

Silicon Alley

Monday, December 3, 2001

Changes Afoot on International Patents

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THE EUROPEAN Patent Office (EPO) is currently available to conduct international searches and examinations for any Patent Cooperation Treaty (PCT) application filed in either the English, German or French languages. The EPO also handles the search and examination of applications filed directly in the EPO by European applicants. As a result of its search and examination obligations under the PCT, the EPO is experiencing a serious backlog in its ability to search and examine its own direct-filed European Patent Convention (EPC) applications. This has prompted the EPO to restrict its acceptance of PCT international searches and examinations from applicants whose home country provides PCT searches and examinations. Specifically, the EPO will no longer provide to U.S. applicants PCT searches and examinations in the fields of biotechnology and methods of doing business, and will no longer provide to U.S. applicants PCT examinations in the field of telecommunications.

Background

A patent applicant in the U.S., who has already filed his application in the U.S. Patent and Trademark Office (USPTO), and now wishes to file for patent protection internationally, generally has two options. First, the applicant may file directly with one or many foreign countries, usually within one year of the U.S. filing date in order to obtain priority

from such U.S. filing (i.e., so that the foreign application may be accorded priority from the original filing date of the U.S. patent application). This option can be very expensive to the applicant, usually coming at a time when the funds can probably be used for marketing the invention.

A second, and much more widely used option is to file an international application through the PCT. The international application is filed in a Receiving Office (RO), searched by an International Searching Authority (ISA) designated by the applicant, examined by an International Preliminary Examination Authority (IPEA) at the demand of the applicant, and thereafter "perfected" into national stage patent applications in those countries selected by the applicant.

Once perfected, each of those national applications then results in the granting of a separate patent in such national country. The PCT route, currently accepted by most major countries throughout the world (with some notable exceptions such as Taiwan and Malaysia), streamlines the handling of the applications internationally by controlling much of the communication and avoiding duplicate paperwork. More importantly, however, the PCT filing extends the time for entering into each national foreign country by an additional 18 months, thereby deferring for 18 months the expense of national filing and translation costs.

Search and Examination

The international search, conducted by the ISA, and the international examination, conducted by the IPEA, usually takes place in two separate stages or Chapters of the PCT. Entry into Chapter I usually occurs within 12 months from the earliest priority filing. After receiving the International Search Report issued by the ISA, although entry can then be made into the national countries, PCT

applicants usually proceed into Chapter II of the PCT, designating an IPEA to conduct the examination. Entry into Chapter II must occur within 19 months from the earliest priority filing. Thus, using both search and examination can then delay entry into the national stage until approximately 30 months from the earliest priority filing. (See Figure 1.)

Those patent offices with the most developed search and examination capabilities, such as the USPTO and European Patent Office (EPO), have been established as ISAs and IPEAs of choice for PCT applicants. The residency or nationality of a PCT applicant usually determines in which Patent Office the PCT application will be filed. For example, a PCT application may be filed in the USPTO if at least one of the applicants is a U.S. resident or national. In addition, the competency of a patent office to serve as an ISA and an IPEA is also restricted by the residency or nationality of the PCT applicant. For example, the USPTO will not serve as an ISA or IPEA unless the PCT application is originally filed in the USPTO.

When the U.S. first adhered to the PCT, the EPO agreed to serve as the ISA and IPEA for U.S. residents and nationals for a limited number of cases. At around 1990, even after the USPTO acquired the capability to serve as an ISA and IPEA for its own residents and nationals, the EPO agreed to remove the limit on the number of cases and provide U.S. residents and nationals unlimited use of the EPO for the PCT search and examination. Thereafter, the EPO entered into an agreement with the World Intellectual Property Organization (WIPO) to provide this service to all PCT applications in their three official languages. To date, the competency of the EPO to serve as an ISA and an IPEA is universal and, unlike the USPTO, it is not limited to particular member countries.

Currently, U.S. applicants filing a PCT application in the USPTO have the choice of

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designating either the USPTO or the EPO as the ISA and IPEA. The available documents at the USPTO for conducting international search and examinations are predominantly U.S. patents, while the EPO has at its disposal, in addition to U.S. patents, a much broader spectrum of documents from all over the European region. Also, the EPO and USPTO use different classification systems and different search techniques. Thus, U.S. PCT applicants, who usually already have the benefit of a USPTO search and examination from the initial priority filing in the USPTO, usually designate the EPO as the search and examining authority for the PCT application to uncover additional prior art that may potentially be more pertinent than the prior art revealed during the U.S. search and examination.

