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VIA EMAIL: fee.setting@uspto.gov

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(with particular reference to Comment 1 below)

Nicholas_A._Fraser@omb.eop.gov.
(with particular reference to Comment 5f below)

Dear Sirs:

Please consider the following comments on the USPTO's fee setting proposal published earlier this month. Kindly attribute the comments in this letter only to myself and not to my firm, its lawyers or clients, or any other entity.

By way of background, I am an attorney who has been registered with the USPTO since 1993. I have been in active practice since that date. My firm, Fitch, Even, Tabin & Flannery, is one of the oldest and largest U.S. law firms practicing before the USPTO. We prosecute hundreds of patents to completion before the USPTO every year. For the past 25 years, a portion of my personal practice has consisted of patent prosecution work.

It is my view that the proposal to impose a four-tier annual "Active Patent Practitioner Fee," which is to be tied to the completion of an as-yet-unspecified CLE completion requirement, is unnecessary and unworkable. Respectfully, this appears to

be a proposal to regulate just for the sake of regulation—a solution in search of a problem and not a rule that is in any way beneficial to the Office or to its customers. For the reasons explained below, the Office has no need for the proposed fees. There is no need for a CLE requirement, and the proposal to implement a four-tiered fee matrix tied to CLE certification is needlessly complex. Among other problems, the CLE requirement would impose an enormous collective burden on the corps of practitioners, and the Office has not provided the necessary justification under the Paperwork Reduction Act of 1995. This fee-and-CLE proposal also is inconsistent with Presidential direction regarding reduction of unnecessary regulation. Also, the Office's statutory authority to impose such requirements is doubtful. I urge the Office to drop this fee-and-CLE proposal.

I also believe that the Office should continue to encourage and perhaps require electronic document submissions in the PDF file format, not DOCX. The PDF file format, in particular the PDF/A variant, is an open file format that specifically intended for long-term archiving of documents. In contrast, DOCX is a possibly proprietary file format that is intended for editing documents. The Office should strive to create a stable archive for patent filings, and for this reason should mandate use of the PDF format and not DOCX. PDF/A documents are (or can be made to be) equally as searchable as DOCX files, so the desire to enhance searchability does not justify driving use towards a file format that is less suitable for archival purposes.

If the Office does not drop these proposals, I would appreciate it if the Office would provide a detailed, individual response to each separate comment below.

FEE AND CLE PROPOSAL

Comment 1: How much revenue would these fees generate?

Let's start with some calculations:

According to statistics posted on the website of the Office of Enrollment and Discipline, there are today approximately 46,000 currently registered practitioners, counting both attorneys and agents. The number of practitioners has generally increased over the last several years, so let's assume that without the annual fee the number of registered practitioners would increase to about 50,000 by fiscal year 2021.

But any fee or CLE requirements would cause a reduction in the number of registered practitioners. Today's roster of 45,000 practitioners includes practitioners who have retired, left the practice of law, or focused their practices outside of patent

prosecution. Some registrants are deceased or permanently impaired, yet they remain on the register until someone notifies the Office of Enrollment and Discipline.

If the Office imposes an annual fee, or imposes CLE requirements, not everyone will maintain their registration. Many retired practitioners will not want to pay the fee or sit for mandatory CLE, for example. Nor will those practitioners who have a registration number but who have moved on from the profession to other endeavors (e.g. engineers, lawyers who exclusively litigate, etc.). And the number of registrants of course will decrease when deceased or impaired practitioners fail to register.

Let's assume, generously, that 85% of the practitioners would keep their registrations active once the fee and CLE requirements kicked in. By 2021, and assuming continued growth in the profession, with this assumption the Office should receive annual fees from about 42,000 practitioners. (The number would probably be less than that with more realistic assumptions.)

But what would be the amount of those fees? The proposed four-tiered system requires us to make some additional assumptions. Today, about 75% of practitioners are attorneys, and about 25% are agents. Most attorneys have an existing CLE requirement (more on that later).[1] So let's assume, again generously, that 75% of the attorneys will be able to make the CLE certification, and 25% of the attorneys will not.

