Submitted via: regulations.gov

Re: Comments Regarding USPTO Proposed Patent Fee Schedule

Intellectual Property Owners Association (IPO) submits the following comments and suggestions in response to the USPTO’s Federal Register Notice (FRN) entitled “Setting and Adjusting Patent Fees During Fiscal Year 2025,” published at 89 Fed. Reg. 23,226 (Apr. 3, 2024), the comment period for which expires June 3, 2024.

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 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 appreciates the opportunity to comment on the USPTO’s proposed schedule for patent fees intended to be implemented in early 2025.

I. General Comments

IPO understands the need to adjust fees to account for inflation and the reduction in small and micro entity fees mandated by the Unleashing American Innovators Act of 2022, and we support the USPTO’s mission to issue and maintain robust and reliable patents. However, the USPTO does not appear to project that increased fees will result in any performance improvements, for example in examination quality or efficiency, despite the availability and promise of AI technology and international work-sharing. The projection of increased examiner headcount proportional to projected increases in application filings appears to assume the examining corps will remain status quo.

According to the USPTO’s Unexamined Patent Application Inventory, there were over 778,000 patent applications awaiting examination at the end of March 2024 and USPTO projections...
provided in the FRN indicate the backlog will get worse before it gets better. It is profoundly important to IPO members that the USPTO publicly share information about how it will address this record high and still growing backlog of unexamined patent applications and patent application pendency rates, including whether increased fees will support this effort.

We also have concerns about adjustments intended to influence applicant behavior that could have unintended detrimental consequences or might exceed the USPTO’s authority. See Tafas v. Doll, 559 F.3d 1345 (Fed. Cir. 2009). The America Invents Act (AIA) provided the USPTO with limited fee-setting authority under 35 U.S.C. § 10 “only to recover the aggregate estimated costs to the Office.” However, in the fee-setting proposal there is at least an appearance that the USPTO is using more substantial front-end fee increases to implement policy changes and/or drive applicant behavior rather than recover the costs of its operations, which was not authorized by the AIA.

Finally, we observe that the proposed fee structure could result in decreased patent application filings (e.g., due to the new continuing application surcharge fees), fewer patents being prosecuted to grant (e.g., due to the AFCP 2.0 fee and significantly increased Request for Continued Examination (RCE) fees), or a higher number of petitions and/or appeals (e.g., stemming from the new AFCP 2.0 fee and significant increase in RCE fees). If the USPTO has conducted a financial impact analysis of the net expected effect of the proposed fee structure, we suggest that analysis be made available to the public.

II. The USPTO’s Fee Structure

The USPTO’s FY2023 Agency Financial Report explains that the USPTO sets initial filing fees below cost to lower barriers to entry and relies on maintenance fees to recover aggregate costs. The proposed five percent across-the-board fee increase would likely maintain the status quo filing subsidy model. But the USPTO cannot expect to maintain operations at current or increasing levels if it issues fewer patents year-over-year and a drop in application filings will have a magnified long-term effect through an eventual decrease in maintenance fee payments. The proposed adjustments include targeted changes that will likely cause the number of applications filed to decrease, undermining the USPTO’s financial security. We encourage the USPTO to share its financial impact analysis to assure stakeholders that these changes have been fully assessed.

IPO provides specific comments on selected fees below.

III. New Escalating Terminal Disclaimer Fees

IPO objects to the proposal to escalate terminal disclaimer (TD) fees based on when during examination a TD is filed. According to USPTO documentation, “the cost to process a terminal disclaimer increases greatly after certain milestones.” We question this justification because the USPTO encourages the use of e-TDs pre-grant that are processed and accepted automatically regardless of the stage of examination. And the cost associated with examiners making and maintaining rejections throughout examination seems minor compared to the loss of rights when a TD is filed. If the USPTO decides to implement these proposed fees, we request data on the costs of processing TDs.

An applicant may not be able to make a fully informed decision about the need to file a TD until near the end of the examination process when final claim scope is known. And filing a TD has significant
substantive effects. For example, it limits the term of the patent to the term of the cited application/patent and requires the patents to be and remain owned by the same entity to be enforceable. It cannot be undone except in extraordinary circumstances, and thus can create an irretrievable loss of rights for applicants who file a TD early in prosecution and subsequently amend the claims in a manner that would render the double patenting concern moot. Filing a TD will have an even greater substantive effect if the proposed rulemaking on “Terminal Disclaimer Practice To Obviate Nonstatutory Double Patenting,” 89 Fed. Reg. 40,439 (May 10, 2024), is implemented and requires TDs to include a statement conditioning enforceability on the validity of every claim of the disclaimed patent(s). Consequently, the proposed escalating fee schedule could unfairly penalize applicants for waiting to limit their patent rights until they believe doing so is appropriate.

