



HOUSTON INVENTORS ASSOCIATION

2916 West T. C. Jester Blvd., Suite 100

Houston, Texas 77018-7051

Phone: (713) 686-7676

www.inventors.org

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Established
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Re: Teleconference with Obama Transition Team/Independent Inventors

I would like to thank the Obama Transition Team for the privilege and opportunity to discuss various issues and suggestions with regard to how the US Patent and Trademark Office may improve services for the independent inventor community. The following are my comments and recommendations following the recent teleconference with the Transition Team.

Revise the definition of “Small Entity”, “Independent Inventor”, and Fee Schedule

The PTO defines an “independent inventor” as one whose patent (at the time of issuance) is unassigned or assigned to an individual. The PTO definition of a “small entity” is: an independent inventor, a small business (less than 500 employees), or a nonprofit organization. A “small entity” receives a 50% reduction in the fees charged by the PTO. Currently, the reduced USPTO fees alone for a “small entity” to file and maintain a single patent for its 20 year term totals \$5,085 (or \$5,385 if a non-publication request is not filed with the application).

These definitions are overly broad. There is a vast difference and disconnect between an “independent inventor” working alone or a small start-up company both of which have limited resources, and small businesses (up to 499 employees) and nonprofit organizations such as universities. The small business (up to 499 employees) and nonprofit organization usually have funds or grants available for such expenses and/or an in-house attorney.

The Department of Commerce defines a “small and medium-sized enterprise” (SME) as having fewer than 500 employees, and further defines the size of a business as “medium” = 100-499 employees; and “small” = less than 100 employees. A “Micro-Business” is generally recognized as a business employing 10 or fewer employees.

The SBA’s Office of Advocacy released a report in November, 2008 titled “An Analysis of Small Business Patents by Industry and Firm Size” which stated that small businesses develop more patents per employee than larger businesses, with the smallest firms, those with fewer than 25 employees, producing the greatest number of patents per employee. Furthermore, small firm patents tend to be more significant than large firm patents, outperforming them in a number of categories including growth, citation impact, and originality. Finally, small firms tend to specialize in high tech, high growth industries, such as biotechnology, pharmaceuticals, information technology, and semiconductors.

Recommendation: The new administration should consider revising the entity definitions whereby: a “Large Entity” is an entity having 500 or more employees; a “Medium Entity” is an entity having 100-499 employees; a “Small Entity” is an entity having 10-99 employees; and a “Micro-Entity” is an entity having less than 10 employees. The fee structure should be a 50% reduction of fees charged by the PTO in each of the categories.



Appoint PTO Director/Commissioner with Background in Patent Law and Prosecution

Many of the changes in recent proposed “Patent Reform” legislation affect the rules by which patent attorneys and patent agents prepare, file, and prosecute patent applications. Some of the proposed changes were ill conceived and obviously created by persons who have never filed a patent application or responded to office actions. The proposed changes place an additional workload on the patent practitioner and will not solve the backlog problem nor improve the quality of patent applications; but would only make it worse and would result in higher costs to the independent inventor. It should be mandatory that the next PTO Director and Commissioner for Patents have years of experience and a background in the practice of patent law.

Recommendation: I believe that Q. Todd Dickinson would be an excellent candidate as Director of the PTO or Commissioner for Patents. He has served well in that role in the past.

Permanently End Diversion of Patent Fees for Other Purposes

The PTO became fully user-funded in 1991 under the Omnibus Budget Reconciliation Act. However, for many years a portion of the fees paid by inventors have been diverted for use by other agencies for purposes unrelated the operation of the PTO. Thus, in effect, the inventor community is subjected to being taxed twice to pay for operating expenses of other agencies.

Recommendation: PTO fees collected from inventors should be used only to fund the operation of the PTO and not be diverted for other purposes. The new administration should also insure that the amount of the fees represent the amount to recover the average cost to the PTO of providing the products and services.

Revise the PTO Maintenance Fee System

“Maintenance Fees” are required to be paid three times during the lifetime of the patent after it is issued to maintain the patent in effect. The rates increase incrementally for each of the intervals. If the fees are not paid, the patent will expire on the 4th, 8th, or 12th year after the patent was issued, and it becomes public domain. The justification for the incremental structure was that the inventor is speculating at the outset that the patent will be commercially viable, and is productive in subsequent years, thus the fees at the beginning should be easier to pay than those at a subsequent periods of time. The ever-increasing fees may likely result in many individual inventors and “Micro-Entities” (less than 10 employees) not paying the maintenance fees and a net result of a loss of this income to the PTO. The PTO also does not provide the patentee with a notice in advance of the due date of the maintenance fee, but only provides a notice that they failed to pay the fee and that the patent will expire unless the fee is paid within 6 months accompanied by an additional surcharge.

