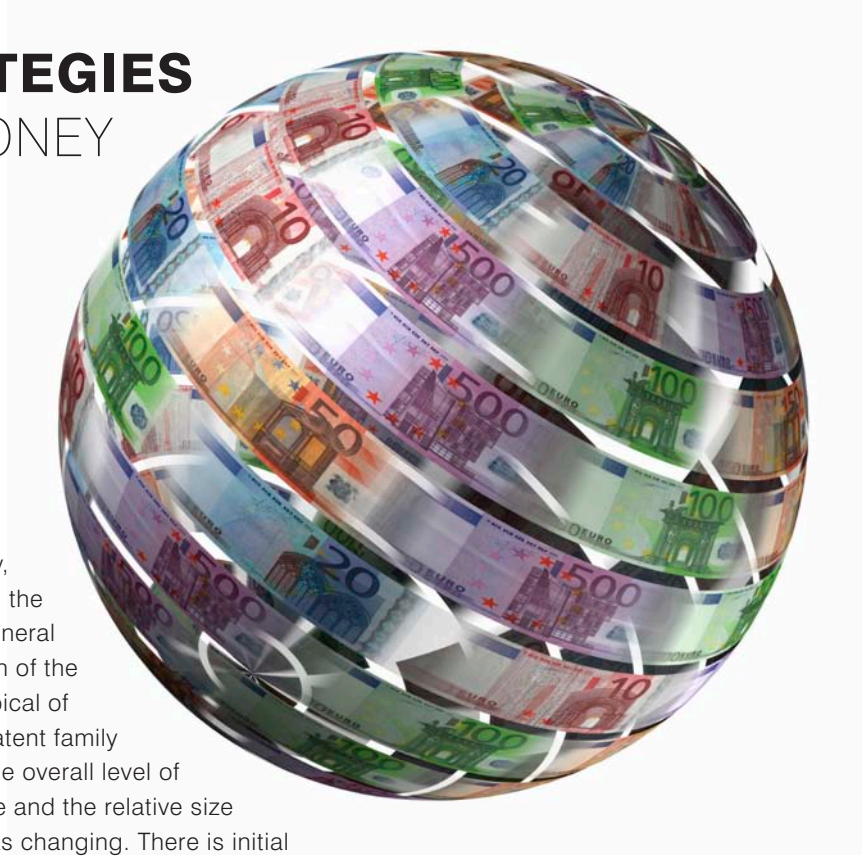
D YOUNG & CO

PATENT NEWSLETTER

August 2009

GLOBAL FILING STRATEGIES
GET MORE FOR YOUR MONEY



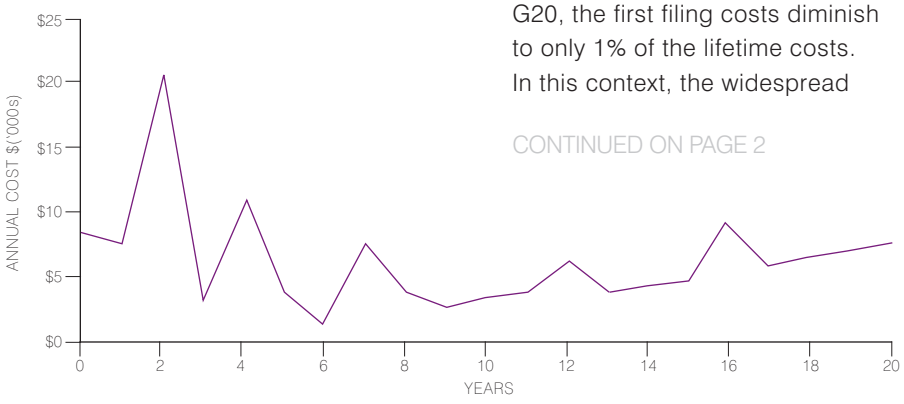
The cost of the patenting process has always been important, and in the current climate even more so than usual. Most organisations will continue to file patent applications for their new inventions in the same quantities as usual, while at the same time thinking carefully about how widely they file, and also critically assessing whether to maintain existing patents.