IPO does not object in principle to a higher fee for a TD filed after the patent is granted if the fee is aligned with cost-recovery. The 2023 Federal Circuit decision in *In re Cellect* could require patent owners to file TDs after a patent’s issuance to preserve validity when a subsequent patent is obtained that raises NDP issues, even if the only difference in term is due to Patent Term Adjustment (PTA) awarded to the earlier-granted patent. Patent holders should not have to pay excessive TD fees to preserve the validity of validly granted patents.

IV. New AFCP 2.0 Fee

IPO understands the justification for the proposed new $500 fee to participate in the AFCP 2.0 program but believes any fee will dramatically reduce participation, if not eliminate it altogether. Because an examiner has complete discretion in how to treat an AFCP 2.0 submission and unilateral authority to refuse AFCP 2.0 requests, applicants have no reason to expect that the extra expense will result in advancing prosecution. We predict applicants will be reluctant to pay $500 to roll the dice on having a request accepted.

AFCP 2.0 submissions account for ten percent of application disposals. A $500 fee might incentivize applicants to instead file an RCE (which guarantees 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 application pendency, contrary to the USPTO’s goals. The fee could also in effect decrease meaningful access to the patent system for under-resourced applicants, consequently decreasing the number of issued patents and maintenance fee revenue.

If the USPTO decides to adopt the fee, we suggest permitting applicants to apply all or a significant portion to an RCE fee if the AFCP 2.0 request is denied. This would permit the USPTO to recover costs associated with reviewing AFCP 2.0 submissions and ensure applicants do not pay for additional examination they do not receive.

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

The USPTO proposes increasing the first and second RCE fees by 10% and 25%, respectively. This would raise the first RCE fee to 70% more than the notice of appeal fee and 75% of the combined filing, search, and examination fees and would raise the second RCE fee to nearly three times the notice of appeal fee and 25% more than the combined filing, search, and examination fees. Additionally, the USPTO proposes to introduce a new fee for third and subsequent RCEs that is more
than four times the notice of appeal fee and 80% higher than the combined filing, search, and examination fees. As IPO raised in 2023 comments to the Patent Public Advisory Committee (PPAC), the higher RCE fees may encourage inefficient applicant behavior, be disruptive to examination workflow, cause inefficiencies, and be more costly to the agency in the long term.

The proposed fee structure’s apparent intention to discourage multiple RCEs suggests that they reflect dilatory applicant behavior. However, 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 it. 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. Similarly, an RCE may be required to obtain consideration of an IDS resubmitted to cure a defect in a timely-filed IDS, such as to correct a citation, provide a copy of an inadvertently omitted cited reference or, if the proposed changes to 37 C.F.R. § 1.97 are adopted, to provide a required statement regarding compliance with the proposed new IDS reference fees. Further, an RCE can be an important option after an ex parte appeal. For at least these reasons, fees structured to discourage multiple RCE filings may not increase efficiency or improve patent quality. They also may impose undue burdens on the Duty of Disclosure.

If the USPTO decides to adopt the significantly higher RCE fees, IPO urges consideration of an exception to at least the highest RCE fee if the only submission made with the RCE is an IDS and suggests Quick Path IDS RCEs be excluded from at least the highest RCE fee.

VI. New Continuing Application Surcharges

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

A. General Concerns

The USPTO states that the surcharge is “intended to encourage more efficient filing and prosecution behavior from applicants,” but filing continuing applications early is not necessarily more efficient prosecution behavior. Prosecuting multiple related applications simultaneously is inefficient for both the USPTO and applicants.

Besides filing a request for prioritized examination, applicants do not have control over how quickly an application is examined. The USPTO dashboard shows an average pendency of two and a half years for the first nonprovisional application and five to six years for continuing applications (continuations and divisionals), but many applications take longer to reach examination or require a longer than average time to examine. This is especially true for national stage applications and applications in technology areas with known examination delays. Applicants often do not decide whether to file a continuing application until the scope of the first application’s claims is known. Thus, many will be forced to pay the surcharge to file a continuing application when examination of the first application took longer than average, even without applicant delay, perhaps due to
examination backlogs, midstream examination delays, or the time it takes Patent Trial and Appeals Board (PTAB) to review an *ex parte* appeal.

