

From: [Chen Wang](#)
To: [Fee.Setting](#)
Cc: [Vincent Garlock](#)
Subject: AIPLA Comments on USPTO Fee Proposal, 81 Fed. Reg. 68150 (October 3, 2016) Docket No. PTO-P- 2015-0056
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Attachments: [AIPLA Comments on USPTO Patent Fee Proposal FY2017.pdf](#)

Dear Sir or Madame:

AIPLA appreciates the opportunity to submit the attached comments on the USPTO Fee Proposal for FY2017. Please let us know if there are any questions.

Best regards, Chen

Chen Wang
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AIPLA

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Disclaimer



American Intellectual Property Law Association

December 2, 2016

The Honorable Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of U.S. Patent and Trademark Office
U.S. Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via email: fee.setting@uspto.gov

Re: Comments of AIPLA on Notice of Proposed Rulemaking regarding Setting and Adjusting Patent Fees During Fiscal Year 2017, 81 Fed. Reg. 68150 (October 3, 2016) Docket No. PTO-P-2015-0056

Dear Under Secretary Lee:

INTRODUCTION

The American Intellectual Property Law Association (AIPLA) is pleased to have this opportunity to present its views on the Office's Notice of Proposed Rulemaking regarding Setting and Adjusting of Patent Fees During Fiscal Year 2017 ("Notice").

AIPLA is a national bar association of approximately 14,000 members who are primarily practitioners engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

COMMENTS

These comments are in response to the second notice of proposed increases to patent fees. We commend the Office for its efforts to balance its need to collect a sufficient amount of aggregate revenue with the needs of the public to have access to patent products and services at a reasonable cost. We also commend the Office for its consideration of the comments, advice, and recommendations from the Patent Public Advisory Committee (PPAC) as well as, the submitted public comments, and for amending its initial fee proposal in order to address those concerns. It is noted with appreciation that the USPTO responded to the comments from the PPAC, public and AIPLA and reduced a number of the proposed fees and eliminated the proposal regarding changes

to the IDS rules and fees. Even with the changes proposed, however, AIPLA continues to have concerns with some of the fee increases proposed in the Notice.

Overall Fee Increase

We are concerned about the overall level of fee increases and the amount of revenue these increases will generate. Table 3 of the Notice identifies the End of Year (EOY) balance that would be placed in the reserve fund. While the USPTO acknowledges that the optimal reserve is that which will cover three months operating costs (\$789 million in FY 2019 and \$818 million in FY 2021), the balance in FY 2021 is \$1.206 billion, with it nearly doubling from FY 2019 (\$639 million) to FY 2021. The USPTO also notes that without the fee increase the FY 2019 end of year reserve will drop below the minimal amount of \$300 to approximately \$264 million. Thus with the proposed fee increases, the FY 2021 end of year reserve would be \$388 million above the projected optimal level suggested by the USPTO. AIPLA is concerned that these fee increases are being set to permit the USPTO to set aside money in the reserve at a level higher than even they acknowledge as optimal. This is unfair to patent applicants and moreover, provides an easy target for fee diversion to other agencies as has occurred in the past. AIPLA supports fee increases as necessary to fund the agency and provide an optimal reserve fund but suggests that the level of fee increases be scaled back even further to allow the reserve fund to grow more slowly and not overshoot the mark by such a wide margin. The difference between \$264 million (FY 2019 with no fee increases) and \$300 million (minimal reserve amount) is small and it is believed that more modest fee increases would satisfy the need for maintaining and growing the reserve fund. One could argue that the proposed fees are set higher than what the Smith-Leahy America Invents Act authorizes for recovery of the aggregate estimated costs because as acknowledged by the USPTO by FY 2021, the level of the reserve fund exceeds what the USPTO estimates is needed. The estimated EOY 2021 reserve fund level indicates that a reduction in fees might be necessary by FY 2021 but AIPLA recommends that smaller fee increases now would be a more reasonable course of action.

Excess Claims Fees

We are concerned with the proposed increases in fees for excess claims, especially when one considers how high they currently are.

