



## American Intellectual Property Law Association

May 25, 2023

The Honorable Kathi Vidal  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

*Via Federal eRulemaking Portal at <https://www.regulations.gov>*

**RE: Comments on USPTO Patent Fee Setting and Adjusting Proposal to the Patent Public Advisory Committee**

Dear Director Vidal:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to present comments on the Office's recent Patent Fee Setting and Adjusting Proposal ("Fee Proposal") to the Patent Public Advisory Committee.

AIPLA is a national bar association of approximately 7,000 members including professionals 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 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.

**General Comments**

AIPLA has previously expressed the view that fees, in the aggregate, should recover 100% of the costs of the Office, and that the relationship between "front-end" (filing, search, examination, etc.) and "back-end" fees (e.g., issue fees, RCE fees, and maintenance fees) should be maintained. Specifically, the fees for each individual service need not be tailored precisely to the cost of providing that specific service. For example, the search and examination fees for patents should not necessarily be set to recover the entire costs of these front-end processing tasks for patents; rather, a portion of such costs should continue to be borne by maintenance and renewal fees. This approach should continue. It balances fees to enable a greater number of applicants to participate, by enabling the Office to set front-end fees low enough to encourage a wide range of inventors and businesses to seek patent protection, making up the shortfall with back-end fees.

With this balance in mind, AIPLA recognizes the need for the Office to increase patent fees at this time. Given the economic environment of the last few years, an across-the-board inflationary adjustment would be appropriate. In the time since the Office's last patent fee adjustment, the costs of patent examination have doubtless increased, necessitating patent fee adjustment.

Many of the proposed fee changes (5% or 10%) seem appropriate given inflation. The Office has proposed, however, substantial increases for some fees and entirely new fees in other areas that AIPLA finds concerning. For example, the Office has proposed substantial increases for, among other things:

- filing of a terminal disclaimer (up to 724%);
- patent term extension (PTE) (up to 468%);
- excess claims (up 100%);
- a third or subsequent request for continued examination (RCE) (up 80%);
- fees for some continuation applications (more than double); and
- new surcharges for information disclosure statements (IDSs) based on the cumulative number of references.

AIPLA has long been a supporter of ensuring that the USPTO has the resources it needs to perform its job and produce the highest quality work possible. Yet, given the substantiality of these particular fee adjustments, we question whether they are all justified and ask the Office to provide additional support.

The Office's fee setting authority, granted by the America Invents Act (AIA), is not limitless. The AIA provides that fees may be set or adjusted "***only to recover the aggregate estimated costs to the Office***["<sup>1</sup> Yet, the Office has not provided sufficient information related to these increases on the permitted statutory basis; rather, the Office has provided only an Executive Summary, lacking quantitative justifications for the proposed fees. AIPLA believes the Office should conduct a thorough analysis and provide support for any significantly increased fees or new fees with data showing that the fees are necessary and calculated to recover the actual costs associated with each targeted practice.

The Office's recent Request for Comments on USPTO Initiatives To Ensure the Robustness and Reliability of Patent Rights ("Request for Comments on Robustness") posed multiple questions about possible policy initiatives that would alter current examination practices and applicant behavior.<sup>2</sup> While further debate might find some of the proposals useful, they have no direct relationship to the basis for the Office's fees recovery authority. We note that certain of these behaviors are specifically targeted with substantial proposed fee increases. We question

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<sup>1</sup> AIA § 10(a)(1).

<sup>2</sup> 87 FR 60130 (October 4, 2022).

whether this is appropriate use of the Office's limited fee setting authority, directed to recovery of the costs of the Office's operations, rather than other policy goals.

Specifically, topics included in the Request for Comments on Robustness related to continuation practice, terminal disclaimers, and RCE practice seem targeted for significant fee increases or new fees. Accordingly, AIPLA believes there is, at least, an appearance, that the Office is using these more substantial fee increases to implement policy changes and/or modify applicant behavior, rather than recover the cost of the Office's operations.<sup>3</sup> Again, Congress has given the Office limited fee setting authority under §10 of the America Invents Act (AIA), which authorizes the Office "only to recover the aggregate estimated costs to the Office[.]"<sup>4</sup>

AIPLA and others filed comments on many of the issues raised by the proposed initiatives in the Request for Comments on Robustness and the effects those initiatives might have on the patent application process.<sup>5</sup> Many of AIPLA's comments are relevant to the significant fee increases or new fees in the Fee Proposal. AIPLA therefore asks the Office to fully consider AIPLA's response to the Request for Comments on Robustness in relation to the practices that are targeted for new or significantly increased fees.

