

Global Strategy to Fast-Track Your Patent Portfolio

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I. Introduction

Many companies wonder when all of the money that they have invested in building and developing their patent portfolio will mature into issued patents. It can be frustrating to see patent applications that have been filed to protect key technologies take so long to issue, especially in view of budgetary pressures. Corporate executives sometimes feel that their expensive patent portfolios have vanished into the back room of patent offices in the U.S. and abroad, never to be seen again.

The long time it takes patents to mature is a consequence of the procedures taken by the patent offices in each country to process and examine an application for patentability. The dialog between an applicant and the patent office is meticulous and complex, which means that progress is sometimes unbearably slow.

The website of the U.S. Patent and Trademark Office (USPTO) provides a dashboard (more formally referred to as the *Data Visualization Center*) which shows performance measures for the processing of patent applications. As of this writing, the dashboard shows that the average pendency of a U.S. patent application is about 3 years, with a backlog of nearly 600,000 unexamined applications. It typically takes about 18 months to get a first Office Action on the merits of the invention. If an application is finally rejected, the applicant can request continued examination (total pendency of about 5 years). Alternatives are to appeal to the Patent Trial and Appeal Board, following which it typically takes over 2 years to get the Board's Decision. A third option is to file a continuation application (total average pendency of 7 years). Meanwhile, the company's product may already be on the market, giving competitors plenty of time to copy the product's inventive features.

There are many circumstances in which companies would benefit from having their patents issue sooner. When technology evolves rapidly, products may have a short life cycle, in which case early patent protection would help raise the product profile and block competitors. If product copies are already in the market, the company may need an issued patent to assert against the accused infringer. Issued patents help a company validate its technology, which can attract investment capital or licensing revenue. For start-ups, having issued patents can improve the company's profile for venture capitalists.

Fast-tracking a company's patent portfolio can also compress and streamline the worldwide patent budget. Companies and their patent counsel can take proactive steps to expedite patent prosecution around the world, thereby saving company resources and adding value to the company's bottom line. This article provides tips and strategies to achieve these objectives.

II. Programs

A. Expedited examination in the United States

1. Track One (Prioritized Examination)

As part of the *America Invents Act*, Congress gave the USPTO a mandate to create a special fast-track examination program. The program was implemented in the fall of 2011 with the designation *Track One*. Applications in this program undergo the same substantive examination, but at a more rapid pace.

The goal of the program is disposal of the application within one year. Track One applications are advanced earlier in the computerized docketing system queue that takes each examiner through the steps of prosecution. Office Actions are prepared and mailed more quickly. Patent counsel files the response within the three-month

deadline, since requesting extensions of time will take the application out of the Track One program. On average, the Office grants Track One status 3½ months after filing, the first action on the merits is mailed two months later, and a final disposition occurs three to four months after that.

If allowed, the patent typically issues about a month after paying the issue fee. If the application is finally rejected, the options are to appeal, or to request continued examination (either back into Track One or into the regular stream). But the program disciplines examiners to be efficient, and disciplines applicants to present claims of reasonable scope. Currently, about 59% of these applications are allowed.

The program has a quota of 10,000 slots per fiscal year. There were about 5,000 petitions for Track One processing in fiscal year 2012, almost 7,000 in 2013, and over 9,000 in 2014. Interest in the program is growing, and we expect the quota will be exceeded before the end of the current fiscal year in September 2015.

The fee premium for entering Track One is about \$4,140 (or \$2,070 if the owner qualifies as a small entity), in addition to the usual fees for filing and examination. This is hardly trivial, but the premium is a small portion of the total amount that a company typically spends to obtain a U.S. Patent.

2. Accelerated Examination

Another fast-track option available at the USPTO is the program for *Accelerated Examination* (AE). The principal difference between this option and Track One is that the applicant is required to provide an *Examination Support Document* at the time the application is filed. The applicant must do a comprehensive prior-art search, and then cite each reference deemed most closely related to the subject matter of each of the claims. The Examination Support Document must explain with particularity how each of the claims is patentable over the cited references. Currently, the average time from filing of an AE case to final disposal is 12.6 months.

