



May 25, 2023

The Honorable Kathi Vidal
Under Secretary of Commerce for Intellectual Property
and Director U.S. Patent and Trademark Office
600 Dulany St.
Alexandria, VA 22314

Submitted via: <https://www.regulations.gov> (Docket Number PTO-P-2023-0017)

Re: Comments Regarding USPTO Proposed Patent Fee Schedule

Dear Director Vidal:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments and suggestions in response to the USPTO's *Federal Register* Notice titled "Patent Public Advisory Committee Public Hearing on the Proposed Patent Fee Schedule," published at 88 FR 24392 (Apr. 20, 2023). These written comments supplant and replace informal comments presented at the May 20, 2023, PPAC hearing.

IPO is an international trade association representing a "big tent" of diverse companies, law firms, service providers and individuals in all industries and fields of technology that own, or are interested in, intellectual property (IP) rights. IPO membership includes over 125 companies and spans over 30 countries. IPO advocates for effective and affordable IP ownership rights and offers a wide array of services, including supporting member interests relating to legislative and international issues; analyzing current IP issues; providing information and educational services; supporting and advocating for diversity, equity, and inclusion in IP and innovation; and disseminating information to the public on the importance of IP rights.

IPO's vision is the global acceleration of innovation, creativity, and investment necessary to improve lives. The Board of Directors has adopted a strategic objective to foster diverse engagement in the innovation ecosystem and to integrate diversity, equity, and inclusion in all its work to complement IPO's mission of promoting high quality and enforceable IP rights and predictable legal systems for all industries and technologies.

IPO supports the USPTO's mission to issue and maintain robust and reliable patents that incentivize and protect innovation. We observe that for fees to facilitate improved examination quality, they must translate into increased examination time for examiners working on affected applications, such as more examination time for applications in which excess claim fees have been paid. The time required to conduct a thorough examination can vary from application to application, but we encourage the USPTO to ensure that fee adjustments result in providing patent examiners with the necessary resources to conduct robust examination in all cases.

Specific comments on some select fees are below.

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I. New Escalating Terminal Disclaimer Fees

We do not object in principle to a higher fee for a terminal disclaimer filed after a patent has been granted. However, we have some concerns about the proposal to impose escalating fees based on when during examination a terminal disclaimer is filed.

Typically, a terminal disclaimer is filed to overcome an obviousness-type double patenting (OTDP) rejection, which arises when the claims of the pending application are deemed to recite subject matter that is an obvious variation of claims pending or granted in another application or patent owned by the same entity or having a common inventor. Because the need for a terminal disclaimer depends on the claims, an applicant might not be able to make a fully informed decision about the need to file one until nearer the final claim scope is known, nearer the end of examination.

Filing a terminal disclaimer has significant substantive effects including limiting patent term to the term of the cited application/patent and requiring the patents to be and remain owned by the same entity to be enforceable. Because a terminal disclaimer can only be undone in extraordinary circumstances, it could create an irretrievable loss of rights for an applicant who files one early in prosecution and subsequently amends the claims in a manner that renders the OTDP concern moot.

The proposed escalating fee schedule could unfairly penalize applicants for waiting to limit their patent rights until they are confident doing so is appropriate. Specifically, the proposed fee schedule might cause applicants to limit their patent rights before a rejection is made to avoid the nearly 200% fee increase or penalize applicants who challenge rejections, *e.g.*, by charging a 370% higher fee after a final Office action. These changed incentives are in tension with the basic U.S. patent examination paradigm that places the burden on the USPTO to support a valid rejection.

To remedy this concern, the USPTO might consider setting the fee for a terminal disclaimer filed following the first Office action at the same rate as for one filed before. The USPTO also might consider refunding terminal disclaimer fees filed early by applicants seeking to avoid the imposition of higher fees later during examination if it is determined that a terminal disclaimer is unnecessary based on final claim scope.

