
Dealing with the Backlog Problem: A Corporate Perspective

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The Patent Offices Backlog Crisis
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Answers That Matter.

Application Backlog Problems for Users: The Four D's

- Delay in obtaining rights
- Doubt regarding the rights which might be obtained (for themselves and third parties)
- Duplication of searching efforts in the various patent offices
- Disincentives for investment decisions on research and investment due to a lack of clarity in what rights will be obtained in relation to the commercial realities

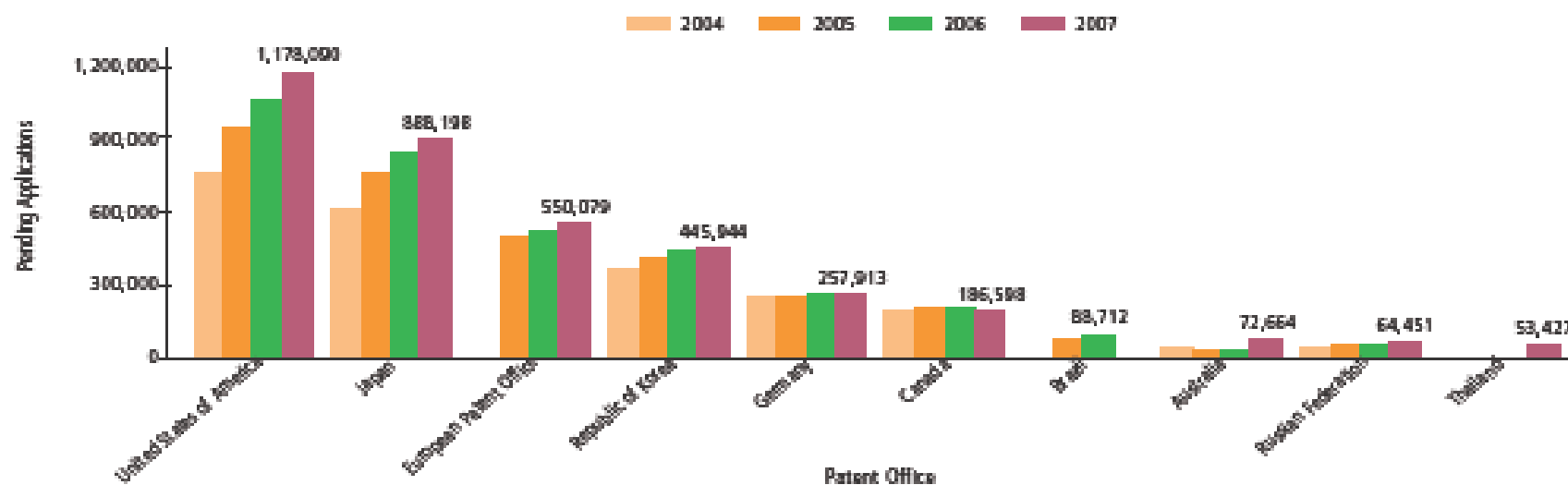
Delay- A Global Problem

- By looking at some of the major markets, both established and emerging, it becomes clear that users are not able to obtain patents in a timely way
- “Timely” means patents are processed in a timeframe commensurate with the commercialization of the invention
 - Life cycle of the invention varies by technology
 - System needs to inform third parties of the landscape for future innovation