The Accelerated Examination program has largely been supplanted by Track One, but is still available. The effective cost of Accelerated Examination to the applicant is considerable, since it takes many hours for the patent attorney or agent to complete the search and conduct the analysis. It is also generally undesirable to characterize publications in writing for reasons of estoppel and creating a record for litigation. The potential benefit, however, is that patent counsel can ensure that key prior art issues have been vetted, which may make the patent more robust if and when it is asserted against an infringer.

3. Proactive prosecution

Even in the regular track of prosecution, patent counsel can expedite examination by developing a constructive working relationship with the examiner. The Office's elaborate *Docket Management System* (DMS) provides examiners with a specified sequence in which they should examine the cases assigned to them, with incentives and penalties attached. Because of the DMS, examiners are usually reluctant to take an application out of turn, even when patent counsel makes an impassioned request to do so. As an alternative, patent counsel can smooth the pathway in advance, so that when the examiner ultimately picks up the case, patentability and processing issues can be resolved with less difficulty.

One of the most effective a tactics for establishing a positive and productive relationship with the examiner is to conduct interviews regularly during prosecution, either by telephone or in person. By negotiating patentability issues with the examiner as they come up, patent counsel can engage in mutual problem solving, thereby moving the application forward more quickly.

Face-to-face interviews with the examiner at the patent office can be especially effective. During the interview, patent counsel and the examiner exchange interpretations of the prior art, and work collaboratively towards a resolution that satisfies both parties. If the examiner is resistant to compromise, patent counsel has the option of bringing in the examiner's supervisor for a second opinion. It may be useful to take one of the inventors to explain the invention and conduct demonstrations, giving an impression that the invention has real-world importance. Patent counsel can also take a company executive to provide gravitas. All this is accomplished while keeping details of the discussion off the written record.

In most instances, in-person interviews will more than pay for themselves in terms of months or years of prosecution and the costs that are saved. We typically schedule interviews of several cases for different clients in the same trip to decrease the expense for each client.

4. Special interview programs

Under the mantra of *compact prosecution*, the USPTO has come to appreciate the productivity of oral discussions between examiners and patent counsel. There are currently several special programs in place that promote and facilitate the interview process.

The *First Action Interview Program* is one of them. Previously, examiners were reluctant to grant interviews before a first Office Action on the merits. Now, patent counsel can file a request to participate in this program before the first Office Action on the merits of the invention, following which the examiner will interview the case as a matter of course. Once the request is made, the examiner sends patent counsel a Communication that includes results of an initial prior art search, along with rejections of the claimed invention that are contemplated for the first Office Action. Patent counsel replies in writing with proposed amendments and remarks that address the issues raised in the Communication. The case is then interviewed. If full agreement is not reached, a first Office Action is mailed promptly that reasserts the unresolved issues.

This effectively amounts to an extra round of prosecution on an expedited schedule. The program currently has a 30% first-action allowance rate, 11% for applications not claiming priority to a previously examined application. If not successful at this stage, the application continues in the normal track, potentially one step closer to allowance because of the first-action interview.

Another time the pace quickens during prosecution is after a final Office Action. At this point, further amendments to the claimed invention are not entered as a matter of right, but at the discretion of the examiner. In general, examiners will enter and consider only those papers that place the application in better condition for allowance or appeal: specifically, narrowing amendments, remarks that don't raise new issues, and Expert Declarations. Under current USPTO policy, the examiner should remain available for interviews after a final Office Action to help patent counsel shape their after-final response.

The *After Final Consideration Pilot 2.0* is a program to promote interviews at this stage, rewarding the examiner with extra credit for time spent interviewing and reconsidering the case. To enter the program, patent counsel must file an after-final amendment that changes at least one of the independent claims. Allowance avoids the need to file a request for continued examination, saving the client both time and expense.