While we appreciate that the examination of excess claims is a cost to the Office, the current excess claims fees already account for some of this cost to the Office while placing a burden on some applicants who need many claims to fully protect their invention. In balancing these considerations, and when formulating the proposed increases in excess claims fees, we question whether the Office has considered that examination of excess claims can entail little or no extra work for the examiner. For example, excess dependent claims are often repetitive of certain aspects of an invention and are therefore closely related to other claims. In this case, the amount of work in examining the excess dependent claims is not proportional to the number of excess claims.

We also share the PPAC's concerns as to the payment of excess claims fees in instances where the excess claims are not examined, e.g., when some or all of the excess claims are subject to a restriction requirement and are cancelled from the application. In such cases it is unfair for applicants to be charged for the excess, unexamined claims. We agree with the PPAC's suggestion that a solution to this problem could be to implement a refund process for the excess claims that are cancelled as a result of a restriction requirement. Another possibility is implementation of a system that credits excess claims fees to cover part of the fees for a divisional application directed to the restricted, cancelled claims.

Excess claims are also sometimes unilaterally cancelled by applicants before any examination, e.g., when an application is expressly abandoned. These are also cases when some or all of the excess claims fees might be refunded. An advantage of a refund system for these cases is that applicants would have an incentive to reduce the number of claims, or possibly abandon an application, before examination. This could result in reduced examination workload, and thereby work towards the Office's important goal of reducing backlog.

RCE Fees

We have concerns regarding the Office's proposal to increase fees for RCEs but recognize that the Office responded to comments from AIPLA and others and reduced the proposed increase.

As an RCE is a continuing examination of the same application, the Examiner will almost always be familiar with the application, prior art, and issues when reconsidering the application after an RCE. It follows that the Examiner will often end up spending less time reconsidering the application after the RCE than was spent during the first round of examination. Furthermore, after a second or subsequent RCE, the Examiner will be even more familiar with the application and issues that are preventing the application from being allowed. As such, it appears that the proposal to increase RCE fees – and especially the fees for a second or subsequent RCE – is an attempt to dissuade applicants from filing RCEs, as opposed to a means to recoup actual costs associated with examining applications in which an RCE is filed. The additional fees are not likely to reduce the filings of RCEs because applicants will continue to submit RCEs in order to get a patent. Also, the extra costs proposed fall unfairly on some applicants who may have had to file the RCE for a variety of reasons, including in some instances due to inadequate initial examination by the USPTO.

Application Filing and Issue Fees

Regarding utility patent application filing fees, we acknowledge the Office's proposal for a relatively moderate increase in utility patent application filing fees. One alternative in utility patent filing fees that the Office could consider is specific increases only for continuation applications filed at a time when at least third stage maintenance fees could not be paid due to the end of the patent term. In such cases, the Office would not be able to recoup the back-end fees which currently subsidize the lower front-end fees, and higher fees for such continuations could offset some of this loss. An applicant often pursues a number of continuation applications because the disclosed inventions are especially important to applicant, i.e. there is a higher likelihood that patents issuing from continuations will be asserted in litigation. It is especially important that examiners apply the same high-quality examination to the later continuations as to the initial

application and appropriately utilize all available statutes and prior art resources in the examination. Because the Office might not recoup all costs from these later-filed continuations, higher filing fees might be appropriate to offset this loss.

Regarding design patent application filing and issue fees, the USPTO preliminarily proposed a 48 percent total increase at the November 19, 2015 PPAC hearing. While we appreciate the reduction in the total increase to 33 percent in the subsequent Notice, we respectfully submit that the total increase remains too high.

First, the Office justifies this major fee increase on the ground that even the increased fees “are below the Office’s aggregate processing costs.” (Notice at 68156). While the Notice and an accompanying “Table of Patent Fees – Current, Proposed and Unit Cost (NPRM)” available on the Office’s Fee Setting and Adjusting web site subdivide aggregate processing costs into filing, search, examination and issue unit costs, scant public information exists to support or otherwise explain these costs. However, comparisons of design patent and utility patent unit costs in the table suggest some anomalies. For example, the FY2015 filing and issue unit costs in the table are the same (\$277 and \$314, respectively) for design patents as utility patents, even though design patents typically contain many fewer pages and require less processing.

