

How to Patent Inventions on a Tight Corporate Budget

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Most corporate legal departments are now being asked to do “more with less.” This is a reverse of previous trends, in which corporate legal budgets grew far faster than inflation and far faster than the percentage increase in company revenue. For companies that are active in building a patent portfolio, patent prosecution costs must be kept under control, especially considering that the lifetime external costs of preparing, obtaining and maintaining a typical U.S. patent in the electrical/computer arts is about \$24,000-\$36,000 today. Controlling costs is much easier said than done, however, due to certain developments that are thwarting these efforts, including lower patent application allowance rates (the percentage of applications that result in an issued patent) and the increased number of Office Actions that are issued per patent application, thereby requiring more responses (and greater expense) to be made per application. Nonetheless, much can be done to control the costs of the patent process, while not compromising the quality of the resultant patent portfolio. Some of these processes are discussed below.

1. Consider a provisional application. For inventions that are still in the R&D phase or in very early commercialization, consider filing a provisional patent application as the initial application to delay the cost of preparing a full (non-provisional) application by about one year. A provisional application requires a written description of the invention, with drawings as applicable, but does not require preparation of claims or an Information Disclosure Statement. Preparing claims and conducting even a limited review of the prior art may constitute as much as half of the cost of a non-provisional patent application. The government filing fee for a provisional application is very small, currently \$220 for a large entity and \$110 for a small entity, compared to respective fees of \$1,180 and \$590 for a non-provisional application. If there are marketing advantages to doing so, an invention can be referred to as “patent pending” once a provisional application has been submitted, in the same way as after a non-provisional application has been filed. (The “patent pending” designation must be removed if the pendency is terminated.) The USPTO provides a discussion of provisional applications at:

<http://www.uspto.gov/web/offices/pac/provapp.htm>.

One advantage of filing the first application as provisional is that if, or when, the application is converted to a non-provisional version, the disclosure can be revised and additional embodiments added. Such an addition of “new matter” is not permitted during prosecution of a non-provisional application. A new, separate non-provisional application would need to be filed to revise or add embodiments if the first application is non-provisional, which is a far costlier approach to protecting closely related inventions.

Another advantage of filing the first application as a provisional application is that it buys additional time to determine if any non-provisional application filing should occur at all for the invention, especially for inventions that will not be foreign filed. An invention that originally looks promising can sometimes be determined to be less worthwhile a year or so later, and thus the expense of filing a non-provisional application can be completely avoided. The filing of a provisional application satisfies the statutory bar deadline requirements in the United States that a patent application be filed within one year of the invention being described in a printed publication available anywhere in the world, or placed in public use or put on sale in the United States. Thus, the provisional application allows a company to buy almost 2 years of time before having to commit to the full expense of the non-provisional application, since the provisional application can be filed shortly before the one year deadline, and then an additional year can pass until the conversion deadline.

2. Use timing to your advantage. Take advantage of the USPTO’s current backlog of 2 to 5 years for receiving a first action in the examination process. No significant costs are typically incurred after the filing of a non-provisional application and before the USPTO issues a first Office Action. Prosecution costs, issuance costs, and maintenance fee costs are thus all deferred until the examination process commences. The USPTO has various procedures for accelerating examinations, but the default and least expensive option is to go through the normal process and wait until the application comes up in turn. The USPTO has even recently proposed a three-track examination process that would allow applicants to request prioritized examination for payment of an additional fee (Track I); traditional examination under the current procedures; (Track II), and an applicant-controlled delay for up to 30 months (Track III). If this process is

implemented, companies can selectively choose delayed examination for inventions that have no compelling reason to be examined quickly. No additional fees are being proposed for Tracks II and III.

3. Find an expert patent practitioner with experience in your technology area. Try to work with a very experienced patent practitioner who still practices patent prosecution for the bulk of his or her practice and who practices in the same general area of technology as the invention (e.g., electrical, mechanical, chemical, software, biotech). Such a practitioner is much more likely to either efficiently write the application himself or herself or supervise a junior practitioner who will write the application.

However, finding such a practitioner can be more easily said than done. The explosion of patent litigation has significantly thinned the ranks of such practitioners in the past 10 years because the litigation work tends to be more lucrative and more highly rewarded by law firms. On the flip side, working on patent litigation is invaluable for patent prosecutors to learn how to write better patents, so litigation experience should not be discounted. In seeking out a patent practitioner, companies should not confine themselves to the local marketplace, which may severely limit the pool of quality practitioners, especially if the company is not located in a large metropolitan area.

4. Write the claims in person, with all parties present. Try to get the patent practitioner and the inventors to write the claims together in an in-person claim-drafting brainstorming session. This process should improve the efficiency of the preparation process and should result in a higher quality application that more accurately captures the novel and unobvious features. Such an application is less likely to require expensive amending during prosecution. While additional travel costs might be incurred by this step if the patent practitioner is not local, the benefits should easily outweigh the costs. Also, these types of sessions sometimes lead to a conclusion that preparing a patent application with claims that are likely to be patentable may be too difficult or premature, thereby resulting in a cost-saving cancellation or deferral of the project.

5. Consider having a patentability search conducted prior to preparing the patent application. If very close prior art is discovered, the company might decide not to file at all, thereby saving a

large sum of money on that particular invention. If there still appears to be potentially patentable subject matter, the claims can be more precisely tailored upfront, thereby making it less likely that they will require expensive amending during prosecution. In this manner, most or all of the costs of the patentability search are often recouped.

Avoid Cutting Corners

One approach that has been taken in the past few years by some companies is to simply demand that the patent practitioners who are writing the patent applications (whether in-house or outsourced to a law firm) do the work more cheaply, either by accepting lower fixed-fee payments, or by increasing in-house productivity. Many companies are now discovering that this approach has resulted in lower quality work since some patent practitioners have merely reduced the efforts that they spend in preparing the application to match the reduced fees received and/or time allotted. Since a well-crafted patent application can be vastly more valuable in protecting an invention than a bare-bones application, other approaches should be investigated before turning to this one.

While patents cost more than ever to obtain on an inflation-adjusted basis, the cost of *not* procuring or obtaining patents may be even greater, and thus procurement costs must be weighed against other business concerns. For example, a technology startup that has no patent portfolio may face a difficult time if it wishes to seek a second round of financing or sell itself for a premium price. A company with a successful new product or service may find that competitors can easily knock it off without violating any other forms of intellectual property. A company that is sued by a competitor for patent infringement may find that one or more patents in the portfolio can be used for a countersuit or for settlement negotiations. The average cost of defending a patent litigation is well over \$1 million today, which is magnitudes greater than the cost of building a substantial patent portfolio that may function much like an insurance policy.

In sum, there are many ways to control and reduce costs of patent procurement that should be investigated before a decision is made not to file at all due to cost concerns. Furthermore, even if costs cannot be reduced without sacrificing quality, there still may be strategic reasons to continue to build a patent portfolio.