Encouraging applicants to file continuing applications before an original application is examined or to file concurrent continuing applications will be inefficient. Filing applications too early may lead to duplication of examination work and less efficient prosecution when the examiner has not identified prior art and the applicant does not know yet how to overcome any issues identified during examination of the parent application.

The surcharge may lead to more appeals if applicants opt to continue to challenge rejections instead of pursuing rejected subject matter in a continuing application. The surcharge could also limit the ability of sole inventors and other applicants to protect the full scope of their inventions because prosecuting multiple applications at the same time will multiply patent prosecution costs and strain budgets. This would undermine many of the USPTO’s goals.

We suggest the USPTO make public its assessment of the expected impact on applicant behavior of these and any other considered consequences of these surcharges.

**B. Disparate Treatment of Different Types of Applications**

IPO has concerns about how the surcharge would be applied to U.S. national stage and divisional applications. IPO understands that the “benefit date” from which surcharges will be assessed is the date from which the 20-year term is measured, such as the earliest non-provisional U.S. application filing date or Patent Cooperation Treaty (PCT) application filing date. Imposing a surcharge based on a PCT filing date puts U.S. national stage applications at a distinct disadvantage relative to U.S. applications, undermining the purpose of the PCT by effectively penalizing those applicants. A U.S. national stage application can be filed timely 30 months from the earliest priority date, which could be 18 or 30 months from the PCT application filing date. Thus, continuing applications based on U.S. national stage applications will be subject to a surcharge 18 or 30 months earlier than continuing applications based on a directly filed U.S. application. Some U.S. national stage applications complete the examination process within five years of the PCT application filing date, but many do not.

Applying the surcharges to true 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 and provides a right to file serial divisional applications when a multi-way restriction requirement has been issued. *See, e.g., Boehringer Ingelheim Int'l GmbH v. Barr Labs., Inc.*, 592 F.3d 1340 (Fed. Cir. 2010). Because examiners often withdraw restriction requirements once elected claims are found allowable and rejoin non-elected claims, it would be inefficient to incentivize early filing of divisional applications or to penalize applicants who wait to file divisional applications until they know it is necessary. The USPTO should consider excluding divisional applications from the surcharge.

**C. Collecting “Lost Maintenance Fees” Prior To Examination**

IPO understands the USPTO’s need to make up for “lost” maintenance fee payments, but by imposing the surcharge before examination, the USPTO will reap a windfall when an application is
abandoned before or early in examination. Moreover, the USPTO’s cost analysis ignores the reduced cost of examining continuation applications versus new applications due to efficiencies related to the same examiner reviewing an application he or she already has reviewed or one related to technology or prior art with which he or she already is familiar.

IPO urges the USPTO to recover examination costs in an even-handed manner that does not discourage efficient prosecution or eliminate the advantages of maintenance fees that escalate over time, such as encouraging patent holders to dedicate patents to the public.

D. The Surcharges Could Negatively Impact USPTO Revenue

One likely effect of the proposed surcharges is a decrease in continuing application filings, which will lead to a corresponding decrease in maintenance fee revenue. Whether the increased revenue per continuing application filed will make up for the loss of maintenance fee revenue per continuing application not filed depends on elasticity of demand for continuing applications subject to the surcharge. The FRN indicates that the USPTO has undertaken an “elasticity analysis” of the entire fee package. We suggest the USPTO share the elasticity analysis of continuing application surcharges. We also encourage the USPTO to consider the expected impact of the 2023 Federal Circuit decision *In re Cellect*, 81 F.4th 1216 (Fed. Cir. 2023), which commentators suggest may lead to a reduction in continuation application filings.

E. Other Proposed Fee Changes Could Negatively Impact USPTO Revenue

The FRN is unclear as to whether the USPTO has considered how applicants will modify behavior in response to the proposed fee increases and if so, what changes are expected. Before adopting these fee increases, IPO urges the USPTO to address the likelihood that applicants will abandon more applications, file fewer continuing applications and fewer RCEs, and pursue more *ex parte* appeals, all of which could negatively impact USPTO revenue.

A significant increase in the number of *ex parte* appeals could require an increase in PTAB staffing to maintain current appeal pendency. It appears that the PTAB is staffed at a level that maintains an appeal pendency of about one year at the current inflow of about 4,340 appeals per year. If this occurs and PTAB staffing is not increased, longer appeal pendency will further delay revenue from issue fees and maintenance fees on appealed applications or discourage appeals and lead to increased abandonments.

