



IP: Is the Patent Office trying to price the AIA out of existence?

DRASTIC FEE INCREASES WOULD DISCOURAGE USE OF INTENDED IMPROVEMENTS TO U.S. PATENT SYSTEM

This is the fifth in a [series](#) of articles on the America Invents Act (AIA).

Sticker shock

If the U.S. Patent & Trademark Office (USPTO) gets its way (and it usually does), users of the patent system will soon be in for a rude awakening in the form of substantial fee increases. For example, USPTO fees for a large entity to file a patent application are currently \$1,250, and are proposed to increase by 47 percent, to \$1,840. Design patent application fees are proposed to increase from \$530 to \$1,180—a 123 percent jump.

Maintenance fees would increase by nearly 50 percent over the life of a utility patent, to \$7,600 for 11 ½ years. These substantial increases are part of the USPTO's implementation of the America Invents Act (AIA). The USPTO proposes a 53 percent decrease in patent issuance and publication fees that would take effect Jan. 1, 2014, and urges that these grant fees be viewed as “stage 0 maintenance fees”.

Unintended consequences

Ironically, the proposed fee structure provides some strategic incentives for patent applicants to file more claims, rather than less. The proposed fees for filing a petition to initiate a post-grant review are jaw-dropping (starting at \$35,800), and escalate depending on the number of claims in the patent. The costs to a patent applicant to add dependent claims in excess of 20 are comparatively miniscule, even if increased from the current rate of \$60/claim to the proposed rate of \$100/claim. As such, for an investment of \$2,100 in extra claim fees, if a patent applicant gets its patent to issue with 41 claims as opposed to 20, the fee to a third party to initiate a post-grant review of all claims of that patent increases to \$71,600.

Proposed AIA fees may be contrary to the USPTO's constitutional mission

Article I, Section 8 of the Constitution provides Congress the power to “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective

writings and discoveries.” At what point does the price of admission become too great? For the patent system to serve its purpose of encouraging innovation, fees cannot be so high that would-be applicants decide to protect their inventions as trade secrets instead of filing patent applications. This would prevent the issuance of patents others could lawfully attempt to design around, a recognized function of patents, condoned by the courts, that often leads to advances in technology and potential cross-licensing situations.

The AIA already provides some encouragement to U.S. companies to opt for trade secret protection as an alternative to patents by providing a [prior commercial use defense](#) to allegations of patent infringement. However, the requirement that the invention be in commercial use more than one year before the effective filing date of the allegedly infringed patent for the defense to apply makes reliance on trade secret rights a risky move.

“Micro Entities” get a discount

Substantial patent fee increases are tempered by the AIA’s provision of a “micro entity” discount, which provides a 75 percent reduction in most patent fees for applicants that:

1. Qualify for small entity status
2. Have not been named as an inventor on more than four previously filed U.S. patent applications
3. Did not, in the calendar year immediately preceding the year in which the applicable fee is paid, have a gross income more than three times the median household income for that preceding year
4. Are not under an obligation to assign the application to an entity that had a gross income more than three times the median household income for that preceding year

Universities also qualify for micro entity status and are not subject to the limit of four patent applications or to the income cap.

Universities may be the real winners under AIA

While the USPTO may set additional qualifications for micro entity status, it appears universities will not have to own a 100 percent interest in a patent application to qualify. The prior commercial use defense is not available against patents on inventions that, when made, were

owned or subject to obligations to assign to universities. This is one reason companies collaborating with universities on sponsored research projects may want to consider including assignments of some or all of the patent rights to the university. Potential qualification for micro entity status to be entitled to discounts on patent fees may be another motivation for companies to actively seek partnerships with universities.

Conclusion

The AIA includes fundamental changes to the U.S. patent system. It challenges the USPTO to undergo drastic changes to its organization, promulgate rules to implement unprecedented supplemental examination and post-grant review procedures, and provide Congress with frequent reports as to its progress, all without any allocation of additional funding and without any firm commitments to discontinue diversion of user-generated fees from the USPTO. This leaves the USPTO with few alternatives to raising its fees.

While the proposed fees are subject to revision, the fee structure ultimately implemented will undoubtedly challenge users of the patent system, from individual inventors to owners of large portfolios, to be more strategic in their decisions concerning patent applications and maintenance of issued patents.

This article should not be relied upon as legal advice. Views expressed are those of the author and not necessarily those of Marshall, Gerstein & Borun LLP or its clients.

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