

**From:** Dave Carlson <DaveC@SeedIP.com>  
**Sent:** Monday, October 24, 2011 2:33 PM  
**To:** SMEpatenting  
**Cc:** Vishnubhakat, Saurabh  
**Subject:** International Patent for Small Business comments

Dear USPTO,

I am providing comments as requested in the Federal Register Vol. 76, No. 195 / Friday, October 7, 2011 /Notices, page 62389 under docket number Docket No.: PTO-P-2011-0062.

These comments are provided by me as an individual and are not being provided on behalf of the law firm in which I am a partner, Seed I.P. Law. They are not being provided on behalf of any client. .

Our law firm, and me personally represent many small businesses. I have worked with a large number of small businesses during the 25+ years that I have been working as a patent attorney.

In order to provide context, I will list the question, then my comments and suggestions to the U.S. Patent Office in this request.

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

My Comment: This depends on the business. A large number of small businesses do not expect to selling product outside the U.S. The other issue is the cost of enforcing a patent outside the U.S. If a small business obtains a patent in countries such as Japan, China and Germany, the expense of enforcing the patent in a foreign country for exceeds the money available for a small business.

One case in which a international protection is important is if the small business has a partner in another country who will be making product in that country and selling in that country. As one example, if the small business is going to make and sell product in the U.S. and they wish to license a company in Japan to make and sell the product in Japan. It is important in this case that the small business have patent protection in Japan in order to provide protection for their licensee in that country. Often, having patent protection in a foreign country is a key factor in whether the small business will be able to make deals with licensees to make the product in countries outside the U.S.

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

My Comment: Usually 3-6 years after the invention has been made at the earliest, more often, 10 years after the invention has been made. When a small business is starting, they cannot predict very with much accuracy where the market for the product will develop, who the primary buyers will be across the globe and the time it will take to move a product from the idea stage to the market stage.

In the context of a small business, they do not expect to be selling product in many countries; if they did, they would be a large company. Nearly all small businesses do not have the production and market distribution capability to sell internationally themselves. Rather, they will achieve this by licensing an established company who has a such distribution chains available. The other company might be a large U.S. company, a large company in another country or a very large multi-national company.

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?

My comment: Without patent protection in countries outside of the U.S., it is difficult or impossible to license the invention to large companies for making and selling outside the U.S. without a patent in the local country. The

U.S. is the most important patent market in the world. The U.S. patent will cover any activity that occurs in the U.S., namely, if the product is imported into the U.S., made or sold in the U.S., then a U.S. patent is valuable. Only in those cases in which the product is made in a country outside the U.S., sold outside the U.S. and never enters the U.S. for use, then a patent outside the U.S. becomes useful.

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?

My comment: I work in the electronic and software arts. The key reason that a small business needs patent protection outside the U.S. are those cases in which they wish to license another company to make and sell the product in countries outside the U.S. with the expectation that the product will never enter the U.S.

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

- (a) In obtaining international patent rights?

My comment: Extend the time period to file outside the U.S. to ten years. Namely, after the U.S. patent has been obtained, provide a time period of about 8-12 years to permit the application to be filed and a patent to be obtained. I realize this is not possible in today's legal framework, however, the question asked was how to help and number one thing you could do to help is extend the Paris Convention filing date from 12 months to 12 years. Only after this time will the small business know if it is going to survive and which, if any of its patents are valuable.

- (b) In maintaining international patent rights?

My comment: Get rid of annuity and maintenance fees. Last year, I was working with a client who had a handful of U.S. patents that were directly infringed. The infringer had large sales in Europe. The infringer made the product in China and sold it into Europe in large quantities, so the U.S. patent was of no value. Fortunately, the client had obtained patents across in Europe, including France, Germany, UK, etc. Very unfortunately, in 2008, the client had some budget issues and failed to pay maintenance fees in nearly all EP countries in order to save money. In 2010, nearly all the patents we wished to enforce in Europe had lapsed for failure to pay the maintenance fees. The result was that the large amount of money spent to obtain the patents was lost and of no value.

So, the number One thing you can do is get rid of annuity fees that foreign countries charge.

