International Patent Protection: Approaches to Making Prosecution and Enforcement Choices that Maximize your Client's Return

THE VIEW FROM THE OTHER SIDE

. International Patent Protection: Approaches to Making Prosecution and Enforcement Choices that Maximize your Client's Return

This presentation is Part X of a series, which was begun by one of the authors in 1996. The focus for this series has been to examine intellectual property issues, objectives and practice from different perspectives, in order to improve our own efforts as intellectual property counselors.

In Part I of the series, it was asserted that a principal function of intellectual property counsel is to find legitimate ways to protect the investments and income streams of clients. It was further asserted that the primary purpose of the existence of such counsel, from the client's prospective, is to assist with respect to proper achievement of an advantageous competitive posture; and that typically no other focus is cost justified. After setting forth these propositions in Part I, an examination was conducted of 35 U.S.C. § 112 and related issues, as well as the important role played by patent counsel in properly identifying and defining intellectual property rights.

In Part II, an examination was made of the various roles patent attorneys serve with respect to achieving the business objectives of clients. In general, the roles of a patent attorney were explored: as a creator and definer of property and property rights; as legal counsel and advisor with respect to issues of risk, such as infringement; as legal representative before the courts and the ITC; and, as a general business advisor with respect to investment of funds in directions likely to lead to business advantage.

Part III of the series was presented as part of program exploring the dollars and sense of patent litigation. In that program, the interface between the litigating attorneys and the business was explored. A list of questions to ask ourselves, during litigation, to ensure that we stay on the appropriate course, and to ensure that we are perceived as doing so by the client, was presented.

Part IV, a closer look at the issues raised by Part III was made. In particular, some litigation bad habits were characterized and discussed, as a way of encouraging self-examination and improvement.

Part V of the series was presented as part of a program concerned with the evolving patent law in the Federal Circuit. In Part V, the role of appellate courts in generating precedent and ways attorney practice may tend to corrupt the application of that precedent were examined.

Part VI of the series was presented as part of a program exploring some of the ways in which private practitioners can evolve their practices to improve the accomplishment of client objectives in spite of shortcomings of the laws, the court system and the PTO. In Part VI, an exploration was begun of the need for strategic management at the business unit of the client, with support from intellectual property, in order to ensure that the intellectual property direction is in concert with business strategy. During the discussions, a case was made that in many instances, intellectual property investment is not supportive of business direction.

Part VII of the series was presented as part of the first two-day Intellectual Property Institute organized by Minnesota CLE, The William Mitchell College of Law and The Minnesota Intellectual Property Law Association. Part VII was built on the recognition in Part VI of the frequent disconnect between intellectual property strategies and business direction, and ways in which to address the problem were explored. Specifically, techniques applicable to help ensure that IP coverage obtained is provided when, where and how the client needs it.

Part VIII of the series was presented as part of Minnesota CLE's 2^{d} Intellectual Property Institute, Fall 2003. In Part VIII, all of the above issues were circled and a focus was made on the issues of Parts I and V. In particular, an examination was made of the issue of patent protection and prosecution in view of certain Federal Circuit trends. A conclusion reached and presented was that an important aspect of managing these is improvement in the process of patent application writing.

Part IX was a one-day CLE at Minnesota CLE in March 2005, in which there was a focus on comparing intellectual property practice and issues among the U.S., EP, Japan and China. In that presentation a comparison was made of selected issues among those regions for development of broader, stronger, global intellectual property practice. Issues evaluated were the doctrine of equivalents; use and interpretation of means plus function language; importation of products made by a process outside of a country, when the process was patented within the country to which importation is made; and, appeals from examiner rejections.

Part X of the series is presented as part of the 2005 Intellectual Property Institute presented by Minnesota CLE on September 27 and September 28, 2005. In Part X, approaches with respect to choices for global intellectual property investment and enforcement are assessed and discussed.

T A B L E O F C O N T E N T S

INTERNATIONAL PATENT PROTECTION: APPROACHES TO MAKING PROSECUTION AND ENFORCEMENT CHOICES THAT MAXIMIZE YOUR CLIENT'S RETURN

I. Introduction

Clients with global interests and/or aspirations are prone to be making decisions about international patent filings that do not involve methodical investigations and assessments with respect to the protection achievable and its cost. Often knee-jerk decisions are made to file international patents, without: careful study of actual need; a plan to accomplish stated objectives; a study of the full budgetary impact; and, an understanding of the ability to enforce.

In this process, the U.S. patent attorney can be almost a non-participant. That is, the U.S. attorney may not provide counsel with respect to choices, or specific budgetary direction, but may merely receive direction and then implement. As a result, the implementation may not be conducted in a methodical manner, but rather may simply involve submitting a copy of the U.S. application to a foreign counsel with instructions for filing. This approach can lead to problems with achieving appropriate claim scope under the laws of the country chosen. In addition, when the issue of foreign filing is left until late in the priority year, there is sometimes no ability to make well-considered decisions.

In this presentation, we refer to the practice of: (1) receiving a country choice at the last minute from a client without strategic direction; and (2) submitting copies of the patent application to foreign attorneys for filing, as an "over-the-wall" approach. The intended metaphor is meant to refer to the fact that the client throws the country names over the wall to the counsel, and the counsel throws the patent files over the wall to the foreign counsel, without either U.S. or foreign counsel being involved in more methodical considerations and analyses.

As indicated above, and explored within this document, the "over-the-wall" approach is fraught with potential problems. First, with patent interests of any significant scale, it is not only costly, but in the long run it can be cost prohibitive. Secondly, it is an approach that fails to take into account: differences among various countries with respect to practices under relevant intellectual property principles; and, feasibility of obtaining desirable, enforceable rights. Third, as has been suggested by such speakers as Chicago's James Malackowski in a previous Minnesota CLE, shareholders are beginning to hold management accountable for IP based activities. A non-methodical over-the-wall approach may not always pass muster, during extensive review in shareholder actions.

The authors assert that a more methodical approach to global intellectual property protection can be developed. Steps in developing a model useable to define such an approach are presented here. In general terms, the model involves the following steps:

1. Definition of cost information for development of reviewable budgets to quantify investment;

2. An approach to prioritization of protection/geographic location, for use in identifying priority investment; and

3. An approach to evaluating protection and enforcement issues among various countries, as a means of refining the model, to support investment decisions.

To prepare this report, information was collected from respected IP attorneys in fourteen different countries. The authors gratefully acknowledge the assistance of those counsel. They are as follows:

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The financial information reported herein in Appendices B and C, with respect to typical international filing and prosecution costs, was collected by Brent Routman and the foreign filing department at Merchant &Gould; with organization into the slides presented being prepared by Brianna Axelrod, also at M&G. The basic budgetary impact studies reported in Section IIA and Appendix A, relating to the effect of filing five new provisional applications each year in the United States, with eventual protection in EP, North America and Asia, was assembled by Mara Liepa at Merchant & Gould. Each of these persons' support is gratefully acknowledged.

II. So, Your Client Wants to Engage in Expensive International Patenting Efforts

A. Have you Presented the Client with an Estimate of the Budget and Time Aspects of Such an Approach?

In Appendix A we present a simple cost model for patent protection based on modest assumptions and conservative estimates. The model could be adjusted for any client, and revised at any point in time as needed. The model of Appendix A assumes, among other things, that the client is filing five new provisional applications a year in the U.S. each at a preparation cost of $7,000.00. The client proceeds forward with a PCT and U.S. filing at the end of one year; and, at PCT national stage and the client seeks protection in: (1) Europe, with EP validation in the countries of Germany, the U.K., France and Italy; (2) North America (Canada and Mexico through national staging of PCT, U.S. through the previous direct U.S. filings); and, (3) Asia (China, Japan and Korea). A modest assumption was made with respect to U.S. divisional applications (two U.S. divisionals for each original five U.S. patents). However, no provision was built into the model for divisionals outside of the U.S. (in spite of the fact that they are often needed in Europe). In addition, only modest issues of prosecution were assumed.

The cost model is presented in more detail in Appendix A. On the first page of Appendix A, the assumptions used are provided. O the second page, the 19-year budget impact of the first five filings is provided. On the third page, the 19-year impact of five provisional filings per year is presented. The figures shown represent the total estimated costs for the identified year. The percent that represents U.S. attorney fees is represented for each year.

The cost model can be developed for any client around any expected I.P. activity. Further, it can be customized and sub-divided for business units within a client, or specific areas of interest within a client, to evaluate IP investment versus specific product line profitability, etc. It can be tailored to any fiscal year (or sub-year) definition the client uses. Of course, multiple variations of the budget can be prepared, to compare and explore the differences that recall from such variables as: number of countries; number of divisionals; number of claims; length of application; impact of decisions in selected years not to pay maintenance/annuity fees, etc. Also, past expenses, based on time period, can be included.

The cumulative cost model (Appendix A, page 39) shows the base budget for Y3 to be: over $300,000; for Y5, about $700,000; and for Y10, about $800,000. By Y15, the annual costs will exceed $1,000,000. In Y3 only 34% of the total budget is spent on U.S. attorney fees, in Y5 only 29% and by Y10 only 25%.

The cost model shows not only substantial increase in costs to the client, with a decreasing percentage being spent on U.S. attorney fees. Nevertheless, we can reasonably anticipate a negative client reaction to perceived out-of-control intellectual property costs after only a few years, with the brunt of the complaint directed toward the United States IP counsel. A typical U.S. IP counsel reaction of "we simply followed your instructions," will likely not pacify the client's financial concerns for very long.