Finally, the USPTO documentation explains that “the cost to process a terminal disclaimer increases greatly after certain milestones.” But currently, the USPTO encourages the use of e-terminal disclaimers that are processed and accepted automatically regardless of when they are filed. We request that the USPTO provide more detailed data on costs associated with processing terminal disclaimers at key points during the examination process.

II. New AFCP 2.0 Fee

IPO understands the USPTO’s justification for imposing a new \$500 fee to participate in the AFCP 2.0 program but observes that the fee could reduce participation in the program.

The stated purpose of the AFCP 2.0 pilot program is to encourage compact prosecution and communication between applicants and examiners. The program can support the USPTO’s goals of promoting efficient operations and reducing application pendency (by reducing the need for RCEs).

Because an examiner has discretion in how to treat an AFCP 2.0 submission and unilateral authority to refuse AFCP 2.0 requests, the new fee will not be guaranteed to result in advancing prosecution and consequently applicants might be more likely to file RCEs (which guarantee entry and consideration of new amendments and/or evidence) or proceed directly to appeal. This would increase the burden on examiners, decrease efficiency, and prolong pendency, contrary to the USPTO's goals.

Sole inventors and small businesses facing final rejections and only costly options for proceeding might decide to abandon their applications, which could cause the loss of otherwise valid patent rights. This would decrease meaningful access to the patent system for under-resourced applicants.

If the USPTO decides to pursue the proposed AFCP 2.0 request fee, we suggest permitting applicants to apply all or a significant portion of the fee to a subsequently due RCE fee, if the AFCP 2.0 request is refused and an RCE is filed thereafter. This would permit the USPTO to recover costs associated with reviewing AFCP 2.0 submissions while mitigating risks to applicants of paying for additional examination they do not receive.

III. Adjustments to Request for Continued Examination (RCE) Fees

We have concerns about the proposed increases for the first and second RCE fees. These fees will reduce the number of RCEs filed and might lead some applicants to abandon their patent applications altogether, to pursue appeals earlier than they otherwise would have, or to abandon their applications in favor of continuing applications. Although some of these outcomes might be more efficient for the application at issue, these higher fees might encourage inefficient behavior in the aggregate. A fee structure that favors continuation applications over RCEs is inefficient because continuation applications require re-filing and processing the application and executed inventor documents and will prolong pendency because continuation applications have a later place in the examination queue and require examination to return to square one.

The proposed RCE fee structure also could incentivize applicants to file appeals earlier than they otherwise might. This would increase the burden on examiners, requiring them to attend to appeal briefs and prepare answers, and increase the burden on the PTAB. Further, appeals can prolong pendency and can result in more significant patent term adjustments if an applicant prevails, which seems unnecessary if agreement could be reached through continued examination. We encourage the USPTO to explore how after-final practice, including appeals, can be more efficient and productive.

Moreover, should the USPTO implement a new higher fee for third and subsequent RCEs, it will be imperative that the USPTO make the appeal process a more efficient option for patent applicants because it will be a necessary path for applicants who do not intend to abandon their applications.

Finally, we have some concern about the perception that multiple RCEs always reflect dilatory applicant behavior. RCEs can be necessary tools to advance prosecution for legitimate reasons. For example, when an examiner raises a new rejection in a final Office action, an RCE is usually required to obtain consideration of amendments or evidence for overcoming the rejection. Additionally, an RCE may be required to obtain consideration of an information disclosure statement (IDS) when relevant information is discovered after a final Office action if a certification cannot be made. Further,

an RCE can be an important option after an appeal. For at least these reasons, fees intended to discourage multiple RCEs may not always result in increased efficiency or address patent quality.

IV. New Continuing Application Surcharges

We have concerns that the proposed surcharge for continuing applications filed more than three years after the benefit date will have the unintended consequences of decreasing prosecution efficiency and treating different types of applications inconsistently. Also, the fee would be collected at a time that is inconsistent with its stated primary purpose of making up for “lost” maintenance fee payments.