The following comments address some of the specific fee proposals with which AIPLA has concerns and questions.

### **Proposed Additional Fees for Continuation Applications**

The Executive Summary of the Fee Proposal states that proposed fees for later-filed continuation applications "would partially offset foregone maintenance fee revenue from later-filed continuing applications."<sup>6</sup> However, a continuation application is typically examined by the same examiner as the first application. The examiner is therefore familiar with the application and the prior art, which should reduce the cost to the Office in the continuation application. These cost savings should be compared to any loss in maintenance fee revenue.

The Executive Summary states further that the proposed fee would "recover front-end costs of continuing applications with extended benefit claim practice and encourage more efficient filing prosecution behavior from applicants."<sup>7</sup> AIPLA does not understand to what the "front-end costs" the Office is referring in this statement and/or how such front-end costs are greater than the costs of a first application. This statement might be taken to imply that filing a continuation application with an extended benefit claim is inefficient, which we do not believe to be the case, and would request that the Office clarify.

AIPLA is also concerned that the first proposed fee increase for a continuation application would begin only three years after the earliest benefit date. Examination of applications for some technologies is substantially delayed. In fact, it may not begin until two or three years after

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<sup>3</sup> The Executive Summary of the Fee Proposal expressly refers to "behavior" of applicants five times. See pages 4, 5, 10, 17, and 23.

<sup>4</sup> AIA § 10(a)(1).

<sup>5</sup> See AIPLA Comments to USPTO On Robust and Reliable Patents (February 1, 2023).

<sup>6</sup> Patent Fee Proposal Executive Summary, p. 10.

<sup>7</sup> *Id.*

the earliest benefit date. The proposed timing between the delay of examination and this increased fee may unduly prejudice some applicants based on factors not within the applicants' control. For many applicants, examination of the application will often inform whether a continuation application is necessary to protect the full scope of an invention. In fact, in many cases, applicants would not be in a position to consider the merits of a continuation application until this increased fee would apply.

AIPLA is also concerned that the newly proposed fees for later-filed continuation applications may disproportionately impact independent inventors, startups, and small businesses. These types of applicants often file a first application to get their "foot in the door." They may not have sufficient funds to file multiple applications and may file an omnibus application, expecting to file continuing and divisional applications at a later date after Office feedback and funding is available. The additional fees for later-filed continuation applications may force these applicants to expend scarce financial resources at the beginning of their business development.

We again note that the Office's recent Request for Comments on Robustness asked several questions directed to potential changes in continuation application practice. AIPLA filed several comments on the issues raised by the initiatives related to continuation applications and the effect of those initiatives might have on continuation practice.<sup>8</sup> We submit that the USPTO should consider those comments on the issues with changes to continuation practice when it reconsiders the significant new fees for later-filed continuation applications.

AIPLA also notes that the Fee Proposal does not indicate whether the later-filed continuation fees would apply to divisional applications. As divisional applications are necessitated because of a restriction requirement imposed by the Office, we submit it would be unfair to charge a later-filing fee to an applicant.

### **Proposed Increased Fees for Terminal Disclaimers**

The proposed increased fees for terminal disclaimers are substantial. The Fee Proposal starts with an 18% increase for a terminal disclaimer that is filed even before a first action on the merits is issued. In most instances, an applicant may not have any awareness of the need for a terminal disclaimer at this early pre-examination stage.

The proposed terminal disclaimer fee increases are as follows: 194% for a terminal disclaimer filed after the first action and before final action or allowance; 371% for a terminal disclaimer filed after a final rejection or allowance; 547% for a terminal disclaimer filed on or after a notice of appeal; and 724% for a terminal disclaimer filed in a patented case.

