The PCT as a Strategy for Filing Foreign Applications

8. **Improvements in the PCT since the early years.** Anyone who sees the PCT in the way just described has in fact failed to notice that time has gone on and that the PCT is not what it was in its early years. Since then, the PCT has become simpler and much more practical for the user. Most of the traps that could have been fatal to the applicant, without the possibility of correction, have now disappeared.

9. For example, where important formalities have not been complied with, or fees have not been paid in time or have been underpaid, the PCT applicant now receives an invitation to make good any omissions. Objections as to form are only made where necessary to ensure that the documents are suitable for the purposes of uniform international publication.

10. Likewise, the completion of the PCT "request" Form has become much simpler; very clear explanations on how to fill it in can be found in the notes to the Form and in the *PCT Applicant's Guide*. An up-to-date version of the request Form can be obtained free of cost from the receiving Office. The looseleaf edition of the *PCT Applicant's Guide*, which is regularly updated and includes a sample filled-in request Form can be obtained from WIPO.

11. Most patent experts are familiar with the details of patent systems internationally. With this basis, the additional effort required to become familiar with the PCT is not excessive. Using the PCT is like playing a musical instrument: one must first master the fundamentals, if the result is to be at all acceptable, and that is possible only by practising now and again. Unfounded prejudice and an unwillingness to change old habits and learn new procedures are shown by experience to be the main reasons for not using the PCT. Patent experts who regularly use the PCT would testify that regular filing of PCT applications is worthwhile and not difficult.

12. **Traditional route vs. PCT procedure.** The traditional procedure, that is to say the filing of a number of separate foreign applications within the priority year, has the drawback that the considerable costs of translations, attorneys and official national fees are incurred at the time of filing of the applications abroad, and then one must simply await the result of the examination or of the grant procedure. There is practically no incentive for rethinking the need for protection during that period. A review of the need for protection in specific countries does not usually take place until a number of years have elapsed — for example, when deciding whether to save on renewal fees.

13. Under the PCT procedure, the applicant first draws up a description and claims in the way he would for an application intended for foreign filing. He must state in the description the best mode contemplated of carrying out the invention. This application, together with a PCT request Form on which the applicant(s) and the inventor(s) are named, the designated States are indicated and, where appropriate, one or more priorities are claimed, is then filed with the receiving Office.

14. While the PCT requirements as to form and contents of applications will vary to some extent from national requirements with which the patent expert is familiar, they are binding on all Contracting States. There is no need when using the PCT route to draft different applications to comply with different national law requirements as to form and contents.

15. An international application filed under the PCT will automatically be subjected to an international search by an International Searching Authority. In the light of the international search report, the applicant is in a better position to decide whether or not it is worth maintaining the application. Where he does wish to maintain the application, there is a further choice whether to immediately enter the national phase before the national Offices of the States designated (or regional Offices acting for such States) in the application or to first request an international preliminary examination. It is generally advisable to apply for international preliminary examination. This must be done prior to the expiration of 19 months from the priority date if entry into the national phase is to be postponed from 20 months until 30 months from the priority date.

16. The demand for international preliminary examination must be filed with the International Preliminary Examining Authority which carries out the international preliminary examination. The procedure basically corresponds to that used for the examination of any patent application, but with

tion under the PCT; second, the decision, on receipt of the international search report, whether to pursue the application and for which countries or to proceed under Chapter II; and third, on receipt of the international preliminary examination report, again, whether to withdraw the application or to continue and enter the national phase, and if so, for which countries.

24. **Need to adapt decision-making procedures in industry to optimize PCT advantages.** In many corporations, the procedures for taking decisions on whether patent applications are to be filed or whether patents are to be maintained are relatively cumbersome. If optimum use is to be made of the PCT system, it is necessary that a decision structure be devised that takes into account the procedural sequence of the PCT.

25. It is best to initially designate all Contracting States which could be of interest, including even those only taken into the most tentative consideration. This initially involves little or no cost. Designation fees are not payable until the expiration of the priority year or, in the case of applications filed at the end of the priority year, within one month after filing. If the international application is filed in the first half of the priority year, the applicant may expect to receive the international search report before the priority year has elapsed and therefore need take a decision to pay the designation fees only after the state of the art has been assessed on the basis of that report. Where there is no reason to withdraw the application, he should then pay the designation fees.

26. Should there still be uncertainty as to which States are to be designated, use can be made of the possibility of rounding up the number of designation fees to be paid to eleven, should that number not have already been reached. That course of action opens the possibility of designating as many States as desired, since each further designation above eleven is free. Frequently, seven or eight States have already been decided on. To obtain the advantages of the maximum amount, only the difference amounting to three or four designation fees has to be paid. For this small supplement, the PCT applicant obtains an option of designating more than 80 States without extra fees being required. Since the number of Contracting States will increase further in the future, the number of States for which this free option can be obtained will also grow.