A. General Concerns

The surcharge for continuing applications filed more than three years after the benefit date is “intended to encourage more efficient filing and prosecution behavior from applicants,” but filing continuing applications early is not always more efficient prosecution behavior.

Prosecuting multiple related applications simultaneously is inefficient for both the USPTO and applicants. The proposed surcharge will encourage applicants to file continuing applications before the original application has been examined, let alone allowed, and to file multiple continuing applications concurrently. There will be substantial duplication of examiner work product if continuation applications are filed too early to benefit from examination of the original application. There will also be less efficient prosecution of continuation applications because applicants who file continuation applications ahead of the three-year date likely will not already know the prior art the examiner will identify and will thus be unable to present amended claims that already address and overcome issues identified during examination of the parent application.

Prosecuting multiple related applications simultaneously also makes it more difficult and costly to comply with the duty of disclosure; the IDS rules contemplate IDSs that submit information cited in a counterpart foreign application, but do not have parallel provisions for information cited in a counterpart U.S. application. *See* 37 CFR. 1.97(e).

The surcharge could lead to more appeals if applicants opt to continue to challenge rejections instead of pursuing rejected subject matter in a continuing application.

B. Disparate Treatment of Different Types of Applications

We also have concerns about how this surcharge for continuing applications filed more than three years after the benefit date would be applied to applications with U.S. provisional application priority claims, to applications with foreign application priority claims, to U.S. national stage applications, and to divisional applications. We request clarification regarding whether the “benefit date” referenced in the proposed fee would include a U.S. provisional application filing date or foreign application priority date or if it refers to the date that starts the 20-year term.

Imposing a surcharge based on timing running from a U.S. provisional application priority claim or foreign application priority claim would be inconsistent with the stated purpose of the surcharge and could undermine the intent and purposes of 35 U.S.C. § 119. Moreover, it would effectively penalize

applicants who first filed provisional applications by leaving them only two years to file a continuing application before the first proposed surcharge would apply. Keeping in mind that the patent term adjustment (PTA) rules give the USPTO 14 months to issue a restriction requirement or first Office action on the merits without awarding PTA, applicants might be required to decide whether to file a continuation application before they know which of their original claims will be examined or what rejections they face.

Imposing a surcharge based on the PCT filing date of a U.S. national stage application would be problematic. A U.S. national stage application might not even commence the national stage until 30 months from its benefit date and might not be assigned to an examiner until much longer than three years from that date. Imposing a surcharge under these circumstances could undermine the purpose of the PCT paradigm by penalizing applicants who pursue a PCT-national stage process.

Some of these disparate impact concerns could be addressed by tying the surcharges to substantive USPTO action instead of benefit date, such as the first Office action on the merits or notice of allowance.

Imposing a surcharge for divisional applications could be inconsistent with 35 U.S.C. §121, which offers protection to divisional applications filed any time before issuance of the application in which a restriction requirement was made. We suggest excluding divisional applications from any surcharge.

V. New Cumulative IDS Reference Fees

The cumulative IDS fees could discourage applicants from filing IDSs in continuing applications that cite items previously considered in parent application(s) (because examiners are required by MPEP § 609.02 to consider the items even if an IDS is not filed in the continuing application). This could undermine clarity of the record as to what items were considered by the examiner. To mitigate this, the USPTO could exclude IDSs that only list items encompassed by MPEP § 609.02 from the reference count of the new cumulative IDS reference fees.

VI. Reinstatement of Assignment Recordation Charge

We encourage the USPTO to consider the possible impact on transparency of patent ownership if the fee is reinstated. The fee was dropped in part to encourage clarity of the public record regarding patent ownership. Although the proposed assignment recordation fee would be nominal, a fee could make it harder for the public to determine a given patent's owner, particularly for continuing applications/patents, by decreasing the owner's incentive to re-record an assignment recorded under the parent application/patent number.

Also, IPO would be interested in understanding the problem of "frivolous submissions" mentioned in the USPTO documentation for reinstating the assignment recordation fee. If owners are submitting documents not contemplated by 37 C.F.R. §.3.11, the USPTO could consider refusing to record them.

