

Time To Reassess Your Patent Cooperation Treaty Strategy

By **Karam Saab** (September 2, 2020)

When filing a Patent Cooperation Treaty, or PCT, application, an election must be made of an international search authority, or ISA.

The ISA, as the name suggests, searches for prior art relevant to the claimed invention and prepares the international search report, and written opinion ahead of the applicant electing the particular countries or regions for national phase entry.

Since the international search report and written opinion can serve as a baseline for substantive examination by national or regional patent offices, a favorable international search report/written opinion can lead to favorable examination in the countries selected for national phase entry.



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This summer, the World Intellectual Property Organization released its Patent Cooperation Treaty yearly review for 2020. This report serves as a bellwether for how applicants worldwide are changing their international patent strategies. With these trends in mind, a strategic decision for an applicant can be based around immediate cost, total cost and quality as to which ISA makes most sense.

Worldwide Trends in ISA Selection



WIPO's 2020 review details that the European Patent Office issued 32.2% of international search reports worldwide in 2019. Second place went to the Chinese National Intellectual Property Administration at 21.0%. The U.S. fell to a distant fifth with only 8.6% of international search reports issued in 2019 and was surpassed this year by the Korean Intellectual Property Office.

While the EPO remains the worldwide favorite, its relative popularity has been decreasing. The percentage of worldwide applicants selecting the EPO has decreased 15% over the past decade. The EPO's decline in worldwide share is in lockstep with Chinese applicants' shifting preference for selecting the Chinese patent office. In 2008, the Chinese patent office issued

only 3.2% of international search reports, but by 2019 the Chinese patent office issued 21%, an increase of almost 18%. [1]

ISA Selection for a U.S. Applicant

The ISAs available for selection by a U.S.-based applicant for the filing of a PCT application is limited to a subset of the ISAs available worldwide. A U.S. applicant can select from: U.S., Europe, Korea, Australia, Russia, Israel, Japan and Singapore. Therefore, China is not an option for PCT applications filed by U.S. applicants.

Cost

Of the ISAs available to a U.S. applicant, which one should be selected in 2020? Cost is a primary driver for many applicants and ISAs vary substantially. In 2020, the U.S. is the most expensive option at \$2,080. Russia is almost 75% cheaper at \$532.

These costs, however, represent only the initial search fee paid when the PCT application is filed. Except for those applicants who are primarily concerned with the immediate costs, these fees should be considered holistically with fees expected to be paid at the national phase entry stage. [2]



A caveat on the cost for selecting the U.S. Patent and Trademark Office to serve as ISA is that the full \$2,080 search fee is only for an entity that does not qualify as a small or microentity. If an applicant qualifies as a small entity, the price is halved to \$1,040 and halved again for a microentity to \$520. Therefore, if an applicant meets the requirements of being a microentity, the USPTO goes from being the most expensive option to the least, but not necessarily overall when national phase entry is factored in.

In some situations, the analysis of which ISA to select should begin and end with cost at the international phase. An applicant may have no idea which countries or regions will be selected, if any, during the national stage. If the applicant is filing a PCT application and is

worried about minimizing immediate costs, the selection of Russia results in an upfront savings of over \$1,400 over the U.S. and EPO, assuming the applicant does not qualify in the U.S. as a micro or small entity.

Caution is warranted before jumping to Russia or another lower cost ISA when costs including national phase entry costs are factored in. Substantial discounts for national phase entry can be available when the country's patent office also served as the ISA. Savings realized during the international phase can evaporate during the national phase depending on the countries or regions elected.

If a U.S. applicant intends to elect Europe for national phase entry, the EPO usually makes the most sense for using as the ISA in 2020. While the EPO is the second most expensive option to select as the ISA, when the international search report is created by the EPO, a discount of €1,775 (\$2,118) is applied to the European national stage phase fees.[3] Therefore, in 2020, when Europe is elected for national phase entry, the savings more than compensates for electing the EPO as ISA over some lower-cost options, such as Korea.

Countries such as the U.S. and Korea also offer discounts when selected for both the national phase entry and as ISA. In the U.S., the discount varies based on issues identified in the written opinion and can result in a discount of up to \$1,420.[4] Many U.S. applicants file PCT applications after already having filed a patent application in the U.S.