27. This option can be very useful. It frequently occurs that an invention which was not first thought to be particularly significant turns out, during the two and a half years following the day of first filing, to be of much greater commercial value than was first thought. The wish can thus arise, when the significance of the invention has become more obvious, to protect it in additional countries. Under the traditional procedure it is generally not possible at this late stage to extend the protection since, as a rule, the priority period will already have expired and also the first application might already have been published, thus creating a statutory bar in most countries and excluding any subsequent addition. However, if the PCT route has been chosen, together with the proper designation strategy, an option to pursue applications in a large number of countries still remains open until 30 months from the priority date.

28. **The PCT applicant and his competitors.** A further strategic advantage that derives from using the PCT route and the designation of a large number of States is that, if a conflicting application filed by competitors is discovered during the international phase and that application has earlier priority, then the PCT applicant can often determine those Contracting States in which the conflicting application is not pending. If the applicant knows those States in which the competitor has filed applications, he can pursue the international application by entering into the national phase in all designated States in which the competitor has not sought patent protection. The international application could be withdrawn for the others.

29. **PCT cost advantages.** An international application does not usually burden the applicant with additional costs in the final analysis. The international fees are generally offset by savings during the international phase. In particular, there will be savings due to interest received on unspent funds since the major costs for translations, attorneys and official fees become due 18 months later than they would otherwise. Additionally, various Offices offer reduced fees to PCT applicants.

Strategies (1)

- Early or late filing in the priority year
- Designation of all States which may be of interest
- Payment of 11 designation fees – and designation of all countries of possible interest – even if only 7 or 8 patents desired at the time of filing
- Division of countries into groups according to type and importance of the invention facilitates decision about designations to be made
- In industry, patent department takes provisional decision on group of countries to be designated
- Final decision by management or client needs to be made only prior to entry into the national phase
- Filing of a demand for international preliminary examination in all cases or only if the international search report is positive
- 8 or 18 months more time during which improved translations can be prepared for entry into the national phase

Strategies (2)

- Gain time to
  - better identify possible markets
  - find partners (licences)
  - better evaluate the technical value of the invention
- Increased chance for obtaining stronger foreign patents
- The final version of the claims is drafted when the commercial value of the invention is better known
- Early entry into the national phase - early issuance of patent
- Better information about possible conflicting applications by competitors prior to national entry, enabling adjustment of filing strategy and negotiating position
- International publication informs third parties about designated States in which protection is sought

Advantages of filing national application first (Timeline A)

1. Deferring PCT filing costs by one year
2. Patent term in most countries begins with filing date (i.e. PCT filing date), thereby ending term one year later than with PCT first filing
3. More time to evaluate merits of invention before incurring foreign filing expenses
4. Reports on search and examination of national application may be available before PCT filing
5. Application can be redrafted before PCT filing to include improvements and discovered features and examples
6. Additional countries may become bound by the PCT (or Chapter II) before PCT filing

Advantages of filing PCT application first (Timeline B)

1. All filings for PCT countries done at one time
2. International search report received earlier (within 9 months from the filing date), i.e.
   - before designation fees are due
   - before direct Paris Convention filings in non-PCT countries
   - leaving option of withdrawing the international application before the 18-month publication
3. Demand can be filed early to begin international preliminary examination early, thereby allowing more time before issuance of the report at 28 months from priority date
4. Concurrent domestic and foreign prosecution, less chance of later discovered prior art



30. The main cost advantage, however, becomes evident when the applicant decides, on the basis of the international search report or the international preliminary examination report, or as a result of economic or technical considerations, to abandon the application or not to enter the national phase for certain States. Using the PCT route then becomes particularly profitable; for each invention, the applicant has saved a great deal of money that would otherwise have been spent at an early stage on national applications, translations, foreign agents and official fees.

31. If the preceding considerations are applied to an important number of applications–of which only a few, hopefully, will have to be abandoned–the cost advantages just mentioned become much greater and allow the applicant to make substantial savings.

32. In conclusion, the PCT route offers substantial flexibility if proper use is made of its numerous options.

two important differences. First, the international preliminary examination begins, in general, promptly after receipt of the demand and the necessary fees, and when the formalities requirements are complied with. Second, the time limits given by the examiner for responding to any notification are rather short so as to ensure that an international preliminary examination report can be drawn up before 28 months have elapsed from the priority date. The report, when finalized, states in respect of each invention claimed and searched whether it meets the criteria of novelty, inventive step and industrial applicability.

17. Upon receipt of the examination report, the applicant must then make his final decision on whether to pursue foreign patent protection in or for the designated States. He has a great advantage over an applicant who has not taken the PCT route but has followed the traditional route of direct national filings under the Paris Convention. The PCT applicant does not have to take that decision within 12 months after the date of the initial application, but rather before the expiration of 30 months from that date, that is, a year and a half later than if he had used the traditional route. During that time, the applicant will have learned much as regards the technical and commercial value of the invention. Two and a half years will have passed since the filing of the first application, and during that time new technical developments frequently will have arisen that make the invention claimed in the application obsolete or commercially uninteresting. Often, plans for foreign investment or cooperative ventures or licensing negotiations will have fallen through, or perhaps there is insufficient prospect of economic exploitation in any reasonable relation to the costs required to obtain patent protection.