The Executive Summary of the Fee Proposal states that the "cost to *process* a terminal disclaimer increases greatly after certain milestones, such as final action or appeal."<sup>9</sup> AIPLA does not understand why the Office believes this to be the case and requests further clarification from the Office. Under the Office's electronic terminal disclaimer process, a terminal disclaimer is automatically approved when the applicant in a pending application provides the required information (subject to verification of certain formalities). Thus, the cost to process the majority

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<sup>8</sup> See note 5 *supra*.

<sup>9</sup> Patent Fee Proposal Executive Summary, p. 24 (emphasis added).

of terminal disclaimers in pending applications is considerably less. Typically, a terminal disclaimer is filed to eliminate a double patenting issue. Once this issue is removed, further costs should be minimal.

By making the fee lowest if the terminal disclaimer is filed before a first action on the merits, the Office appears to be, in essence, expecting applicants to assume that a double patenting rejection will be made before it is issued. This is contrary to foundational principles of the patent application practice: namely, applicants submit claims that they believe to be patentable, and the burden is then on the Office to examine the claims and establish a *prima facie* case if it believes the claims are not patentable.

AIPLA does not currently understand the basis for the difference in fees based on the time when an obviousness-type double patenting rejection is issued. For example, if an obviousness-type double patenting rejection is not raised by an examiner until after a final rejection, the applicant would be required to pay a substantially increased fee, despite the fact that the Examiner failed to raise the rejection earlier in prosecution. This is fundamentally unfair.

AIPLA encourages the Office to consider AIPLA's discussion of terminal disclaimer practice in its response to the Request for Comments on Robustness discussed above.<sup>10</sup> In those comments, AIPLA discussed how the filing of a terminal disclaimer is, from an applicant's perspective, an economically efficient response to address an obviousness-type double patenting rejection. We are concerned that the proposed fee increases for terminal disclaimers would have the detrimental effects of forcing longer prosecutions with more costs spent both by applicants and the Office debating the relative merits of claims that all parties have agreed are patentable over the existing prior art.

### **Proposed New Fees for Information Disclosure Statements (IDSs)**

The Fee Proposal also includes new fees for IDSs where the cumulative number of citations in an application is greater than 50, 100, and 200 references. These fees are new; there has never been a surcharge based on the number of references cited in the application. The Executive Summary states that these new fees encourage "more efficient filing and prosecution behavior from applicants."<sup>11</sup>

It is important to point out that the number of references is often not within the applicant's control. Applicants are under "a duty to disclose to the Office all information . . . material to patentability[.]"<sup>12</sup> The failure to fulfill this duty of disclosure can be devastating, with the issued patent potentially being deemed unenforceable. AIPLA believes that the implication in the Executive Summary that the submissions of IDSs can be viewed in terms of "efficiency" or as a matter of "prosecution behavior" fails to appreciate this duty. Also, these fees are inconsistent with the policy goal of having applicants submit all material information—which would seem to support the Office's goal of "robust and reliable patents."

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<sup>10</sup> See note 5 *supra*.

<sup>11</sup> Patent Fee Proposal Executive Summary, p. 17.

<sup>12</sup> 37 CFR 1.56(a).

AIPLA believes the Office should reconsider and provide more data on the impact of the proposed increases on citations of prior art references and the possible impact on the cost of examination. AIPLA submits that the citation of references in an IDS may in fact result in a lower prosecution cost if the applicant submitted art reduces the search burden on the Office.

AIPLA requests that these increases not be implemented until the Office has provided further justification of the costs associated with the cumulative number of references cited. Further AIPLA requests that the Office consider the effect of these fees on applicants who are compelled by their duty of disclosure to submit to the Office all material information.

### **Proposed Fee for the After Final Consideration Program (AFCP)**

The Fee Proposal includes a new fee for AFCP requests.

The AFCP program is intended to streamline and resolve issues without the added expenses of an appeal. AIPLA is concerned that the program is not presently used effectively by all Examiners. It is AIPLA's understanding, based on feedback from our membership, that some interviews, intended to be a part of the program, are not awarded or pursued by the Examiner. Instead, an advisory action follows shortly after AFCP submission.

