



American Intellectual Property Law Association

September 11, 2018

Brendan Hourigan
Director, Office of Planning and Budget
Office of the Chief Financial Officer
United States Patent and Trademark Office
600 Dulany Street Alexandria, VA 22314
Via email: fee.setting@uspto.gov

RE: Comments to the Patent Public Advisory Committee Public Hearing on the Proposed Patent Fee Schedule [Docket No. PTO-P-2018-0046]

Dear Mr. Hourigan:

AIPLA thanks the Patent Public Advisory Committee (“PPAC”) for conducting the hearing on the Proposed Patent Fee Schedule on September 6, 2018, and for this opportunity to express our views on the proposal.

AIPLA is a national bar association of approximately 13,500 members that include patent attorneys, patent agents, and other IP 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.

Our comments below address seven aspects of the proposed fee schedule: general comments on the proposed fees; comments on the surcharge for late payment of maintenance fees within 6 months; comments on the patent trial and appeal fees, comments on the annual practitioner fee; comments on the CLE discount for this fee; and comments on the surcharge for filing patent applications in DOCX format, ..

AIPLA has, in the past, expressed the view that fees, in the aggregate, should recover 100% of the costs of the USPTO, and that the relationship between “front-end” (filing, search, examination etc.) and “back-end” (maintenance, renewal, etc.) fees should be maintained. This is to say, for example, that search and examination fees for patents should not necessarily be set to recover the entire costs of front-end processing for patents and that a portion of such costs should continue to

be borne by maintenance and renewal fees.¹ The goal should be to find a balance to any fee proposal to ensure that front-end fees remain low enough to allow a wide range of inventors and businesses to seek protection, making up the shortfall with back-end fees and maintenance fees.

1. General Comments on the Proposed Fee Schedule

The proposal contains a number of fee increases, some of which seem appropriate, but other fee increases do concern AIPLA. In either case, it is important that the Office provide more detailed justifications. In reviewing these fees, our members noted that, with a few exceptions, existing fees are increased in the range of 5% to 10%. We understand that these fees may be justifiable for many reasons, such as in part to compensate for inflation over the two-year period in which the fee increases will be in effect, to update infrastructure, or to provide new or improved services. If the fee increases are to compensate for inflation, what projections did the Office use? If the fee increases are for merit increases, what criteria did the Office use to project the amounts of the increases? If the increases are to pay for new or improved services, what are those new or improved services and how were their projected costs determined? We note that the Office released its Strategic Plan shortly after releasing the proposed Fee Schedule. It will be helpful to receive more information on how the fee increases may be tied to initiatives and Key Performance Indicators (KPIs) described in the Strategic Plan. For example, in view of the PALM outage in August, AIPLA is well aware that the Office needs to upgrade its information technology infrastructure. Any costs for this upgrade may be properly spread across all of the patent fees, as they would benefit all users of the patent system. AIPLA encourages the Office to provide details on the projected costs of this upgrade and to clearly identify the associated funding sources.

AIPLA's membership includes practitioners both in corporations and in private practice, many of which have clients with a fixed budget for IP portfolios. As such, our members are concerned that these fee increases will, ultimately, increase the cost of obtaining and maintaining patents and may result in a reduction of patent filings. Thus, these fee increases need to be well justified.

Applying these fee increases, and especially the fee increases of 25% or more, to large, small and micro entities more dramatically impacts the small and micro entities. While we understand that the Office is statutorily limited in the discounts it can provide to small and micro entities, we urge the Office to reconsider the increases that most significantly impact those entities.

We also encourage the Office to consider the policy implications of certain proposed fee increases. For example, AIPLA is concerned that increases in the IDS fees may result in less disclosure and that increases in the extension fees may result in otherwise patentable applications being abandoned.

¹ AIPLA Comments to the Patent Public Advisory Committee (PPAC) on the "Proposed Patent Fee Schedule," February 29, 2012 ("AIPLA 2012 Comments to PPAC"), Page 3 ([PDF](#))

2. The Surcharge for Late Payment of Maintenance Fees Within 6 Months.

AIPLA does not believe that the proposed fee increases are justified based on services provided. Furthermore, the Office has not identified any damage to the public resulting from use of the 6-month grace period. A competitor will still need to wait until the expiration of the grace period to know that the maintenance fee has not been paid. The surcharge may have disproportionate effect on small and micro entities who are more likely to need the 6-month grace period as they may not use maintenance fee providers to pay their maintenance fees. This surcharge is the largest of several unexplained increases that are not based on new or improved services. To be transparent, the Office should provide clear justification for the increase of this surcharge. If these fee increases are maintained, we strongly suggest that the Office initiate procedures to notify patentees of an upcoming maintenance fee payment due date, to minimize the use of the grace period.