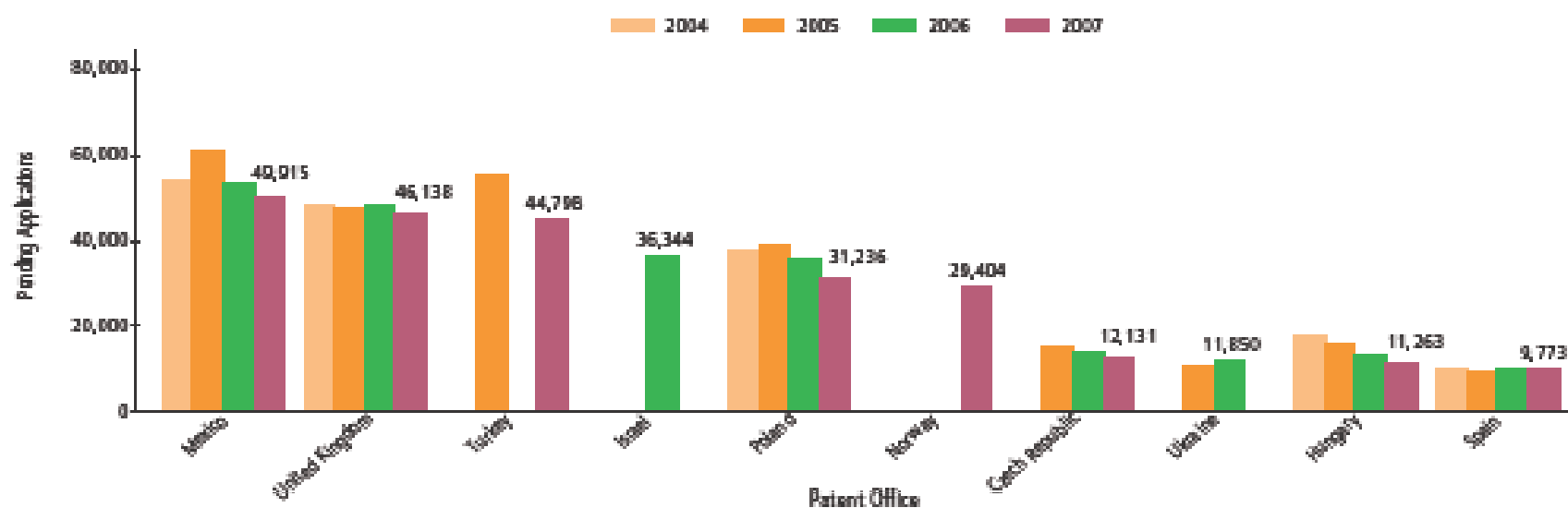
WIPO Data- Some Sobering Statistics

- Number of pending applications in 2007 (latest data available) was 4.2 million
- First action pendency time in the USPTO, JPO, and EPO were following an upward trend
- Increase in average pendency times between 2006 and 2007
 - EPO 43.9 to 45.3 months
 - JPO 31.8 to 32.4 months
 - USPTO 31.3 to 32.0 months

Number of pending applications by patent office: offices with > 50,000 pending applications



Number of pending applications by patent office: offices with < 50,000 pending applications

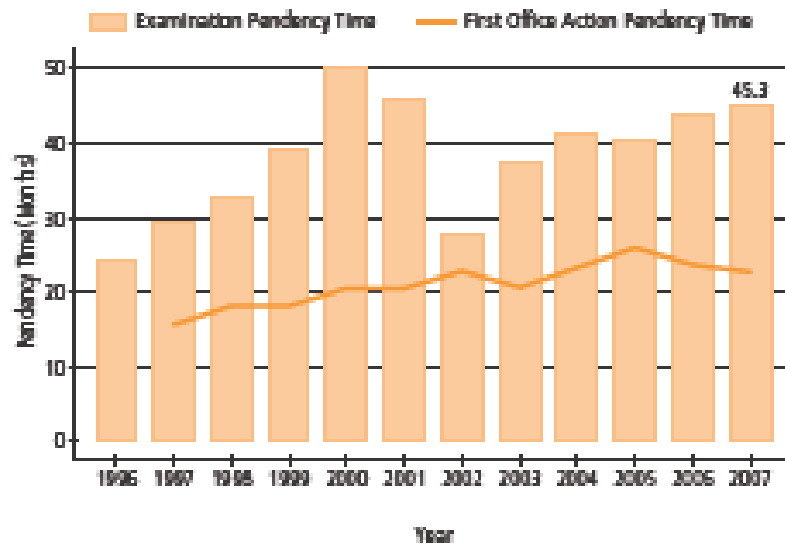


Note: The estimated worldwide total number of pending applications data is based on 60 patent offices and is a lower bound estimate. Data for two large patent offices, China and France, are not available. A pending application is an application for which the patent office has not made a decision on whether or not to grant patent rights.