Imposing additional fees may further discourage the use of the program. AIPLA believes that applicants will be unwilling to pay for a program that does not give assurance that interviews and/or additional searching are being pursued in earnest. Thus, AIPLA is concerned that since this program is still in its nascent stage and not fully supported by all Examiners, it is inappropriate to begin charging fees – at least until the program is more robust and comprehensive.

AIPLA remains committed to improving after-final practice. We believe innovations like the AFCP are useful. We note that one option may be to charge the applicant a fee (e.g., the proposed \$500) upon actual grant of an interview under AFCP and a showing of attempts to further prosecution.

### **Proposed Fee Increases for a Third Request for Continued Examination**

The Office is proposing an 80% increase for a third or more RCE filed in an application. Such a significant increase may result in applicants directly filing an appeal, which is likely to prematurely overwhelm the Office's appeal system and/or inhibit applicants from continuing to try to work with the Examiner to find patentable subject matter.

AIPLA believes that such a large increase requires additional information justifying the proposed fee. The Office states in the Executive Summary that “multiple RCEs may reduce the potential for future maintenance fees that eventually recover the examination costs incurred for these applications.”<sup>13</sup> The Office has not provided data supporting this statement. AIPLA requests that data regarding the actual costs of multiple RCEs should be provided by the Office. Such data could provide insight into questions, such as whether the increased RCE fees would

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<sup>13</sup> Patent Fee Proposal Executive Summary, p. 21.

result in applicants abandoning applications rather than paying the increased fees -- which would result in the Office being deprived of all maintenance fees for the abandoned application.

AIPLA members have encountered substantial problems with the current compact prosecution model.<sup>14</sup> In many cases, patentability issues are *not* identified until after final rejection, thereby necessitating the filing of at least one RCE. Further, even successful appeals are not effective in terminating prosecution, as the Board invariably remands and examiners commonly reassert the same or similar grounds on remand.

AIPLA believes the Office's current examiner performance measurement system arguably encourages Examiners at times to force applicants to file RCEs. AIPLA believes a better approach would be to improve the compact prosecution model to ensure that Examiners have adequate time and resources to identify all material issues early in the process and appeals provide finality. AIPLA recommends that any increase in RCE fees be held in abeyance pending improvements to compact prosecution.

### **Proposed Fee Increases for Excess Claims**

AIPLA has previously opposed increases for excess claim fees<sup>15</sup>

AIPLA members have noted that many times they do not receive the benefits of the current excess claim fees. For example, it is our understanding that examination time allotted to an Examiner is based on the number of claims in a case. Further, in restriction practice, claims are often withdrawn from consideration after payment of excess claim fees (and it is noted that no refund mechanism is provided). While applicants could initially file separate applications for closely related inventions, doing so would deprive them of the benefit of the safe harbor from double patenting rejections under 35 U.S.C. § 121.

The proposed increases in excess claim fees would likely be more palatable if a refund of a substantial portion of the fees were available where claims are restricted or if the paid fees could be credited against the filing of a divisional application necessitated by a restriction requirement. On balance, it is our position that excess claim fees should be based on claims actually examined.

### **Proposed New Fees for Patent Term Extensions (PTEs)**

The Fee Proposal includes increased fees for applications for extension of term of patent (468% increase), an initial application for interim extension (200% increase) and subsequent application for interim extension (196% increase).

The proposed PTE fee increases are substantial and should not be implemented without clear data detailing the need for an increase of this magnitude. Disclosure of such data would provide the opportunity for informed public comment on the proposal. Additional information regarding the Office's existing practices and associated costs would also be helpful to enable informed public discourse on this important topic.

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<sup>14</sup> Note 13 *supra*.

<sup>15</sup> *Id.*

The proposed PTE fee increases target specific applicants seeking *restoration* of lost patent term for a limited and important category of technologies and products, such as medical devices, under 35 U.S.C. § 156. AIPLA recognizes, and the Office has itself acknowledged, the intent and importance of section 156: “The part of the act codified as 35 U.S.C. 156 was designed to create new *incentives for research and development of certain products* subject to premarket government approval by a regulatory agency.”<sup>16</sup> The scale of the proposed increases, particularly without meaningful substantiation, would run directly counter to the important policy goal of incentivizing research and development of certain products subject to government approval by a regulatory agency. Before taking a step that may have adverse policy implications, we request that the Office provide data substantiating the need for such an increase and provide an opportunity to further comment once this data is made publicly available.

