Coming back to the core reoccurring topics here: how to make protection cheaper. If you only want protection in one or two countries, it is probably cheaper to file individual national applications in those countries rather than the European application.

There are also disadvantages. National applications are not available in all countries. There are some countries in Europe—France is one of the notable ones—where you can’t enter the national phase through a PCT application. So, if you want to get protection in France based on a PCT application, you have to file it as a European application. That’s the only way to get protection in France. That’s one of the disadvantages of going the national route.

Another disadvantage is that it is more expensive if you are going in a large number of countries. We normally think that if you going in three countries, or more, it’s probably cheaper at the end of the day to file the European application rather than national applications.

The other thing is, it’s much more expensive to start with. One of the key advantages of the European application is that the expensive costs, which are primarily the translation costs, are left right to the end—when you already know that you’ve got a patent
granted. If you file in national countries to begin with, you have to file the translations up front and pay all the official fees upfront, making it much more expensive to start with.

The other potential disadvantage is more objections. If you file three national applications with three different patent offices, you’ve got three different sets of examiners and they’ll probably come up with three different sets of objections. Whereas at least with the European system you’ve only got one set of examiners looking at your case.

So, it’s something to think about. When you’re converting your PCT application, think about the countries, think about how quickly you need protection, think about whether you’re prepared to put the money upfront or whether you want to defer costs as long as possible and you may decide it’s better to file national applications rather than European regional applications. There are also a few European countries which still haven’t adopted the longer thirty-month period under Chapter I, and so it may be too late to file national application in some countries.

Okay, most of the time people are filing European regional phase applications, rather than filing national applications and that’s what I’ll actually talk about from here on.

Now I have to show you this [map of Europe] because it was colored in by my children. It’s not quite right, apologies. But basically what we’ve got here is a map of Europe. The [countries in] dark blue are the countries which are contracting states of the European Patent Convention. The ones colored in red, grouped together towards the bottom, are what we call the extension states of the European Patent Convention. When you look at the front page of your PCT application you’ll see that there is a list of countries which are covered by the European designation. You won’t find the extension states listed in there. The extension states are listed separately.

What does it mean—designated states, contracting states, and extension states? Under the PCT system, we’re all used to designating states, or to have designated states. What it means under the PCT system is that those are the countries where you can eventually file national applications to try and get patent protection. Designations in Europe are slightly different. You still designate states to begin with when you start filing your European application but then the application will be examined by the EPO and they will decide whether a patent can be granted or not. Once
they've decided that a patent can be granted, you can then validate that patent in any of the states that you designated. That’s a formal procedure. There is no further examination of your application by the national offices. Once the EPO has decided to grant you a patent it’s a formal procedure to make that patent effective in any of the designated states where you want protection.

Unlike the PCT system, you do have to pay a separate designation fee for each of the contracting states that you want to cover by your European application. There are thirty-one countries at the EPC. Each would normally attract a separate designation fee. So, when you enter the European regional phase, you would need to work out which countries you wish to designate and pay a separate fee for them. However, if you pay seven designation fees, that’s enough to cover all of those dark blue countries, as designated or contracting states.

What does this mean in terms of efficiency and cost when you’re trying to get your European protection? It means you can make a saving if you don’t want to go in very many countries. If you want protection in two or three countries and you know that up front, just pay the two or three designation fees to cover those countries, rather than paying seven designation fees—you’ve made yourself a cost saving.

However, if you were to go into perhaps five or six countries, you may be able to get a great increase in efficiency by paying the few extra fees. Let’s say you know you want to go ahead in six countries, you need to pay six designation fees. For the payment of just one extra designation fee, you can keep open your options for protection in all thirty-one of those countries.

When your patent actually comes to being granted, you don’t have to validate it in every single country you designated. You can just select the ones that you want protection in at the time of grant. So, you’re keeping your options open in those countries. You’re not committing yourself to have to get protection in those countries.

The extension states in many ways are similar but they’re not full party to the EPC, so they’re not covered by the designation fees. In other words, if you want protection in any of those countries, you’ll have to pay a separate extension fee for each of those countries where you want to extend your European patent. Again, you have to pay that when you’re entering the European regional phase.
Okay, so part two was amending claims. Why would you want to amend claims? The first is to try and reduce costs. The very obvious way where amending claims can reduce costs is reducing the number of excess claim fees, but also if you amend claims and put them in a better form for the European Patent Office, you can perhaps reduce objections and that will reduce costs. The other thing, if you amend the claims and get them in a better form, you can hopefully get a grant much quicker.