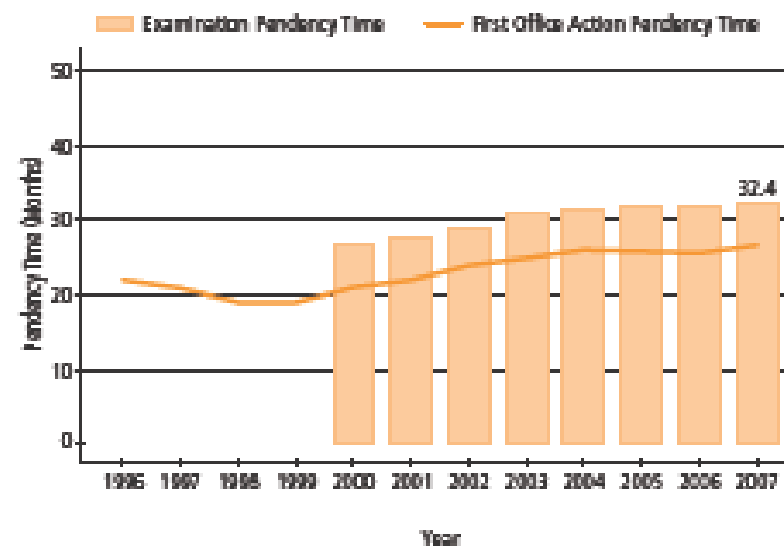
Source: WIPO Statistics Database

Average pendency time by patent office: selected offices

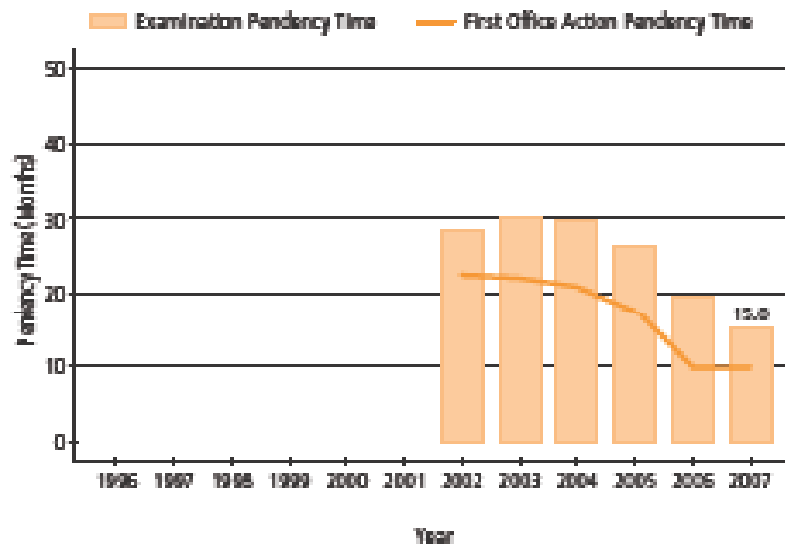
European Patent Office



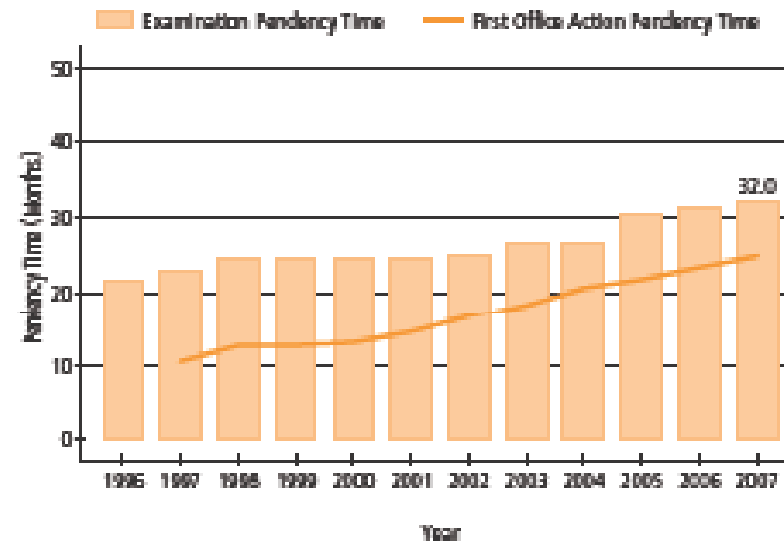
Patent office of Japan



Patent office of the Republic of Korea



Patent office of the United States of America