In this article we focus on the question of where to file, since this has a major impact on the overall cost of a patent family, i.e. one invention protected in multiple jurisdictions with corresponding patents. The 20-year lifetime costs of a patent family consisting of US and Japanese patents and a European patent extending to Germany, France and the UK will amount to one or two hundred thousand dollars, whereas a more extensive filing program covering the world's 20 largest economies (G20) and the whole EU will result in lifetime costs of the order of one million dollars.

Figure 1 (below) is a graph showing annual cost over the lifetime of a patent family filed in the US, Japan and the EPO after PCT, with the EPO case being validated in Germany, France and the UK. The general progression of the costs is typical of any PCT patent family with only the overall level of expenditure and the relative size of the peaks changing. There is initial modest cost for the first filing (Year 0), a peak for the national phase filings at the end of PCT (Year 2), a second peak around examination of the cases (Year 4), and a third peak (Year 7) for the EPO grant and validation costs. After about Year 9, the costs are governed by maintenance fees which gradually rise until expiry at Year 20. As an aside, it is noted that even with this small patent family the costs of the first filing amount to only 7% of the lifetime costs. With a more extensive patent family covering G20, the first filing costs diminish to only 1% of the lifetime costs. In this context, the widespread

CONTINUED ON PAGE 2

FIGURE 1: PATENT FAMILY COSTS



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price sensitivity to drafting costs is difficult to rationalise.

Since the London Agreement came into effect in 2008, the cost of a narrow EPO validation has reduced dramatically as a result of abolition of the translation requirement for the UK, France and Germany. On the other hand, the cost of a wide EPO validation has not changed a great deal, since most of the smaller European countries which are captured with a more extensive validation pattern have not joined the London Agreement. The PCT national phase peak will also scale with size of the specification and hence translation cost, as will the EPO validation peak if the case is validated in countries which require translation of the specification.
To measure the value for money of filing in different jurisdictions, we use a dimensionless number for "patenting value" based on the ratio of the wealth of that country, as quantified by its gross domestic product (GDP), divided by the cost of patenting in that country, as quantified by lifetime cost of the patent. We first created this measure a few years ago based on 2005 figures. We have now repeated the exercise based on 2008 figures.