When to amend? On entering the European regional phase—as we know that’s normally within thirty-one months of priority of filing, or shortly after entering.

After you enter the European regional phase, the Patent Office will send an invitation giving you an opportunity to make voluntary amendments at that time. There are advantages of making amendments at this stage, shortly after entry. As we know, we don’t always get ready to file the European application far enough in advance to consider amendments to the claims on filing. It’s nice if we have to make a decision to file the application, file it and then have a short period afterwards to try to think about making claims. I find that one really good advantage of being able to amend claims at around this stage, is you can just put them in as voluntary amendments. You don’t have to put in any comments. The main advantage is that there is nothing on the public file which is going to come and haunt you in subsequent U.S. litigation in years to come. You’ve just put the claim amendments on file without commenting. Of course, you can make amendments during prosecution, but then you’d lose lots of the advantages of making those amendments early.

Excess claim fees, I mentioned. Excess claim fees are due for the eleventh and subsequent claims. So if you have eleven claims you have to pay one excess claim fee. Twenty claims you pay ten excess claim fees.

The claim fees in themselves are not a lot individually, but they start mounting up. If you have a PCT application that was searched and examined by the USPTO, you need to pay search and examination fees to the EPO. If your application includes seventy-six claims, the total cost of the excess claim fees is more than all the rest of the official fees put together. So you’ve doubled your cost.

If your application was searched and examined by the EPO, it’s even more noticeable. As soon as you get to forty-five claims, you’ve doubled the costs. That’s a very good reason to try to shrink
down the number of claims if you can.

- How can you do it?
- We can add multiple dependencies.
- We can combine claims using alternatives.
- We can delete claims that are no longer commercially important.

You’ve used the PCT to buy yourself some time. You’re now 2 ½ years from when you first filed the application. Things that were commercially important when you filed the application may not be commercially important now. So what’s the point in keeping claims in there and paying a fee for them if they’re not commercially important?

The same applies for claims that don’t add to the novelty or inventiveness. You’ve had your search report, you know more about the prior art, and if that has identified claims that are never going to help you in terms of showing you have a patentable claim there, why pay the fees for them? Let’s reduce the cost now and make the most of the system.

Also, deleting claims that won’t be allowed. We can talk about those a bit more. Claims that may not be allowed include multiple independent claims. The EPO doesn’t like you to have more than one claim in each claim category. There are a few cases where you are allowed to have them, but in general only one independent claim per category.

It might be a good idea to keep multiple independent claims in your application. For example, it keeps your options open for longer as to which claims you want to proceed with. It gives you the opportunity to get the EPO to do further searches in respect to claims that haven’t been searched before. But there are disadvantages. It increases the excess claim fees that will be payable on claims that won’t be allowed. The first thing that’s going to happen is the EPO will say that the claims aren’t clear. There are too many independent apparatus claims here. There is no point in paying the fee for them if you’re just going get that formal rejection. You may even find that you have to pay this excess claim fee twice for the same claim. Because if you have to delete the claim, to meet the formal requirements, and then you file it in a divisional application, the divisional application may also have more than ten claims in it. Then you have to pay the excess claim fee a second time on the divisional application. So each extra claim that you have in is not going be allowed but requires payment.
of two excess claim fees. Of course this delays allowance and increases costs because there are more official actions. It decreases the efficiency of the system and it’s longer before you get a granted patent.

Claims directed to what we call excluded subject matter could also be deleted. Subject matter you can’t get protection for in Europe. Claims to non-technical inventions like computer programs, business methods, presentation of information and medical methods. If you’ve got claims to these things in your application, you may want to consider deleting those claims because again what is the point of you paying money for them which you’re never going get back, it’s going to lead to an objection, it’s going to slow the whole process down.

Next, onto other amendments you may consider. You may consider trying to overcome the formal objections you get from the EPO by putting your claims in the two part form, by including reference numerals, by including SI equivalents to non-SI units. Those sort of things will help speed up the process of getting your patent allowed in the EPO and will reduce objections and reduce costs.

If you know there are novelty and inventiveness objections, again take the opportunity to make some amendments to address these, to overcome clarity objections, or other objections, that you’re aware of, if you feel that’s the right thing to do. You don’t have to comment on why you’re making those amendments.

So for all those reasons it’s good to amend claims, if appropriate, but I think always consider from the European practitioner’s point of view whether that is the right thing to do. The last thing you want to do is just go crossing claims out if there was actually a better way to keep them in or a value in keeping them in.