Agents normally do not have a separate CLE requirement. Let's then assume that only 50% of the agents will be able to make the certification, and 50% will not. That gives the following:

23,625 attorneys who can make the CLE certification
5,250 agents who can make the CLE certification
7,875 attorneys who cannot make the CLE certification
5,250 agents who cannot make the CLE certification

This makes 28,875 practitioners who can make the CLE certification, and 13,125 practitioners who cannot.

Let's further assume that by 2021 at least 95% of registered practitioners would be able to file their fee electronically. So that gives us:

27,431 electronic filers making the CLE certification
1,444 paper filers making the CLE certification

[1] Forty-six states impose a CLE requirement.

12,469 electronic filers not making the CLE certification
656 paper filers not making the CLE certification.

Based on the proposed fee amounts, this yields:

$6,538,440 from electronic filers making the CLE certification
$447,640 from paper filers making the CLE certification
$5,112,290 from electronic filers not making the CLE certification
$308,320 from paper filers not making the CLE certification

This results in a grand total of $12,406,690 of gross revenue. (Again, this figure comes with generous assumptions. The actual revenue will be less, probably around $6-10 million, with more realistic assumptions.)

If the Office does not drop the annual fee and CLE proposal, please provide your own detailed estimate of the gross revenue expected from the annual registration fees.

Comment 2: What will be the net revenue?

What will it cost to implement the annual registration fee? What will be the initial costs of setting up a web interface for the registration, and of implementing a paper fee program? What will be the recurring costs? What will be the personnel costs for implementing CLE, and for tracking which practitioners have taken the CLE and which have not? Some practitioners unfortunately may cheat and misreport their CLE status; others may have circumstances that make it questionable whether they have completed their CLE requirement. What additional burden will be placed on the OED in investigating and prosecuting these matters, and at what additional cost? How frequently will the OED audit practitioners, and what will that cost? What additional personnel will the OED be required to hire, and what will that cost? What ancillary employee costs (such as employee lawsuits) will arise from the additional staffing requirement? Will the Office offer its own CLE programs, and what will it cost to do this?

These things won't be free. Initial expenses likely would consume most of the net revenue the first year, and the net revenue will work out to no more than $3-4 million per year after the first year.

If the USPTO does not drop this proposal, please provide a detailed calculation of the ***net*** revenue that the fees would generate, taking all the above additional costs into account, and with realistic assumptions about the gross fee revenue.

Comment 3: The Office does not need these fees

I note that the USPTO and its predecessor agencies have existed since 1790 and began registering practitioners in 1897. The USPTO has survived without the imposition of an annual registration fee.

Today, the USPTO's budget is $3.6 billion. We don't know what it will be in FY2021, but probably it will be closer to $4 billion. Let's again be generous and assume a $3.8 billion budget.

In the unlikely event that the Office collects $12.5 million for annual registration fees, this would mean that the annual registration fees would constitute less than 0.033% of the Office's budget. Under more realistic assumptions the annual registration fees would be about 0.01-0.02% of the budget. Calculated on a net basis, the net fees recoverable would be perhaps 0.007% of the Office's budget.

Is that last 0.007% really all that critical to the USPTO's operations? If the Office really needs an additional $3 million in net revenue, couldn't you raise some other fee by $5? Can't the Office find a way to operate just a little more efficiently, or cut some costs, to save the $3 million in its $4 billion budget?

It is easy to see that the Office doesn't need the additional net revenue that these fees would generate.

Comment 4: The OED does not need these fees

Director Iancu's letter of August 8 to the Patent Public Advisory Committee states that the USPTO should impose a registration fee because this would be "similar to the annual fees charged by the vast majority of state and territorial bars." Respectfully, state bars do not provide a comparative analogy. Most state bar authorities are principally or entirely funded by fee revenue from practicing attorneys. They require annual fees simply to remain in existence, because they have few other sources of revenue. But that is not the case for the OED. The OED has been in existence for decades and has been funded by the USPTO's general revenues. It has never needed an annual registration fee.

Of course, it is not a valid reason to impose a fee simply because other authorities do so.