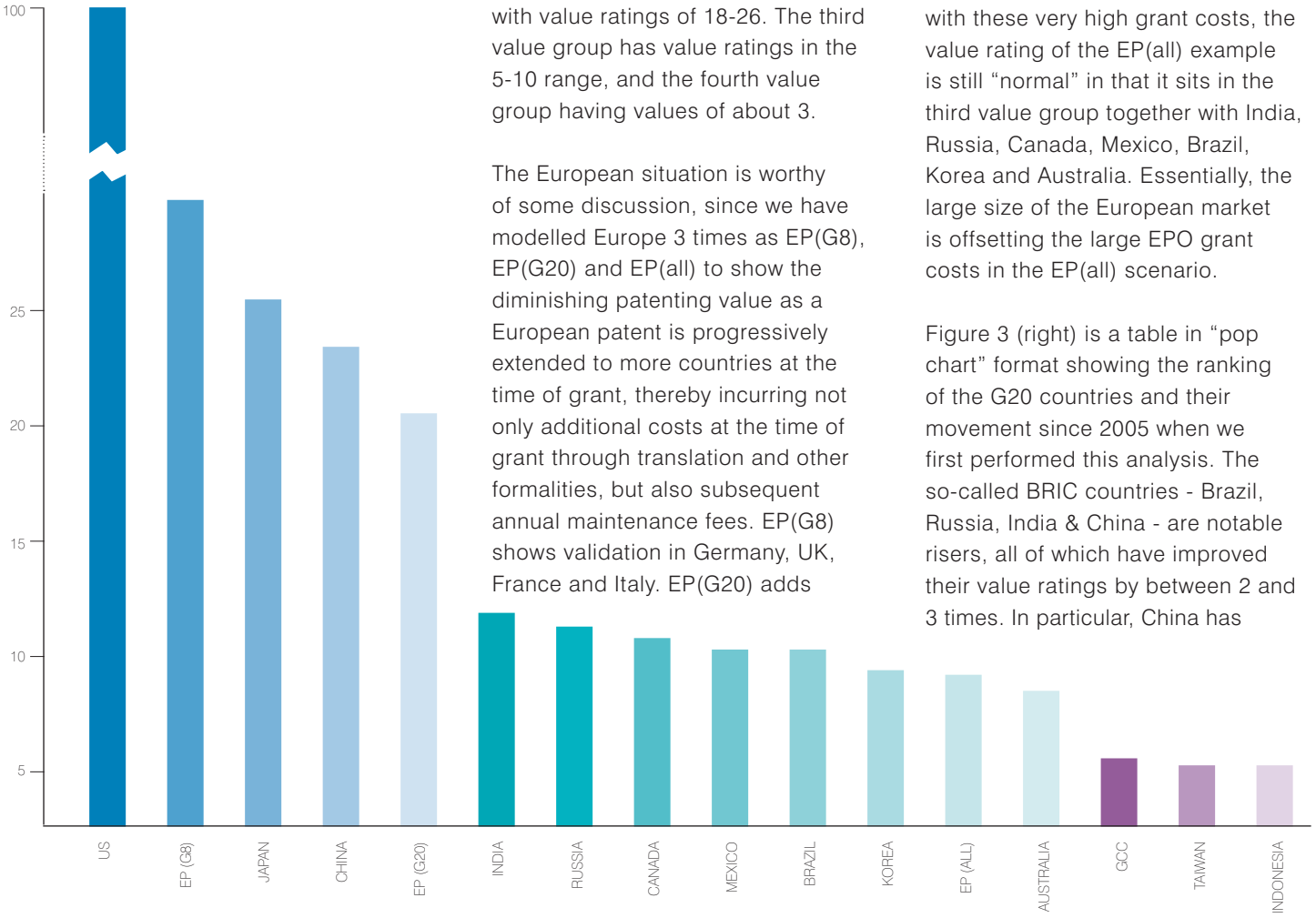
Figure 2 (below) is a bar chart showing the patenting value for the G20 countries, i.e. the 20 nations with the highest GDP (which includes 9 European countries). The value ratings are normalised to set the US value to 100. Unsurprisingly, the US comes out top, since it has the world's largest economy and relatively cheap patenting costs. The other countries sit in a further 3 distinct value bands. Europe, Japan and China form the second band with value ratings of 18-26. The third value group has value ratings in the 5-10 range, and the fourth value group having values of about 3.

The European situation is worthy of some discussion, since we have modelled Europe 3 times as EP(G8), EP(G20) and EP(all) to show the diminishing patenting value as a European patent is progressively extended to more countries at the time of grant, thereby incurring not only additional costs at the time of grant through translation and other formalities, but also subsequent annual maintenance fees. EP(G8) shows validation in Germany, UK, France and Italy. EP(G20) adds Spain, the Netherlands, Poland and Turkey. EP(all) assumes validation in all of the 36 EPC states.

The example of a narrowly validated European patent - EP(G8) - comes out the best value of all patents after the US. With a wider EP(G20) validation, a European patent moves back behind Japan and China, but remains in the second highest value group. Finally, the EP(all) example is relevant for pharmaceutical inventions. Here, validation in all EP states, or at least all that belong to the EU, is generally viewed as necessary to safeguard against grey imports. A further exacerbating cost factor with pharmaceutical inventions is that the specifications are often long owing to drafting practice in this field. Typical costs of such an EP(all) validation are $100,000 to $250,000, making this the largest cost event in the lifetime of the patent family. What is striking is that, even with these very high grant costs, the value rating of the EP(all) example is still "normal" in that it sits in the third value group together with India, Russia, Canada, Mexico, Brazil, Korea and Australia. Essentially, the large size of the European market is offsetting the large EPO grant costs in the EP(all) scenario.