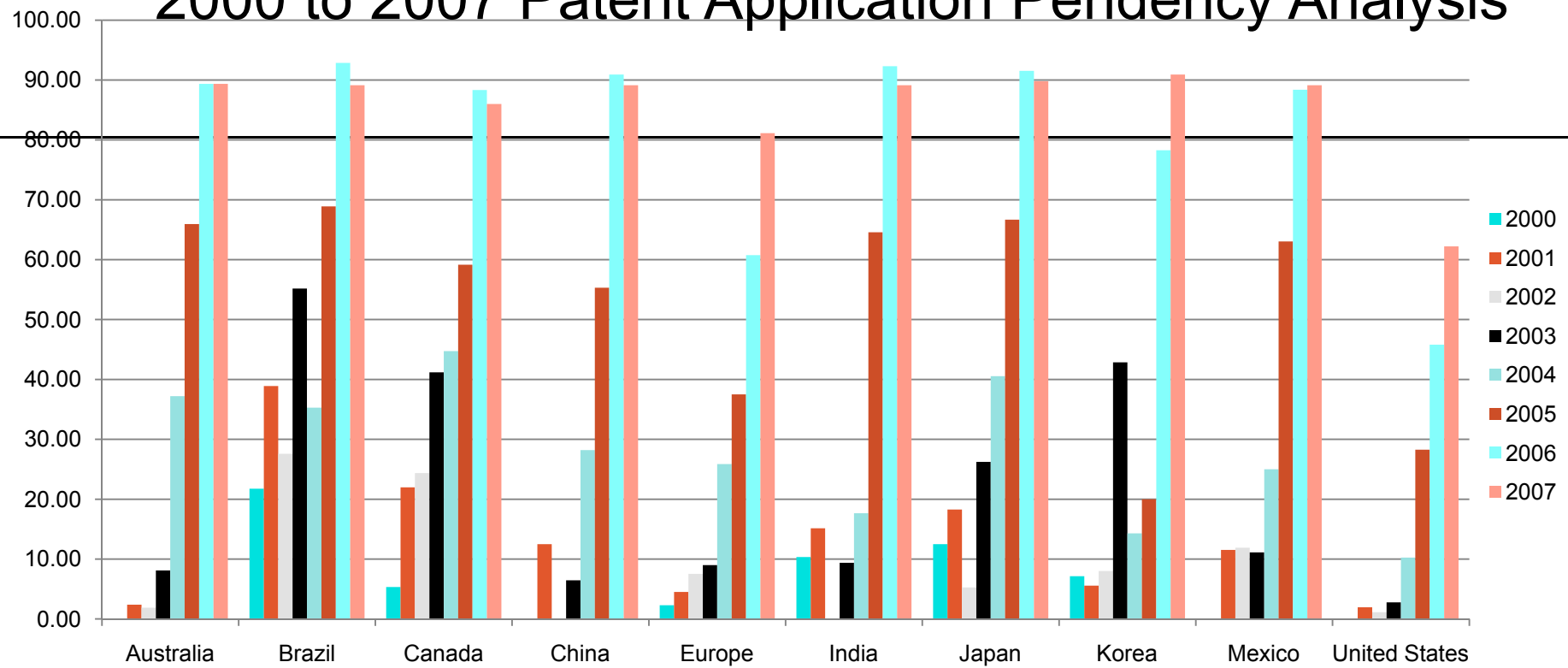
Note: The data presented above may not be comparable between patent offices due to the procedural specificities of each office and methodological differences. Therefore, data should be compared across time at a given patent office.

Source: Trilateral Statistical Report, 2007 and Korean Intellectual Property Office Annual Report, 2007.