3. Patent Trial and Appeal Fees

The five percent increase in fees for Ex Parte proceedings appears to be reasonable. However, more information justifying this increase could confirm that this increase generally corresponds to inflation over the two-year lifetime of the fees. Our members are most concerned about the 25 percent increase in the fees for Inter-Partes Review proceedings and Post-Grant Review proceeding. While we understand that these increases may be justified by the anticipated additional work required as a result of the Supreme Court decision in *SAS Institute Inc. v. Iancu* (“SAS decision”)², we do not believe that there is sufficient data, at this point in time, to determine whether this increase is reasonable. By the time of the Notice of Proposed Rulemaking, however, there should be sufficient data to determine whether the additional work justifies the fees. AIPLA encourages the Office to revisit these fees prior to generating the Notice of Proposed Rulemaking and to provide supporting documentation to justify these fee increases. For example, data from the PTAB on the work required for existing complete institution versus partial institution cases has not been made available to allow us to determine whether the proposed increase is reasonable. Further data will be helpful in this regard. AIPLA notes that most of the additional work required by the SAS decision is after the institution of the proceeding. AIPLA suggests that the Office consider a way of dividing up the fees so that the pre-institution fees bear less of the increased cost than the post-institution fees. Alternatively, or in addition, applications having more contested claims tend to use more resources than applications having fewer contested claims. The Office should also consider reallocating these fee increases to the fees for requesting review of larger numbers of claims.

One fee that is also of concern is the newly added \$250 fee for admission of a non-registered practitioner. The Executive Summary indicates that this fee must be paid for each trial in which the non-registered practitioner would like to appear. AIPLA suggests that this fee be administered so that it needs to be paid only once for a non-registered attorney to appear in multiple related patent trials, for example, in patent trials for patents in the same family.

² *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018)

4. Annual Practitioner Fee

In principle, AIPLA is not opposed to a fee that adequately and properly funds OED. However, more clarity is warranted on the need for this fee and how it would be used, and more information is needed to understand if the fee is commensurate with the services provided and limited to the OED. More information on how the OED will use these fees for OED's patent related services is also needed. For example, how is this fee increase related to the OED's mission, responsibilities, workload and activities? What problems are being addressed? It should be noted that the Office proposed a practitioner fee as a part of a rule making in the early 2000's, and it was not adopted at that time. What is the reason that it is being revisited now?

The Office indicated that this fee is commensurate with fees charged by state bar associations. State bar associations, however, provide more distinct services to the attorneys that they serve than the OED provides to patent practitioners. In addition, OED already charges fees for many services that OED provides. For example, an application fee for admission to the examination for registration, fee for administering the registration examination, and a fee for recognition or registration after disbarment or suspension on ethical grounds. As a conservative estimate of fee revenue, assuming 40,000 active practitioners and two-thirds of the practitioners paying the minimum fee (\$240), the Office would receive \$6,400,000 annually. This amount seems excessive to fund services provided by the OED, especially when considered as an increase to existing fees collected pursuant to 37 C.F.R. § 1.21(a)(1)-(10). Without properly explained cost accounting, this amount seems excessive to fund services provided by the OED, especially when considered as an increase to existing fees collected.

The Fee Proposal indicates that instituting the annual practitioner fee will eliminate the need for the Office to perform its annual survey of patent practitioners. This, however, represents a net savings to the Office and should be reflected in any cost accounting produced to justify the fee.

In addition, AIPLA has several concerns as to how fee collections will be administered: How will practitioners be notified as to when the fee is due? Will there be a penalty for late payment of the fee? Will practitioners be suspended for not paying the fee on time? If the practitioner will be suspended for inadvertently failing to pay the fee, what is the status of any document filed by the practitioner during the suspension? If documents are invalidated, will there be a mechanism for retroactively validating the documents to prevent unintentional abandonment of applications or will the remedy be to file an expensive request for revival of an unintentional abandoned application?

Furthermore, OED is also responsible for monitoring trademark attorneys and for policing invention promotion companies, AIPLA is concerned that these new proposed fees charged to patent practitioners could be allocated to costs un-related to patent practitioners. The Office is also encouraged to consider the administrative costs to law firms and corporations to make and keep track of these payments.

5. CLE Discount

AIPLA, as a provider of CLE, encourages practitioners to continue their legal education. We believe, however, that more information is needed to understand how the proposed discount would

operate. It was indicated during the PPAC Oral Hearing, conducted on September 6, that a portion of the annual practitioner fee is to be used to fund the USPTO pro bono activities. Our members would like to know more about the costs of this program and whether the Office has investigated partnering with corporations and/or law firms to fund the effort.

The materials contain only vague statements of what type of CLE would be appropriate for the certification. Our members would like to know more about the type of CLE, where it could be obtained, and the projected cost before we can comment meaningfully on the CLE certification. Is the OED prepared to qualify seminars in the same manner that state bar associations qualify seminars for CLE credits for both substantive and ethics-based CLE credits? Will the OED submit the materials to all 50 states and the District of Columbia for certification? During the PPAC hearing, the Office asked for information on types of CLE that the Office could provide. One idea may be to allow practitioners to attend the examiner training sessions for CLE credit. The nature and administration of any CLE by the Office, however, appears to be a separate question from the proposed fee schedule. Thus, if the Office continues to investigate offering CLE, it may be more appropriate to request comments in a separate Federal Register Notice.