In addition, the model of Appendix A was so simplified that it did not involve such ordinary and regular intellectual property expenses as: prior art searches; clearance analyses; infringement investigations; disputed inventorship entity investigations; oppositions; and, protracted prosecution. Further, the model was directed toward prosecution expenses, and no effort was made to additionally budget ordinary and expected litigation during the same time frame. Of course, any of these costs can be estimated and added to the model, as desired.

The model reported in Appendix A was somewhat limited with respect to country selection. In Appendix B, typical filing and prosecution costs for national stage patent applications based on PCT applications, in a variety of countries is presented. Each is a conservative estimate, based on an expectation of minimal prosecution issues. It is noted that the information in Appendix B is presented in a manner allowing comparison based on a variable length of application for each country, in particular 50 pages versus 30 pages. This is intended to show the trend on total costs of choosing to conduct prosecution with relatively protracted disclosures, with added costs often resulting from translation issues in non-English language countries. It is noted that a simple average plug value was used for prosecution in each country (U.S. and foreign) to simplify the variables for the comparison. In an actual model, expenses based on practice before the patent office of each country, could be estimated separately.

Another point of concern is the length of time before enforceable rights are likely to be available within a given country. Have you explained to the client how many years will likely elapse before the identified approach will reach issued and enforceable rights within a given identified country? Have you discussed the availability of an interim protection, such as by concomitant utility model filing (for example, Germany) or by filing a combined utility model/utility patent application (for example, Korea), or by publishing at least one divisional with focused claims that won't change during prosecution, thus allowing possible interim damages (U.S.)? If these are appropriate, they can be added to the cost model.

B. Have you Discussed With the Client that the Over-the-Wall Approach May Lead to Relatively Low ROI?

In Section IIA above, the cost model was presented to show increases resulting from an over-the-wall approach to international patent protection. The over-the-wall approach can sometimes be expected to lead to a relatively low ROI with respect to IP investment dollars.

For example, no matter how conscientious the U.S. attorney involved, the over-the-wall approach typically involves counsel on the ground in the various countries who are not well back-grounded in the technology, the prior art, the competitive issues and the importance of nuances in the claim and specification language. The failure of sufficient international counsel training with respect to these issues, means that the foreign counsel cannot help guide the application under the practices and language of the country involved, to a best scope and enforceability position.

In addition, in those countries in which translations are involved, the translations are typically conducted at high volume translation services without substantive review as to the strategic issues for the application. Thus important nuances in claim definition and specification support are often missed. This, again, means that a low return on investment is likely.

Further, the over-the wall approach does not involve: prioritization of country selection for selected patents versus others, and, priority for certain claim scopes achieved versus others, etc. Also, it does not involve a careful definition of the needed protection in the various countries, or a decision-making scheme to review further investment if it turns out that such a scope cannot be achieved. It also does not include a factor of assessment of the legal principles of any given individual country, with respect to the type of protection needed, enforceability, and/or relative business activity/need for a given country.

III. Breaking the Over-the Wall Approach: Steps of a Methodical Approach to Intellectual Property Counseling

Development of a model for more methodical intellectual property counseling must begin with a basic assumption that the client's available resources for global intellectual property investment are sufficiently limited that a comprehensive approach with respect to each country of interest, for each patentable subject, is not possible. Therefore, the modeling and counseling should involve prioritization of resources to ensure best use and highest return.

In this section, we evaluate some selected issues and approaches with respect to enhancing return on investment.

A. Initial Preparation of the Application

The model presented in Appendix A, and the cost outlines in Appendix B and C, show clearly that the initial preparation of the application and claim set, itself, is not the most significant cost in the global intellectual property budget. However, initial preparation of the application will dictate what is possible for protection, in the various countries of choice. Thus, the application needs to be prepared with a strategic eye on the global investment.

Efforts at cost savings by simply reducing the cost per hour of application preparation are likely to lead in the opposite direction of savings. Strategically written applications, by counsel experienced in the subjects of concern, should lead to: more effective language choice, applications written faster and with better language support for the needed claim nuances for scope and distinguishing prior art, and more effective prosecution globally. In addition, improvement in enforceability will result.

Also, from the data of Appendix B, it is apparent that efforts to limit the number of pages in an application can lead to a significant cost savings. Bear that in mind when preparing applications.

Further, in some instances it may be desirable, at the initial priority date, to establish both a U.S. application (or English language application), which is longer in text; and, a shorter version that is for eventual use as a priority document in countries that will require translations. If this is not done initially, there may eventually be need to translate the entire priority document, with concommitant translation expenses.

B. Building Expertise for the Client

There is no good substitute for a US patent attorney who has had the opportunity to: collect the prior art to fully understand it; to build up the knowledge of the ways the examiners use the prior art; and, to develop a pattern of claim language that helps avoid the prior art, in the prosecution process. This built-up knowledge will lead to more efficient prosecution as time passes. It will also lead to the preparation of applications that are written with phrasing and approaches to minimize problems (and thus costs) during prosecution.

C. Selection and Development of International Counsel

There is a cost associated with training international counsel in the background of the technology involved and the intent with respect to the applications. However, with respect to international enforceability, it is reasonable to expect a good return on this investment. The international counsel can help direct the application in accord with best practices within the selected county, provided that they are aware and understand the intent of the application and the competitive need. Also, if the practice is conducted in a way such that translations are made early, back-grounded international counsel can review those translations with respect to the likely impact of translated language choice.

Videoconferences with foreign counsel can be especially helpful. One can develop more rapport with the counsel, and videoconferencing allows the ability to read reactions more than just through review of words. Exhibits and drawings can be shown, and explanations can be made and repeated, to assure an appropriate understanding to facilitate the prosecution.

Of course, it is not cost effective to train international counsel on all technical and business issues for a client with a large portfolio. As the counsel with most knowledge, you retain most control and identification of areas for prioritization of the investment need to be made. Once these are made and agreed upon, presentations to the international counsel with focus training on the selected areas and issues of concern that will support you best, can be made.

D. An Approach to Prioritization is Needed

It is important to begin to develop a model for strategic prioritization. For example, almost anyone is capable of dividing any collection into three groups: "high, medium, low;" "good, fair, poor;" "+, o, -" etc. Thus, country choices can be divided by the client into at least three groups: e.g. "highly strategic:" "desirable;" and "only if budget allows." The anticipated business level in the country identified can be similarly quantified. In addition the patents and patent claims can be divided into three groups, for example: strategic for protection; less likely to be enforced, but usable to inhibit competition; and primarily for defensive purposes, etc. Working with a client to develop sets of patent

applications and claims with respect to investment priority and sets of country selections for investment priority, allows for modeling of a budget with investments based around well considered issues and in the more important countries. One can then evaluate the impact on the total budget of moving any desired investment into the less strategic patent claims or less strategic countries.

Of course, computer models and spreadsheets can be used to show the client the effect of variations in the choices. Also, in time more highly refined prioritization definitions can be made.

The model can be used to define an acceptable scope of protection with respect to strategic objectives. If prosecution shows that for a given country a strategically desirable level of protection cannot be reached, for example, due to: prior art; an Examiner's idiosyncratic position; or, geographic variations in the law, a decision can be made to change investment allocation for that country, and direct it where better used.

Of course, attorneys also need to stop the practice of merely prosecuting to an acceptable claim scope to the Examiners, and start prosecuting to an acceptable claim scope for the client and if it cannot be achieved request consideration of abandonment or at least a change in investment prioritization. Also, the attorney can assess and predict the extent to which divisional/continuation filings will be desired. The cost of these can be built into the model and be modified as time passes.

E. Consideration of the Laws and IP Practices in Various Countries

An important aspect for retaining a best return on investment in various country choices, is to consider the principles of practice within the countries involved, as part of the overall decision-making process. In our experience, no amount of library research is sufficient for that consideration. The issues are ones of understanding practice in various countries sufficiently, from practitioners in those countries. In the next section of this paper, selected issues are assessed across a number of countries, based upon input from the attorneys identified in Section I above, in response to a questionnaire developed by these authors. This information will be useful in identifying which countries provide good return on investment, and how to maximize that return in those countries.

An example of the initial survey letter and the full responses from the foreign attorneys, are included in the attached CD. Also included in the attached CD is Part IX of this series in which certain specific issues of law were evaluated in more detail, among Germany, UK, Japan and China, in a recent CLE of Minnesota presentation.

It is important to understand that the initial survey letter on the CD and the answers also show how easy it is to miscommunicate with international counsel in some instances, due to language issues and others due to the extensive nature of the actual differences in the law. No simple initial survey effort will be sufficient, for your needs. You will need to

explore fully the answers of the counsel to ensure that you can understand them and incorporate them into your practice.

An actual IP investment decision-making model would, of course, be customized for a client around certain key to specific issues that will be necessary to accomplish the enforceable scope needed. The issues may relate to such factors as: (a) contributory infringement; (b) inducement to infringe; (c) doctrine of equivalents availability and definition; (d) prior art interpretation; (e) problem/solution definitions; (f) unique claim limitation use and definition; (g) approaches toward getting broad generic claims based on specific examples; (h) approaches to definition of certain selected sub-groups of subject matter; (i) ability to enforce a method claim under circumstances in which it is difficult to tell exactly what method was used without inspection of the infringer's facilities; (j) dependent claim use; (k) availability of prior user rights, etc. Once a set of the specific issues of concern for any given client, business unit or product line are defined, they can be explored in detail with foreign counsel. The surveys presented in the attached CD, indicate a general approach to evaluation of selected IP issues among various countries.