Very quickly, accelerating allowance—how to get your patent granted more quickly. You can help by entering the European regional phase early, by putting the application in the best possible form and by responding quickly to office actions. It goes without saying, that the quicker you respond to an office action, the quicker you can overcome the examiner’s objections.

We have a system in Europe for accelerated search and accelerated examination. I understand it’s much easier than in the United States. You write to the EPO and just ask them to accelerate the search or accelerate the examination and they generally will do
They'll try and get an examination report to you within about three months of making the request for accelerated examination rather than perhaps two years which it might otherwise be.

If you do need patent protection quickly, you should be aware that we do have a system of provisional protection in Europe. I think you’re aware of that from more recent U.S. practice. But you should be aware that to get provisional protection in Europe you do need to make sure that you have the claims in the language of the country where you want protection. So if your application is in English and you want provisional protection, that’s protection from the date of publication, in German for example, you need to file a German translation at that time.

5. James Cleeve†

Thank you, good afternoon. I am originally from the U.K. and have the funny accent. I spent ten years working there in private practice, qualifying as a European patent attorney and in the U.K. Then, evading tax authorities or whatever reason, I went to Singapore. I collected another few letters there as a Singapore patent agent and then got bored. I don’t know if any of you have been to Singapore. It is interesting for a while, but afterwards not quite so interesting. Then, really merely on a dare, I moved to Beijing in late 2004 and I’ve been there ever since. Except, obviously, at this very point in time.

So, I’m basically speaking to you as a patent attorney, obviously a Westerner, but with experience of some sort in both East and West, and I hope some understanding of the Western outlook and the Western expectations of patent systems in Asia and, particularly for me, China and Singapore. Fortunately for you, much of what I was going to say has been said before, so I’ll try not repeat too much, unless I have a slightly different slant, which I try to have occasionally.

This is one of my favorite quotes and at last I have a chance or reason to put it up somewhere, if you can read it. Is it a bit dark? “East is East and West is West and never the twain shall meet”—Rudyard Kipling. Rubbish! Or, I think to translate in to the local language—Garbage or trash. I like confrontation. I’m English.

My experience is that really East and West are not so different. Yes, as countries . . . in many Asia countries, they love their

† Lloyd Wise, China.
bureaucracy and quite often there are requirements relating to all sorts of things that appear to have no grounding in this world, or any kind of logical reality. But that isn’t the case with patents. When it comes to patents I would say that the approach taken by both East and Western patent laws are quite similar. Even in Asian countries with no history of imperial occupation. Indeed when comparing approaches to patent prosecution in Europe, Asia and the U.S.A., it tends to be the U.S.A. that is the odd man out.

We’ve actually heard from the office of the PCT today, from various applicants from other U.S. lawyers about the advantages of the PCT and I’m afraid, much as I hate to admit it, I must join the cheerleading group. . . .

As I say, much as I hate to admit it, I have to admit that the WIPO and the PCT can, although maybe not should, be thanked for quite a positive effect on the way East and West patents work. In that respect I do say that the PCT does work.

I’m not saying that the PCT is best practice. I’m not saying it’s perfect. But I think, as has been mentioned before, it is still an awful lot better than having to file in every country, independently from scratch—or at least at twelve months. We all know what clients are like at the last minute.

So, you have all these various advantages and I’ll skip most of this. Filing date—without a headache. Reduction of formalities. Now in fact the interesting thing is reduced formalities even when you’re not using a PCT. I think we’ve all seen a reduction in the formalities required just for standard national filing, which is, of course, a very good thing.

Now I’ve written here similarities and national phases. Most of you reading that list will probably assume that I live on another planet. Maybe too much time spent in Asia. What do I mean patentable subject matter is similar around the world? Come on, how can I really say that? There is a great divide over computer software, over business methods, over methods of treatment, but leaving those aside, the rest is in fact quite similar. Even with those particular subject matters the world tends to fall into two groups. So in both East and West, at least we know what the problem is. You as American attorneys, lawyers, whatever, will tend to know that the problem in one country, say China over computer programs, is similar to Europe. It’s not completely off the scale. That is at least one advantage—that it’s not everyone doing something differently.
a. Patentability, Novelty Inventive Step, Practical Applicability

Yes, again there are differences, but everyone in this room basically knows what we’re talking about when we talk about these terms. At least almost everyone in the room I guess. If you go out into the street, and go up to the average lawyer and you talk about novelty inventive, practical utility, industrial applicability, even the other ones, added matter, sufficiency, unity, most people would have no idea what you’re on about.

