

*Volume: 16 Issue: 2
(February 2014)*

Developments in China place spotlight on IP protection

Ensuring IP protection remains important for e-commerce businesses; the need to protect IP internationally in jurisdictions where a business might in the future operate has increased in importance given recent developments in Anglo-China business relations. Jeff Shieh of foreign filing provider inovia explains best practices for maximising patent protection on a wide scale, and provides analysis of global patent filing trends.

The recent UK trade delegation to China spearheaded by no less than the British Prime Minister was heralded as a great success with the promise of lucrative market opportunities in China for UK companies and talk of joint Anglo-China cooperation to develop new digital and media businesses.

While China's apparent willingness to open its doors to British businesses is potentially good news for the UK economy, it is clearly not an exclusive arrangement. Businesses everywhere are increasingly looking to leverage global opportunities, especially in China as its economy continues to grow.

Such exciting global trading developments as this one should therefore serve as timely reminders for businesses everywhere to regularly review and ensure adequate protection of their IP, not only in their own backyards but also internationally. None more so than the array of fast growing e-commerce and internet technology businesses, which are well used to innovating and quickly bringing to market new services and solutions that effortlessly transcend national borders - in terms of user accessibility as well as new revenue earning potential.

Unfortunately, for start-up and expanding firms competing in the dynamic e-commerce world, wide-scale IP protection may be perceived as out of reach, and often any investment will be side-lined due to product development and speed to market taking precedence over IP and trademarking. This is based on the assumption that IP management is a long and expensive process. Not securing international patent protection can put these businesses at a serious competitive disadvantage in the future as they seek to scale internationally, but are prevented by IP-protected competitors.

However, by employing a few simple best practices, including outsourcing as much of the foreign filing workload as possible to online IP platforms, it is becoming easier for e-commerce, internet and cloud companies to maximise their patent protection and future-proof their innovations.

Securing international patent protection

The first step is to think globally and act locally. Applicants should begin by applying for a domestic patent, which, if granted, will give them an exclusive right to their invention for a set period of time (20 years from the date of filing the application in Europe). Applicants must also keep in mind that after filing a domestic application, there is a limited time frame for applying for international patent protection. Because patents are country-specific and are limited to the borders of the issuing country, applicants need to take a hard look at their financials and come up with a strategy and budget for entering select countries. The worst case scenario would be for a start-up to forgo international patent protection and later realise that it isn't able to protect its invention against infringers in other markets.

So while a company may operate only in the UK, if there's a chance that it may someday manufacture in Asia, sell in Europe, or compete with a company in Australia, it must act now.

Efficiency

Pursuing international patent protection can be a lengthy and expensive process, but companies shouldn't be discouraged. There are several best practices companies can follow in order to maximise their patent protection while minimising costs.

First, companies should consider filing a Patent Cooperation Treaty (PCT) application instead of filing direct via the Paris Convention. The PCT provides a unified procedure for filing into the 148 member countries and offers a more cost-effective route if filing into more than just one or two countries. The PCT also offers the advantage of time. After the PCT application is filed, the applicant has up to 18 months before filing into the individual countries where protection is sought ('national stage entry'), providing a company with time to refine the invention, research its markets and look for licensees or buyers.

Second, companies should select their countries intelligently and know where their inventions will potentially be sold and where they can be made in the future. They can then prioritise the countries they want to file into. Additionally, one should know whether a country has patent laws affecting their technology. For example, some countries prohibit the patenting of methods of treatment on human or animal subjects. Other countries make it very difficult to patent business methods or software. For these jurisdictions, companies may need to draft the claims in their application specifically to overcome these obstacles.

Third, companies must ace the patent application process. With a basic background understanding of the process, they can reduce filing costs. Knowing when deadlines are approaching and making sure to provide instructions in advance will help applicants avoid unnecessary time extensions or rush charges. Some jurisdictions (including Europe) charge excess claims fees for each claim included in an application over a certain number. If applicants can reduce or consolidate their claims, they can avoid or reduce these fees.

Finally, companies should explore their options for either bringing IP tasks in-house or outsourcing them to specialists, versus having their local counsel handle all parts of the patenting process. Depending on the amount of work a company has in its patent portfolio, it may be cost effective to pay the salary for an in-house patent attorney, rather than retain outside counsel. Outsourcing certain services, such as foreign filing or annuity payments, can also help to reduce legal fees.

Companies must make sure to research their options for foreign filing and run cost comparisons. Many steps of the foreign filing process, such as PCT national stage filing and European validation, are largely administrative and can easily be outsourced. Specialist foreign filing providers can often offer significant time and cost savings.

Global patent filing trends

The recently released WIPO 2013 Intellectual Property Indicators Report shows that in 2012 global patent filings increased at their strongest rate in nearly two decades. Intellectual property (IP) filings have sharply rebounded since a 2009 decline at the height of the financial crisis, with patent filings growing by 9.2% (2.35 million applications filed) in 2012. This was mainly due to strong growth in filings both from and into China.

Based on foreign filing activity over the past few years, China is shedding its image of a low cost manufacturer and imitator and is increasing innovation within its borders, while strengthening its own patent laws. In 2011, for the first time in history, the State Intellectual Property Office of China (SIPO) received more applications than any other patent office. According to figures from WIPO at that time, Chinese nationals filed 16,403 PCT applications which put them in fourth place behind the US (48,896), Japan (38,873) and Germany (18,846); however, the growth that they have seen in the past few years is significant. Since 2007, PCT filings out of China have increased 200%, versus a 9% decrease in the US for example.

Technology is a key area in China with the telecoms equipment company ZTE being the number one filer of Patent Cooperation Treaty (PCT) applications, filing 3,906 in 2012 and 366 computing patents in 2012 - making it second only to Microsoft.

ZTE and Huawei, the fourth largest PCT applicant in 2012, together with the still growing domestic economy, demonstrate China's potential to surpass the US to become the world's leading market for IP procurement and advancement.

It is therefore not too surprising to find, based on inovia's own annual client surveys, that many companies have been aggressively seeking protection in China, because they can't ignore the business potential and also because they want to protect against possible infringement.

Global patenting rise supports case for IP outsourcing

The recently released WIPO 2013 Intellectual Property Indicators Report shows the largest ever number of global patent filings and with this volume increasing at such a rate, it is becoming increasingly evident that companies should turn to outsourced IP service providers in order to leverage buying power, gain efficiencies, and ensure full protection as they scale into new markets.

The outsourcing of annuities payments has been commonplace for several decades now, but other areas are ripe for technological enhancements and a new way of thinking is emerging. Foreign patent filing is one area where more companies are turning to IP service providers to supplement their in-house patenting capabilities.

The 2013 annual Global IP Trends survey of US patent owners conducted by inovia supports this. It shows a growing number of companies reporting that they plan to save on foreign patenting costs by migrating their work from traditional attorneys to non-law firm providers. As compared to 2012 results, more applicants expect to save on foreign patenting costs in 2013 by:

- Bringing steps in-house (91% increase from 2012 survey);
- Negotiating with foreign counsel (74% increase), and
- Using non-law firm providers (73% increase).

Working with an IP service provider for foreign patent filing can allow a company to cut foreign filing costs while increasing transparency and efficiency.

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