It has been found by these authors, that it is helpful, when conducting a comparative approach, to avoid broad comparisons. The more specifics that can be placed into the question provided to the foreign counsel, and the more detailed information of how the assessment is made under U.S. law for comparison, the more likely will be: (a) the ability of the foreign counsel to fully understand the issues of concern to you and to provide specific comment on them; and (b) your ability to understand the nuances in the answers by comparison to U.S. practice.

No single inquiry is sufficient. One must explore fully the answers provided by foreign counsel, to understand the relevant principles of law. As reviewing the materials of the CD should show, some answers require follow-up to ensure something has not been overlooked.

F. Timing

The best strategic plan without time to implement it, is no plan at all. The over-the-wall foreign patent strategy is probably the only one that can be employed when no advanced planning has taken place.

A methodical approach requires a reformation of how the patent attorney and client view and approach the initial patent filing, as far back as the provisional filing. It is apparent that the construction of the specification and claims of the foreign patent application must conform to foreign laws. The time at which that must happen is before absolute novelty is breached. In most cases, that will be at the initial US filing, be it a provisional or utility filing.

Of course, a good the time to begin discussions with your client about foreign filings is when a decision is made to file a US application, if not sooner. Even if the client states that it has no interest in foreign patent protection, unless it is clear that the application is barred in all foreign countries (which is technically impossible since not all countries follow absolute novelty as discussed below), the client should at least be advised that the way the application is drafted for the US will depend on whether there is *any* possibility of foreign patent filing.

If there is still indecision, the best way to elicit a useful answer from the client is to make clear that preparation for foreign filing at this early stage will result in significant cost savings and certain advantages. For example:

1. Translation costs can be reduced: The specification for foreign filing is often shorter and more succinct because of lesser requirements in most foreign countries, most notably best mode. A shorter specification is cheaper to translate and because multiple languages are required, the cost savings can be substantial.

2. It may be possible to preserve trade secrets for a period of time. If a trade secret must be disclosed under US practice in order to meet 35 U.S.C. sec 112 requirements, there may be a decision as to whether there should be two simultaneous filings in the USPTO, one for foreign filing and one for US prosecution only, the later containing the more complete disclosure. If this is not done, the priority document (which is often translated) will result in a complete disclosure of whatever was in the US filing anyway. Note that the USPTO actually has a procedure for excluding certain information from publication, but it is not certain the procedure will be followed and the priority document may also not be redacted.

3. Excess claim fees are substantially reduced. Foreign claim fees are notoriously high and excess claims are often not examined anyway.

4. Prohibited subject matter can be excised. For example, methods of treating humans, common in medical device patents, are barred in some countries. Disclosure thereof, translation and claims directed to these features are a complete waste of time and money.

5. Claiming practices may be more liberal in foreign countries; Multiple dependencies, antecedent basis laxity and mixed methods/apparatus claims are often allowed. Taking advantage of these can reduce the number of claims.

6. Everything is cheaper if done in batch. When writing a US case, is a good time to prepare separate drafts for various foreign countries, while the invention is still fresh in the preparer's mind. It will cost more a year later when the invention is a distant thought.

7. International treaties may lock you in earlier than you realize. The PCT and EPC , especially when used with Provisional filings, lock in your options much earlier than you may realize or want. By the time you file your utility application for the US you may be filing the PCT, which locks in EPO disclosure, for example. The EPO has a very harsh rule on support in the specification, which differs from the US.

As you can appreciate, you may need to contact your foreign associates to learn the best practices. This will take careful selection of associates and probably repeated exchanges to get definitive answers.

Patentability searches, which are sometimes ignored when filing in the US, already a good idea for US practice with the *Festo* line of cases, may be a huge cost saving if done to determine if an overseas portfolio is justified. With the backlog at the USPTO, it is unlikely a first office action will issue before the 12 month priority deadline. Even if it does, it may not be sufficient to rely on only a US. A European search, which, by the way may be partly refundable at the EPO, can sometimes be useful..

If you have not begun your discussions by the time you get the request for the first US patent filing, you are likely to fall behind to the point that you may find yourself using the over-the-wall approach because there are no other available options at that point.

IV. Survey of Selected Intellectual Property Issues Among a Selected Group of Fourteen Countries

For this section, selected information from a fourteen-country survey is presented. An example of the initial survey, and the full responses received, use included, in the attached CD. Of course the survey was only a start. Follow up inquiries tailored to a client's specific issues would be needed to fully define the information in a way that avoids underestimating, focuses issues and facilitates presenting a good investment model to a client.

A. Enforcement Costs and Options; Availability of Discovery

An issue for consideration with respect to international protection is investment costs associated with enforcement in a selected country, and the availability of discovery to develop issues. The questionnaire provided by us to the various counsel included simple questions directed to these issues. The questions and answers only probe the initial issues and, further investigation would be needed to develop the points more fully. This will be apparent from the comments later in this section. In Table A, a brief summary of information obtained from the foreign counsel is provided.

It should be noted that the questions in the survey were phrased in terms of enforcement only. Some of the counsel also chose to address validity issues, in their responses. Others did not. It should also be understood that in many countries, there is more than one approach to validity evaluations. For example, there may be nullity actions available before a patent office or similar tribunal, and separately the courts may be in a position to decide whether to enforce based on validity concerns, as for example is the case in Japan. In addition, there may be separate action for preliminary injunction and final injunction. These would be separately budgeted and managed. Also, there may be separate criminal actions available, depending on the course of infringement conduct.

In addition, the initial questionnaire was not specific as to appeals. In some countries appeals are as automatic as the initial decision. In others, the initial injunction tends to end the matters. Some of the associates chose to identify appeal cost, while others only focused on an initial decision.

Another issue of substantial concern, not evaluated in this initial questionnaire, is the issue of whether the losing party pays the victorious party's legal fees (or some percentage of the legal fees). This is common in many countries, and does need to be taken into account when developing a model for protection/enforcement.

In one of these author's experience with international litigation, the initial estimates provided by foreign counsel are almost always on the low side relative to the fees actually incurred. One reason for this is that the estimates are typically made by the foreign counsel based upon the idea that the patent is simply handed over to them and the infringement issues are relatively simple and straight forward. In actuality, a large amount of interaction involving the foreign counsel and the U.S. counsel is sometimes necessary or desired, and the client also expects a fair amount of time and attention. This adds substantially to the costs.

In addition, in many countries a number of different people are needed for participation in the litigation process, for example, in the UK or Australia the patent attorney, the solicitor, the barrister and the experts may be involved. This can lead to significant costs, and it is important to ensure that estimates obtained count for all persons involved in presenting the case.

Finally, the information in Table A should be understood as a synopsis only. Refer to the full answers in the attached CD, for a more complete understanding of the information.

TABLE A - Comparison of Enforcement Costs; Time; Discovery

	Costs	Time to First Decision	Availability of Discovery	Additional Comments
1 UK	$350,000	About 1 Year	Yes, limited	Requires extensive use of experts which can be difficult to locate
2 Germany	$40,000	9-18 Months	Essentially none; in some instances, claim to inspection	Cost estimate didn't involve translation for client and U.S. counsel
3 South Africa	Infringement - $80,000 (Validity - $50,000-$60,000)	Infringement 6-18 Months (Validity 6-18 months)	Yes	Reasonable royalty based on what licensee would have paid the licensor
4 India	N/A	N/A	Apparently limited court ordered discovery	IP litigation in India rapidly increasing
5 China	$25,000 Attorney Fees, Additional Expert Fees (Chinese experts are currently inexpensive)	6 Months initial, 3 Months appeal if less complex litigation	Apparently evidence is presented through witnesses with cross-examination available	There is an alternate administrative proceeding available; cost estimate didn't include translation fees and time spent with counsel and client
6 South Korea	Infringement $50,000 - $100,000 (Validity $10,000-$50,000)	Infringement 1 year, Validity 1 year	Court ordered disclosure of infringers documents and inspection of infringers side	Much evidence is presented in writing; translation fees not included in estimate
7 Japan	$70,000 - $134,000 per attorney (Mr. Ohtsuka's answer in the CD included a translation error.)	1 year	Extremely limited	Japan courts have begun to evaluate validity, with respect to their willingness to enforce even though they do not have power to declare a patent invalid. The courts have relatively little experience (or precedent) for doing this
8 Singapore	$150,000-$200,000	1 1/2 - 2 years	Not available	UK laws followed with respect to damages
9 Philippines	$100,000	Cancellation Proceedings - at least 3 years; Infringement - at least 3 years	Yes, under writ of search and seizure or *subpoena duces tecum*	
10 Australia	$300,000 - $500,000	1.5 - 2 years	Appears document discovery is available	Experts are extensively used; burdens shift to infringer with respect to process claims. The court does have power to order inspection.
11 New Zealand	$70,000 - $105,000	7-14 Months	Unclear	
12 Canada	$300,000 - $600,000	2-4 years	Yes	
13 Mexico	N/A	1-1.5 years	Unclear, but infringement action is administrative and patent office can perform technical analysis	The initial action is administrative, appeal is to administrative tribunal and then reviewed by court
14 Brazil	$45,000	2-3 years without appeal	Information not provided	Court will likely appoint expert to render opinion on technical issues

In the above table the term "N/A" is meant to indicate that a response wasn't provided to that particular question, by the associates in that country, or the response was such that it could not be reasonably condensed into the type of information outlined. In general, the inquiry concerned a simple mechanical patent and relatively simple issues.