B. Expedited examination in other countries

The U.S. is not the only jurisdiction in which counsel can expedite patent examination. Fast-track programs are available in other countries in which companies often have a commercial interest.

The European Patent Office (EPO) has a program entitled PACE that allows an applicant to request both an expedited search and examination. Entry into the program is subject to the capacity of the EPO in the relevant technical area. Under the PACE program, the EPO will generate a search "as soon as possible," and will aim to produce examination results in three months.

In Canada, an applicant can request that an application be advanced out-of-turn as a matter of right, upon payment of a \$500 fee.

In Japan, processing can be expedited if an applicant or licensee of the application is using or selling the invention in Japan. The Japanese Patent Office plans to produce examination reports in three months, provided the applicant responds promptly. Over 10,000 petitions for accelerated examination are filed in Japan every year.

Australia and the U.K. Patent Office both have tracks for expedited examination. A reason must be provided, but it is often enough to say that the applicant needs an early patent to develop or commercialize the invention. The fast track in Australia or the U.K. can lead to a granted patent within 12 months of filing the request.

China also has a prioritized examination program which began in August of 2012. The program is available to patent applications in energy conservation, information technology, biology, and other fields, provided that the Chinese Patent Office thinks the application is "important," according to unspecified criteria. The applicant must obtain and file its own prior-art search. Upon acceptance into the program, the Chinese Patent Office aims to send a first Office Action within 30 days.

With prioritized examination available in patent offices worldwide, companies can opt for a dual patenting strategy: obtain specific and rapid protection in key manufacturing and marketing areas — and then overlay this with a broader range of protection in patents that issue later to keep competitors out of the field.

C. Patent Prosecution Highway (PPH)

Patent offices around the world have realized that with a growing backlog of applications, they could collaborate to enhance productivity. Different countries have somewhat different criteria for what constitutes patent eligible subject matter, and what makes an invention obvious. However, all major patent offices perform a prior art search, and they all require that claims be clear and have adequate basis in the patent disclosure as filed. This is where they can benefit from each other's work.

The PPH started in 2006 as a bilateral agreement between patent offices in the U.S. and Japan. As the work-sharing benefits provided by the PPH became apparent, more countries opted in and the program was enhanced. In 2010, the program was extended to include results from some PCT examining authorities, and in 2011, the office-of-first-filing rule (requiring that the office of earlier examination be the office of first filing) was eliminated in some countries.

Early in 2014, many of the agreements were consolidated into two programs that streamline procedures and standardize requirements. Participating in the *IP5 Patent Prosecution Highway* are five of the biggest users of the PPH: namely, the U.S., the European Patent Office, China, Korea, and Japan. Participating in another collaboration, the *Global Patent Prosecution Highway*, are the U.S., Australia, Canada, Korea, Israel, Japan, Russia, and Singapore, and over ten individual European countries, including the U.K. and Germany. An allowance in the U.S. can leverage expedited examination in any country participating in the IP5 or GPPH, regardless of where the priority application was filed. The U.S. also has separate PPH agreements with eight other countries, including Mexico, the Philippines, and Taiwan.

The PPH works in this way: once a patent has been allowed in one PPH country, the applicant presents corresponding claims in a second PPH country, and petitions for expedited processing. The patent office in the second country may then allow the application after ensuring that the claimed invention complies with local patent laws, and perhaps performing a supplemental search. The applicant is constrained in the second country to the scope of allowed claims obtained in the first country. Typically there is no fee to request processing in the PPH. There is no guarantee of allowance, but there is an assurance of expedited processing. Thus, clients in the U.S. can expedite cases overseas, and foreign clients can expedite cases in the U.S. based on the results of examination elsewhere.

Since the office-of-first-filing rule has been eliminated in the IP5 and the GPPH, a U.S. client can expedite foreign cases in various ways. For example, cases in China or Japan can be expedited on the basis of an allowance in Europe. According to the Japanese Patent Office, the grant rate of PPH applications in Japan, Korea, and Canada currently averages about 85%.

