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## PATENT REFORM

The full impact of the America Invents Act remains to be seen, but inventors and small companies can take action now and mitigate the impact to their wallets.

### America Invents Act for Small Applicants



BY IRENE KESELMAN

In my work at Inovia, I often speak with inventors and small companies who are looking to reduce costs for patent filings. At a time of shrinking and limited intellectual property budgets, applicants of all sizes and types cannot afford over spending and must be cost-conscious.

However, the smallest applicants face a race against the clock, as they often cannot file until raising funds or obtaining a licensee, and so must weigh the risk of competitor activity against the prospect of a very large bill.

#### Adoption of First-Inventor-to-File

The risk is even greater today, due to the Leahy-Smith America Invents Act, which was passed by the U.S. Senate on Sept. 8 and signed into law by President Obama on Sept. 16. The AIA provides for a transition

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from the current "first-to-invent" system to the "first-inventor-to-file" system, moving the U.S. patent system closer in line with the rest of the world.

There will, however, be a limited one-year grace period for filing an application after (1) a public disclosure by the inventor, (2) a public disclosure by an individual who obtained the information from the inventor, or (3) an inventor-derived public disclosure. This first-inventor-to-file practice would affect all applications having priority claims within 18 months from the date of enactment.

So what does this mean to the small applicant? Although the first-inventor-to-file system brings certainty to the previously obscure subject of priority, it increases the pressure to file the application as soon as possible. Filing the application quickly may be extremely difficult for the smallest applicants who are often dependent on outside funding to cover the cost of pursuing patent protection.

So while small applicants are out raising funds or looking for licensees, they now also run the risk of possibly losing priority to an earlier-filed application.

Effective Sept. 26, the AIA also increased all patent fees 15 percent. This too, certainly, will put a strain on

smaller applicants. A revised fee schedule is now available on the PTO website.

## Encouraging Innovation

The purpose of the AIA, according to the Patent and Trademark Office, is to encourage innovation and spur job creation in the United States. While raising fees seems counter-intuitive to this, the AIA does outline several programs designed to encourage innovation from small businesses.

First, the American Invents Act requires that the Small Business Administration's Chief Counsel for Advocacy and PTO's general counsel study the impact of the first-to-file system on small businesses and submit a report within one year.

The AIA also puts the PTO director in charge to conduct a study on ways federal agencies can aid small businesses with international patent protection, and to submit the findings to Congress within 120 days (82 PTCJ 814, 10/14/11). Options the PTO will be exploring include (1) a program to make loans to small businesses to defray the costs of such applications, maintenance, and enforcement and related technical assistance; or (2) a grant program to defray the costs of such applications, maintenance, and enforcement and related technical assistance.

The American Invents Act further recommends that the PTO director work with IP law associations to create pro bono programs to assist financially independent inventors and small businesses. This initiative should expand upon the PTO pro bono program currently based in Minnesota assisting small applicants.

The AIA also encourages the director to extend the pilot Patent Ombudsman Program "designed to enhance the PTO's ability to assist applicants with issues that arise during patent application prosecution" for small businesses' concerns, with the objective of further "providing support and services relating to patent filings to small business concerns and independent inventors."

While these programs have the potential to provide valuable support to inventors and small companies, the America Invents Act does not actually require their enactment and therefore puts these programs in the cross hairs of budgetary constraints.

## A New Class of Innovator

Possibly the most beneficial change arising from the America Invents Act is the creation of a new "micro entity" status. In the past, a 50 percent discount was available for certain fees for applicants qualifying for small entity status. Under the America Invents Act, micro entities would be eligible for a 75 percent reduction in fees, which is an additional discount over the previous fees many small filers will be able to utilize.

A micro entity is defined as an applicant who:

- (1) qualifies as a small entity, as defined in regulations issued by the director;
- (2) has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under Section 111(b), or international applications filed under the treaty defined in Section 351(a) for which the basic national fee under Section 41(a) was not paid;
- (3) did not, in the calendar year preceding the calendar year in which the applicable fee is being paid, have a gross income, as defined in Section 61(a) of the Internal Revenue Code of 1986, exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and
- (4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the applicable fee is being paid, had a gross income, as defined in Section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census.

Additionally, a micro entity shall include an applicant who certifies that:

- (1) the applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in Section 101(a) of the Higher Education Act of 1965 (20 U.S.C. § 1001(a)); or
- (2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.

The smallest filers will certainly embrace this new micro entity class and its 75 percent reduction in many patent fees. It is also interesting to note that universities, often with extensive IP budgets and hundreds of applications, also fall under this category of patent filers.

## Cost-Cutting Measures

Change is never easy but is often necessary. While there are several provisions in the America Invents Act set out to benefit the small patent applicant, others will likely cause financial strain. The full impact of the AIA remains to be seen, but the inventors and small companies can take action now and mitigate the impact to their wallets.

Here are a few tips to get applicants started:

- (1) **Get familiar with the patent process.** Applicants can save a lot of time and money with even the most fundamental knowledge of the patent process. For example, knowing when deadlines are approaching helps you to plan ahead and avoid any unnecessary time extensions and late fees which may arise from providing instructions too close to the deadline. Keep your own diary and avoid receiving reminders from your counsel by providing early instructions.
- (2) **File a provisional application.** A provisional application is a relatively inexpensive way to get an earlier priority date, while simultaneously buying you some time to raise additional funding or license the invention.
- (3) **Minimize the work done by your law firm.** Most applicants need an outside counsel to handle

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their filings, mainly the substantive prosecution process of their applications. However, many smaller clients opt to review and to process any incoming matters first prior to their attorney. Even producing a rough outline and/or comments for a response to an office action, for example, reduces the work for their attorney, which in return cuts the cost for the applicant.

Applicants should also consider the full scope of their filing strategy. While it will now cost more to obtain a U.S. patent, applicants seeking international patent protection may be able to reduce the cost of foreign filing.

Applicants should consider outsourcing certain parts of the process, such as foreign filing or annuities management, to a service provider. At *inovia*, we have observed that a growing number of applicants are increasingly using non-law firm providers who apply technology, focus, and innovation to drive efficiencies and cost reduction. This does not mean that their attorneys are completely cut out of the process, but it does streamline it, allowing for cost savings.

While the cost and requirements of gaining broad, effective patent protection may seem overwhelming to inventors and small companies, a little forward-thinking can go a long way in terms of cutting costs and maximizing patent protection.