As to the assessment of damages, some information was provided by the foreign associates and it is provided on the CD. Many of the associates discussed the availability of profits, and some reasonable royalty statements. Some referred to both possibilities. From the information, it appeared typical that damage assessments were made independently of the infringement allegation, and, one could infer, only after the infringement proceeding was completed.

Again, the information presented herein is intended to provide steps and a model for developing more effective global intellectual property investment. In accord with the model, one would develop charts as the type shown in Table A, but with more extensive information, tailored to the particular needs and issued, of your client. This will then be used as a reference in evaluating future enforcement decisions.

B. Issues Relating to Absolute Novelty

As you probably know, absolute novelty is a concept not currently practiced in the United States. Further, the definition of absolute novelty can vary from country to country around the world. Also, the concepts involve different principles that those U.S. attorneys are used to considering, in novelty evaluations. With that background in mind, we explored the impact of: Non-Disclosure Agreements ("NDA") and Product Visibility in barring patentability under the doctrine of absolute novelty.

1. Non-Disclosure Agreements ("NDA")

Our questionnaire focused on the following basic fact scenario:

A client wishes to make a disclosure to another (second) party, but has not yet filed for a patent application. The second (receiving) party agrees in writing to hold the information in confidence. Would this be sufficient for the disclosure NOT to destroy novelty? Does the result changes as we modify the facts in this scenario as identified below:

a. What if the writing was put in place AFTER the disclosure. Result?
b. Is Novelty destroyed if the second (receiving) party doesn't keep the promise, and discloses to a third party without permission?
c. Does it matter if the writing is a general agreement between the two parties that may be several years old, and is not specific to the current project or disclosure?
d. What if there is no writing, but rather an oral assertion that the information was confidential (by the party providing the information), is this sufficient to

protect against loss of novelty? What if the receiving party appeared to agree to the confidentiality (e.g. did not object)?

e. A type of agreement that is sometimes used in the United States, is an agreement to maintain confidentiality until after the patent application is filed? Is this type of agreement used in your country? Would you expect it to be effective?

Our respondents addressed the NDA scenarios as follows:

UK: Disclosure to a second (receiving) party under an implicit or explicit confidentiality agreement is NOT novelty destroying. If a second party at the time of the disclosure knew the information was to be held in confidence, then a written agreement AFTER the fact is acceptable. But, if the second party breaches the implicit or explicit obligation of confidentiality, the result is a destruction of novelty UNLESS the disclosure occurred within SIX month before the actual filing date of the patent application, not the date of priority. A providing party's oral assertion of disclosure in confidence, probably avoids destruction of novelty if the receiving party remains silent (does not object). A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

Germany: Same opinion as expressed by UK associate. German Associate also cited to EP: Art.55 (1)(a) EPC and D: § 3(4) PatG for six month exception identified by UK. When the parties agree to hold information in confidence, an oral or implicit disclosure, is adequate.

The German Associate noted that a patent applicant may have a difficult time proving an oral assertion. Other associates, where oral NDA agreements are adequate, as expected commented that it is hard to prove an oral contract. *See e.g.*, South Africa, India, China, etc .

South Africa: Similar to UK EXCEPT for the following: a receiving party's breach of a confidentiality agreement does not destroy novelty if the providing party applies for a patent application WITH DUE DILIGENCE AFTER learning of the unauthorized disclosure. Thus South Africa is unlike UK and DE, which have a 6 month time limitation.

India: Similar to UK EXCEPT for the following: a receiving party's breach of a confidentiality agreement does NOT destroy novelty under Section 29(2)(a) of Indian law; and that a written agreement after the fact may require a reference to the prior oral agreement to relate back to the date of disclosure. India is unlike UK and DE, which have a 6 month time limitation.

China: The Chinese Associate stated that "we do not adopt absolute novelty here in China . .. Publication can take place anywhere [to destroy novelty], while other acts (public use, or sale, exhibition, presentation, which made public do not count) unless they occurred in China." An NDA to hold information confidential, whether oral or written, does not destroy novelty. Much like Germany and UK, however, a patent applicant in China has a 6 month period to file a patent application from a second party's breach of NDA revealing confidential information. If not filed within 6 months, the disclosure destroys novelty pursuant to Article 24.4 of PRC, Patent Law. A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

South Korea: When the Korean Associate replied in September 2005, the law in Korea was in a state of flux. Under the current Korea Patent Act ("PKA"), much like China, a prior knowledge or prior use MUST be in Korea to destroy novelty whereas a (printed) publication anywhere destroys novelty. Korea plans to amend its current patent law to include a prior knowledge or prior use anywhere similar to the European Patent Conference (e.g. see UK, Germany, response).

The Korean Associate answered the questions under "the assumption that disclosure in the United States could be a bar for Korean Patents [under new law to be enacted similar to EPC]." A NDA writing not in place until after the disclosure will probably destroy novelty. While there is a Korean Supreme Court exception based on close business relationships creating a "tacit confidentiality exception," the Korean Associate stated "it is not recommended to rely on such an exception." Korea will not give credence to an NDA that occurs after the disclosure or an oral agreement except under the "close business relationship" exception. Like the EPC, Korea has a 6 month exception to file a patent application when a receiving party breaches an NDA agreement. A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

Japan: NDA protects confidentiality and does not destroy novelty unless the receiving party breaches the agreement. In that instance, there are a few potential results: 1) destruction of novelty if the information becomes publicly known; or 2) novelty is retained if the information does NOT becomes publicly known. The Japanese Associate appeared to give conflicting answers that concern an oral agreement and a written NDA entered into after the confidential disclosure. The associate stated "in spite of an existing and effective NDA," a writing put in place after disclosure "destroys the novelty of the invention." But, when questioned about oral agreements, stated "the agreement is effective even if it made in the form of an oral agreement." A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

Singapore: The Singapore Associate stated that "we follow British cases whenever there is no direct Singapore precedent. With only 11 patent decisions in 10 years, there aren't many precedents!" A NDA is sufficient to protect novelty. Any disclosure made in breach of confidence is disregarded under Section 14 of Singapore Patent Act. This is different than the UK, which has a 6 month limitation. The Singapore Associate aptly stated that "a verbal agreement is as good as the paper on which it is printed," and like many other associates noted that proof of an oral agreement can be problematic. NDA agreements usually use the date of publication of the patent application or when information enters the public domain (sales of product) as the expiration date of confidentiality, not the filing date of the patent application, as typically used in the U.S.

Philippines: The Philippine Associate stated "Philippine law does not recognize NDAs and its effects on the . . . novelty of patents." However, he stated a NDA is not information that is "available to the public," and would not destroy novelty (if kept secret). If a NDA is entered into AFTER the date of disclosure to the second party, the patent applicant must file a patent application within 12 months of that date of actual disclosure or else be barred by lack of novelty. If no NDA agreement is entered into, an inventor still has 12 months to file the patent application before his public disclosure to a second party destroys novelty. A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

Australia: So long as the information made under a NDA stays confidential, there is no destruction of novelty. The NDA can be oral or written, so long as the party understands and holds the information in confidence. A NDA signed after disclosure is acceptable. The NDA can be general or specific, and may be several years old, and still protect against destruction of novelty. If the second party breaches the agreement by making a public disclosure, novelty is destroyed; but, the inventor may have recourse to claim damages. NDA agreements that maintain confidentiality up to the date of filing the patent application are used. However, it is more common to use the date of publication as the terminating event.

New Zealand: So long as the information made under a NDA stays confidential, there is no destruction of novelty. The NDA can be oral or written, so long as the party understands and holds the information in confidence. A NDA signed after disclosure is acceptable. The NDA can be general or specific, and may be several years old, and still protect against destruction of novelty. If the second party breaches the agreement by making a public disclosure, "an application for protection is made by the applicant as SOON AS REASONABLY PRACTICABLE AFTER discovery of the non-authorized disclosure." NDA agreements that maintain confidentiality up to the date of filing the patent application are not generally used. "It is not uncommon for such agreements to

have a term of several years, or even an indefinite term . . . once . . . published, the NDA has no effect on subject matter."

Canada: So long as the information made under a NDA stays confidential, there is no destruction of novelty. A NDA signed after disclosure is acceptable. If the second party breaches the agreement by making a public disclosure, novelty is destroyed; but, Canada has a one year grace period (like US) to file a patent application after disclosure. An oral NDA is acceptable if the parties have a special relationship, such as partners to a joint venture, and an express declaration of confidentiality is not required. *LAC Minerals Ltd. V. Intern'l Corona Resources, Ltd*. 2 S.C.R. 574 (1989 Canadian Supreme Court). "A bare assertion by the disclosing party that information is confidential . . . or . . . silence would not in itself, amount to acceptance." NDA agreements that maintain confidentiality up to the date of filing the patent application are not generally used, but, would be valid. A more common agreement is one in which the party keeps the information confidential until the disclosing party discloses the information or the information enters the public domain.

Mexico: So long as the information made under a NDA stays confidential, there is no destruction of novelty. The NDA can be oral or written, so long as the party understands and holds the information in confidence. A NDA signed after disclosure is acceptable. The NDA can be general or specific, and may be several years old, and still protect against destruction of novelty. If the receiving party breaches a NDA, an inventor has 12 months grace period, like US, to file the patent application before the public disclosure destroys novelty. A broad general agreement will likely cover a disclosure so long as it fits within the subject matter of the agreement. NDA similar to those used in the US are probably effective.