Concern regarding a significant increase in the number of *ex parte* appeals is supported by public data available from LexisNexis PatentAdvisor on published publicly available cases that indicates that in FY 2023, the UPSTO disposed of 24,019 second or higher RCEs (see Table 1 below). This is about six times higher than the current number of docketed *ex parte* appeals. If applicants chose to appeal instead of filing a second or higher RCE in even half of these cases, that would triple the current yearly number of cases sent to the PTAB.

With appeal fees lower than the third RCE fee and eight-year continuing application surcharge and only marginally higher than the second RCE fee and five-year continuing application surcharge, more applicants may decide to pursue *ex parte* appeals instead of continuing to negotiate with examiners. For example, many continuation applications are filed after an examiner has allowed an original
application and the applicant wants to pursue broader claims. The new structure may encourage those applicants to appeal the rejection of the broader claims in the original application instead. That would delay the issue fee payment on the original application until after appeal and result in just one patent that will provide maintenance fees.

Table 1

<table>
<thead>
<tr>
<th>Tech Center</th>
<th># of Final Rejections</th>
<th>1st RCEs</th>
<th>2nd RCEs</th>
<th>Total continuing disposed of</th>
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<td>11081</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>132307</strong></td>
<td><strong>68093</strong></td>
<td><strong>24019</strong></td>
<td><strong>119688</strong></td>
</tr>
</tbody>
</table>

Additionally, since the proposed fee increases do not incentivize examiners to conduct examination more efficiently, but only impose higher fees on applicants, the net effect could be a lower grant rate due to increased abandonment, which would further reduce issue fee and maintenance fee revenues.

VII. New Cumulative IDS Reference Fees and New Required IDS Statement

IPO understands that large IDS submissions are time-consuming, and hence costly, for the UPSTO (i.e., examiner or Board) to consider, but is troubled by language in the FRN suggesting that one aim of the new fees is to discourage submission of “marginally relevant” items. Rule 56 outlines a duty to disclose “all information known … to be material to patentability.” 37 C.F.R. § 1.56. Rather than discouraging submission of “marginally relevant” items, MPEP § 2001.05 counsels submission of information where materiality is uncertain:

In close cases where the materiality or consistency of the information is in question, the applicant should consider submitting this information to the USPTO. The Office believes that most applicants will wish to submit the information even though they may not be required to do so, to strengthen the patent and avoid the risks of an incorrect judgment on their part on materiality. The USPTO holds those individuals subject to this duty to the highest standards.

MPEP § 2001.05 (emphasis added).

Additionally, 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, which would undermine clarity of the record. To mitigate this, IPO suggests the USPTO
exclude IDSs that only list items encompassed by MPEP § 609.02 from the reference count of the new cumulative IDS reference fees.

Along with the proposed new IDS reference fees, the USPTO proposes to impose a new requirement for IDS submissions, namely, that the IDS “contains a clear written assertion … that the IDS is accompanied by the appropriate IDS fee, or that no IDS size fee is required.” IPO does not object to a suggestion that such a statement be included, but failure to make the statement should not be grounds for not considering an otherwise compliant IDS in its entirety.

IPO objects to the USPTO’s proposal that an IDS filed without the required statement “will not be considered” unless resubmitted with the required statement, wherein the resubmitted IDS would have to comply with the timing requirements of 37 C.F.R. § 1.97 as of the date of resubmission. Not highlighted in the FRN is that by the time the new defect in the original IDS is identified, § 1.97 might require the resubmitted IDS to be filed with an RCE, which would unnecessarily complicate and delay the examination process and further increase the costs of obtaining consideration of the IDS, especially in view of the proposed RCE fee increases. Thus, while the required statement might appear innocuous when considered in isolation, it could place a high burden on complying with the Duty of Disclosure.

Another troubling aspect of the proposed required statement is that it would apply to all IDSs even though, according to the FRN, only about 13% of patent applications would be subject to even the first IDS reference fee because ≥ 50 items are submitted in only about 13% of patent applications. Imposing a new requirement on all IDS submissions when fewer than 15% of patent applications would be subject to the new fees creates a trap for the unwary trying to comply with the Duty of Disclosure.