Now the fact is that yes, we disagree as to what these things are, but we all have an idea that these are important and that the core, the core of most of these ideas, is quite similar. There’s at least a good deal of overlap if they’re not identical.

b. Form and Content

My view is that you could, that it is possible to have a single identical patent specification that you could in fact get granted in the U.S., Europe, China, or other countries, which in fact—in each case—is just a translation. We’ve all agreed on this idea of the description, claims, drawing, abstract. It is so much better than it could possibly be. This is a glass and it’s half empty/half full matter.

c. Similarities of Procedures in the National Phase

Again, everything is quite similar now. We enter the national phase, you use a form. The office of the PCT will send the specification to the various offices. You then just have to, you know, put in a few details in the form, etc. There will be publication possibly at eighteen months. You have examination. After examination, there is grant and possibly revocation. I see these things in Europe. I see them in Asia. I assume you see them in America as well. It’s all quite similar.

d. Infringement/Enforcement

Yes, okay. Different ideas of what infringement is. But at least we’re all using claims to work out infringement (except for the Germans). Okay, we’re all banking it on claims. Infringement and enforcement, what are we going to try and do with enforcement? Get injunctions? Possibly damages, if you’re lucky. Even China does this. I know legend is that they don’t, but China does enforce
patents and you can get damages and injunctions.

e. Some Differences

It's not all hunky-dory, it’s not all that great. Here are some differences. What have you got for differences? EPO. Claim fees on claims for regional phase entry. This is something my colleague, Steven, will talk about later. I think you all know when you enter the European regional phase you have to pay excess claims fees. You can amend the number of claims at that point. But then as Mr. Xu just said, for a Chinese application, you can’t. You can amend the claims, but you’re still stuck with paying the claims fees based on the number of claims you filed earlier.

f. Examination Emphasis

This is one of the ones I find quite interesting. In the EPO you might have noticed, occasionally, they seem to be almost insane when it comes to the question of added subject matter. They love this one. But also they’re very insane on novelty and inventive step. But in China, I’d say, less than 50% of the actions I see mention novelty, or inventive step, or even added matter. What they’re really concerned about is support and clarity. Until everything is excessively clear and supported, you’re not going to get anywhere in China.

Singapore is fairly unique, and it may be a bit of an experimental system. They don’t have their own examiners, even for national phase applications. They use Australia, Austria, and Denmark. Each of those has their own way of examining things and their own emphasis. In fact it actually doesn’t matter what they say, in Singapore, if you don’t like the examination results, or you’re bored with it all and don’t want to spend any more money (well it’s not that much more money), you can just request grant anyway. So you can get a grant even if the examiner is saying it’s not new. It doesn’t matter, you get the grant anyway.

Actually one point was made earlier today about interviews with examiners in the U.S. and maybe doing that elsewhere, and also in the international PCT phase. In Singapore you can’t actually get an interview with the examiner because the examiner is in Australia, Austria or Denmark, and if you try, he won’t talk to

you. I tried it once. He said, yes he’ll look at the file, and then he never called back. Eventually I had to call him and he said, “sorry, I can’t talk to you”. I had to go indirectly, had to go through the Singapore Patent Office, no oral communications are allowed with the examiners.

What else have we got? EPO opposition, post-grant opposition. Well, that’s a quite useful thing in the EPO. I’m not trying to contrast it anywhere.

g. China—Timing of Voluntary Amendments

That’s another bugbear for everybody. In China, generally, once you’ve started the examination, you can’t actually make voluntary amendments. There is a term, well there’s an early period in which you can, but once you request examination, then you enter the examination procedure, and you’re given a term of three months after the entrance to examination procedure to file voluntary amendments. After that point, you cannot make any voluntary amendments. Any amendments you make have to be made in response to an objection of the examiner from then on. So if you decide at a later time, that, for example, the U.S. claims have been granted and are rather nice and you want those, you cannot file those. You have to go through a divisional application process.

h. Specifications in the International Phase

One thing I mentioned is that China really emphasizes support and clarity. The support part can be a nightmare; they’re really keen on it for chemical cases in particular. If you have a chemical case and you’ve only got one or two examples, maybe even three, that just gives you, as far as most examiners are concerned, the right to claim a monopoly over those two or three examples. It won’t give you the right to claim a monopoly over the whole group. You’ve got to show the examiner why it is that a skilled person would think that, from those examples, all examples you’re trying to cover would most definitely work and have the same advantages as your invention. The same goes for ranges. You want to claim a range. You’ve got to make sure you have something at the beginning of the range, something at the end of the range, and a few examples in the middle—that you’re covering the whole thing. Without that you might not be able to get your range.
i. Claim Numbers

Well, we’ve got this problem that some people, at least the impression I was getting, is that some people think you’re better off putting in a lots of claims at the PCT stage because you don’t have extra claims fees. But we’ve got this problem with China, you do have extra claims fees. You have to think of some ways of keeping those down. Multiple dependencies? Maybe putting alternatives, combining alternatives, into single claims? No one likes them ultimately, but at least those keep the fees down.