Brazil: Brazil adopts absolute novelty. Any disclosure to the public in Brazil or abroad written or oral prior to the filing date of the patent application destroys novelty even if an NDA has been agreed upon by the parties. A NDA after the fact of disclosure destroys novelty. If a general confidentiality agreement is in place, novelty is preserved if the application is filed within the grace period. An oral assertion does not protect against destruction of novelty. NDA similar to those used in the US are used in Brazil. The last statement was "Owing to a grace period provision incorporated in the current law, novelty is likely to be preserved in most of the situation outlined in [the questionnaire] your letter."

2. Product Visibility and Loss of Novelty

Our questionnaire focused on the following basic fact scenario:

What is the impact of a product that is actually used, but is not visible by the public in normal use? For example, the product is part of a carburetor for an engine, and is included under the hood of a car. The owner of the car is under a duty of

confidentiality. The car is driven in the city, parked in public garages, etc. However, the carburetor is not visible without lifting up the hood.

As we modify the facts in this scenario as identified below, what impact is there upon loss of novelty:

a. Is there absolute novelty such that the patent application could be filed after the period of use in our example?
b. Is the novelty of any limited duration? Can the person use the car for years or decades under our facts, and still obtain patent protection?
c. If the hood is periodically opened during routine maintenance, and is potentially visible to the public, but the invention is inside the carburetor, and not visible unless the carburetor is dismantled, if any service that shows the carburetor (but not inside) a cause for loss of novelty.
d. If the invention is visible to a service attendant, is there absolute novelty if one cannot reverse engineer the invention without fully disassembling and investigating it utilizing diagnostic techniques and tools, which the service attendant would not have been able to do?
e. If the invention cannot be reverse engineered, can the inventor commercially use the invention for a period of years and then file for a patent application later? Is there a time limit?

Our respondents addressed the product visibility scenarios as follows:

> **UK:** Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as there is no enabling disclosure with losing novelty. In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there is likewise no loss of novelty. If the invention cannot be reverse engineered, the applicant can use the invention for years without loss of novelty, assuming no enabling disclosure is available to the public.
>
> **Germany:** Same as the UK except: the German Associate additionally opined that if the inventor allows the opening of the hood, and novelty is apparent by looking at the carburetor (not asked in our scenarios), then novelty is destroyed. But, if the party opening the hood breaches the implicit or explicit obligation of confidentiality, the result is a destruction of novelty UNLESS the disclosure occurred within SIX month before the actual filing date of the patent application, not the date of priority.

South Africa: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. However, as soon as a COMMERCIAL SALE OR SCALE of use is made, the invention is deemed prior art regardless of its visibility to the public. The novelty is not of limited duration, a person can use the car for years or decades so long as the invention is not used for commercial purposes. In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty except in the commercial use context. In the instance where the invention cannot be reverse engineered, and the applicant is commercially using the invention (albeit secret and not enable), the applicant destroys novelty as the use is now deemed prior art. No patent application can be granted on an invention "used secretly and on a commercial scale."

India: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as there is no enabling disclosure with losing novelty. In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty.

With respect to the situations where the invention is visible when the hood is opened, 1) but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, or 2) the invention cannot be reverse engineered, the Indian Associate wrote:

"This situation [1 and 2] would destroy novelty. The test is whether a skilled person would be in a position to arrive at the invention given the state of the art. If the invention is disclosed to a person skilled in the art before the filing date/priority date, the novelty . . . is lost." (This answer would require exploration, given the issues of the question.)

China: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as there is no enabling disclosure made know by the public in China. The Chinese Associate opined that where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there IS loss of novelty if the public could obtain the product. In the instance, where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there IS likewise loss of novelty.

But note that, the Chinese Associate stated that where the invention cannot be reverse engineered, such as a method for making the product, the inventor can obtain patent protection on commercial uses (assuming "invention is kept in confidence, and no one else made identical invention and filed same before the inventor's filing date").

South Korea: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as there is no enabling disclosure. In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty "if the attendant is not allowed to disassemble the carburetor." "When there is no opportunity to reverse engineer, there is no loss of novelty." "If reverse engineering is impossible, then the inventor's commercial use will not destroy novelty."

Japan: Under the above basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as confidentiality is kept.

In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there IS loss of novelty "unless specifically prohibiting the attendant from disassembling the carburetor, it is possible to disassemble it. In this context, the possibility of access to the invention cannot be negated. Thus, the invention is placed in publicly available situation and as such losses its novelty."

"If the owner of the vehicle prohibits the attendant from disassembling and investigating with diagnostic techniques and tools, we can say the invention was made publicly available even if the actual service attendant had lacked such capability. This is because the attendant may possibly have used specific diagnostic techniques and tools. Thus, the invention is placed in a publicly available situation. However, in the case the owner of the vehicle prohibits the attendant from full disassembly or checked if [attendant] had specific diagnostic techniques and tools prior to leaving the vehicle, we cannot say the invention is made publicly available."

If the invention cannot be reverse engineered, the applicant can use the invention for years without loss of novelty, assuming the information is not available to the public. The responses from Japan would require follow up clarification, probably due to language and translation issues.

Singapore: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as confidentiality is kept. In the instances where the invention is hidden within a carburetor, and the carburetor is visible upon opening the hood, there is no loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there IS loss of novelty "UNLESS there is a written contract stating prior agreement to maintain secrecy." If the invention cannot be reverse engineered, the Singapore Associate opined that "the invention would form the state of the art" so no patent application can be filed.

Philippines: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as confidentiality is kept. In the instances where the invention is hidden within a carburetor, and the carburetor is visible upon opening the hood, there is no loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there is likewise no loss of novelty. In the instance where the invention cannot be reverse engineered, and the applicant is commercially using the invention, novelty IS destroyed by its COMMERCIAL USE. However, there is a 12 month grace period so a patent application must be filed with 12 months of first commercial use.

Australia: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. However, as soon as a COMMERCIAL SALE OR SCALE OF USE is made, the invention is deemed prior art regardless of its visibility to the public. "There is a 12 month patent novelty grace period and any exempted use must derive from the inventor or applicant." There is an experimental use exception like US law, and an inventor must fall with that exception.

In the instances where the invention is hidden within a carburetor, and the carburetor is visible upon opening the hood, there IS loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there IS loss of novelty. "The disclosure need not teach how to work the invention."

Even if the invention cannot be reverse engineered, the applicant CANNOT commercially use the invention for years. "Generally if there has been commercialization of the invention, then novelty will be destroyed.

New Zealand: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and it was for the purpose of a reasonable trial, then a patent application can be filed after that period. However, as soon as a commercial sale is made, the invention is deemed prior art regardless of its visibility to the public. There is a 12 month patent novelty grace period for conducting a reasonable trial, and "application for protection is made within 12 months of first public trial."

In the instances where the invention is hidden within a carburetor, and the carburetor is visible upon opening the hood, there is NO loss of novelty if purpose is for a REASONABLE TRIAL. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there is NO loss of novelty if purpose is a reasonable trial.

Even if the invention cannot be reverse engineered, the applicant CANNOT commercially use the invention without destroying novelty.

Canada: Under the basic facts, absolute novelty is retained when the car is being driven around the city as the invention was not made "available to the public." The novelty is not of limited duration, a person can use the car for years or decades so long as the invention is not "available to the public." However, if a COMMERCIAL SALE OR OFFER TO SELL is made of an invention, and if it could have revealed the invention (although not done), then it is deemed an enabling disclosure. *Baker Petrolite Corp. v. Canwell Enviro-Indus., Ltd*, 17 C.P.R. 4th 478 (2002 Canadian Federal Court of Appeals). (leading case).

In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty assuming the attendant has no authorization to disassemble the carburetor. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tools are necessary, and the service attendant could not do the reverse engineering, there IS loss of novelty, because a person, not the attendant, could have reverse engineered the invention.

If the invention cannot be reverse engineered, the applicant can commercially use the invention for years without loss of novelty, assuming there is not an enabling disclosure to the public.

Mexico: Under the basic facts, absolute novelty is retained when the car is being driven around the city as the invention was not made "available to the public." The novelty is not of limited duration, a person can use the car for years or decades so long as the invention is not "available to the public." In the instances where the invention is hidden within a carburetor, but the carburetor is visible

upon opening the hood, there is NO loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tools are necessary, and the service attendant could not do the reverse engineering, there is no loss "so long as the invention requires reverse engineering to become disclosed." This answer would require follow up.

Brazil: Under the basic facts, absolute novelty is retained when the car is being driven around the city, and a patent application can be filed after that period. The novelty is not of limited duration, a person can use the car for years or decades so long as there is no enabling disclosure with losing novelty. In the instances where the invention is hidden within a carburetor, but the carburetor is visible upon opening the hood, there is no loss of novelty. In the instance where the invention is visible when the hood is opened, but disassembly and investigation using diagnostic techniques and tolls are necessary, and the service attendant could not do the reverse engineering, there is likewise no loss of novelty. If the invention cannot be reverse engineered, the applicant can use the invention for years without loss of novelty, assuming no enabling disclosure is available to the public. The Brazil responses to this and other questions would require follow-up.

C. The Doctrine of Equivalents

In the paper accompanying Part IX of this series, relatively extensive evaluation of the doctrine of equivalents in selected countries (UK, Germany, Japan, and China) was made. A copy of that document is found in the attached CD.