Recommendation: The new administration should investigate a more equitable system, such as making maintenance fees payable annually. The PTO should also provide the patentee with a notice in advance of the due date of the maintenance fee.



Backlog of Pending Patent Applications/Examiner Evaluation System

The present PTO Examiner production goals and evaluation system are outdated and may account, in part, for the increasing backlog.

It is becoming common practice for a patent Examiner to reject the claims in a first Non-final Office Action, and when the applicant amends the claims in response to the Office Action, to issue a Final Office Action rejecting the claims based on new grounds of rejection and citing new references that were not cited previously, and alleging that the applicant's amendment necessitated the new grounds of rejection. The applicant can either: (1) file an amendment after-final requesting reconsideration, (2) file an appeal, or (3) file a Request for Continued Examination (RCE). If the applicant files a RCE, the Examiner receives double the amount of production credits, but results in a decreasing number of allowed patents and an increase in the number of pending applications to be examined. This practice is also costly to the independent inventor.

Recommendation: The new administration should abolish the current Examiner production evaluation system, strengthen the rules related to premature final rejections, and investigate the manner in which applicants are required to file RCEs. Each art unit should have an experienced quality review specialist specific to that art unit that would review all rejections and Office Actions leaving the art unit.

Backlog Due to Complex Patent Applications

The current PTO Examiner production goals are not realistic in view of the amount of time required to examine applications dealing with new areas of technology. This issue may also be one of the reasons for the increasing backlog.

Recommendation: The new administration should consider alternate means for examining complex applications dealing with new technologies. For example, assign complex applications dealing with new technologies to a group or team of Examiners (Group examining); rather than a solitary primary Examiner.

The PTO's Relationship with the Independent Inventor Community

The PTO has a website and Patent Depository Libraries, and there are many inventor organizations that disseminate information to independent inventors. These resources also warn novice inventors about the notorious inventor scam companies. Many independent inventors still attempt to write and file their own non-provisional patent applications due to the costs involved, and many continue to be victimized by inventor scam companies because they believe the commercials and are not aware of the proper way to protect and market their invention.

If an inventor does file their own application, a patent Examiner will usually recognize it as a do-it-yourself application due to its poor quality and they will send a standard package of information and suggest that the applicant seek a qualified patent practitioner.

Inventor organizations offer a novice inventor the additional features of being able to network and speak with other inventors who have been through the process before, and obtain information or assistance in other areas in addition to the patent stage, such as building prototypes, engineering help, marketing, etc.



The Patent Depository Libraries and inventor organizations do a very good job, however there has been a trend for fewer independent inventors to visit the libraries and attend inventor organization meetings, due to location, parking problems, busy schedules, and various other reasons. Therefore, increasing numbers of independent inventors are now utilizing the Internet to obtain information, due to the convenience.

Recommendation: The PTO should teach Examiners how to recognize a do-it-yourself patent application and continue the practice of sending a standard package of information and suggest that the applicant seek a qualified patent practitioner. Perhaps that could be expanded to suggest that they watch the new videos posted on the PTO Inventor Resources website, and attend a local inventor's group.

Recommendation: There is a new video posted on the PTO Inventor Resources website currently listed as "Computer Based Training", which should be more appropriately listed as "Video About Patent Basics". There is also a new video posted on the PTO Patent Depository Library Program webpage listed as "Tutorials" which teaches how to conduct a patent search. This video should also be linked on the Inventor Resources page as "How to Conduct a Patent Search".

Recommendation: The new administration should have a full-time "Inventor Resources" employee and keep the Inventor Resources website updated. The new videos are very good and more should be added. Perhaps add a link to the United Inventors Association (UIAUSA) list of inventor organizations.

Previous Proposed Reform Legislation Effect on Independent Inventor Community

Some of the previously proposed legislation reforms, if enacted, would have a detrimental effect on independent inventors and place them at a disadvantage, particularly: changing from a "first to invent" to a "first to file" system; limiting a patent holder's rights to obtain a permanent injunction against an offending third party; creating a post-patent grant opposition proceeding; and limiting damages for infringement lawsuits.

Recommendation: The new administration should insure that the independent inventor community is represented at hearings and in other matters involving proposed changes, on an equal basis with the large pharmaceutical and software companies.

Respectfully Submitted,



Kenneth A. Roddy
President, Houston Inventors Assn.