Figure 3 (right) is a table in "pop chart" format showing the ranking of the G20 countries and their movement since 2005 when we first performed this analysis. The so-called BRIC countries - Brazil, Russia, India & China - are notable risers, all of which have improved their value ratings by between 2 and 3 times. In particular, China has

FIGURE 2: PATENTING VALUE RATINGS



now moved into the second value group joining Japan and Europe. The value rating of Korea has also risen dramatically, whereas Taiwan remains with an unchanged poor value rating.

Since patents last for 20 years, it would be interesting to know where one should file today to be in a good position in 5 or 10 years' time. A prediction could be made by extrapolating forward with differential GDP growth rates. The size of the changes over the last 3 years shows that the value ratings change quickly if there are large differential growth rates.

The observed changes in the value ratings since 2005 have been largely driven by GDP changes, rather than the effect of cost changes in the legal systems and that is expected to be the dominant effect in the future. However, if a unitary EU patent is ever agreed upon, the detail of how this is done will have a significant effect on the value rating of a European patent. At present, applicants have a spectrum of choice spanning the three EP examples illustrated which lie in a value range of 6-26. The effect of a unitary EU patent would be to fix the value rating of a European patent somewhere within this range. In the best case this would be at the low cost end, in which case all applicants would benefit either in terms of reduced cost or extended coverage. On the other hand, an expensively priced EU patent would make national filings better value than EPO filings for applicants who only need to obtain protection in a few key European countries.

In summary, the value rating is an interesting measure that provides a clear ranking between jurisdictions. The value ratings show that a traditional "electronics" filing strategy of Europe, US and Japan was justified, but should now be supplemented with China.

The value ratings also show that the EPO system has reasonable value even when a European patent is validated in all EPC states. Finally, the significant ranking changes that have occurred over the relatively short period since we first made these studies show the importance of predicting future trends in the world economy when deciding where to file today.

MILES HAINES
BENJAMIN HUSBAND

FIGURE 3: PATENTING VALUE CHART

	POSITION		COUNTRY	VALUE RATING
NON MOVER	1		US	100
NON MOVER	2		EP (G8)	26
NON MOVER	3		Japan	22
UP ONE	4		China	20
DOWN ONE	5		EP (G20)	18
UP TWO	6		India	9
UP SIX	7		Russia	8
DOWN TWO	8		Canada	8
DOWN TWO	9		Mexico	7
UP ONE	10		Brazil	7
UP THREE	11		Korea	6
DOWN THREE	12		EP (all)	6
DOWN THREE	13		Australia	5
NEW ENTRY	14		GCC	3
DOWN THREE	15		Taiwan	3
NEW ENTRY	16		Indonesia	3

HOFFMAN LA ROCHE PATENT EP 0 689 437B
OBVIOUS ACCORDING TO EPO BOARD OF APPEAL

On 1 April 2009, Neil Nachshen represented Teva Pharmaceutical Industries Ltd in an appeal against the EPO's Opposition Division, upholding EP 0 689 437B.

EP 0 689 437B (Proprietor: Hoffman La Roche) relates to the use of granisetron, a $5HT_3$ antagonist for the prevention and treatment of post-operative nausea and vomiting (PONV). PONV is clearly an important side effect associated with surgery and can lead to increased length of hospital stay. An opposition was filed and initially rejected by the Opposition Division. The Opposition alleged that as the prior art disclosed the activity of the related $5HT_3$ antagonist ondansetron for use in PONV, the skilled person would follow a general review suggesting that $5HT_3$ antagonist in general would be useful in this disorder. It was acknowledged that both compounds were known to act as anti-emetics in treating cisplatin-induced vomiting, i.e. vomiting induced by chemotherapy. However, the Patentee convinced the Opposition Division that, based on one paper describing the opposite effect of both granisetron and ondansetron on ferrets, the skilled person would not be convinced that they would have similar activity in man.

