

Several issues can influence exporters' foreign patenting

Unlike companies with only domestic markets, companies that ship products abroad risk having their technologies copied and exploited by foreign competitors.

As mentioned in our last column, a U.S. patent cannot be used to stop the sale of infringing goods in foreign markets, and patents can only be enforced in the countries that granted them. For small businesses, obtaining patents around the globe can be a daunting and expensive process. However, with proper management of costs, foreign intellectual property protection can be a valuable business strategy even for small companies doing business abroad.

The careful selection of countries in which protection is sought is critical in developing a foreign intellectual property strategy. Companies should first determine which markets are worth protecting, based on size of the market and expected sales. Competition or the likelihood of new market entrants should also be considered. Significant markets with strong competitors or low barriers to entry are suitable candidates for foreign patent protection.

A key consideration is the likelihood of infringement and the strength of patent enforcement. If patents are widely respected in a country, they may be worth obtaining. However, in countries where infringement is frequent and enforcement mechanisms are weak, patents may have little value. One study suggests that patents have high practical value in the U.S., U.K., Australia, Canada and the Netherlands, but little value in countries such as China, India and Mexico. Of course, the situation may change

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during the life of a patent. Sometimes we recommend seeking protection in countries whose enforcement mechanisms are currently weak, especially if their markets are significant.

Another consideration is the life cycle of the patented product. If a particular country takes several years to examine and issue patents, the market for the patented product may have diminished or disappeared by the time a patent is obtained, in which case the patent may have little practical value.

Take other steps to minimize the cost of foreign patents. If certain countries serve as conduits through which infringing goods are likely to pass, it may be advisable to seek protection in those jurisdictions to disrupt the flow of infringing goods. For example, we have worked with clients who file patent applications in Germany and the U.K. to effectively cover a large part of Europe, and in Korea and Japan to effectively cover a large part of Asia. A "European Patent" may also be obtained through a single examination. However, it must be translated and registered (for a fee) in every country in which it will be enforced.

Companies may also limit their patent filings to those core aspects of their technologies without which competitors will be unable to compete effectively. This strat-

egy will help reduce government fees and attorney fees while still protecting your core business.

Typically, a U.S. company will employ a U.S. law firm to oversee handling of foreign applications. A foreign law firm will then be hired in each country of interest, taking direction from the U.S. attorney. Each country has its own government fees for searching and examining the applications. In addition, in most foreign jurisdictions, maintenance fees or "annuities" must be paid each year during which an application is pending as well as each year during which a patent is in force. Because of these ongoing expenses, it is important that your attorneys provide cost estimates for obtaining and maintaining foreign patents from the beginning to end.

As the foregoing suggests, a number of legal and business issues affect foreign patenting decisions. In addition to obtaining foreign patent rights, you also should consider obtaining foreign trademark registrations, as discussed in our last article (Feb. 14-20, 2008). Many of the same considerations discussed above can be used to develop a focused foreign trademark filing strategy. In sum, it is wise to involve counsel and business people early in the process.

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