

OUTLINE OF TESTIMONY

Provided to the

U.S. PATENT & TRADEMARK OFFICE

SECOND PUBLIC HEARING ON NOVEMBER 1, 2011

“STUDY OF INTERNATIONAL PATENT PROTECTION FOR SMALL BUSINESSES”

by

Prof. Jay P. Kesan, Ph.D., J.D.,

Professor and H. Ross & Helen Workman Research Scholar, College of Law

Director, Program in Intellectual Property and Technology Law

University of Illinois at Urbana-Champaign

Tel. #: 217-333-7887; E-mail: kesan@illinois.edu

Good Morning, Members of the Committee.

Thank you for the opportunity to appear before you.

Introduction

My name is Jay Kesan. I am a Professor at the University of Illinois at Urbana-Champaign and Director of the Program in Intellectual Property and Technology Law at the University of Illinois College of Law. I am also a registered patent attorney.

I am grateful for the input I have received from various colleagues, including professors and practitioners, about the topic of this hearing.

Here is a brief outline of my testimony:

1. International patent protection may be important for small businesses depending on the technology space that they are working in, and depending on the particular innovation at issue.

For instance, there is a difference between pharmaceutical and biotechnology industries, the computer software industry, and the wireless handset industry.

Consider the size and distribution of the relevant U.S. and international markets.

This is what I have observed in practice and in the university setting. I have not seen any detailed empirical studies of this issue.

The exit strategies that are contemplated by a small business are also important, and a larger company may find international patent protection to be attractive in a buyout situation.

2. International patent protection becomes particularly important to pursue or have in place if they are trying to sell products and services abroad. That is when this issue surfaces clearly for small businesses, if not earlier.

3. If international patent protection is not sought early in the innovation process then small businesses face the danger that they may find themselves competing with their own inventions which may be used against them by foreign Patent Offices as relevant prior art.

4. There are 5 significant cost components associated with international patent filings. They are:

- (a) U.S. law firm legal fees and costs;
- (b) foreign law firm legal fees and costs;
- (c) PCT and foreign patent office filing fees;
- (d) foreign patent annuity payments; and
- (e) foreign translation fees.

I will address some of these cost components are some length below.

5. Reduction in filing fees for small businesses for PCT applications would help significantly. In particular, if the PCT application filing fee is lowered to a level equivalent to or less than the typical search fee charged by a search firm for a patentability search, then it is well worthwhile for small businesses to file a PCT because they can obtain patentability search results from the PCT prior art search.

6. Even if the overall fee associated with a PCT application cannot be reduced, the PTO should consider reducing at least the PCT search fee. It is not uncommon nowadays for patent counsel to suggest to their clients that they go and get their PCT search done in Korea instead of the U.S. because a search in Korea costs about half as much as a U.S. PCT search (about \$1000 in Korea compared to about \$2000 in the U.S.).

This is a significant issue for small businesses, and I would be surprised if the PTO does not end up doing a lot more PCT search work and increasing their volume of searches if they just reduced their search fees to more competitive levels.

Even though some may urge that you get what you pay for, the quality of the searches from countries that charge less, like Korea, are, in fact, quite good.

7. It would be advantageous to have a search report for a PCT application within say 4-5 months in all the art areas. If a client can get a search report from an international patent authority in a few months, then it is akin to completing a patentability search by a private firm. The advantage here is that the small business also gets the benefit of having filed a PCT application in the process.

8. It would be good to coordinate the process of filing a U.S. application and a PCT application. For example, allowing a small business to file a U.S. patent application and a PCT application in the same submission would be beneficial. This coordination would reduce some attorney costs for small businesses. In addition, we should consider charging a reduced fee for submitting a U.S. patent application and a PCT application together.

There are other areas for coordination and harmonization as well. It is not uncommon to get different objections for the same set of drawings from the PTO and the PCT office. This requires the applicant to respond with two different sets of corrections to the same drawings thereby increasing the overall costs to the patentee. These costs can be mitigated.

9. The USPTO's Web-based, Electronic Filing System (EFS) for patent application and document submission, commonly referred to as EFS-Web, works well. However, if a small business is located outside the U.S. and the inventors are not U.S. citizens, a PCT application cannot be filed with the U.S. receiving office by a U.S. practitioner. In this situation, the patent attorney has to FAX the PCT submission to the International Bureau (IB). This scenario often arises when the foreign small business has already filed a provisional patent application in the U.S. and now wants to file a PCT application in various countries, including the U.S. It would be extremely helpful if U.S. patent attorneys could use the EFS-Web system to submit PCT

applications to the International Bureau (IB). Even if the PTO charges a fee for this service, it would be a benefit to patentees and patent attorneys.

10. Again considering the scenario described above, if a PCT application is filed directly with the International Bureau, certified priority paper documents from the PTO must be obtained and mailed to the IB within four months of filing. Currently, the PTO charges \$20.00 for these certified priority documents. A reduction in this fee for small businesses or a mechanism for electronically transferring these certified priority documents to the IB at a reduced cost would help small businesses.

11. The PTO web site could describe a few, small business success stories in different art areas highlighting the benefits and challenges associated with international patent filings.

An extensive effort at educating small businesses about the process and the benefits associated with foreign patenting would be desirable.

12. Akin to our patent maintenance fees, there are annual annuity payments in foreign countries (around \$500 - \$900 per year) which are significant. It would be helpful to coordinate bilaterally (i.e., diplomatically) with some countries to mutually agree to an equal percentage reduction in these fees for small businesses that benefits both countries. There are a number of developed and developing countries that come to mind where such an effort is worth undertaking.

13. Translation costs are very significant when trying to obtain foreign patents. Translation costs in both Europe and Japan cost several thousand dollars per national phase patent application. Studying how these costs might be reduced or providing other forms of support to reduce these costs for small businesses is a real challenge.

14. In the U.S., it would be helpful to permit SBIR grant money to be used to pay for some of the different costs associated with foreign patenting. Using SBIR money to pay for foreign patenting obviates the need for an additional review mechanism for deciding which small businesses should receive any loan or grant that has been set aside for international patenting.

15. Loan programs or grant programs for small businesses for international patenting are worthy of careful study. Without such an effort, it is easy to spend a lot of money creating such programs with little results to show in the long run.

Thank you very much for your attention. I am happy to answer any questions that the members of the committee may have.