Such applicants would not likely be nationalizing the PCT application in the U.S. and therefore would not be taking advantage of such a discount. Korea offers a discount of 30%[5] on the demand fee for examination of a national phase application when the Korean patent office drafted the international search report and written opinion, but since the Korean patent office's fees are already relatively low, the discounts results in a negligible amount of savings.

Potential for Unity Rejections

The number of inventions claimed in the applicant's PCT application should be factored into the decision of which ISA to elect. When an ISA performs a search, the applicant is entitled to have only a single invention searched. Whether multiple inventions are identified as present in the application's claim set is subjective and can vary from ISA to ISA. Anecdotal evidence indicates that the EPO is fairly aggressive in issuing unity rejections that result in fewer than all of an applicant's claims being searched.

If an applicant believes that there is a reasonable chance that multiple inventions may be identified in the claim set, the applicant should factor in the potential for this request when electing an ISA. Additional search fees charged by ISAs tend to mirror the initial paid search fee.

Therefore, for example, if two additional inventions were identified in a patent application in which the EPO was elected as ISA and the applicant desires the claims to be searched, the applicant would need to pay an additional fee of €1,775 (\$2,118) to the EPO.

If the applicant's representative believes there is a likelihood that multiple inventions may be identified it's a conversation worth having with the applicant. If the applicant wants all inventions searched, it may make sense to select a lower-cost ISA, such as Korea, to avoid the substantial additional search fees up front.

Quality

Quality is somewhat subjective to assess, but the majority of practitioners polled at the time this article was drafted prefer the EPO as the gold standard for serving as the ISA. The Korean patent office is generally regarded as second place. The U.S. is generally considered lower in quality than the EPO or the Korean patent office, but better than the pure value play of the Russian Federal Service for Intellectual Property.

Strategy Recommendations for 2020

For situations in which the applicant expects Europe will be selected for national phase entry, the EPO is the clear winner for U.S. applicants in 2020. Between the discount offered on national phase entry and the reputation for high-quality searches, the EPO makes sense for a majority of applicants that will eventually enter Europe during the national phase.

If the PCT application is not going to be nationalized in Europe or the U.S., the Korean patent office makes sense for selection due to its sweet spot of low cost and reputation for high quality. For example, a patent application that is going to be targeted for entry in Asian countries only, the Korean patent office presents a great value proposition.

The Korean patent office can further represent a great middle ground for applicants that are unsure on what their future holds and money is relatively tight at the time of PCT filing. For a startup on a limited IP budget, filing 10 PCT applications that elect the Korean patent office over the EPO can save the budget close to five figures.

The U.S. makes sense to elect as the ISA in relatively few situations. If the applicant can take advantage of microentity status and does not intend to enter Europe during the national phase, the U.S. can represent a strong value proposition. Additionally, if an applicant intends to nationalize the PCT application in the U.S., but not Europe, the U.S. can make sense as an ISA selection even if the applicant does not qualify for small or microentity status.

Russia, as it has in the past, continues to represent in 2020 the pure value play of minimizing costs during the international phase with the understanding that much of the savings will be eroded if the applicant elects to enter Europe, the U.S. or both during the national stage phase.

In helping an applicant make the decision on selecting an ISA, a practitioner should seek the applicant's input on at least two questions.

First, does the applicant have a good idea of in which countries or region the application will be nationalized?

Second, is the applicant willing to pay more money up front to save money in the long run?

The practitioner can take the answers to these questions and evaluate in concert with the applicant's ability to obtain small or microentity status. With this information in hand, the practitioner can give meaningful guidance to the applicant about the best options for ISA for the applicant's particular situation in 2020.

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[1] Statistics obtained from PCT Yearly Review 2020
- https://www.wipo.int/edocs/pubdocs/en/wipo_pub_901_2020.pdf.

[2] Prices current as of August 1, 2020. <https://www.wipo.int/export/sites/www/pct/en/fees.pdf>.

[3] <https://www.epo.org/applying/fees/international-fees/important-fees.html>.

[4] <https://www.uspto.gov/patents-getting-started/international-protection/patent-cooperation-treaty/pct-fees-us-dollars>.

[5] <http://www.pctkorea.com/pctService/kipoAsAnIsa>.