Lilly Data: Pendency

Country	Average (in Years)	Average (in Months)	Fastest (in Months)	Slowest (in Months)
United States	3.77	45.23	8.5	104.67
Russia	3.84	46.11	30.4	72
Europe	4.27	51.29	28.5	98.2
Korea	4.89	58.71	30.9	112.87
Mexico	5.01	60.1	32.23	86.67
Australia	5.15	61.79	39.43	79.13
China	5.31	63.67	41.37	105.07
India	5.87	70.47	48.6	110.1
Japan	6.43	77.2	(Design) 7.93	114.37
Canada	7.03	84.38	(Design) 9.9	117.03
Brazil	N/A	N/A	N/A	N/A

2000 to 2007 Patent Application Pendency Analysis

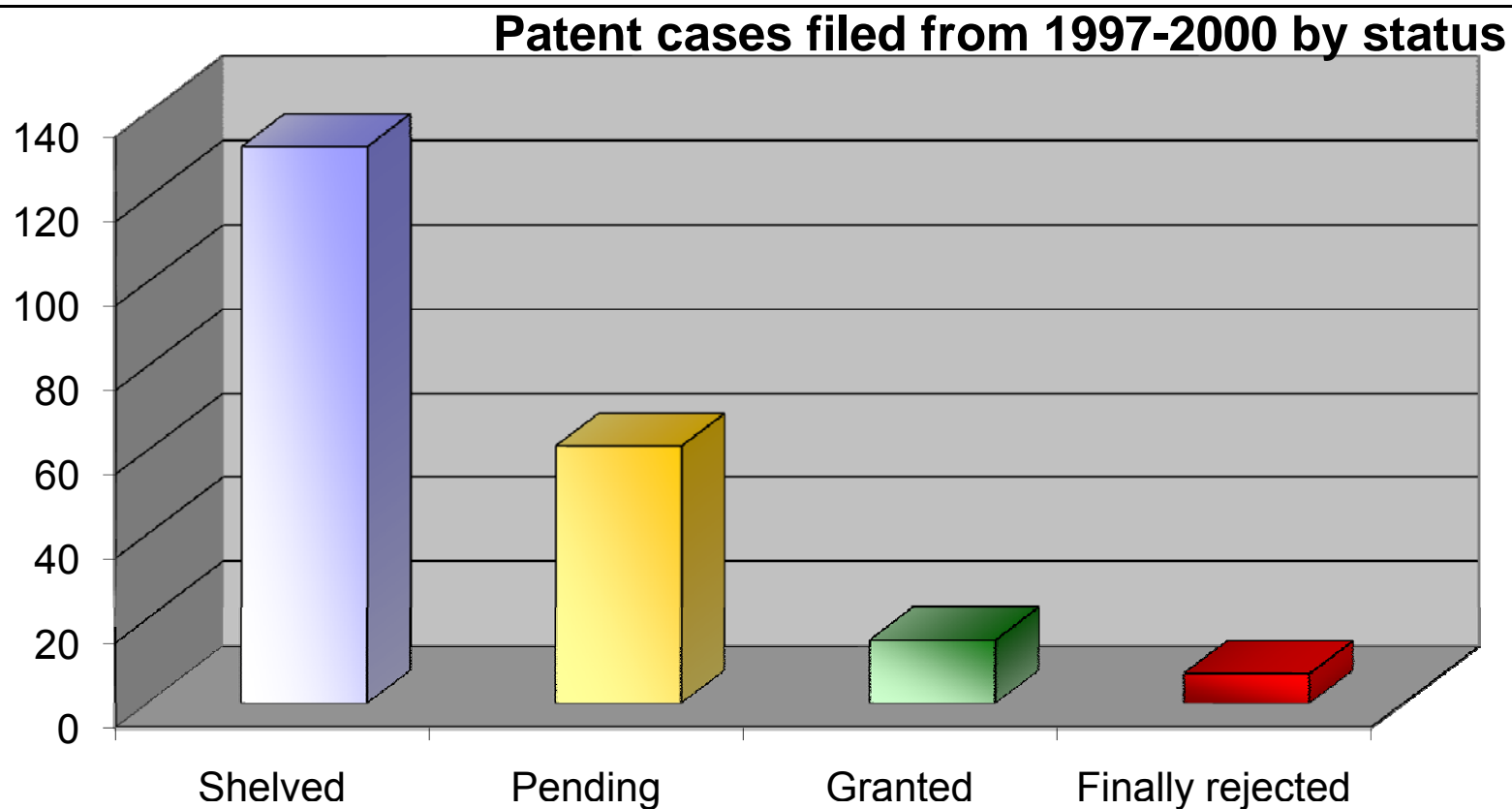


Country	2000	2001	2002	2003	2004	2005	2006	2007
Australia	0.00	2.38	1.89	8.11	37.21	65.96	89.36	89.36
Brazil	21.74	38.89	27.59	55.17	35.29	68.89	92.86	89.13
