

November 25, 2015

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  
*Attn: Brendan Hourigan  
Office of Chief Financial Officer*

*Via email: [fee.setting@uspto.gov](mailto:fee.setting@uspto.gov)*

**Re: Comments to the USPTO Patent Public Advisory Committee on the Proposed Patent Fee Schedule. 80 Fed. Reg. 63543 (October 20, 2015)**

Dear Under Secretary Lee:

The American Intellectual Property Law Association (AIPLA) is pleased to present the following comments to the USPTO Patent Public Advisory Committee on the proposed patent fee schedule, in response to an invitation for written comments. 80 Fed. Reg. 63543 (October 20, 2015).

The American Intellectual Property Law Association is a national bar association of approximately 14,000 members who are primarily lawyers 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.

AIPLA provides these comments and suggestions regarding the specific fees discussed below.

**A. General Support for Fee Setting Goals.**

AIPLA supports the stated goals of the fee setting: assuring there are sufficient funds to maintain and improve efficient, effective and high quality patent operations for the present and into the future. We especially agree with the focus on enhancing patent quality, reducing the inventory of unexamined application and investing in Patent Trial and Appeal Board (PTAB) functions. We appreciate the detailed materials provided by the USPTO in conjunction with the Notice. In

particular, the Table Of Proposed Fee Adjustments, the Executive Summary, and the Detailed Appendix.

AIPLA recognizes the need for additional revenues in view of the operational shortfall in FY 2015. We commend the USPTO for addressing this shortfall primarily through cuts in expenses, minimizing the withdrawal from the Reserve Fund. We also commend the Office for not increasing any of the Maintenance Fees, for reducing some fees for small and micro entities, for proposing a streamlined reexamination, and for proposing changes to the way Information Disclosure Statements are processed. While our members recognize that many of the proposed fee increases are reasonable under the circumstances, we have identified several issues that need further clarification and several proposed fee increases that are of concern.

In order to provide meaningful responses to certain proposed fee increases, we would like more information regarding the cost of the Quality Initiative, the amount and rate of increase of the Reserve Fund, the proposed rules packages implementing the streamlined reexamination, and the changes in information disclosure statement (IDS) requirements. In addition, we have concerns regarding proposed increases of: 1) excess claim fees, 2) request for continued examination (RCE) fees, 3) Notice of Appeal fees, 4) design patent fees, 5) computer records fees, and 6) fees for the submission of sequence listings. With respect to other fee proposals not addressed in this letter, we reserve our comments for later.

**B. AIPLA Urges Transparency on Fee Increases for Patent Quality Initiative and Patent Fee Reserve Fund.**

The Office identifies three drivers for the fee increases: 1) to recover the aggregate cost of the patent operations, 2) to implement the patent quality initiative, and 3) to grow and maintain the Patent Fee Reserve Fund at an “optimal” level. In addition to these drivers, the Detailed Appendix indicates that several of the fee adjustments are to compensate for inflation. We believe that it would be beneficial to understand how inflation and the other drivers are factored into the proposed fee increases. We also note that the Office has not provided detailed information on the projected cost of the Patent Quality Initiative, the projected optimal amount of the Patent Fee Reserve Fund, or projections on the rate at which the Reserve Fund will grow over the interval covered by these proposed fees. AIPLA urges the Office to be more transparent with these projections to give the public sufficient data to make an informed judgment as to the reasonableness of the proposed fee increases.

**C. AIPLA Requests Clarification for Fees for Programs Needing Rulemaking.**

After reviewing the proposed fee changes, we note that the fees for at least two programs, streamlined reexamination and consideration of IDSs submitted after first action, require changes in the rules of practice. It is difficult to determine the reasonableness of these fees without more information on the proposed new rules. AIPLA requests that at least an outline of the proposed rulemaking be included when these proposed fees are published for comment.

**D. AIPLA Opposes Fee Increases for Excess Claims.**

AIPLA opposes the proposed increases for excess claim fees. We note that no historical cost information has been provided for the examination of claims in excess of three independent and twenty total claims. Our members note that, many times they do not receive the benefits of the current excess claim fees. In particular, as a result of the U.S. restriction practice, claims are often withdrawn from consideration after payment of excess claim fees and no refund is available. 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 may be more palatable if a refund of a substantial portion of the fees were available when claims are restricted or if the paid fees could be credited against the filing of a divisional application necessitated by a restriction requirement.

**E. AIPLA Opposes the Fee Increase for Requests for Continued Examination.**

AIPLA opposes the proposed fee increase of \$300 for an RCE for both the first and subsequent RCEs. We commend the Office for recognizing RCE filings as a problem and for attempting to address this issue by implementing automated pre-examination searches, providing more flexibility in the submission of IDSs, and by implementing the After Final Consideration Program (AFCP). Our members, however, do not believe that these measures are sufficient. In particular, we are uncertain as to the quality of the pre-examination search and question the effectiveness of the AFCP because many of our members report that this program has become less utilized by Examiners over time.

Our members see problems with the current compact prosecution model because, in many cases, patentability issues are not identified until after Final Rejection, necessitating the filing of at least one RCE. In addition, our members believe that the current performance measurement system used by the Office encourages Examiners to force Applicants into filing RCEs. We believe that a better solution to the problem of excessive RCEs would be to revamp the compact prosecution model to ensure that Examiners have adequate time and resources to identify issues early in the process so that they can be resolved without issuance of a final action. Accordingly, AIPLA recommends that these fee increases be held in abeyance pending modifications to compact prosecution.

