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INTERNATIONAL PATENT PROTECTION FOR SMALL BUSINESSES

Dear Sirs:

I am a patent attorney in Germany and a member of the Bureau of AIPPI, the International Association for the protection of Intellectual Property. I work mainly for German clients that qualify as small businesses.

I would like to share with you my personal professional experience and respond to your request for comments on the study of international patent protection for small businesses.

Written comments should be sent by e-mail to SMEpatenting@uspto.gov. Comments may also be submitted by postal mail addressed to: Saurabh Vishnubhakat, Attorney Advisor, Office of Chief Economist, United States Patent and Trademark Office, Mail Stop External Affairs, P.O. Box 1450, Alexandria, VA 22313-1450.

1. Overall, how important is international patent protection to small business?

It is very important as small enterprises have little other means of defending their business interest and protecting their know-how against other, more potent competitors.

2. At what point, if ever, in the growth of small companies does international patent protection become important?

In some cases initially, if patent protection is used to obtain venture capital. If the initial funding is not based on patent protection, technically innovative enterprises need to protect their technology in order to conquer and maintain an exclusive identity in the market and a lead over competitors.

3. What challenges, if any, interfere with the growth and competitiveness of small companies if international patent protection is not sought early in the innovation process?

In many cases they cannot generate a sufficient income without patent protection, in particular if their ideas are copied and put on the market at a lower price by competitors at an early stage. Copying innovative technology at an early stage also deprives the inventor and innovator of recognition and trademark value if competing products enter the market without any barrier at an early stage.

4. What specific role does international patent protection play in the successful internationalization strategies (such as franchising, exporting, or foreign-direct-investment) of small businesses? Does this role differ by industry or sector?

- a) Patents are an important legal basis for license agreements and a payment of royalty fees.
- b) Yes, there are business models (e.g. open source software) that generate income not out of patent protection but, for example, out of work sharing and individual services.

5. How can the USPTO and other Federal agencies best support small businesses regarding international patents:

(a) In obtaining international patent rights?

With an extensive information policy informing SMEs of the availability of international patent protection and of the process for requesting such protection. With a data base of domestic IP counsel offering international patent services could help inexperienced companies.

(b) In maintaining international patent rights?

I do not think that the USPTO or Federal Government can influence the maintenance costs of international patent rights. These arise in the respective international jurisdictions. The question of whether or not an international patent is to be maintained is a regular business decision.

(c) In enforcing international patent rights?

A data base of domestic IP counsel offering international patent services could help inexperienced companies.

The following questions 6 – 10 refer to public funding or loan programs for assisting small businesses to defray the costs of filing, maintaining, and enforcing international patent protection.

The German Government has introduces such programs for German start-ups. I am aware that some small businesses obtain initial funding of their IP rights out of these programs. I personally have not seen a very significant impact of such programs. Successful business plans are much more important for the income of a company than financial aid.

One scheme in Germany and Europe that helps SMEs and individual inventors in obtaining patent protection is a subsidized fee structure. This subsidized fee structure is funded by

the users of the patent system and not by the public. The filing and examination fees in Germany and in the EPO are not cost covering. They are much lower than the actual costs of the patent offices for these procedures. After grant, when the patent does not generate any work for the patent offices, the patent generates the biggest part of the income for the patent offices by means of annual renewal fees. These annual fees are spent for subsidizing the examination and opposition proceedings.

This concept is very successful in Germany and Europe. The users of the patent system pay for a functioning and affordable patent system. The annual fees increase over the years. That means that a patentee only pays the high costs when he decides to keep the patent alive over the better part of the 20 year term of protection. This is generally the case for patents that generate a significant income. Thus, the economically successful patentees pay part of their fees for keeping the costs of patent applications, prosecution and opposition proceedings at an affordable level.

If you need any further information, please do not hesitate to contact me.

Best regards,

A handwritten signature in blue ink, appearing to read 'S. Freischem', with a long horizontal flourish extending to the right.

Stephan Freischem
European Patent Attorney