Canada	5.33	21.98	24.36	41.18	44.74	59.15	88.33	86.00
China	0.00	12.50	0.00	6.45	28.21	55.32	90.91	89.13
Europe	2.29	4.52	7.52	9.00	25.86	37.50	60.76	81.13
India	10.34	15.15	0.00	9.38	17.65	64.58	92.31	89.13
Japan	12.50	18.28	5.26	26.23	40.54	66.67	91.53	89.80
Korea	7.14	5.56	8.00	42.86	14.29	20.00	78.26	90.91
Mexico	0.00	11.54	11.90	11.11	25.00	63.04	88.37	89.13
United States	0.00	1.94	1.14	2.78	10.26	28.28	45.79	62.22

Notes:

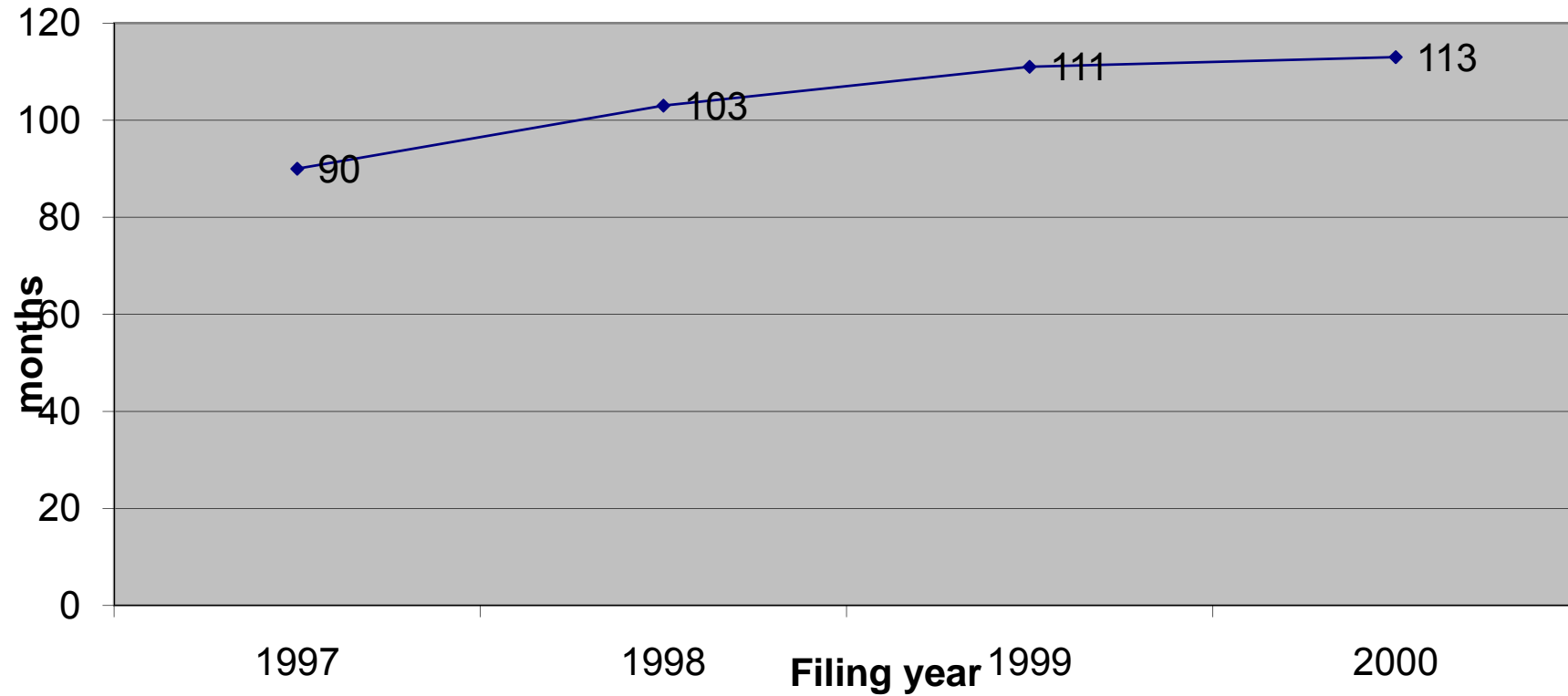
- Some abandoned applications decrease the percentage pending
- Not all applications were filed in all markets
- Law change in India in 2005
- Change in deferral period in Japan