### **Proposed Fee Increases for AIA Trials**

The Fee Proposal includes an across-the-board 25% increase in AIA trial fees. The Executive Summary states that the costs associated with AIA trials have continued to increase as a result of recent court cases and higher operating costs.<sup>17</sup>

AIPLA requests that the Office share with the patent community sufficient data supporting this proposed increase.

The proposal also includes new fees for AIA trial petitions that exceed proposed word count limits. AIPLA does not believe such new fees are an effective solution to problems associated with AIA trial petitions. If the goal is to avoid parallel petitions, the regular petition fees are already a disincentive. Many of our members believe that there is substantial benefit to brevity. Allowing petitioners to pay for more pages will discourage that art. Further, payment for additional pages would create more work for patent owners required to address longer petitions.

### **Proposed Fees for Assignment Recordation**

AIPLA is concerned that additional recording fees may discourage recordation.

AIPLA is also concerned with the proposal to charge a fee each time an applicant needs to correct a previous recordation, for any reason. For example, a new recordation fee would be required if the assignment document is deemed unclear because of scanning quality. If this fee moves forward, it would be best for it to be charged once and not until the Office deems the original document to be clear enough for recordation.

### **Proposed Fee Increases for Design Patent Applications**

The Fee Proposal includes substantial increases related to design patent applications.

AIPLA members consider design patents to be cost-effective and vital for preventing copying of unique product designs. Few alternatives are available. AIPLA is concerned that, for some applicants, the proposed fees may be prohibitive. In this regard, it should be noted that to

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<sup>16</sup> MPEP § 2750 (Emphasis added).

<sup>17</sup> Patent Fee Proposal Executive Summary, p. 29.



sufficiently protect some products, design applicants need to file multiple design patent applications to secure reasonably adequate coverage. For example, one application may be filed with a claim scope directed at an entire product, and additional applications are filed having claims directed at sub-portions of the product. The proposed design fee increases will therefore have a multiplying effect on some design applicants.

It should also be noted that design patent application fees in the United States are already substantially greater than comparable fees for the protection of designs in other jurisdictions -- such as the European Union. Further, other jurisdictions have in recent years reduced fees related to the protection of designs to combat counterfeiting. The proposed increases might therefore have an unintended effect of weakening design protection in the United States relative to the rest of the world if design applicants decide to spend resources for design protection on less expensive alternatives outside of the United States.

We note that the proposed later-filed continuation application fees would affect design patent applicants as well. Continuation applications are commonly used for designs, particularly when copycat designs hit the market and the designer seeks to file design patent applications on sub-portions of their designs. Some continuation applications are needed years after a first-filed application.

The Executive Summary indicates that current fees for design application examination do not sufficiently recover the cost of examination of design applications and that rapid growth in applications among micro entities (mostly foreign) has compounded the shortfall.<sup>18</sup> We believe that these problems might be addressed in ways other than the proposed increases. For example, to the extent that the Office believes that a significant number of the micro entity assertions are improper or possibly fraudulent, we believe the Office should attempt to address that problem directly. Further, an alternative to the fee increases could be the consideration and introduction of a maintenance fee requirement for design patents. This would more closely align design patents with utility patents where the back-end maintenance fees offset losses in the front-end fees, as discussed above. AIPLA also believes that higher design patent application fees seem entirely at cross purposes to the proposed new design patent bar being considered to create more diversity in the patent bar.

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<sup>18</sup> *Id.* at p. 11.

**Conclusion**

The Executive Summary states this fee proposal is not final but, rather, a starting point. The Office has indicated it will consider and analyze all input before preparing a notice of proposed rulemaking. We appreciate that the Office is proceeding carefully to consider the patent community's response. AIPLA appreciates the opportunity to comment and would be happy to further discuss with the Office our views on any of the issues. Please do not hesitate to contact us for further information or clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Batzli".