Some may attempt to justify the fee on the grounds that it will ensure accuracy of the OED's records, by ensuring that only active practitioners remain registered. This purpose could be accomplished by an annual registration requirement not requiring a fee. The OED already has the authority under Rule 11.11 to conduct periodic surveys of registered practitioners.

Comment 5: Please, no more CLE

Most attorneys today labor under a substantial CLE requirement. In Illinois, where I practice, the CLE requirement is particularly onerous. Every two years attorneys are required to take 30 hours of CLE. Among those hours must be six hours of "professional responsibility" CLE, and among those six hours must be "one hour in the area of diversity and inclusion" and "one hour in the area of mental health and substance abuse." See Ill. Sup. Ct. Rule 794(d).

Illinois lawyers are required to keep track of each CLE class that we take. Generally, each CLE class must be offered by an "Accredited Provider," approved by the state, or else the classes must be individually approved. CLE providers must generate certificates of completion for each course. Attorneys are required to keep these CLE certificates and to report compliance with the CLE requirement once every two years. We also must keep thee CLE records for several years in case we are audited for CLE compliance.

That's a lot of work. The 30 hours themselves consume about four full days of work. Then there's the time needed to find CLE courses, to travel to them (for live presentations), to procure CLE certificates, to store them securely, and to report compliance. (Procuring CLE certificates after the end of the CLE program sometimes is more difficult than one might imagine.) We often must pay someone to provide us CLE. This means that we must spend additional time working for clients to earn fees, then must use those fees to pay for a CLE program. All told, it's some weeks of work to comply with these CLE requirements.

And that's just for the CLE recipients. CLE providers have their own requirements. A CLE provider must either submit an individual CLE course for approval, or must register as an "Accredited Provider." My law firm is an Accredited Provider, and, as such, we must generate and provide CLE certificates to attorneys who attend our courses. Again, that adds a paperwork burden and takes time away from other endeavors.

Is all of this worth doing? CLE probably has value sometimes, particularly for newly admitted attorneys, but I can't see the value of all this CLE. Illinois already

requires too much CLE—its requirements are among the highest of all states. Some states require no CLE, and the District of Columbia requires none. Is the practice of law somehow better in Illinois (average annual CLE requirement 15 hours) than, say, Florida (average annual requirement 11 hours) simply because Illinois require more CLE? Are attorneys who practice in the District of Columbia somehow intrinsically less qualified than Illinois lawyers? Of course not.

It takes me personally dozens of hours each year to comply with the CLE rules, resulting in lost billings and time away from my family. I'm not keen on adding to this burden. More CLE hours won't somehow make me a better lawyer.

Extrapolating to all Illinois attorneys and CLE providers, and then again to the forty-five other states that have a CLE requirement for attorneys, the present CLE burden on the legal profession is enormous.

Comment 5a: Why is CLE needed?

A CLE requirement is not necessary for practice before the Office. I cannot find where the Office has provided any analysis of such a need, and cannot see independently why CLE should be required.

Does the Office feel that somehow the practice before it is deficient in some way? How specifically are your practitioners failing you? How would a CLE requirement address this purported deficiency?

For what other reason does the Office want to impose a CLE requirement? Is it just because state bar authorities do so? Does it just generally seem like a good idea? What goals would be served by such a requirement? Has the Office studied the effect of CLE requirements on state bar practice?

If the fee-and-CLE proposal is to be maintained, please state (1) whether the Office feels that there exist major deficiencies in the corpus of practitioners, (2) how CLE will solve these deficiencies, and (3) any other justification for requiring CLE.

Comment 5b: Sunset?

If CLE is to be imposed, would be Office be willing to put an initial "sunset" provision such that the requirement to take CLE would expire after a year or two, absent continued justification? Can the Office state the putative benefits and goals of any CLE requirement, and is the Office willing to allow the CLE requirement to expire absent realization of such benefits and goals?

Put another way, if there is to be a CLE requirement, will the Office tie the requirement to one or more concrete, objective goals? Will the Office eliminate the requirement for CLE after a year or two should these goals not be attained?