On Appeal, evidence was submitted that the trend of activity of $5HT_3$ antagonists from chemotherapy induced vomiting to PONV was not limited to ondansetron. As the Appellant, Teva were able to demonstrate that before the priority date, at least four $5HT_3$ antagonists known to be of use against chemotherapy induced vomiting, had subsequently been shown to be active in PONV and indeed, ondansetron had received Regulatory Approval for this indication. This gave greater weight to the review article on PONV which indicated that in the absence of a reliable animal model of PONV, if the role of ondansetron was established in this disorder, a key to further agents based on the antagonism of $5HT_3$ may be established.

Having built up this weight of evidence, the Board of Appeal were convinced that the animal data relied upon by the Patentee to demonstrate ambiguity in the field had been overcome and the claimed subject matter was held to lack an inventive step.

NEIL NACHSHEN

UK-KOREA PATENT PROSECUTION HIGHWAY

The United Kingdom Intellectual Property Office (UKIPO) and the Korean Intellectual Property Office have recently both signed a joint statement setting out their intention to implement a pilot "Patent Prosecution Highway" (PPH). The pilot program, initially lasting 12 months, will commence on 1 October 2009.

Under this new pilot program (as with other PPH agreements) an Applicant whose application contains at least one claim which has been found to be allowable by the office of first filing (OFF) can benefit from accelerated examination by the office of second filing (OSF).

In making the application, Applicants must provide information relating to the application filed at the OFF and how the claims in that application relate to the application submitted to the OSF.

This latest PPH agreement supplements the existing agreements the UKIPO has with the United States Patent and Trademark Office (USPTO) and the Japanese Patent Office (JPO).

As well as direct national applications, the PPH agreements can be applied to national applications stemming from PCT applications. After national phase entry into a PPH participating country, and assuming the national office finds in favour of patentability, the relevant "Highway" can then be applied to accelerate prosecution in other jurisdictions.

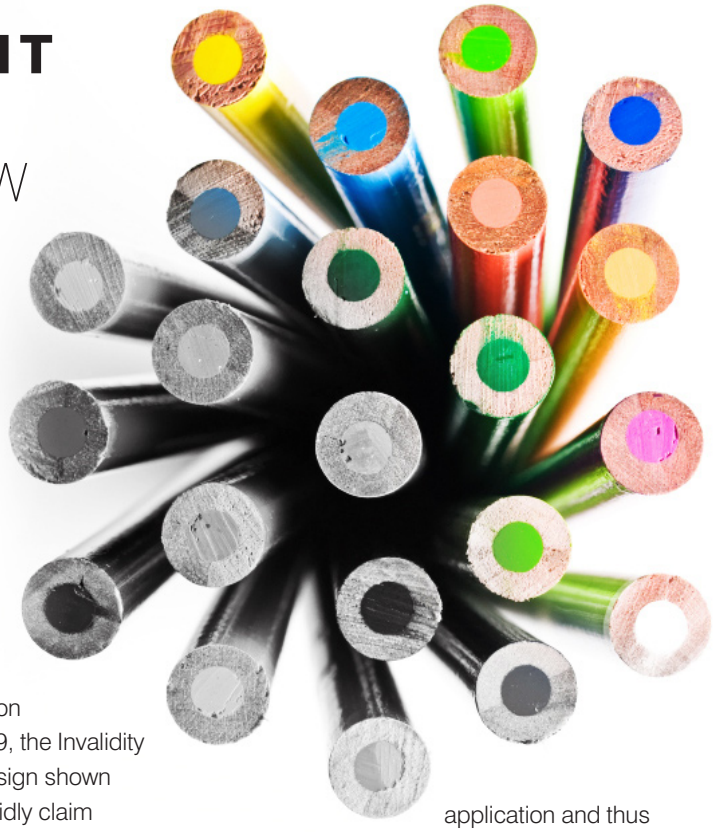
A corresponding scheme which has been in place between the European Patent Office and United States Patent and Trademark Office since September 2008 comes to an end later this year. The findings of the scheme, as well as a decision on the possible extension of the scheme for a further year, are expected in the coming months.