The Executive Summary of the Fee Proposal states that the CLE discount is justified because practitioners who have taken CLE are less likely to commit errors and, thus, represent less work for the OED. Does the Office have any statistics to support this assumption? AIPLA believes that there should be no link between an annual fee for practitioners and CLE. We urge the Office to separate these elements of the Fee Setting Proposal.

The amount of the discount, \$100, is much less than the cost of the requisite CLE, as nearly as can be determined, both out-of-pocket and in lost productivity. Thus, it is likely that practitioners who cannot make the certification will, instead, pay the fee. Thus, the discount seems to be a vehicle to raise additional fees, not to encourage practitioners to receive CLE. Furthermore, it could be argued that the CLE discount is a disparate treatment between patent lawyers and patent agents, the latter of whom typically do not have a CLE requirement and, thus, would not be able to make the certification without incurring extra expense.

Slide 26 of the PPAC Executive Summary on the Fee Proposal states: "Practitioners who certify completion of the CLE credits will be noted in the OED Information System (OEDIS) which is available to the public to search for a practitioner." AIPLA would like to confirm that, when the public searches for a practitioner, there will be a field indication for CLE certification, and that lack of an entry in this field reflects that a practitioner did not make the CLE certification. If this is the case, then AIPLA is concerned with a process that notifies the public of practitioners who fail to provide the CLE certification. We believe that this will unfairly prejudice practitioners including patent agents and attorneys who do not have a state CLE requirement or simply opt to pay the full price. Although the Office indicates that the CLE certification is optional, the public may not understand the distinction. - - Providing a public record that reports a lack of certification essentially makes the CLE requirement mandatory.

AIPLA urges the USPTO to propose a comprehensive CLE plan by OED that would address the various issues discussed, and provide an opportunity for obtaining feedback on any proposed CLE requirements and reporting/enforcement mechanisms, including from those practitioners who are

not subject to state bar based CLE requirements, such as patent agents, patent examiners, and other non-attorneys.

AIPLA encourages the Office to consider including its patent examiners in training that provides them with the equivalent training as outside practitioners would be required to attend in order to obtain CLE certification. While it is understandable that patent examiners should not need to pay a fee, they should be required to attend equivalent trainings as practitioners, even if done at the PTO for examiners. Quality patent examination is as critical to producing quality patents as having well-educated patent practitioners.

6. Comments on the Surcharge for not Filing in DOCX Format

While AIPLA is aware of the benefits of filing documents in a format that is easily text searchable, we do have some concerns. Our concerns are not about the surcharge but on the reliance solely on the DOCX format. Documents in DOCX format can be modified more easily than documents in pdf format. We would like to know what safeguards would be put in place to ensure that the document, as submitted, is not accidentally modified by a user of the PALM or PAIR systems and/or maliciously modified by someone who has compromised the USPTO security measures. Currently, the Office addresses this problem by converting the DOCX documents to pdf and retaining the pdf copy as the record copy of the application. This is inconvenient for our members, however, as it requires them to carefully check the converted document to ensure that it was properly converted and is correct and complete. Furthermore, because some conversion errors will happen, the Office needs to specify how differences between these two documents are handled.

Our members are also concerned that metadata in the DOCX files may be inadvertently left in the document that may reveal prior versions of the document and, thus, the thought process used to generate the document. This could create a trap for the less sophisticated applicant. The Office is asked to describe its plans on how to address the metadata issues.

We suggest that the Office consider allowing the applicant to provide both a DOCX file for Office use, and a pdf file as the record copy that is made available to the public. The Office could then only charge the surcharge when the application is submitted in only a non-DOCX format.

7. Conclusion

As the materials accompanying the proposed Fee Schedule mention the Reserve Fund, we offer the following comments. AIPLA has supported the establishment of a Reserve Fund to help improve the financial stability of the USPTO and sustain operations under certain unexpected circumstances. That said, there is insufficient information provided in the proposal to assess how the Fund has been built and used over the years, what is the appropriate target amount, or how these proposed fees will replenish the Fund over what period of time. We note, for example, that AIPLA cautioned the Office during an earlier rulemaking proceeding to consider the appropriate period of time to build and maintain such a Fund so that certain filers were not overly burdened with growing the Fund.³

³ AIPLA 2012 Comments to PPAC, page 5.

In consideration of the Office's resources, we point out that we have expressed concerns over the last several year's regarding the USPTO's potential participation in the Department of Commerce's Enterprise Services Initiative and the possible impact on the USPTO's resources. While we understand that the Office has not participated, pending a review, we would be concerned that compelling the USPTO's participation without sufficient demonstrated benefit has the potential to undermine statutory protections that prevent USPTO fees from supporting other agencies. Participation in the Enterprise Services Initiative also impinges on the operational independence of the Office and may not be in the best interest of the USPTO and our members, the customers who fund its operations.⁴

Thank you again for the opportunity to make these comments. AIPLA supports the PPAC's continuing efforts on improving the patent system, welcomes the opportunity to answer any questions these comments may raise, and looks forward to a continuing dialogue on this very important subject.

Sincerely,



Myra H. McCormack

President

American Intellectual Property Law Association

⁴ AIPLA Comments to the United States Patent and Trademark Office (USPTO) on the Shared Services Initiative, December 14, 2015, ([PDF](#))