Since I know this will be hard, here is a second recommendation: make the payments due only once every six years or every ten years. In order to pay a \$200 annuity fee in Europe costs over \$800-\$1,000. The law firm needs to docket this date, then send reminders, which costs money. Then, the client team must take time to evaluate the current use of the invention, their budget that year. Then, they must communicate this information to the law firm, who needs to communicate this information to either an annuity payment service or to a foreign associate to pay the annuity fee. If the client can't decide whether to pay the fee or if they have moved, then multiple reminders must be sent by the law firm, which costs time and money. If the client delays their decision, it costs money.

By the time the annuity is paid, only a few months later, a notice goes to client asking them if they wish to pay it next year. A small business is not in a position to hire an annuity service like CPI or CPA.

It is a very large burden on a small business to pay maintenance fees once a year. It would be a major benefit if they went to a U.S. style system in which the fees are due only 3 times in the patent's life, such as a five years, ten years and fifteen years. Keep the fees the same, but don't make them due each year.

Once again, the cost to the client to pay a single maintenance fee of \$200.00 will exceed a total expense of \$800-\$1000.00 in law firm fees, time spent by the client, etc.

A second approach is to not have maintenance fees due for the first ten years, but only due at year 10.

(c) In enforcing international patent rights?

My comment: Nothing; this is not the role of the U.S. patent office.

6. What role should the Federal Government play in assisting small businesses to defray the costs of filing, maintaining, and enforcing international patent protection?

My comment: see above number 5 answers.

7. In order to help small businesses pay for the costs of filing, maintaining, and enforcing international patent applications, how effective would it be to establish a revolving fund loan program to make loans to small businesses to defray the costs of such applications, maintenance, and enforcement and related technical assistance?

My comment: Your question was "how effective . . ." In my view, it would not effective for the Federal Government to be involved in a particular small business patent issues. The role of the Federal Government is to set up the frame and the process and procedures. They should not be, and must not be in the job of selecting individual winners and losers.

(a) Under what specific circumstances, if at all, would such a fund be effective at helping small businesses?

My comment: This is not the role of the Federal Governments use of tax dollars. Any and all money that the Federal Government has come from a tax payer, in many cases from a small business taxpayer.

The best thing the Federal Government could do is to reduce the tax and business burden on individuals and small businesses. It does not make sense for the Federal Government to take money from many group A companies and then give it to one company in Group A or a company in Group B. This is an unfair business practice and should not happen.

Do not create such a loan fund. It is way outside the proper role of the Federal Government.

(b) If such a fund would be effective, should the fund be maintained by the Federal Government, and if so, through what mechanism?

My comment: Banks have money to loan to companies who need it. The Federal Government should not be in the business of loaning money to individual companies.

(c) What criteria should be used to decide upon recipients of funding?

My comment: The Federal government does a very poor job of evaluating which companies should receive loans and which shouldn't. A loan company, such as a bank is well equipped to do this.

(d) Could the private sector be meaningfully involved in maintaining and implementing such a fund?

My comment: Yes, that is the role of the private sector and they are very good at it.

8. In order to help small businesses pay for the costs of filing, maintaining, and enforcing international patent applications, how effective would it be to establish a grant program to defray the costs of filing applications, paying maintenance fees, and conducting enforcement and to provide related technical assistance?

My comment: See answer to number 7 above. Such grants are way beyond the role and competence of the Federal Government.

(a) Under what circumstances, if at all, would such a program be effective at helping small businesses?

(b) If such a grant program would be effective, should the program be maintained by the Federal Government, and if so, through what mechanism? What type of grant program, covering what specific costs, would be most effective?

(c) What criteria should be used to decide upon recipients of grants?

(d) Could the private sector be meaningfully involved in maintaining and implementing such a program?

9. If the Federal Government is limited to providing either (i) A revolving fund loan program or (ii) a grant program described above, but not both, which of these options would be more effective in accomplishing the outcome of helping small businesses pay for the costs of filing, maintaining, and enforcing international patent applications?

10. Are there circumstances under which the Federal Government should not consider establishing any of these programs

My comment: This last question is the best, there are no circumstances under which such programs should be established. This is not a proper use of Federal Government money.

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