For further information please contact your usual D Young & Co representative.

ANTHONY ALBUTT

PRIORITY ENTITLEMENT FOR DESIGNS

IT'S ALL BLACK AND WHITE NOW



Practitioners are familiar with patent law applying the "same invention" test to deciding whether priority can validly be claimed by a later patent application, and a lot of case law has built up over the years.

But there is less case law for the "same design" test that applies to registered designs. However, some recent decisions issued by the Invalidity Divisions at the European Designs Registry (OHIM) have shed some light on how the "same design" test is to be applied to a Registered Community Design (RCD) application that is claiming priority back to an earlier application filed elsewhere in the world.

A pair of decisions have dealt with the "mirror image" scenarios of, firstly, an RCD application that shows the design in colour when the earlier registered design application showed the design in black and white and, secondly, an RCD application that shows the design in black and white when the earlier registered design application showed the design in colour.

For the first scenario, in Decision No. 4364 of 11 March 2008, the Invalidity Division decided that a design shown in colour could not claim priority back to a design shown in black and white. The colour feature of the RCD application was not disclosed in the earlier "black and white" application and thus the designs were not the "same".

For the second and inverse scenario, in Decision No. 5163 of 19 March 2009, the Invalidity Division decided that a design shown in black and white may validly claim priority back to an earlier design shown in colour. The Invalidity Division said that passing the priority test equates to failing the novelty test. Specifically, "not new" means that the design of the RCD application does not contain any additional design features relative to the design of the earlier application from which priority is being claimed. In relation to the facts of the case in front of them, the Invalidity Division held that the design of the RCD application contained one less feature (by omitting the feature of colour) than the design of the priority application and thus that the priority claim is valid because the later design fails the novelty test relative to the earlier design.

These two decisions provide some useful guidance to practitioners as to how much a design can be changed when preparing up an RCD application for filing whilst still being able to claim priority back to the earlier registered design application filed elsewhere in the world.

PAUL PRICE

ONLINE DATABASES AVAILABLE FROM THE UKIPO

As is the case in many jurisdictions, the United Kingdom's Intellectual Property Office (UKIPO) allows online access to the national patent register. This access allows interested parties to determine the present status of pending and granted UK applications and patents.

The UKIPO also made two new databases available earlier this year which will be of interest to third parties.

The first of the two new databases contains records of all patents which are in force in the UK and which are endorsed by Licence of Right. The database provides a convenient way for interested parties to identify patents which are readily available for licensing. The database allows for keyword searching, including proprietor name, as well as IPC classification searching.