Comment 5c: Make any CLE easy to get and compatible with state requirements

Most attorneys have some CLE requirement anyway. If the Office is to impose some CLE requirement, the additional burden to attorneys would be ameliorated to some extent if the Office (1) offers its own free CLE programs in an electronically accessible format, such as a Web-based presentation, and (2) ensured that such CLE program complied with each state bar's CLE requirements (for those states requiring CLE). Is the Office willing to do this?

For example, in Illinois, will the Office provide CLE programs? Will the Office provide CLE certificates of compliance that comport with Illinois' requirements? Will the Office do so for other states that require CLE? If not, then attorneys in CLE states either will have to find CLE courses that satisfy both USPTO and state requirements, if permissible, or to take USPTO-eligible CLE *in addition* to their state requirements.

Alternatively, if attorneys are in compliance with their state CLE requirements, will this suffice for the Office's CLE requirement?

Comment 5d: Is CLE mandatory or optional?

It is not clear whether the Office intends to make CLE mandatory or optional, and it is not clear how many hours of CLE the Office intends to require or recommend. How many hours of CLE does the Office propose?

I note that the surcharge for not certifying CLE completion is only $70 more than the fee for certifying CLE completion. If CLE completion is not mandatory, and the only penalty for not completing the CLE is $70, the fee proposal constitutes a perverse incentive, because it could be much easier and cheaper to pay the $70 surcharge than to certify CLE completion.

For example, suppose the Office intends to encourage 12 hours annually of CLE (on top of the 15 hours I'm required to take annually on average to maintain my Illinois license). With administrative overhead of registering for and tracking this CLE, that's two more days of lost billings, or two more days away from my family, plus any costs I'd have to pay to a CLE provider. I'd gladly pay $70 to avoid this.

Comment 5e: What is the period of CLE certification?

It is not clear from Director Iancu's letter whether the certification of CLE completion would permit attorneys from CLE states simply to certify completion with their own state bar requirements.

If so, then it is not clear how this would work in states with a multi-year certification requirement. In Illinois, for example, CLE certification is required every two years.

Comment 5f: Paperwork reduction?

Any CLE requirement will take a lot of work. There are tens of thousands of registered practitioners, and collectively, the annual burden would certainly exceed one hundred million dollars. Before the Office institutes any CLE requirement, I ask the Office to undertake the required analysis under the Paperwork Reduction Act of 1995. Specifically:

- How many hours of CLE will the USPTO require each year of its practitioners?
- What will be the technical burden of the CLE requirement? Please consider not only the time spent actually sitting for CLE, but the administrative costs of logging each course, responding to audits, etc. and also the associated Office costs. Doesn't the Office agree that this burden will exceed $100 million annually?
- Will the Office offer its own CLE programs and comply with state CLE requirements? If not, that will increase the technical burden even further. What will the paperwork burden be in that case?
- What other factors justify any CLE burden?

- As to the proposal for an annual fee, the Office will receive little or no net revenue from such a fee. What justifies this burden?

Comment 5g: Don't tie any fee to CLE completion

There seems to be no justification to tie an annual registration fee to the completion of CLE. If CLE is to be required, then make it required. It's not clear why the Office would use a surcharge to coerce optional CLE compliance. And the cost of annually registering a practitioner is independent of whether that practitioner has completed CLE.

Comment 5h: Implement any fee-and-CLE requirement first within the Office

Any benefits from an annual fee and CLE requirement would seem equally to be realized if these requirements were imposed on USPTO employees in addition to practitioners. For instance, just as an annual practitioner fee could fund the Office of Enrollment and Discipline, an annual employee fee could be used to fund the Office of Human Resources. And any intangible CLE benefits would inure equally to Office employees.

If the Office is to press forward with an annual fee and CLE requirement, would the Office agree to institute first a pilot program for its own professional employees? Each employee would have an "Annual Employee Fee" as part of the program. Also, and perhaps more significantly, employees would have a minimum CLE requirement.

Office employees would be required to purchase third-party CLE programs at their own expense. They could choose whether to take CLE courses during their work hours or on personal time. Of course, we would not expect any reduction in other Office work required of each employee should they choose to take CLE courses during work hours. Nor would employees receive raises to compensate them for the annual fee or the costs to purchase the required CLE programs. Only after this pilot program had been running for a few years would the Office then extend the program to practitioners.