**F. AIPLA Opposes the Proposal to Eliminate the Certification and the Increase in the Fee for Submitting an Information Disclosure Statement.**

AIPLA opposes the proposal to eliminate the certification and the proposed increase in the fee for submitting an IDS during period 2, after first action on the merits but before allowance or final rejection. We do not see a need to eliminate the certification and increase the fee in this period because the application is in prosecution and any newly discovered references may be easily considered by the Examiner. We are, however, in favor of the fee increase and the elimination of the certification after final action or allowance. This change should decrease the need to file an RCE when a new reference is discovered. The elimination of the certification in

period 2, however, removes an incentive for the prompt submission of prior art which may be detrimental to patent quality. AIPLA notes that this fee increase must be accompanied by a change in the rules of practice. Without more information on the proposed rules change, we cannot agree with the proposed new fee.

#### **G. AIPLA Opposes the Fee Increase for Filing a Notice of Appeal.**

AIPLA opposes the proposed fee increase for filing a Notice of Appeal. Many of our members note that filing a Notice of Appeal is often not followed by filing an Appeal Brief because either the application is allowed or prosecution is reopened. Furthermore, many Applicants file a Notice of Appeal in order to keep an application from becoming abandoned when the six-month date for a Final Office Action is approaching and there has been no response from the Examiner. We note that the historical cost of processing a Notice of Appeal is \$33 while the proposed new fee for filing the Notice is \$1,000. This fee is disproportionate. Many of our members find the current \$800 fee for a Notice of Appeal to be excessive. One solution may be to change the rules of practice to provide a refund of a substantial portion of the Notice of Appeal fee when the next action is a Notice of Allowance or a new Office Action. Another possible solution may be to reduce the fee for filing the Notice of Appeal and reinstate a fee for filing an Appeal Brief. Alternatively, the Office may provide another way for applications approaching the six-month date of an Office Action to be preserved from abandonment when action by the Examiner is pending.

#### **H. AIPLA Supports the New Fee for Streamlined Reexamination.**

AIPLA supports, in principle, the proposed decrease in the fee for a streamlined reexamination relative to a normal reexamination. Clearly, this procedure will require rulemaking. While we support the concept of a streamlined reexamination, we reserve judgment on the reasonableness of the proposed new fee of \$4,000 until more information is made available.

#### **I. AIPLA Opposes the Fee Increase for Design Patents.**

AIPLA opposes the magnitude of the proposed fee increases for design patents. The large increase in these fees appears to be unwarranted. These increases, which range from 7% to 79%, may result in reduced filings for industrial designs, which are an increasingly important category of intellectual property. These fee increases are significant because design patents are limited to a single claim. Thus, applicants often must file several applications to cover a single design. The rationale for these proposed fees is based on the absence of maintenance fees for design patents. However, the combined examination and issue fee for a large entity exceeds the historical cost of examining and issuing a design patent by more than \$400. We recommend that at least the proposed increase in the issue fee be reduced.

#### **J. AIPLA Requests Clarification on Fee Increase for Computer Records.**

AIPLA believes that it is in the public interest for the USPTO to provide free access to its data. We understand, however, that the collection and dissemination of this data involves significant effort and, therefore, cost. The proposed charges for computer records, however, may inhibit

researchers and act as a disincentive to the development of new tools to use the USPTO data. The needs of the public must be balanced against the needs of the Office to recoup its expenses. We reserve judgment on these fees until we receive more data on the cost of providing this information to the public. It would be helpful if the Office were to provide an analysis showing why these fees are needed and their likely impact on public access to USPTO data.

**K. AIPLA Opposes the Fee Increase for Mega Sequence Listing.**

AIPLA opposes the proposed fees for mega sequence listings. The proposed fees are \$1,000 for a sequence listing of between 300 MB and 800 MB and \$10,000 for a sequence listing greater than 800 MB. AIPLA does not believe that materials describing these fee increases justify their magnitudes. We would like to know whether these fees are based on the processing costs or on the cost of procuring storage. The Office currently requires that any amino acid sequence of four or more residues and any nucleotide sequence of ten or more bases that is set forth in the specification or drawings be included in a Sequence Listing, regardless of whether the sequence is known in the art or recited in the claims. One solution may be to amend the rules of practice to remove the requirement for filing sequence listings that are in the prior art or that are not recited in the claims. Another solution may be to have a more graduated fee that accurately reflects the cost of providing the service.

**L. AIPLA Requests Clarification on the Fee for Late Submission of Sequence Listings in International Applications.**

AIPLA requests more information on the need for the fee for late submission of sequence listings in international applications. Although this fee is authorized by PCT rule 13ter.1(c), we do not understand the need for it as no fee has been charged to date. AIPLA requests more information on the cost of the services covered by this fee before supporting it.

**CONCLUSION**

AIPLA acknowledges the effort by the USPTO to adjust patent fees commensurate with its stated goals. These comments have been provided in the spirit of making proposed fee adjustments in a way that is compatible with the needs of our members. Thank you for allowing AIPLA the opportunity to provide comments on the proposed fee adjustments. We look forward to receiving the Notice of Proposed Rulemaking including the proposed fee adjustments as revised after the PPAC hearing and any associated commentary materials.

Sincerely,



Denise W. DeFranco

President

American Intellectual Property Law Association