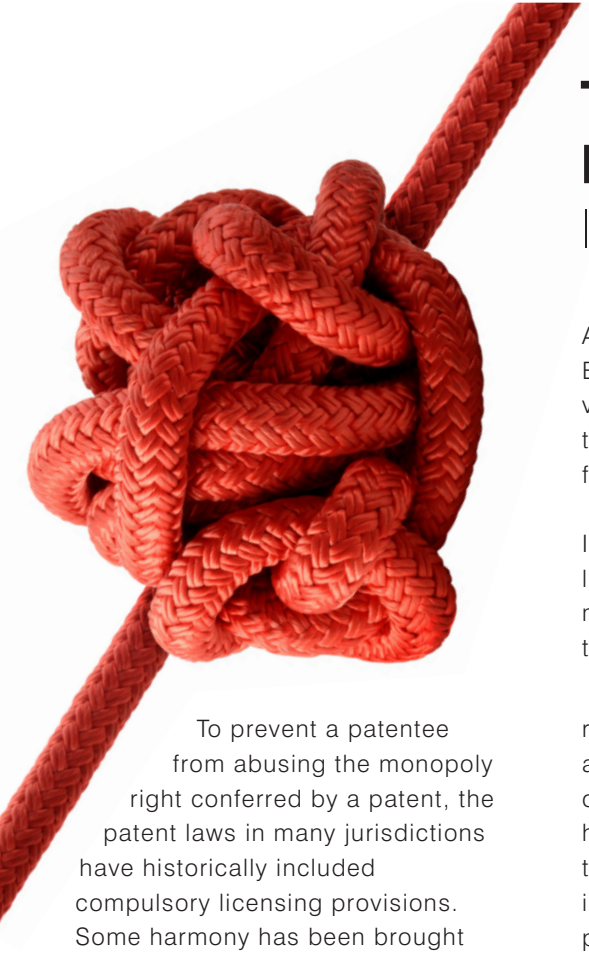
D Young & Co can advise parties on the procedural and strategic steps necessary to secure licences under the UK's Licence of Right provisions.

The second database contains records of all UK patents which are no longer in force, and therefore contains the details of inventions which are no longer protected in the UK. Again, keyword searching and IPC classification searching is supported.

The UKIPO advises that both of these databases are updated weekly.

For further information please contact your usual D Young & Co representative.

ANTHONY ALBUTT



THE COMPULSORY LICENSING REGIME IN THE UK

IT'S COMPLEX THESE DAYS!

All patentees need to be aware of the provisions that apply to their UK or EP(UK) patent after grant. Most attention focuses on infringement and validity, but it is important to remember those provisions of UK patent law that come into play less frequently, and the compulsory licensing provisions fall into that category.

In recent years, UK law has been revised and, broadly speaking, the compulsory licensing provisions are now more "patentee friendly" but they are also now more complex, and competition law instead of patent law may now prove to be the bigger constraint in practice.

To prevent a patentee from abusing the monopoly right conferred by a patent, the patent laws in many jurisdictions have historically included compulsory licensing provisions. Some harmony has been brought to these provisions because most countries are signatories to the Paris Convention which, apart from standardising the priority period at 12 months, also harmonises other aspects of patent law such as preventing compulsory licensing provisions from being applicable until at least 3 years from the grant date of a patent.

Laid on top of this constraint are the more recent international provisions of the TRIPS Agreement, and this has necessitated the splitting of UK national patent law into

i. more-relaxed provisions that apply to patentees who are nationals of or based in a World Trade Organisation (WTO) country and

ii. old-style provisions that apply to the few patentees who are not WTO nationals or residents.

For example, in relation to "WTO patentees", the concept of "working" the patented invention remains associated with the decision to grant or not to grant a compulsory licence under the revised UK patent law that has applied since it was updated in light of TRIPS in 1999. The provisions have always been little used, and they are likely to be even less used in the future in relation to "WTO patentees" because the grounds on which a compulsory licence may be granted are now significantly more restricted. One of these grounds is that, after the expiry of 3 years from the grant date of the patent, "demand in the United Kingdom for [the patented product] is not being met on reasonable terms". This demand does not have to be met by working in the UK, and could be met by importation from any country. Layered on top of this are exceptions, such as that a compulsory licence will usually not be granted where the patented invention "is in the field of semi-conductor technology".

In relation to the small number of "non-WTO patentees", they are still governed by harsher, old-style provisions. For example, one of the grounds is that "demand for the [patented] product in the United Kingdom is not being met on reasonable terms or is being met to a substantial extent by importation from a [non-European Economic Area] country".

