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PERSPECTIVE

A guide to developing an international patent portfolio

By Tamara Fraizer

Patents provide protection nation by nation, but the businesses they protect and the disputes that may arise are often extraterritorial in scope. How can companies that do business beyond the U.S. effectively obtain and use patents to advance their business goals? Here are some criteria for practitioners who are thinking globally about a patent portfolio, its enforcement and the options for handling global patent disputes.

Developing a Global Patent Portfolio

In order to get worldwide patent protection, it is necessary to get patents in every nation where protection is desired, which is both difficult and expensive. To simplify the process, the Patent Cooperation Treaty (PCT) provides a unified procedure for obtaining patents in its 150 nation members. A single PCT application is filed, a prior art search and opinion are provided, and the patentee then chooses the nations in which to pursue patents. The European Patent Convention similarly provides for issuance of a European Patent Office patent, which can be put into effect in any of 38 European countries.

These procedures help minimize the costs of patent preparation and, in Europe, prosecution. But costs are still high. In the U.S., total cost for one patent is usually $30,000 to $60,000. This includes drafting, filing and prosecuting the application, and maintaining the patent. For a PCT application that issues in just five nations — U.S., China, India, Europe and Japan — the cost is usually $200,000 to $300,000. Thus, a relatively small portfolio of 10 patents in five nations can cost a few million dollars.

Given the escalating nature of patent costs, even well-funded companies need to make decisions about which patent applications to pursue, where to pursue them and, if issued, how long to maintain them. Patent budgets and committees can provide the mechanism for such decision-making, and are effective means to control costs. But strategic decision-making will maximize the value of a patent portfolio.

First, patents should cover technologies being used — or contemplated for use — in the company's products or, alternatively, in competitor products. Patents directed to the features that are important for the products' function or appeal will be most valuable to the company. The difficulty of the invention, level of skill involved, and/or the qualifications of the inventors should not determine which inventions are patented.

Second, decisions about where to get patents are as important as decisions about what to patent. The three "Cs" should be considered: competitors, customers and courts. Getting patents where your competitors have patents helps level the playing field should disputes arise. Getting patents where your competitors have business activities or facilities means you can affect their business at its source. Getting patents in nations where your customers are located helps ensure they remain your customers, because you can exclude copycat products from that market.

Importantly, getting patents in nations with good courts (or other enforcement bodies) means your patents can be leveraged and, if necessary, enforced.

Leveraging and Enforcing Patents on a Global Scale

When enforcing patents in the U.S., it is important to assess the options. Federal district courts that have experience handling patent litigations are usually preferred, but they differ, for example, in how long it takes to get a decision or a trial and how they handle certain issues. The International Trade Commission (ITC) is another option, offering bans on importation of infringing products. In any decision, the likelihood that the defendant will challenge the validity of the patent before the new Patent Trial and Appeal Board (PTAB) should be considered, as this may stall litigation in a district court. These decisions should be made in view of the company's expectations and goals, such as settlements, injunctions and damages.

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When considering enforcement of patents on a global scale, companies should similarly make a critical assessment of where to bring suit given the company's expectations and goals.

The same three "C" factors considered in getting patents are useful in assessing where to enforce them. Litigation in countries where competitors are doing business and where customers are located may have the greatest benefit for the business — as the competitor's activities can be stopped and damages can be obtained. Ideally, competitors will not have patents that could be asserted in response.

As is true within the U.S., courts across nations vary in their experience, practices and the time it takes them to decide such cases. Decisions by juries in the United States can be unpredictable and slow to get. German courts are accomplished in deciding patent infringement and validity actions on technical merits (albeit in separate actions), usually within months. The China IP Court takes longer and is still developing its experience and practices, but can affect a very large market.

Costs are also important, and vary dramatically among nations. Patent litigation in a U.S. federal district court usually costs $1.7 to $4 million, whereas patent actions in a German court are usually less than $400,000, and costs in the China IP Court are usually less than $150,000.

With these factors in mind, filing multiple actions across countries on corresponding patents presents strategic challenges and opportunities for maximizing the value of enforcement activities.

Coordination of such actions is the key. Evidence provided in one action typically cannot be used outside of that matter, and counsel must be very careful that they do not violate protective orders. However, "section 1782" subpoenas can be used to obtain discovery in the U.S. for purposes of a foreign proceeding. Also, internal research and investigation done for one proceeding can be shared among counsel for use in the proceedings. In addition, arguments and defenses raised in one proceeding may preview the arguments and defenses to be made in another. Finally, decisions of one tribunal may be submitted to another, and may be informative or persuasive.

Decisions of one nation are not binding on another and they may differ, even when the same patents and products are at issue. But at the very least, multiple actions can offer multiple chances for a favorable outcome.

Think Globally

Developing an international patent portfolio that considers competitors, customers and courts provides opportunities to strategically leverage and enforce patents in a cost-effective and value-driven manner on a global scale. Such coordinated patent portfolio and enforcement strategies may also enable resolution of patent disputes on a global basis.

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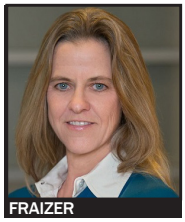
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