VII. 43% Increase in Fee for Request for Reconsideration of Patent Term Adjustment Award

According to the USPTO documentation, the proposed 43% increase in the fee required to obtain review of a patent term adjustment calculation “distributes the costs of the service to only those applicants requesting the service.” However, the “service” at issue often is prompted by a USPTO error in calculating the patent term adjustment award required by statute. We are concerned the higher fee could reduce the USPTO’s incentive to calculate PTA awards correctly.

Before imposing such a significant increase, we request that the USPTO publish data on the number of requests filed, the percentage of requests granted in whole or part, and the basis of correction(s). This could help identify specific PTA calculations that have a high error rate.

Additionally, we suggest the USPTO consider refunding the fee if the reconsideration concludes that the USPTO made an error in its initial PTA calculation and award.

VIII. 468% Increase in Patent Term Extension Application Fee

We request that that USPTO provide additional justification for increasing the fee for a patent term extension (PTE) application by 468%, from \$1180 to \$6700. USPTO data indicates that historical costs for processing PTE applications is \$2581. By charging more than 2.5 times that amount, the USPTO would place an undue burden on patent owners seeking the additional term to which they are statutorily entitled under 35 U.S.C. § 156 due to pre-marketing regulatory review of the patented invention by the U.S. Food and Drug Administration and/or U.S. Department of Agriculture.

IX. Design Patent Fees

IPO has several concerns related to proposed increases in fees related to design patents. The overall fees (design filing, search, examination, and issue fees) are proposed to go up to \$2,600.00, a 48% increase over the current overall fees of \$1,760.00. This could have a negative impact on those who would benefit from seeking these patents, in an economy where design protection is an increasingly important tool for innovators to protect products from misappropriation. Because a design patent only contains a single claim, multiple filings are often required to adequately cover new designs and these increases will be felt multiple times over by design-patent filers.

The overall fee increases are significantly more for design vs. utility applications. To wit:

- Filing fee: design increase: 36%, utility increase: 8%
- Search fee: design increase: 88%, utility increase: 10%
- Exam fee: design increase: 9%, utility increase: 10%
- Issue fee: design increase: 76%, utility increase: 5%

The USPTO’s executive summary states that “[c]urrent fee rates do not sufficiently recover the cost of examination of design patents and are subsequently subsidized by utility applicants, including discounted and undiscounted entities” and that “[r]apid growth in applications among micro entities (mostly foreign) has compounded this shortfall.” But a recent trend of growth in micro entity applications should not form the basis for increasing fees on larger entities, as it might not be a long-

term phenomenon. Further, more micro-entities seeking protection of designs in the long term would be a positive development in increasing the participation of smaller entities in the IP ecosystem but this itself should not be a reason to further increase the fees for larger entities who also need to protect their designs affordably.

IPO also requests additional information about the cost basis for the fees. For example, with respect to the issue fee, it appears from USPTO data that the current fee more than covers the USPTO's cost.

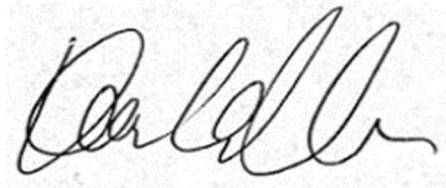
Protection of designs is a critical part of today's economy. Fees for seeking design patents should remain affordable to allow innovators to appropriately protect their designs.

X. PTAB Trial Fees

The USPTO proposes raising fees for PTAB trial proceedings by 25% but proposes raising fees for appeals to the PTAB by only 5%. We request more detail about the historical costs associated with trial proceedings versus appeals and more information about the underlying rationale for the difference between the increases.

IPO appreciates the USPTO's consideration of these comments.

Best regards,

A handwritten signature in black ink, appearing to read 'Karen Cochran', is written over a light gray rectangular background.

Karen Cochran
President