Thus, U.S. applicants may obtain a search and examination from both the USPTO and EPO by first filing a domestic application in the USPTO and then filing a PCT application designating the EPO as the search and examination authority. This has been the standard accepted procedure for most U.S. applicants. It should be noted that the validity of a patent is enhanced when it has been examined against the best prior art.

Current Workload

At present, the EPO handles the search and examination of approximately 50 percent of all U.S. based PCT applications. This translates into the EPO conducting the majority of the searches and examinations for PCT applicants worldwide.

The President of the EPO, in a letter addressed to the Director General of WIPO on July 10, 2001, indicated that the EPO is no longer able to deal with its ever increasing workload, and that it must be able to restrict its competence as an ISA and IPEA as the need arises. The EPO has also indicated that its obligations under the WIPO agreement have had a detrimental effect on its workload capacity, and as a result, the workload of its own European Regional EPO filings has suffered. In some cases, an European applicant that directly filed an EP regional application must wait several years before a search and

examination is conducted.

As a result of the increase in workload, the EPO has taken a number of steps to try and alleviate this situation:

- EPO Request to Change Its Commitment to WIPO. In the 13th Session of the WIPO International Patent Cooperation Union Assembly, the Assembly unanimously agreed to allow the EPO to amend its agreement with WIPO to restrict the universal competence of

ISA and IPEA to only applicants from its EPO member states and for PCT contracting states that do not have their own International Authority (developing countries in particular). Optionally, the EPO could continue to function as a universal ISA and IPEA but only limit the number of applications they will service or limit the fields of technology they will handle.

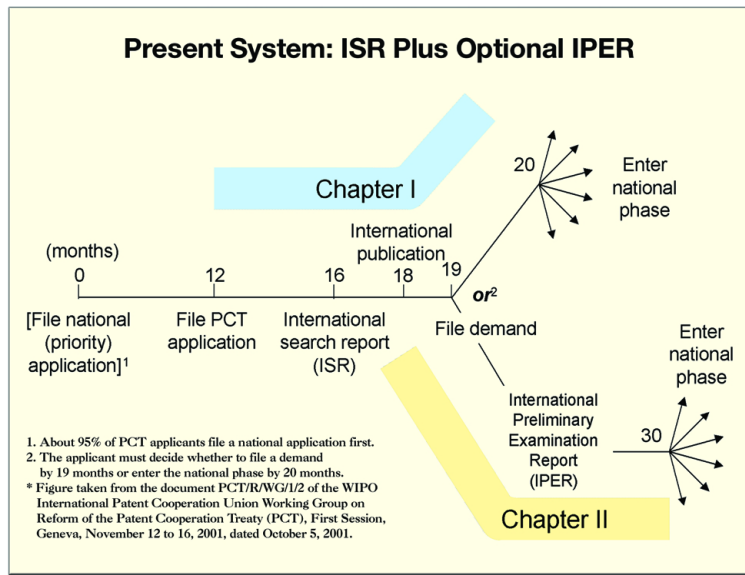
The first option would virtually eliminate the EPO from serving as ISA and IPEA for U.S. applicants, as well as Japanese applicants, and as a result, the approximately half of all U.S. PCT applicants that use the EPO as the ISA and IPEA would now have to resort to the already overburdened USPTO as its only international search and examination authority. The second option is almost equally as limiting to U.S. applicants, as it sets limits and/or quotas that are likely to be exceeded by U.S. PCT applicants at the very beginning of each annual period.

In a recent announcement, the EPO has officially indicated that beginning in 2002, it will

no longer provide search or examination for PCT applications in the fields of biotechnology and business method patents, where the country of the applicant can itself provide such search and examination services. Likewise, for such PCT applications in the field of telecommunications, it will not provide examinations, although it will continue to provide searches.

Allegedly the biggest backlogs in the EPO are in the fields of biotechnology and telecommunications. The EPO hopes that through this restriction of services on PCT applications, it will be able to catch up on its backlog within a few years, although it indicated that they would re-evaluate this decision within one year. The EPO also hopes that even in other technical fields, U.S. applicants, while using the EPO for PCT searches, will not use the EPO for PCT examinations, thus further aiding in reducing the backlogs.

In connection with business method patents, the EPO has consistently maintained the position that business method patents are not patentable within the European system in the absence of any apparent technical effect. Thus, since the EPO would not accept such applications within their own regional system,



the EPO to serve as an ISA and IPEA. Article 3 of the Agreement was amended to include the following:

(4)(a) ... if the work load of the Authority reaches such a level that, because of its then existing facilities, it cannot perform the tasks assumed by it under this Agreement without risks for its proper functioning under the Convention, the Authority may ...