Brian H. Batzli

President

American Intellectual Property Law Association

Enclosed: Testimony of Ann Mueting on behalf of AIPLA at the Patent Public Advisory Committee Hearing, May 18, 2023.



## American Intellectual Property Law Association

**RE: Ann M. Mueeting Testimony on behalf of AIPLA on USPTO Patent Fee Setting and Adjusting Proposal to the Patent Public Advisory Committee, May 18, 2023**

Good afternoon. My name is Ann Mueeting of Mueeting Raasch Group. I am not here on behalf of my firm or its clients, but I am here on behalf of the American Intellectual Property Law Association as its President Elect. My comments reflect AIPLA's current viewpoints on the fee proposal.

As in the past, AIPLA believes that the USPTO should recover, in the aggregate, 100% of the costs needed to run the Office. We also maintain that the current balance between "front-end" and "back-end" fees should be maintained so that filing and examination fees remain low enough to maximize access to the patent system.

Nonetheless, we recognize the need for the Office to increase fees to compensate for inflation. As such, we find that many of the proposed increases seem reasonable and appropriate.

We do have concerns, however, with some aspects of the Office's current Fee Proposal -- as there are significant increases *and* new fees for certain aspects of the patent application process.

We believe that the Office should conduct a thorough analysis, and justify any significantly increased fee or new fee showing that the fees are necessary and calculated to recover the actual costs associated with each targeted practice.

We note that the Office's recent Request for Comments on USPTO Initiatives To Ensure the Robustness and Reliability of Patent Rights asked many questions about possible policy initiatives that would alter current examination practices, and that *are now* targeted for significant fee increases or new fees. We have significant concerns regarding this approach.

Some areas of our members' specific concerns include the following:

In **Continuation applications**, the proposal would have fees starting as soon as 3 years after the earliest benefit date. In many technologies, examination does not typically start for 2 or 3 years after filing. The fees will also disproportionately affect independent inventors, start-ups, and small businesses who are most sensitive to even small fee increases.

Regarding **Terminal Disclaimers**, the proposed fee increases are significant, ranging from 18% to as much as 724%, even though the cost of processing these documents is considerably less. While the Office might want to encourage early TD filing, it is difficult to determine their necessity until substantive prosecution takes place.

Regarding **Information Disclosure Statements**, the proposed fees for submitting cumulative numbers of references are completely new. Applicants should not be penalized for complying with their obligations under Rule 56, which imposes upon applicants "a duty to disclose to the Office *all* information . . . material to patentability." The failure to fulfill this duty can be devastating, with the issued patent potentially being

deemed unenforceable. Also, these fees are inconsistent with the policy goal of having applicants submit all material information, which promotes “robust and reliable patents.”

Regarding **Requests for Continued Examination**, the Office is proposing an 80% increase for a third or more RCE, which is likely to prematurely overwhelm the Patent Office’s appeal system and/or inhibit applicants from continuing to try to work with the examiner to find patentable subject matter.

Regarding **Excess Claim fees**, the proposed fees are increased by 100%. Our members observe that many times applicants do not receive the benefits of the current excess claim fees due to administrative practices such as restriction, where claims are withdrawn from consideration, but no refunds result. It is our position that excess claim fees should be based on claims actually examined.

Regarding **Patent Term Extensions**, the increases of 196% to as much as 468% are of significant concern. These fee increases target specific applicants seeking *restoration* of lost patent term for a limited category of technologies and products, such as medical devices. The PTE program was designed to create new *incentives for research and development*, but these significant fee increases would run directly counter to these important policy goals.

Regarding **Design Applications**, we are concerned that, for some applicants that depend on the crucial protection afforded by design patents, the proposed significant increases in the fees would now make crucial

design patents financially inaccessible to some. It also seems entirely at cross purposes to the proposed new design patent bar being considered to create more diversity in the patent bar.

Finally, we note that time limitations preclude more extensive comments in this venue and urge the PPAC to consider our written comments that will follow, as well as our prior comments relating to our input on patent robustness and reliability.

Thank you for the opportunity to give our input.