18. The PCT applicant has a further advantage, should his interest in protection abroad still exist, in that the international preliminary examination report gives additional information about the prospects of obtaining foreign patents.

19. Where there is no longer an interest in seeking protection abroad, or where the applicant concludes, after assessing the international preliminary examination report, that he does not have sufficient prospects of the grant of a patent with reasonable scope of protection, the application can be withdrawn. The opportunity to make such a withdrawal under the PCT procedure at a late stage is a major advantage for the applicant. He can save a great deal of money which he would have otherwise spent on translations, official fees and foreign agents had he filed under the traditional route and not used the PCT system. Statistics show that between 20 and 35 percent of applications could be abandoned as a result of a stringent examination of the prospects of grant and the need for protection prior to the expiration of 30 months.

20. The outcome in a particular case depends on whether or not the international search report identifies relevant literature not known to the applicant. Applicants who draft their claims in the light of effective and careful prior searching are more likely to receive an international search report with little additional prior art cited and proceed before the foreign patent Offices. In other cases, the international search report will more frequently cite substantial relevant prior art that suggests that pursuing the application further should be reviewed.

21. **Control over the entire PCT procedure.** The PCT applicant is in sole control during the whole international phase and is in a better position than anyone else to judge the relevance of the state of the art cited in the international search report. He can therefore put the application into a form that is often practically ready for grant, with the assistance of the examiner at the International Preliminary Examining Authority, before the end of the international preliminary examination.

22. **Time monitoring.** A reason that is frequently mentioned for not using the PCT system is that monitoring of the complex PCT time limits is too difficult, and that a third system in addition to the national and regional systems constitutes too great a monitoring burden on a patent department. Certainly, the PCT involves some change of habits, but it is no great imposition, particularly once the whole foreign activity is pursued under the PCT route. The experience of those who use the PCT is a clear demonstration that the PCT offers substantial benefits.

23. Attention must be focused on three important decisions required during the PCT procedure: first, the decision to file an international applica-

The PCT as a Strategy for Filing Foreign Applications

Introduction

1. This chapter on the PCT as a strategy for filing foreign applications begins with a quotation. The quotation was found in the history of a large German chemical firm, written to celebrate its 125th anniversary, in a chapter dealing with the patent department and its tasks. Translated, it reads:

2. "It frequently transpires that, shortly after the application is filed, the concept of the invention is technically superseded by another solution to the problem, or the protected process when tested in the laboratory or the technical school turns out not to work reliably, consistently and economically in a large-scale installation. Or again, when all this preparatory work is successfully completed, it transpires that the market is not yet ready to accept the new product. The decision that must be taken each year as to whether it is worth paying the rising fees for maintaining patent protection is therefore an involved and risky matter."

3. It then continues: "This problem exists not only in Germany, but also in practically every other country. Additionally, patent laws vary considerably from one country to another. This is true both of the application procedure and of the term and content of protection."

4. This description of the tasks of a patent department and its problems characterizes the whole dilemma in which patent departments and patent attorneys find themselves (and not only in the chemical industry) in their efforts to achieve optimum protection at minimum cost on the broadest geographical basis. This dilemma is further complicated by the fact that, to an increasing extent, the cost of obtaining patent protection abroad is growing, as is the number of countries in which protection is necessary as a result of greater internationalization of markets and of trade. Finally, there is also the fact that the patent granting procedure is becoming longer and longer in many countries, frequently extending over a number of years.

5. The PCT is capable of giving sustained and effective help to a patent department and to patent attorneys in the accomplishment of their tasks and in the optimization of their activities. What the PCT means for a patent department or a patent attorney and for their strategy can be summarized in a single sentence: the PCT helps to rationalize and control the filing and prosecution of foreign patent applications. It offers an improved basis for taking decisions, permits time to be gained before making additional commitments, provides an improved possibility for checking the appropriateness of the international application and of the country coverage, and gives the opportunity for cost savings. Instead of a multiplicity of foreign applications, only one international application has to be filed. This means that only one set of documents is required (instead of several) until the national or regional phase is entered.

6. **The PCT applicant and last-minute foreign filing.** Mention of the PCT will surely make the experienced practitioner think of the fact that the filing of an international application frequently affords the last and only possibility of effecting filing of foreign applications before the end of the priority year. This is indeed one of the undisputed advantages of the PCT, but not the most important, by far.

7. **The PCT applicant preparing his first PCT filing.** In practice, the filing of an international application at the last minute means, for the patent expert, that he is suddenly faced with a complex procedure with which he is not sufficiently familiar due to a lack of everyday practice and routine. One can indeed imagine the feelings of someone who is suddenly required to prepare for the filing of an international application on the basis of the complicated text of the PCT and its Regulations. It is possible that the *PCT Applicant's Guide* is not available to clear up doubts, or he may have only some out-of-date literature on the PCT. Under these circumstances, it is no simple task to prepare the filing of an international application and it is with reluctance and a feeling of uneasiness, uncertainty and the fear of making errors that our patent expert approaches it. He may also have heard from colleagues, for example, that fatal errors can easily be made and that the PCT receiving Offices entangle the applicant in a maze of petty formalities.