Even during prosecution practice, the availability of the doctrine of equivalents can be an important issue or factor for consideration. For example, as indicated above, the time period between the initial filing of the U.S. provisional application, and issuance in the foreign country, may be 5-8 years or more. If, during that time, the industry has reacted with design around literal coverage, the issue of coverage under the doctrine of equivalents is raised. Decisions to continue making investment for the protection in selected countries may turn and the question of likelihood of application of the doctrine of equivalents in that country, in a meaningful manner. As a start, the questionnaire included some background questions on the doctrine of equivalents for the fourteen countries involved. (Again, for certain countries a more detailed analysis is presented in the Part IX document in this series, included in the attached CD.) Also, of course, availability of the doctrine of equivalents is important in assessing clearance issues with respect to the country involved.

In this survey, only a relatively brief inquiry with respect to the doctrine of equivalents in the countries involved was made. Comments are briefly summarized as follows:

UK: The UK courts use "purposive constructions;" three protocol questions are asked: Does the variant have a material effect on the way the invention works? If

yes, variant outside of claim. Would the variant that has no material effect have been obvious at the date of publication to a reader skilled in the art? If no, variant is outside of claim. Would a reader skilled in the art nevertheless understood from the language of claim that the Patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, variant outside of claim.

Germany: (1) Accused device must solve the problem of the invention with means objectively having substantially identical effects; (2) skilled person using expert skills must be able to discover the modified means as having identical effects; (3) skilled person must base respective reflection on the meaning of the wording of the claim in a manner to take the accused device into consideration as a possible solution equivalent to the literal teaching of the claim. There is no file wrapper estoppel.

South Africa: Unsettled whether to use "pith and marrow" approach (see India) or "purposive construction of the claims (see UK)." Courts do frown upon person who attempts to evade claims by introducing non-essential features. Current case law suggests: doctrine of equivalents is only applicable in respect of non-essential features; no difference in principle between doctrine of mechanical equivalents and chemical equivalents; the fundamental idea is that a person should not be entitled to pirate an invention by substituting an equivalent for an unessential feature; in case of chemical equivalents, more difficult to claim to show the alleged infringer has used an equivalent, in that it is perceived as difficult to explain the behavior of chemical compositions, and why and how they react in order to achieve a particular result, also there is the added difficulty in predicting how different chemical substances in combination will behave under varying circumstances. Prosecution history is relevant.

India: India law has developed very few cases. Doctrine of equivalents is available. Any invention which is a workshop variant, or which borrows from the pith and marrow of the invention as claimed would be considered as equivalent. The examination report and other documents issued by patent office are not available to public. Court can ask for prosecution documents. (If court does not ask for them, no prosecution history estoppel.) No decided case on prosecution history estoppel in India.

China: "Same overall function in substantially the same way to achieve substantially the same result;" people skilled in the art can conceive of equivalent without inventive work; typically found with: simple replacement of parts or exchange of steps; equivalent substitute; decomposing or combining technical features; intentionally omitting technical feature. File wrapper estoppel is available.

South Korea: Available under the following conditions: (i) alleged product or method has the same technical idea or identical principle to overcome a problem as the patented invention; (ii) replaced element has substantially the identical function, way and result to the claimed invention; (iii) replacement can easily be made by an ordinary person skilled in the art; (iv) alleged product or method is not identical to and cannot be easily made by an ordinary skilled person from prior art at time of filing patent; (v) replacement element is not one argued to the contrary through the prosecution of the applicant/patentee.

Japan: Five point test for availability: (1) insubstantial difference; (2) substitutability; (3) ease of substitution; (4) substitution not obvious considering the state of the art at the patent filing date; (5) file wrapper estoppel.

Singapore: Singapore courts follow purposive approach of UK.

Philippines: The doctrine of equivalents is available; infringement occurs when "a device appropriates prior invention by incorporating its innovative concept and *albeit* with some modification change, performs substantially the same function in substantially the same way to achieve substantially the same result." Prosecution history is relied upon to identify inventive features and extent of protection allowable.

Australia: No doctrine of equivalents analogous to U.S. practice. (This answer begs the question of whether there is some other principle that should be considered.)

New Zealand: No doctrine of equivalents *per se*, but does us UK "purposive construction."

Canada: Uses purposive construction. File wrapper not relevant. Issue of purposive construction is to define which claim terms are essential and which are not essential. If element not essential, substitution or omission may still be infringement. Identification of which elements are essential and non-essential is to be made: (1) on the basis of the common knowledge of the worker skilled in the art to which the patent relates; (2) as of the date the patent is published; (3) having regard as to whether or not it obvious to the skilled reader at the time the patent was published that a variant of a particular element would not make a difference to the way in which the invention works, or (4) according to the intent of the inventor, expressed or inferred from the claims, that a particular element is essential irrespective of its practical effects; (5) without, however, resort to extrinsic evidence of the inventor's intention.

Mexico: Doctrine of equivalents is not available in Mexico.

Brazil: No current recognition of doctrine of equivalents under Brazilian law. The general understanding is that protection may eventually expand to equivalent means that did not exist at the time the patent was granted or when the application was filed.

In developing your model for investment decisions, you can explore with specificity for the technology of concern to you, the availability of the doctrine of equivalents and its meaning in the countries at issue. This can help you to determine when a patent or application offers no longer has sufficient scope or enforcement capability to be a significant asset to retain in the portfolio, with concomitant investment costs.

It is important to understand that the information presented in the survey, is not intended to be a full and complete analysis of the questions in this state of the law in these countries. Rather, it does help show how initial questions and answers will not typically be sufficient for a full evaluation of the law, to support your clients needs. Well-trained counsel and the issues of technology in you client, rounds of discussions on legal points, will be needed to fully develop the issues satisfactorily for counseling, which affect your client's investments.

D. Patent Application Preparation and Format: Dependent Claims

As you identify the key countries of concern, you can develop a basis of information regarding preferred patent application formats and approaches for practice in those countries. One such issue we explored, was the use of dependent claims. We have collected some general information summarized as follows:

UK: Has principle of "repercussive effect" similar to doctrine of claim differentiation; each claim considered separately for validity; for UK invalidity proceedings, the court only considers independent claims; dependent claim can be written in a way that it removes limitation of independent claim and still be valid.

Germany: No principle of claim differentiation; presumption of validity for each claim; dependent claim cannot remove limitation of independent claim.

South Africa: Patent validity stands on validity of independent claims.

India: Apparently, independent and dependent claims are considered separately with respect to validity; in India, it is good strategy to have fewer dependent claims.

China: Validity of dependent claims evaluated independently.

South Korea: Does not recognize doctrine of claim differentiation; if no substantial difference found between independent and dependent, dependent may

be rejected as being surplus; each claim considered separately for validity; dependent claims are useful in Korea;

Japan: No doctrine of claim differentiation; each claim considered separately for validity;

Singapore: There is no contributory infringement in Singapore, so beware of "in use" limitations and territorial limitations; claims separately evaluated for validity;

Philippines: Principle of claim differentiation is practiced; dependent claims are considered valid independently of independent claims;

Australia: There is a principle of claim differentiation; each claim considered separately with respect to validity;

New Zealand: No principle of claim differentiation; patent is invalid if one or more claims is held invalid, but there is ability to make amendments to render invalid claims valid;

Canada: No principle of claim differentiations; separate assessment of validity from independent claims;

Mexico: There is apparently a doctrine of claim differentiation; dependent claims are valid separately from independent claims;

Brazil: Patent validity stands on validity of independent claim.

From the above, it can be seen that dependent claim use strategy is different, among the various countries. This should be taken into account in preparing the application for best enforcement strategy (and thus return on investment) in each country.

V. Some Concluding Thoughts

The over-the-wall approach is an ineffective way to obtaining good enforceable rights on a global basis. Improvements are needed.

A useful methodical approach involves developing a model that coordinates such factors as:

1. expected long-term budget;

2. improved patent writing for cost-effective global prosecution;

3. prioritization of countries for distribution of investment assets;

4. prioritization of selected claims and claim scope for investment;

5. training of foreign counsel in the issues of particular importance, for recommendations; and

6. early review of the issues of protection and enforcement in the countries of interest, so as to guide prosecution choices and decision-making.