Thus, meeting demand by importation might still, these days, lead to the granting of a compulsory licence. A factor taken into account when deciding whether to grant a compulsory licence is "that inventions which can be worked on a commercial scale in the United Kingdom and which should in the public interest be so worked shall be worked there without undue delay and to the fullest extent that is reasonably practicable".

Thus, "non-WTO patentees" continue to be more harshly treated, but "WTO patentees" should not think that they are entirely off the hook in relation to abusing the monopoly right conferred by their patent. They need to bear in mind that if they indulge in anti-competitive behaviour and they are referred to the Competition Commission, which issues a report identifying that the patentee has been "engaged in an anti-competitive practice which operated or may be expected to operate against the public interest" or that the patentee "is pursuing a course of conduct which operates against the public interest", then that report could lead to the granting of a compulsory licence.

PAUL PRICE

‘COOK’...
IF YOU CAN’T STAND THE HEAT AVOID ‘KITCHIN’!
UK HIGH COURT RESTRICTS WHO CAN CLAIM PRIORITY

A recent high court judgement appears to have changed how the law is interpreted regarding who may validly claim priority for EP(UK) patent applications.

In Edwards Lifesciences v Cook Biotech [2009] EWHC 1304 (Pat), Mr Justice Kitchin decided that a priority claim by Cook was not valid because the composition of applicants in the priority application differed from the composition of applicants in the later case claiming priority from it - even though the later application included a successor in title to an applicant in the priority application and hence an apparent continuity of rights. This appears to be a significant change from previous UK and EP practice, where one common applicant was considered sufficient to claim priority.

In this case, Kitchin J noted that Cook Biotech originally filed a US provisional application in the name of the three inventors, of which only one was a Cook employee. Cook then filed a PCT application in its own name, claiming priority from the US application. During PCT prosecution, Cook also obtained assignments from the other two inventors. In due course, the PCT application gave rise to the granted EP(UK) patent at issue in the case. In his decision, Kitchin J referred to Article 4 of the Paris Convention (PC), upon which the priority section of the UK Patents Act depends. Article 4A(1) PC reads

> “Any person who has duly filed an application for a patent, ... or his successor in title, shall enjoy ... a right of priority”.

Significantly, Kitchin J appeared to interpret the term “any person” as collectively referring to all of the applicants (in this case the three inventors) of the priority document. Therefore if the composition of applicants (or their successors in title) differs in a later application, the collective “person” is different and so not entitled to claim priority, irrespective of whether there is a common applicant between the applications.

Kitchin J dismissed the argument that the subsequent assignment of rights by the other inventors remedied the situation, as it did not change the fact that Cook was not entitled to priority at the time that priority was claimed; Kitchin J stated that at that time, the “person” entitled to claim priority was the combination of Cook and the two remaining inventors, and not Cook alone. Moreover, this interpretation of the Paris Convention may not be limited to the UK. We note that at the EPO, technical board of appeal decision T 788/05 also interprets “any person” in this collective sense, thereby making it unclear how the EPO might rule on this situation if it arose, for example, during opposition.

As a result, we recommend that applicants seeking protection in the UK or Europe should obtain assignments before they file any application (e.g. a PCT, European or UK application) that claims priority from a first filing for that invention, and in particular assignments from any inventors whose rights do not automatically transfer to the intended applicant (e.g. by virtue of contract of employment for example).

This issue is of course most transparent for applications first-filed in the US, where the inventors will be the initial applicants, but clearly also applies to any jurisdiction.

Meanwhile, we will be watching with interest how this change in approach affects prosecution in the UK and Europe.

DOUG EALEY

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OUT AND ABOUT

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6 OCTOBER 2009

D Young & Co is participating in the Collaborate2Innovate event in Southampton. Organised by South East Business Innovation & Growth, the event aims to build connectivity across a host of market sectors while providing businesses with the chance to hear first-hand from experienced specialists.

For further information on this and other events attended by D Young & Co attorneys please visit our website: www.dyoung.com/out_and_about/events.htm

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