There is also the opportunity to flip the process around, accelerating cases in the U.S. based on prosecution abroad. Suppose, for example, that the application is first filed in the U.S., and then filed in Australia or the U.K. as a Paris Convention or National Stage application. If the foreign application is allowed quickly, the application can then be fast-tracked back into the U.S. through the PPH at no charge — saving the cost premium of Track One and avoiding quota restrictions. The allowance rate of PPH applications in the U.S. is currently a remarkable 82%. By comparison, the allowance rate for applications in the regular examination track is about 45%.

D. Expediting foreign cases through the PCT

International (PCT) applicants have the option of requesting one or more rounds of prosecution before entering the National Stage. The rules of the PCT were changed in 2002 so that active prosecution is no longer required to keep the PCT application pending for 30 months. For this reason, most patent counsel no longer request Chapter II examination in the PCT Stage. This can be a missed opportunity. Patentability issues that appear in the PCT Written Opinion (such as novelty, inventive step, and clarity) are likely to resurface in the National Stage, which means that they have to be overcome on a country-by-country basis.

Applicants filing in the U.S. Receiving Office of the PCT can choose to have the search and examination done by the patent office in the U.S., Australia, Europe, Korea, or Russia. To get Chapter II examination to work to the applicants' advantage, patent counsel should elect a search and examining authority that reliably generates a high quality Written Opinion by the 20-month date. We often use IP Australia or the EPO for this purpose. Once the Written Opinion is received, patent counsel files a Chapter II Demand accompanied by amendments and remarks that are responsive to questions of novelty and inventive step. There is no need to go through a foreign associate, since U.S. patent counsel is entitled to correspond directly with the foreign patent office in its role as International Examining Authority. The full range of options provided in the PCT regulations is available, including

telephone interviews with the examiner, and requesting a further Written Opinion before the examiner reaches a final conclusion.

Resolving patentability issues in the PCT can help advance prosecution in several jurisdictions at once, saving the cost of dealing with the same issues on a country-by-country basis in the National Stage. It also provides insight into the patentability of the invention that can help the company decide how extensively to file in the National Stage. Once claims are found to be novel and inventive in a Written Opinion of the PCT, patent counsel can present corresponding claims in a corresponding national application. If the first Written Opinion doesn't approve claims with a sufficient scope to adequately protect the invention, patent counsel has the option of filing a Chapter II Demand and a response to obtain better coverage.

The benefits of actively prosecuting the PCT application have increased since the coming into effect of the IP5 and Global PPH, as explained above. Expedited processing in another country can be requested on the basis of a determination of patentability in either a national or PCT application. Thus, a positive Written Opinion in a PCT application from an examining authority in the U.S., Europe, or Korea can leverage PPH processing in any other IP5 participating jurisdiction. A positive Written Opinion from an examining authority in Australia, Korea, or Russia can leverage PPH processing in any other Global PPH participating jurisdiction — including the U.S.

E. Utility model patents with no substantive examination

Although not available in the U.S., many countries have an alternative form of patent protection that is both less expensive and easier to obtain. This alternative is variously referred to as a *utility model*, a *petty patent*, or an *innovation patent*. Since U.S. patent law doesn't provide for this type of protection, patent counsel in the U.S. often doesn't consider it as part of a worldwide patent strategy. However, depending on product life cycle and company objectives, there may be considerable benefit in applying for a utility model in some foreign jurisdictions, as an alternative or in addition to a regular patent.

Two features are prominent. The first is that compared with an application for a regular patent with a 20-year term, examination of an application for a utility model is little more than superficial. Depending on the jurisdiction, the application is just examined for formalities, and perhaps for novelty. There is usually no examination at the application stage for inventive step (non-obviousness) or basis (description and enablement). As a result, the respective patent office grants the utility model much sooner, saving the applicant (at least initially) most of the costs of prosecution. The tradeoff is that the term of protection is shorter: typically 8 to 10 years, depending on the jurisdiction.