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APPENDIX A
Example COST MODEL for "Over-The-Wall"

ASSUMPTIONS MADE
Cost Model for IP Protection

5 provisional applications drafted per year, at $7000 per application
    50 page spec, 10 figures on 10 sheets, 10 claims

US and PCT applications filed for each provisional
    EP search
    Demand filed for 2 of 5 PCT applications

2 US Office Actions and Responses, at $1500 each

US continuation/divisional filed for 2 of 5

National stage in CA, MX, EP, JP, CN, KR

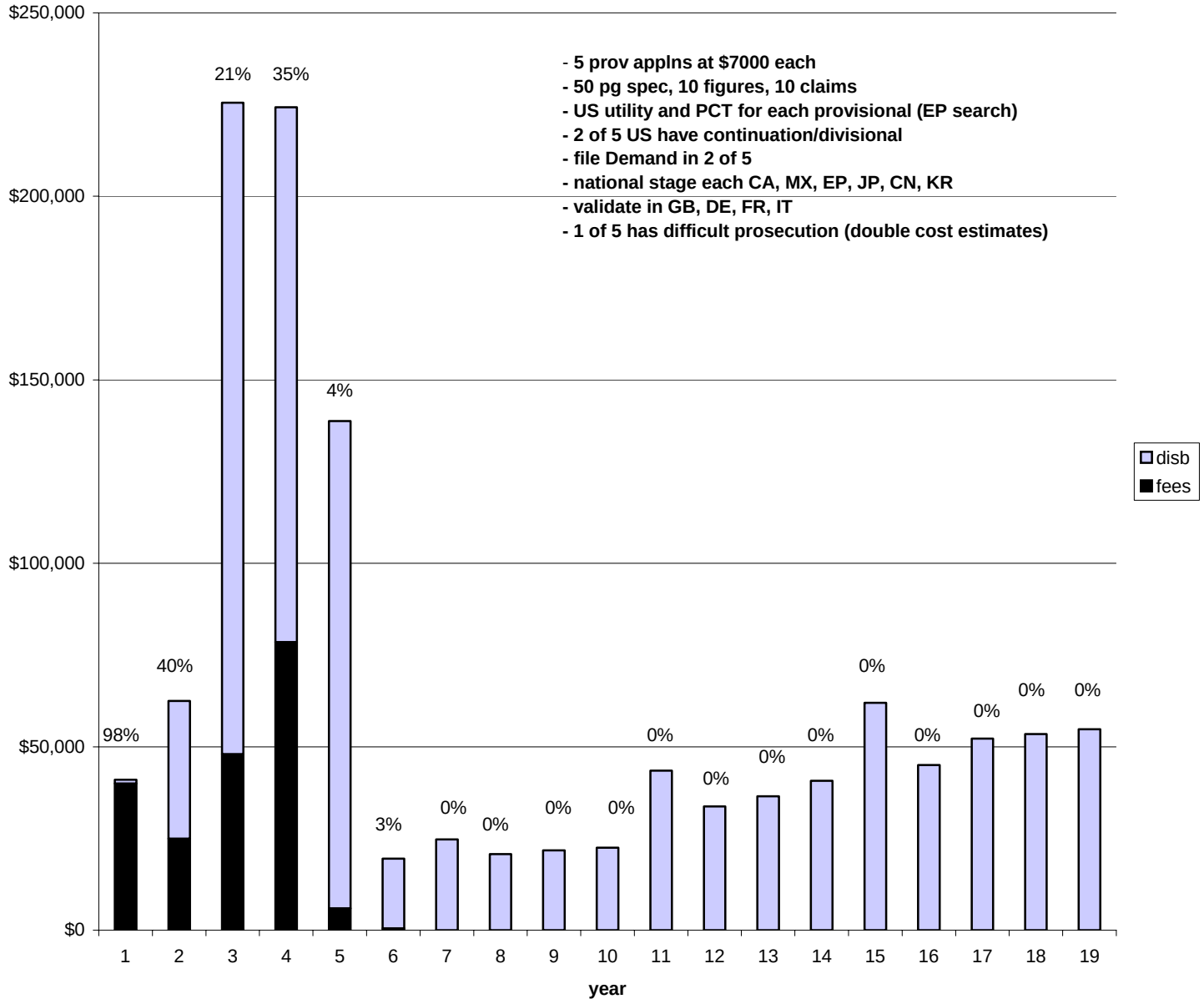
2 OUS Office Actions and Responses, at $1000 US attorneys fees, $1000-$2000 OUS attorneys fees

1 of 5 families has difficult prosecution (double US and OUS attorney fees)

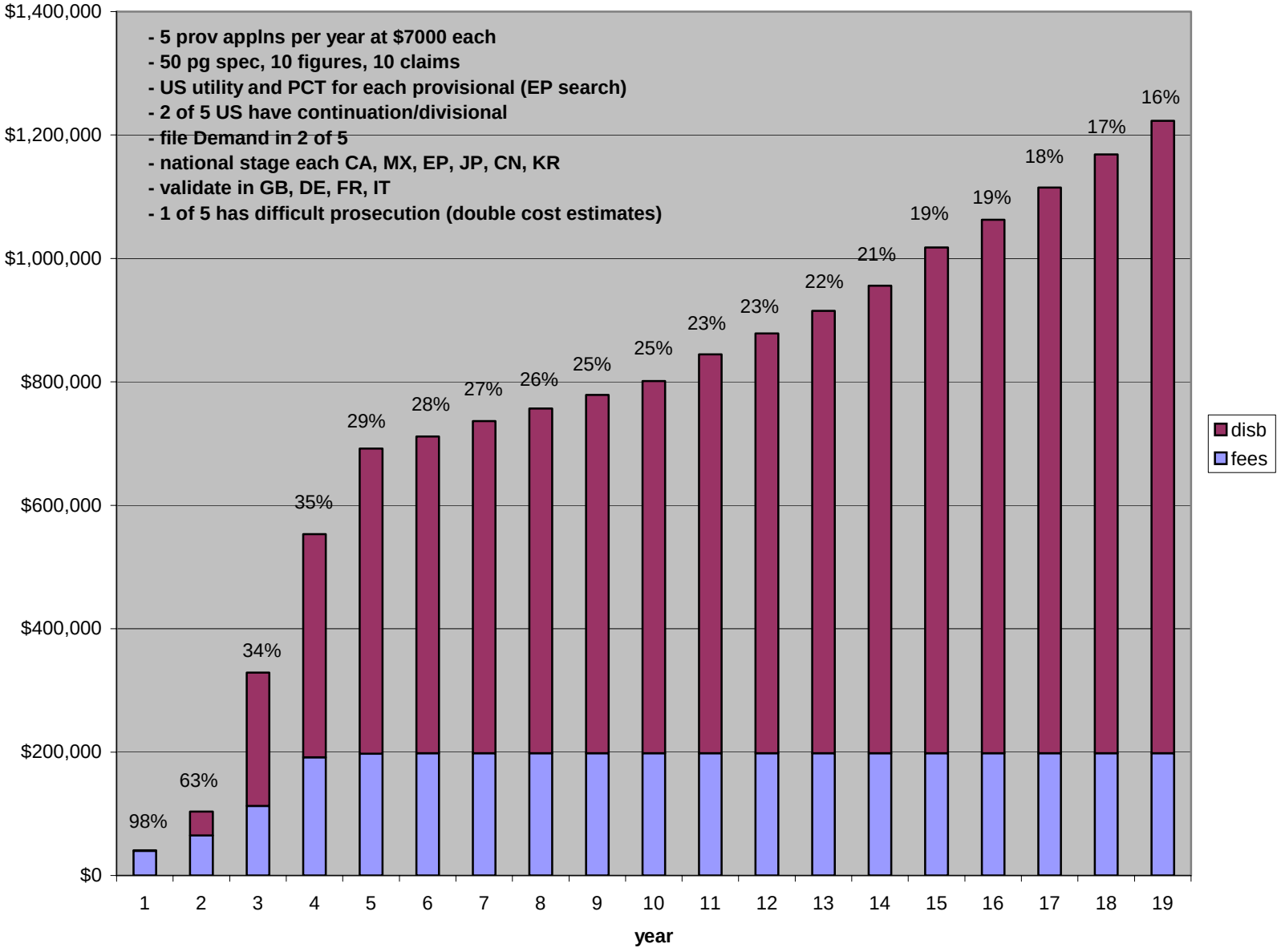
validate EP in GB, DE, FR, IT

2005 annuity/maintenance fee amounts used; rounded

Cost Model for 1 Year of IP Protection
(% is US attorney fees as % of total)



Cost Model for Cumulative IP Protection
(% is the US attorney fees as % of total)



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APPENDIX B
International Cost Comparison of 50 page vs 30 page Application

50 Page Application

- **20 Claims**
- **3 Independent Claims**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **Assumption was annuity schedule of 2005**

Country	Cost of Filing/At Grant	Cost of Translation	Prosecution	Annuities	**Total**
Australia	$3,994	$0	$2,500	$8,850	
Brazil	$6,067	$2,500	$2,500	$15,541	
Canada	$3,449	$0	$2,500	$7,940	
China	$5,528	$2,800	$2,500	$13,691	
European Patent Office	$9,001	$764	$2,500	$1,442	
India	$2,882	$0	$2,500	$9,216	
Israel	$2,478	$0	$2,500	$5,143	
Japan	$11,922	$6,443	$2,500	$20,308	
Korea (South)	$8,856	$4,400	$2,500	$32,022	
Mexico	$6,053	$2,415	$2,500	$8,205	
New Zealand	$2,556	$0	$2,500	$2,655	
Philippines	$2,398	$0	$2,500	$11,120	
Russian Federation	$6,573	$2,750	$2,500	$13,280	
Singapore	$2,311	$0	$2,500	$7,732	
South Africa	$1,854	$0	$2,500	$4,307	
Total	$75,922	$22,072	$37,500	$161,452	$296,946
Comparison to 30 page application	+ $13,337	+ $8,523	+ $0	+ $15,171	+$37,031

50 Page Validation Application

- **20 Claims**

Country	Cost of Filing/At Grant	Cost of Translation	Annuities	
France	$4,945	$3,546	$9,503	
Germany	$5,346	$3,819	$20,908	
Italy	$4,824	$3,500	$13,763	
Spain	$5,761	$3,637	$10,744	**Total**
United Kingdom	$1,082	$0	$9,384	
Total	$21,958	$14,502	$64,302	$100,762
Comparison to 30 page application	+ $6,377	+ $6,129	+ $0	+$12,506

30 Page Application

- **10 Claims**
- **3 Independent Claims**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **Assumption was annuity schedule of 2005**