(ii) notify the International Bureau either that it will not carry out international search or international preliminary examination or both in respect of international applications filed with any receiving Office of or acting for a State whose nationals or residents may choose that Office acting as an International Searching and/or International Preliminary Examining Authority or that it will carry out international search or international preliminary examination or both in respect of such international applications but only for a given number of applications each year or only in respect of certain fields of technology.

Thus, in response to its increased workload, the EPO may unilaterally restrict its service as

they have also excluded these patent applications from their PCT search and examination services.

- Optional Elimination of Examination under Chapter II. The EPO has also indicated that it will introduce an expedited examination under PCT Chapter II wherever possible. For example, when no amendments are made in response to an International Search Report under Chapter I, the examination report under Chapter II will be computer generated, essentially copying the results of the search. No manual examination will take place at all on such cases. This expedited system should also help to reduce the workload of the EPO for those cases where PCT Applicants use the PCT merely to "buy time" to file national stage applications and fail to take an active role in the international search and examination process before the PCT.

More importantly, and to even further alleviate the workload, the EPO is hoping applicants will make use of the recently passed change to Article 22 of the PCT. Under this change, applicants optionally could skip entry into Chapter II of the PCT and at no charge, delay the entry into the national stages of an international application going directly from Chapter I, so that instead of the usual 20 months available, a PCT applicant would enter the national stage after 30 months. Considering that a large number of PCT applicants file under the PCT solely to delay entry into the national phase, this new procedure, effective April 2002, will also alleviate some of the EPO workload.

WIPO has already urged each of its individual member countries to amend its respective national laws to comply with this PCT amendment, and the USPTO anticipates publishing a final rule in December 2001 to amend 37 C.F.R. §1.494, effective April 1, 2002, to effect the same change. This would result in a PCT applicant achieving an international search at 16 months (see Figure 1) from the priority filing and then proceeding directly to the national stage at 30

months without paying for or obtaining an international examination.

Those member countries that are unable to change their laws in time will have to notify the International Bureau by Jan. 31, 2001, and will be subject to transitional provisions that will allow such countries to postpone implementation of the change. PCT applicants seeking entry into those member countries that are subject to the transitional



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provisions will still have to file a Demand in such countries in order to benefit from the extended 30-month time period in those countries.

Of course, for those PCT Applicants that would still like to have an international examination, the option will be available. This may be particularly necessary where a member country relies heavily on the results of the international examination and opinion as a basis for patentability in such country. As of the date of submission of this article, the Working Group on Reform of the PCT, which met in Geneva on Nov. 12-16, 2001, has proposed for consideration under Chapter I the concept of an expanded international search report (EISR) with a preliminary

opinion, with a further option for a full international preliminary examination at the request of the applicant.¹ This would effectively shift the present Written Opinion, which is part of Chapter II, and include it as part of the search report of Chapter I. Such an expanded Chapter I search report with a preliminary opinion would satisfy many PCT applicants' need for an international opinion without having to obtain a full-blown international examination as was customary under Chapter II. This would also save considerable costs.

At the present time, the USPTO is considering various options for meeting the increased workload anticipated as a result of EPO search and examination restrictions; one possibility being explored is the use of contract searchers to perform PCT searches. Such contract searchers would enable USPTO examiners to focus their time on national filings in order to meet the demands of increased U.S. patent filings and to prevent a backlog situation similar to that currently experienced by the EPO.

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(1) "An expanded international search report (EISR) would be useful to applicants and designated Offices for the purposes of the national phase procedure, whether or not the applicant opted for full IPE following receipt of the EISR. Since the EISR would contain a written opinion in addition to the results of the search, designated Offices would have a stronger basis for making decisions in the national phase than they would at present where the applicant enters the national phase under Chapter I (that is, with an ISR but without an IPER). Elected Offices would in fact receive similar information in an EISR to that which they presently receive in cases where the applicant requests IPE only in order to "buy time." Moreover, where the applicant does not request full IPE after receiving the EISR, designated Offices would not be subject to any restriction by virtue of Article 42 as to requiring the applicant to furnish the results of the national examination before other Offices, which is not the case at present where the applicant requests IPE only in order to "buy time." (Excerpt taken from paragraph 15. of the document PCT/R/WG/1/2 of the WIPO International Patent Cooperation Union Working Group on Reform of the Patent Cooperation Treaty (PCT), First Session, Geneva, November 12 to 16, 2001, dated Oct. 5, 2001.)