The above seems to be what the Office is now proposing for practitioners. Is the Office willing to impose fee and CLE requirements on its own professional staff as a pilot program?

I'm very serious about this suggestion. The fee-and-CLE proposal would impose substantial time and cost regulatory burdens on practitioners. Whatever purported benefits this proposal might provide are known now only to the Office, particularly if the new CLE requirements are in addition to state requirements. I believe that a pilot program would give the Office the proper perspective as to the relative costs and benefits of this proposed fee-and-CLE regulation.

Notably, despite the purported benefits of CLE, the Illinois Supreme Court has exempted itself from Illinois' CLE requirements. See Ill. Sup Ct. Rule 791(a)(3) (exempting judges); Rule 791(a)(4) (exempting judicial staff).

Comment 5g: Lack of Statutory Authority

The Office has not identified any authority authorizing the imposition of an annual fee or any CLE requirement. Title 35 U.S.C. 2 limits the authority of the Office to

matters of "recognition and conduct." Once recognized, the Office may thereafter exclude or suspend a practitioner only for disciplinary reasons (35 U.S.C. 32).

Title 35 U.S.C. 32 serves as a ***limitation*** on the authority of the Office to exclude practitioners. The statutory scheme mandates that, once registered, registration continues indefinitely for the lifetime of the practitioner, absent resignation or removal on ethical grounds. The Office has heretofore operated under that interpretation of the statutes. The statutes do not permit the Office to condition continued registration on the payment of continuing fees or the completion of CLE. Any exclusion or suspension of any practitioner for non-payment of fees or for non-completion of CLE would be *ultra vires*.

Comment 6: Make electronic submission of any fee mandatory

The fee proposal contemplates that some practitioners would pay their fee by making a paper submission. Why? Under what circumstances would a practitioner be unable to pay an annual fee electronically?

There is no need for the paper registration category. Under the above assumption that around 95% of practitioners would pay the fees electronically, this means that there would be only a couple of thousand practitioners who would want to submit the fees using paper. This 95% figure is conservative.

Few practitioners today are unable to use the Internet. Use of the Internet to at least some extent is a fundamental and necessary part of modern legal practice. Essentially all active practitioners use the Internet to at least some degree. Electronic payments today are pervasive both before the Office and in innumerable other contexts, and this pervasiveness will only continue to increase. Also, a technical degree or equivalent is required before one can become a practitioner to begin with, so practitioners already are more technologically savvy (and likely to use the Internet) than the general public.

There remain reasons to allow payments in paper form for other Office fees (e.g. as an emergency backstop in case of a power failure) but these reasons wouldn't apply to an annual registration fee.

By 2021, if there is to be an annual fee, electronic payment should be mandatory. Even those few practitioners who do not themselves use the Internet in any form could find someone to make an annual electronic payment on their behalf.

Comment 7: Regulatory complexity

The current Presidential administration has directed its agencies to find ways to reduce and simplify regulation and to alleviate regulatory burdens on the public. The President has appointed Director Iancu to fulfill this mission for the USPTO. Respectfully, the fee-and-CLE proposal is a step in the wrong direction. This proposal is a poorly conceived rule of the type that we would imagine the Director would strive to eliminate, rather than impose anew.

The Office doesn't need the revenue from the proposed new fees. There exists no justification to impose a CLE burden on practitioners, particularly for attorneys who already have onerous CLE requirements. There is no need for a matrix of four fee possibilities. The requirement for CLE is not presented clearly. If the Office is proposing Office-specific CLE, it's not clear whether that CLE burden adds to the CLE burden for attorneys. We don't know if any Office CLE program will comport with state bar requirements. This proposal simply isn't well thought out or presented clearly. The Office has not justified the high burden of the CLE requirement under the Paperwork Reduction Act. And the Office lacks the statutory authority to impose a fee or CLE requirement as a condition of maintaining registration.

Generally, the aphorism "If it works, don't fix it" comes to mind. For generations, the USPTO has operated with no annual practitioner fee and no CLE requirement. Whatever faults, real or imagined, one might find with other aspects of Office practice, in this regard the existing practitioner registration scheme works.