If the USPTO decides to adopt the new IDS reference fees, IPO urges the UPSTO to consider alternative approaches to ensuring compliance, such as by automatically tracking the number of IDS references of record in each application and issuing a notice requiring payment of an IDS fee deficiency if USPTO records indicate that a fee is due but has not been paid. At a minimum, IPO urges the UPSTO to permit a general authorization to charge fees to a deposit account to be deemed to satisfy the requirement for both paying any new IDS reference fees that may be due and the requirement for making any statement regarding the new IDS reference fees.

VIII. 43% Increase for Request for Reconsideration of Patent Term Adjustment Award

The USPTO justifies a 43% increase in the fee required to obtain review of a Patent Term Adjustment calculation because it “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 PTA award required by statute. A higher fee could affect the USPTO’s incentive to calculate PTA awards correctly.

Before imposing such a significant fee increase, the USPTO should publish data on the number of requests filed, the percentage of requests granted in whole or in part, and the basis of correction(s). This also could help identify specific USPTO PTA calculations that may have a high error rate.
Should the USPTO decide to impose this fee, we strongly suggest refunding the fee if the reconsideration concludes the USPTO made an error in its initial PTA calculation and award.

IX. **468% Increase in Patent Term Extension Application Fee**

The USPTO should 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 are $2581. By charging more than 2.5 times that amount, the USPTO seems to be singling out patents in specific industries to bear a disproportionate share of the USPTO’s operating costs and placing 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.

X. **Design Patent Fees**

The FRN is unclear as to whether the USPTO has considered how applicants will change their behavior in response to the proposed fee increases and does not explain what changes are expected.

IPO has concerns with the argument that fees must be increased to maintain solvency. The reduction in patent fees for small and micro entity applicants under the Unleashing American Innovators Act of 2022 resulted in a substantial increase in the number of micro-entity filings. There is evidence that some non-U.S. companies are claiming “micro-entity” status to take improper advantage of these lower fees, transferring costs to large entity filers. Instead of placing a financial burden on large entity filers, we encourage the USPTO to review and address filers who improperly assert micro-entity status.

The proposed fee adjustments seem to have shifted from a system where utility patent maintenance fees fund other aspects of the USPTO to one where each type of patent’s fees fund its operation. This seems to impact large entity filers more than others. Fees for design patents are already much higher in the U.S. than comparable fees in jurisdictions such as the EU. Although the cost and examination burdens are different for a registration system like the EU, in comparison to an examination system like the U.S., the fee proposals for design patents are prohibitive for many applicants, even large entities.

The proposed design patent fee increase is almost 67%. It is likely that large entity filers will simply file fewer design applications rather than increase patent budgets by 67%. One way to address this concern may be to consider a practice change by the USPTO. Currently, only one claim is permitted in a design application. Applicants often must file multiple applications to protect all aspects of a product. Increases to the filing and grant fees are thus exponentially inflated on a per-product basis under the proposed fee structure. The USPTO could consider allowing multiple claims or claims to multiple articles of manufacture in design applications to help reduce applicant cost and burden on the USPTO. USPTO practice, not the Patent Act, limits design applications to a single claim. See *In re Rubinfield*, 270 F.2d 391 (C.C.P.A. 1959); 37 C.F.R. § 1.1532. Accordingly, this change would not require an act of Congress.
The USPTO already must search the invention and often the same art for multiple, related design applications that would traditionally be considered continuing applications, depending on restriction practice. By allowing more than one claim in a single application, the USPTO would have a reduced search burden and would encourage compact prosecution by reducing the number of applications filed and the total time it must spend examining related applications to different aspects of the same invention.

XI. **PTAB Trial Fees**

The USPTO proposes increasing existing fees for AIA trial proceedings by 25% and imposing a new fee in AIA trial proceedings under part 42 to parties requesting Director review of the PTAB’s (1) decision whether to institute a new trial; (2) final written decision; or (3) decision granting a request for rehearing from either the PTAB’s decision on whether to institute trial or the final written decision.

PPAC expressed a lack of support for the proposal to establish a new fee for parties requesting review of a PTAB decision by the Director. PPAC felt a fee was not warranted because Director review ensures consistency of PTAB decisions and expressed a concern that adding a fee for this previously free service would adversely affect individual inventors and small company applicants.

IPO believes raising fees for AIA trials runs counter to Congress’s intent to make them cost-efficient. We request more detail about the historical costs associated with trial proceedings, including Director review.

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IPO appreciates the USPTO’s consideration of these comments.

Best regards,

Krish Gupta
President