Country	Cost of Filing/At Grant	Cost of Translation	Prosecution	Annuities	**Total**
Australia	$3,782	$0	$2,500	$8,850	
Brazil	$4,557	$1,500	$2,500	$15,541	
Canada	$3,419	$0	$2,500	$7,940	
China	$4,020	$1,680	$2,500	$13,691	
European Patent Office	$7,862	$764	$2,500	$1,442	
India	$2,484	$0	$2,500	$9,216	
Israel	$2,448	$0	$2,500	$5,143	
Japan	$8,897	$3,866	$2,500	$15,882	
Korea (South)	$6,010	$2,640	$2,500	$22,269	
Mexico	$4,827	$1,449	$2,500	$8,205	
New Zealand	$2,526	$0	$2,500	$2,655	
Philippines	$2,205	$0	$2,500	$10,128	
Russian Federation	$5,443	$1,650	$2,500	$13,280	
Singapore	$2,281	$0	$2,500	$7,732	
South Africa	$1,824	$0	$2,500	$4,307	
Total	$62,585	$13,549	$37,500	$146,281	$259,915
Comparison to 50 page application	- $13,337	- $8,523	- $0	- $15,171	-$37,031

30 Page Validation Application

- **10 Claims**

Country	Cost of Filing/At Grant	Cost of Translation	Annuities	**Total**
France	$3,369	$1,970	$9,503	
Germany	$3,648	$2,121	$20,908	
Italy	$3,424	$2,100	$13,763	
Spain	$4,058	$2,182	$10,744	
United Kingdom	$1,082	$0	$9,384	
Total	$15,581	$8,373	$64,302	$88,256
Comparison to 50 page application	- $6,377	- $6,129	- $0	-$12,506

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APPENDIX C
2005 Cost Based Estimates for Applications
In Selected Countries

Country: Australia

Filing Cost: $3,994

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $677 (total)

Annuities years 7-10: $1,764 (total)

Annuities years 11-20: $6,409 (total)

Total cost: $15,344

Country: Brazil

Filing Cost: $6,067

Translation Cost: $2,500

Prosecution: $2,500 (assumed)

Annuities years 1-3: $612 (total)

Annuities years 4-6: $1,836 (total)

Annuities years 7-10: $3,128 (total)

Annuities years 11-20: $9,965 (total)

Total cost: $26,608

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: Canada

Filing Cost: $3,449

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $610 (total)

Annuities years 4-6: $1,079 (total)

Annuities years 7-10: $1,588 (total)

Annuities years 11-20: $4,663 (total)

Total cost: $13,889

Country: China

Filing Cost: $5,528

Translation Cost: $2,800

Prosecution: $2,500 (assumed)

Annuities years 1-3: $783 (total)

Annuities years 4-6: $924 (total)

Annuities years 7-10: $1,921 (total)

Annuities years 11-20: $10,063 (total)

Total cost: $24,519

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: European Patent

Filing Cost: $9,001

Translation Cost: $764

Prosecution: $2,500 (assumed)

Annuities years 1-3: $706 (total)

Annuities years 4-6: $736 (total)

Annuities years 7-10: $0 (total)

Annuities years 11-20: $0 (total)

Total cost: $13,707

Country: India

Filing Cost: $2,882

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $572 (total)

Annuities years 4-6: $970 (total)

Annuities years 7-10: $1,750 (total)

Annuities years 11-20: $5,924 (total)

Total cost: $14,598

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: Israel

Filing Cost: $2,478

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $403 (total)

Annuities years 4-6: $0 (total)

Annuities years 7-10: $488 (total)

Annuities years 11-20: $4,253 (total)

Total cost: $10,122

Country: Japan

Filing Cost: $11,922

Translation Cost: $6,443

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $1,104 (total)

Annuities years 7-10: $3,479 (total)

Annuities years 11-20: $15,725 (total)

Total cost: $41,173

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: South Korea

Filing Cost: $8,856

Translation Cost: $4,400

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $2,190 (total)

Annuities years 7-10: $4,913 (total)

Annuities years 11-20: $24,919 (total)

Total cost: $47,778

Country: Mexico

Filing Cost: $6,053

Translation Cost: $2,415

Prosecution: $2,500 (assumed)

Annuities years 1-3: $939 (total)

Annuities years 4-6: $1,014 (total)

Annuities years 7-10: $1,552 (total)

Annuities years 11-20: $4,690 (total)

Total cost: $19,163

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: New Zealand

Filing Cost: $2,556

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $396 (total)

Annuities years 7-10: $526 (total)

Annuities years 11-20: $1,733 (total)

Total cost: $7,711

Country: Philippines

Filing Cost: $2,398

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $798 (total)

Annuities years 7-10: $1,836 (total)

Annuities years 11-20: $8,486 (total)

Total cost: $16,018

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: Russian Fed.

Filing Cost: $6,753

Translation Cost: $2,750

Prosecution: $2,500 (assumed)

Annuities years 1-3: $345 (total)

Annuities years 4-6: $1,135 (total)

Annuities years 7-10: $2,000 (total)

Annuities years 11-20: $9,800 (total)

Total cost: $25,283

Country: Singapore

Filing Cost: $2,311

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $0 (total)

Annuities years 4-6: $704 (total)

Annuities years 7-10: $1,588 (total)

Annuities years 11-20: $5,440 (total)

Total cost: $12,543

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

Country: South Africa

Filing Cost: $1,854

Translation Cost: $0

Prosecution: $2,500 (assumed)

Annuities years 1-3: $243 (total)

Annuities years 4-6: $733 (total)

Annuities years 7-10: $997 (total)

Annuities years 11-20: $2,334 (total)

Total cost: $8,661

- **50 Page Application**
- **Assumes no change in annuity fees from 2005 schedule**
- **Prosecution costs were simply assumed and plugged in at $2,500 each**
- **The "total" reference is meant to the total in the time period**

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APPENDIX D
Abbreviated Responses From Foreign Counsel
Regarding Divisional Practice

Divisional Applications – European Patents

•Divisional applications may be filed relating to any pending European patent application (including any pending divisional application).

•An application is pending until the date of publication of the mention of the grant or until the date the application is refused, withdrawn or deemed to be withdrawn.

•A divisional application may not designate a State not designated in the parent application.

•Duly filed divisional applications may retain the filing (and priority) date of the parent application provided they do not extend beyond the contents of the parent application as filed.

•Note at the time of filing, back taxes must be paid. Three to four years of back taxes will be required from the filing date of the international application.

Divisional Applications - Australia

•Divisional applications are permitted in Australia.

•A divisional application cannot be filed if the parent application/patent has been refused, lapsed or withdrawn.

•A divisional application claiming any matter disclosed in a complete specification may be filed at any time up until 3 months after the advertisement of acceptance of the parent application.

•After this date a divisional application may be filed only claiming matter falling within the scope of the accepted claims of the parent application.

•The parent application must be still pending, even though accepted.

•Once grant occurs it is no longer possible to file a divisional application.

•The costs for filing a divisional application are approximately the same as filing a new application.

Divisional Applications - Brazil

- Divisional applications are permitted in Brazil.
- The divisional application shall receive the filing date of the original application and shall benefit from its priority date.
- With regard to the costs associated with filing a divisional application, they are approximately the same costs related to those for filing the main application.

Divisional Applications - China

- Divisional applications are permitted in China.
- A divisional application can be filed as long as the parent application is pending.
- The expiration date for filing a divisional application is 2 months from the receipt date of a notice of intent to grant.
- The cost for filing a divisional is approximately the same as filing a new application.

Divisional Applications - India

- Divisional applications are permitted in India.
- The divisional application must be filed prior to the date of grant of the Patent Application.
- Once an Examination Report is issued, a 6-month deadline is set for responding to the Examination Report, conducting prosecution including interview with the Examiner and placing the application in condition for grant.
- All divisional applications must be filed prior to the day the application is found in order for grant.
- Request for Examination must be filed within 30 months from the date of filing of the application.
- Usually the Patent is granted in India within 2 years from the date of filing.

Divisional Applications – South Korea

- Divisional applications are permitted in Korea.
- The filing must be before a Notice of Preliminary Refusal or an Allowance for the application, within the time limit designated for submission of an argument in response to a Notice of Preliminary Refusal and within 30 days from the filing date of an appeal against a decision of final refusal.
- The official cost for filing a divisional application is the same as those related to the filing of a new application.

Divisional Applications – New Zealand

- It is possible to file a divisional application at any time before acceptance of the parent application.

Divisional Applications – Philippines

•It is permissible under existing practice to file divisional applications in the Philippines.

•A voluntary divisional application may be filed before the parent application is withdrawn, abandoned or patented.

•A divisional application carved out of an initial parent application that has been divided out must be filed before the patent application is withdrawn, abandoned or patented and within four months after the requirement to divide becomes final.

•The costs associated with the filing of a divisional application are approximately the same as the costs related to the filing of a new application.

Divisional Applications – Singapore

- It is permissible under existing practice to file divisional applications in Singapore.
- Statutory requirement for filing divisional applications is the date upon which the Registrar is satisfied the parent can proceed to grant.
- The costs associated with filing a divisional application are approximately the same as filing a new application.

Divisional Applications – South Africa

- South Africa does permit the filing of divisional applications.
- The divisional applications must be filed prior to the publication of acceptance of the mother application.
- The costs of filing a divisional are approximately the same as the costs of filing a new application.