Second, it is unclear whether the Office’s elasticity assessments encompass design applications. For example, the “Setting and Adjusting Patent Fees during Fiscal Year 2017 – Description of Elasticity Estimates” document available on the Office’s Fee Setting and Adjusting web site at most only seems to address utility, plant and reissue filings. Design filings are very different. As stated in the Notice, “almost half” of design applicants in FY2015 were small or micro-entities, a much higher percentage than with utility filings. These small and micro-entities are very sensitive to fee increases and the 33 percent increase may dramatically affect their filings in ways the Office may not have contemplated. Also, variations of the same or a similar design are often claimed through multiple filings, and the 33 percent increase may dramatically affect the more elastic demand for second and subsequent filings.

At the end, while we acknowledge the rationale for the fee increases, we respectfully submit that a more conservative stepped fee across a longer period of time is a better way forward than plunging immediately into a 33 percent increase without sufficient data (such as an assessment of elasticity as applied to design applications) regarding its effect.

Ex Parte Appeal Fees

We have concerns regarding the proposal for substantial increases in fees related to *ex parte* appeals.

The Notice states that even with the proposed increases to the appeal fees, only approximately 72% of the cost of an *ex parte* appeal will be covered by the fees. 81 Fed. Reg. at 68155. We believe, however, that it is unfair for the Office to equate the full cost of an appeal to the appellant. Current statistics from the Office indicate that Examiners are affirmed in 57.4% of PTAB decisions. See <https://www.uspto.gov/sites/default/files/documents/fy2016_sep_e.pdf>. Thus, in a significant number of cases, appellants’ are subjected to appeal fees that could have been avoided if a correct decision was made at the examination level. Increasing the *ex parte* appeal fees will only exacerbate this problem.

Another problem with the proposed appeal fees is the specific increase in the fee for the Notice of Appeal. There are instances where, after an applicant pays the Notice of Appeal fee and files its appeal brief, the Examiner decides to reopen prosecution. According to statistics from the 2016 PPAC report each year from FY 2008 through FY 2016, greater than 30% of applications in which an appeal brief has been filed are either reopened or allowed, ranging from 40% in FY 2008, 42.8% on FY 2009 to 33.3% in FY 2016. The appeal is thus ended before the PTAB considers the merits of the case. Increasing the Notice of Appeal fee adds to the unfairness to the applicant in these cases.

We also believe that any increased *ex parte* appeal fees should be carefully balanced against any increase in RCE fees. Appeals and RCEs are the two choices for an applicant facing a final rejection. The Office should consider which path—further examination or having the PTAB decide an appeal—is ultimately a more efficient use of its resources and not substantially increase fees in order to incentivize applicants to pursue that option.

Reexamination Fees

We commend the Office for proposing a lower-cost, streamlined reexamination option. We believe that this option could be useful for both patentees and the general public. However, we have concerns regarding the proposed increased fees for excess claims in reexaminations.

Requests for *ex parte* reexamination are fundamentally in the public interest, as *ex parte* reexaminations are an important option for both patentees and the general public to resolve questions concerning issued patents. Increasing excess reexamination claim fees may work to discourage the use of reexaminations in those cases where issues involving several claims need to be resolved. To offset any increase in reexamination fees, the Office should also consider expanding the situations when a part of the reexamination fees may be refunded. For example, a partial refund of the reexamination fees may be merited where a reexamination is ordered, but the Examiner does not make any new art-based rejections.

CONCLUSION

AIPLA acknowledges the efforts by the Office to formulate a reasonable patent fee structure. These comments have been provided in the spirit of making proposed changes in a way that is compatible with the needs of our members. Thank you for allowing AIPLA the opportunity to provide comments on the Notice.

Sincerely,

A handwritten signature in dark ink, reading "Mark L. Whitaker". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Mark L. Whitaker
President
American Intellectual Property Law Association