Oh, there is something I suppose I should just reiterate because it is one of the big problems: this whole question of the countries that are not in the PCT.\textsuperscript{15} A number of times when I was working in Singapore, you’d see applicants writing at thirty months, “please enter the national phase in Singapore and Malaysia.” The scary thing was they hadn’t even noticed that Malaysia wasn’t designated. Fortunately, in Malaysia there is, in fact, a grace period—twelve months from a publication that is due to the applicant’s own activities.

j. Other Issues

Some sweeping generalizations—because I like those. I call it views from the ground because that sounds slightly better than just sweeping generalizations.

Europe—fairly mature in some ways, but immature in others. People doing the patents and businesses are fairly mature when it comes to patents. They tend to think in terms of U.S., Europe, China, other countries. They might well go PCT.

Now my experience in Singapore and China is different. Of course, as a European, the big let down for me is that Europe doesn’t exist as far as most people that I’ve ever met are concerned. It is dropped off the radar. So it’s a big blow to the ego. As for the U.S., you guys can feel happy. The U.S. and China are seen as the important ones.

Most Chinese that I’ve met—okay admittedly I haven’t seen the big filers, and there are some in China—they prefer just to go national. They want grant as soon as possible. They don’t want to go through the PCT. They want to get that piece of paper on the wall as soon as possible. They really don’t like, or trust, the PCT.

\textsuperscript{15} See also supra Part II.A.1.
It’s a big international thing. It’s complex. Just go for something simple, that’s what they prefer. There’s also the cost aspect. They really are quite tight on cost.

The other thing one finds in China, there is quite a lack of understanding as to the differences between patents, designs and utility models. A lot of Chinese inventors think they are getting a proper utility patent when all they are getting is a design patent. China is one of the world’s biggest filers of design applications. I fear that part of the reason is that very one. Although, again, there is also the quick grant, the piece of paper on the wall as well as being cheap.

I’ve got three graphs. I think you’ve seen most of these figures before. This is just to give you an idea of scale of filings, PCT filings, and country of origin. EP, what’s that? Three-hundred million—350 million people. Roughly a third of the population of China—1000 million. At the moment China has 2500 filings in 2005—PCT filings. How long before they overtake Europe? Five years? Ten years? It won’t be too long.

Next one. I’ve picked on Ireland as an example here. Ireland, the Celtic Tiger—in Europe it is the country everyone is kind of jealous of, at least in terms of the economy and growth. You look at their filings—2000-2004—it’s been quite steady growth. You compare that with China, and its growth is more exponential. So that’s just a showing that China is everywhere, or at least increasing. Now this is EP filings, not PCT filings.

The next slide is U.S. grants. Now in fact the U.S. grants are obviously several years further on from the filings. However, they’re showing the same kind of levels, for China, as the EP applications are showing at the same time. So, I think one sees that the Chinese are tending to file in U.S. first, or at least more in the U.S. before moving onto European filings.

So that’s it! East and West. Sorry, they’re the same.

V. CLOSING COMMENTS†

Thank you so much for a day of very provocative and interesting presentations. However, one thing just came to mind that I would like to share. You have all been very practical and I just want to share a normative point of view—after all you are in a

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law school.

We have all been talking about this word “harmonization” as if we all agreed what it means. It turns out if we went person-to-person, country-to-country, we would not have a common agreement on what harmonization means. Phil alluded to this when he was joking about the spelling. It is not only the spelling; it is the core meaning of harmonization. Does harmonization mean that we must make laws identical? Does it mean we simply provide a close approximation of laws? Or is the goal of harmonization merely to create a relationship between things to imply that there is some sort of accord?

We need to come to one understanding of what harmonization means in order to have a conversation about it. In the alternative, we need to realize that we are not necessarily talking about the same thing when we say, “harmonization.”

I just want to leave you with this thought. We have to think critically about the word harmonization and what it means in itself. It is really interesting, I think, that we have spent all day talking about harmonization without really defining it.

Then finally, I’ve heard a lot about this notion of “the glass is half full or half empty.” I always thought that George Carlin had that one right. He just said the glass was just “too big”.

Thank you so much speakers, we really appreciate it. Thank you everybody for coming. We are adjourned.