Lilly Data on Brazilian Cases



Lilly Brazil Experience

Average time (in months) for the 1st Office Action



Doubt and Uncertainty of Rights- An Overarching Problem for all Users of the System

- Applicants do not know what types of claims they will get
- Third parties do not know the scope of rights granted to others
- As a result, innovators do not know if their inventions will be protected, and competitors do not have a clear idea of areas for further improvements
- Thus, the doubt about rights is bad for all parts of the IP system

Duplication of Effort

- Most important inventions are filed in the IP5 (USPTO, JPO, EPO, SIPO, KIPO)
- Users would welcome a system where searching efforts are not duplicated in these offices. Indeed, at the recent worksharing forum at the USPTO, Herb Wamsley, Executive Director of IPO, noted that he was not aware of a single IPO user who is not supportive of the goals of worksharing.

Patent Prosecution Highways are Part of the Solution

- The various Bi-lateral Patent Prosecution Highways (PPH) have helped to provide a partial solution for some users in certain technologies. However, timing is an issue.
- First, one needs to get the case in the office of first filing examined in a timely fashion, so that an allowed case can be used to get expedited examination in the office of second filing.
- Further, one needs to do this while not impacting patent term strategies which take advantage of the priority year.

Patent Prosecution Highways are Part of the Solution (cont.)

- Bilateral PPHs do not fit into the global patent filing strategy for those entities seeking to file broadly (30-40 jurisdictions or more) and who wish to take advantage of the Paris convention year to maximize patent terms. Such a filing strategy is usually adopted by applicants protecting technologies with a longer life cycle, and those for which commercialization may occur 10 years or more after initial patent application filing (e.g., biotech, agricultural, or pharmaceutical inventions). Generally, such applicants will file an initial provisional patent application, followed by a PCT application at the end of the Paris Convention year, in order to maximize the global patent term, as well as retaining the broadest options for country coverage.
- These bilateral systems, which require an initial search and examination in the first filing, do not fit as well into these strategies.

The Perfect Blend?

- However, clearly PPH has been a valuable tool for other kinds of inventions.
- PCT to date has not achieved the worksharing goals one might have hoped, as PCT search and examination reports have not always been given much consideration in the national phase.
- The PCT/PPH project of the trilateral offices provides the prospect of combining PCT and PPH principles for at least the USPTO, EPO and JPO, is viewed very positively.
- This has the potential to become a perfect blend of the two international vehicles.

Disincentives from the backlog: Innovator Pharma and Patent Protection

- While it is easy to understand why such long pendency times are a problem for inventions with short life cycles, such as IT inventions, such long periods of pendency are a problem for the research-based pharmaceutical industry as well.
- Research-based pharmaceutical companies require some level of predictability in the patent system.
- Development times are a decade or more, costing in excess of a billion dollars
- Often, protection of this research is dependent on a key patent
- Markets, and competitors, span the globe
- Thus, innovator pharma depends on a relatively small number of patents filed fairly broadly throughout the world
- Long periods of uncertainty in many countries make it difficult to make the necessary business decisions