Utility models are available in over 70 jurisdictions worldwide, including Australia, China, Japan, Korea, Mexico, the Philippines, Russia, and Taiwan. Utility models are also available in over ten European countries by way of a process that is separate from the EPO. These include Austria, France, Germany, Ireland, Italy, and Spain. Many jurisdictions allow utility models to be filed instead of or as well as a regular patent application as the National Stage of a PCT application.

Granted utility models often provide a range of remedies that is comparable with regular patents, including money damages and injunctions. The utility model is proved or invalidated for inventive step and for adequate basis if and when it is asserted against an infringer in litigation. In this way, the costs of proving patentability are shifted from the application stage to the enforcement stage.

In many jurisdictions, patentee can have the benefit of both worlds. Prohibitions against double patenting may prevent a patentee from having both types of protection at the same time. However, many jurisdictions allow a company to surrender a utility model once their application for a 20-year patent is deemed otherwise allowable.

A utility model may have considerable value when a company is seeking protection for a product that can be copied quickly, or that has a fairly limited product life cycle: for example, consumer electronics. Patent counsel applies for a utility model in countries that have substantial market size or are potential manufacturing sites. The applications are filed concurrently or shortly following a first U.S. application for a regular patent. The foreign applications mature into an enforceable utility model soon after filing, thus providing early protection for the product. The company has the option of filing concurrent applications for regular patents in the same jurisdictions, with the intention of exchanging the utility models for regular patents once examination is complete — thus extending protection to the full 20-year term.

III. Strategic Considerations

To take full advantage of the options for accelerating examination, companies and their patent counsel should understand the nuances of how to accelerate examination in different jurisdictions. They should also have well-established relationships with foreign counsel who are familiar with acceleration techniques and the PPH in their own countries, and capable of using these techniques to the applicant's advantage.

We conclude by providing a real-life illustration of using the PPH by a company preparing to launch a product in Japan. The company wanted an issued Japanese patent so that the product price could be set at a premium. After obtaining an allowance of claims in the U.S. by aggressively interviewing the application, we filed a petition in Japan to enter the PPH with the allowed U.S. claims. A patent was obtained in just three months, enabling the client to set its target price and execute its sales strategy. In another case for the same company, we obtained a quick allowance in Europe by using the PACE program. We then filed a petition to enter the PPH in Japan with the allowed European claims. In just three weeks, the Japanese patent was allowed. The client was thrilled with these outcomes, saving at least two to four years of patent prosecution and \$30,000 to \$60,000 in costs in each case.

Companies may also want to consider implementing a global acceleration strategy. In a current example, after a company obtained a positive International Search Report and Written Opinion at the PCT stage, it entered the National Stage early in Australia and Canada, requesting expedited examination in each country. We obtained favorable office actions for both countries in three months. At the same time, we requested processing in the PACE program by the EPO. The allowances in these jurisdictions will be used to enter the PPH in other countries such as Japan, the U.S. and Korea, with the goal of rapidly protecting the new pharmaceutical in the major markets for the client. This will have the added benefit of saving years of prosecution, foreign associate fees, official fees, and U.S. attorney fees.

While these examples may not be typical, they illustrate the options and flexibility available to patent counsel in designing a global patent strategy to accomplish the objectives of their clients.

Expedited examination is not the best course for all companies. A small company may not have the resources to pay up-front costs, translation fees, and attorney charges early in prosecution. A pharmaceutical company may require more time to do research before selecting a particular molecule for patenting from hundreds of molecules. However, once a molecule is selected as the lead candidate, accelerating examination could save resources and confer protection earlier in the product life-cycle.

IV. Conclusion

Every company has a unique market situation, and each patent application covers different technology. A thoughtful global patent strategy should take into account concerns about marketing channels, manufacturing locations, product launch, competitors' manufacturing and distribution locations, potentially infringing products, and the patent budget. With a comprehensive understanding of corporate objectives, patent counsel can expedite examination as appropriate to optimize commercial value, and to decrease the time and cost of obtaining protection for the company's important inventions.