I urge the Office to drop the fee-and-CLE proposal.

PDF vs DOCX

Comment 8: PDF is better than DOCX for Office Archival Use

I do not think that the proposal to drive use towards DOCX is well thought out.

The Office's records are intended to be permanent and stable, and accessible indefinitely. The PDF file format (especially PDF/A) is much better suited for that purpose than the DOCX file format. DOCX is a family of file formats used for word processing files, which are files that are intended to be easily modified and edited. Conversely, the PDF/A file format is specifically designed for archival use. [2] Since the

[2] For a (crowdsourced) discussion of the archival benefits of PDF/A, see https://en.wikipedia.org/wiki/PDF/A.

Office is striving for permanent archiving rather than facile editing of Office Records, why is the office urging DOCX? This makes no sense.

One initial question is which DOCX file format the Office would specify. DOCX is a file extension specified under ECMA-376, ISO/IEC 29500 Transitional, and ISO/IEC 29500 Strict. These standards are not all compatible with one another, and the standards continue to evolve. It is by no means certain that the DOCX files generated today will be rendered in the same manner years from now. But PDF/A files, by design, will remain readable indefinitely.

Another question relates to whether portions of the DOCX standard are proprietary. The extent to which Microsoft and other entities purport to exert proprietary control over these file formats is not certain. On the other hand, PDF is understood to be a family of intercompatible open file formats, specified under one international standard (ISO 32000).

Drawing submissions are generally in PDF file format and generally cannot easily be made in the DOCX format. Also, other portions of the Office's files (e.g. prior art references, scanned materials) of necessity will not be in text-searchable DOCX form, and will probably require PDF submission. Any rule that penalizes PDF submissions will necessarily require frequent fragmented filings using both DOCX and PDF files.

There are other competing word processing file formats, such as the ODF file format. Like DOCX, such other file formats are designed for easy editing, not for archiving, and they are likewise not as good for archival purposes as PDF. If the Office is determined to drive practitioners to use a poorer archival file format, why has the Office chosen DOCX? Why not ODF or some other file format?

Also, DOCX files are substantially more prone to viruses and malicious code than PDF files. Please note that in addition to concerns with the Office's filing system practitioners and clients routinely share correspondence amongst themselves relating to patent applications, exacerbating malicious code concerns.

Why, then, should the Office encourage DOCX filings? It is not a justification to require DOCX files to make searching easier. PDF files are equally as searchable as DOCX and other files when generated natively to contain text. This is trivially easy to do from all modern word processing programs. For PDF files that are not natively generated with text, optical character recognition software allows such documents to be searched. If text-searchability is the only putative advantage of DOCX filings that the Office can state, this is not a valid reason to encourage DOCX. I believe that the Office should instead revert to mandating filings in the PDF file format.

Comment 8a: Encourage submission of searchable PDFs instead

If the Office intends to encourage submission of documents that are text-searchable, the Office could impose a surcharge for submission of PDF documents that are not text searchable.

Comment 8b: Impose any fee only on applicant-generated text files

Whatever requirement the Office imposes should not extend to drawings or exhibits. Prior art references should not be required to be submitted as DOCX files. Scanned material (such as the signature block on a declaration) should not incur a surcharge. Only applicant-generated text documents (patent specifications, office action replies, etc.) should incur any surcharge.

Comment 8c: Technical and licensing

Has the Office undertaken a technical analysis of the DOCX file format and examined its suitability for long-term archival purposes, despite the continued evolution of this file format and the known incompatibilities between competing standards? Has the Office determined whether the DOCX file format or any implementing code is subject to proprietary restrictions? Has the Office determined whether searchability of PDF files will suffice for Office business? Has the Office determined the cost of malicious code concerns with DOCX files? Has the Office studied whether the ODF or other file formats might be preferable to DOCX?

If the Office has studied these matters, please provide the details. If not, is the Office willing to study these things before driving practitioners to use the DOCX file format, and if not, why not?

Thank you for considering these comments.

/Allen Hoover/