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Amy Mandel  
Communications / Publications

Kira M. Alvarez  
Legislative Consultant

Washington, DC  
kira.alvarez@americanbar.org

**AMERICAN BAR ASSOCIATION****Section of Intellectual Property Law**

321 N. Clark Street

Chicago, IL 60654-7598

(312) 988-6254

E-mail: [iplaw@americanbar.org](mailto:iplaw@americanbar.org)

[www.americanbar.org/iplaw](http://www.americanbar.org/iplaw)

September 5, 2018

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

The Honorable Andrei Iancu

Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office

Mail Stop CFO

P.O. Box 1450

Alexandria, VA 22313-1450

Attn: Brendan Hourigan

Re: Comments in response to the Notice of Public Hearing entitled: *Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule: (Federal Register / Vol. 83, No. 148/ Wednesday, August 1, 2018/ Notices)*

Dear Under Secretary Iancu:

As Chair of the American Bar Association Section of Intellectual Property Law (the "Section"), I am writing on behalf of the Section to provide comments in response to the patent fee proposal of the United States Patent and Trademark Office ("the Office") Notice of Public Hearing entitled: Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule: (Federal Register / Vol. 83, No. 148/ Wednesday, August 1, 2018/ Notices). These comments have not been approved by the American Bar Association's House of Delegates or Board of Governors and should not be considered to be views of the American Bar Association.

The Section appreciates the opportunity to provide written comments to the Office regarding the patent fee proposal prior to publication of its proposed fee schedule in a Federal Register Notice of Proposed Rulemaking, anticipated in Spring 2019.

The Section generally encourages the Office to establish fees at a level that will assure the Office is adequately funded and, therefore, able to conduct high-quality, timely and complete examinations of patent applications; to adequately capitalize the Office's operations (especially in the area of its information technology capabilities); and to maintain funds for contingency purposes.

Accordingly, the Section supports the stated goals to (1) implement a sustainable funding model for operations; and (2) optimize patent timeliness and quality.

The Section notes that the Office further articulates key policy considerations unrelated to costs to justify the proposed fee schedule.

The Section generally favors the approach suggested by the Office in its proposed rulemaking, but the Section has some concerns and questions about the current formulation of the proposed patent fee proposal, and therefore would ask the Office to revise the proposal to address our questions and concerns before the rules are finalized.

The Section requests that the Office take account of the following in setting fees to be published in the summer or fall of 2020, and to be implemented in 2021.

### **Proposed new Non-DOCX Filing Surcharge**

The Office proposes a new Non-DOCX filing surcharge of \$400 for utility non-provisional filings submitted in a format other than DOCX (Microsoft Word). The stated purpose for this new fee is to encourage applicants to use DOCX, which “will improve examination quality and lower processing costs.” PPAC Detailed Appendix, Slide 61. The Section supports simple, cost effective, reliable, and non-burdening formats as the means for electronic filing of communications with the USPTO. Additionally, the Section supports the Office’s goal of making applications more accessible for searching purposes. It is expected that most patent practitioners will be able to comply with the DOCX standard as this standard has been incorporated into all word processing software. However, the Section requests that this fee be limited to filing of Utility applications, and not be extended to the filings of additional documents (e.g., Responses, Amendments, etc.) to avoid it unduly burdening small businesses and independent inventors by charging this surcharge every time a Non-DOCX document is filed. One of the goals is to assist with making applications more accessible for searching purposes. This goal is served by charging the surcharge when the application is filed. However, if the surcharge is later charged for other non-DOCX documents, it becomes burdensome to those individuals who are unable to file DOCX documents.

### **Proposed Fee Increases of up to 5%**

The Section supports the proposed fee increases for patent and PTAB fees that generally do not exceed a 5% increase. The Office explains that the “[a]dditional revenue generated from the proposed increases will allow USPTO to identify and advance policies that enhance the country’s innovation ecosystem and provide strong, reliable, and predictable IP rights.” PPAC Detailed Appendix, slide 69. Further, the Office explains that there will be nearly three-years between the last fee adjustments and the effective date for the proposed adjustments, effectively increasing these fees by approximately 1.6% annually. Thus, the Section considers these proposed fee increases to be reasonable.

## **Restructuring of Issue and Maintenance Fees**

The Office proposes to increase the issue fee by 20% (from \$1,000 to \$1,200 for a large entity) and to increase the first maintenance fee by 25% (from \$1600 to \$2000 for a large entity). The Office explains that this restructuring is needed “to recover initial search and examination costs earlier in the patent lifecycle. As technology lifecycles grow shorter, it is important that USPTO not rely too heavily on fees paid late in the life of a patent.” PPAC Detailed Appendix, slide 64.

The Section supports this proposed change in the USPTO fee structure as being a reasonable measure to ensure that the aggregate costs of patent operations are covered by patent fees.

## **Proposed Fee Increases of Greater than 100%**

The Office proposes to increase some fees by greater than 100%. The Section does not support such high increases in fees and believes that they penalize applicants and patent owners, particularly independent inventors, entrepreneurs, and small businesses, and can discourage inventors.

1. 525% increase in the fee for the surcharge for late payment of maintenance fees in order to encourage timely payment. The fee is currently \$160, but will be increased to \$1000 for large entities.
2. 122% increase to the fee to request expedited examination of a design application, to help the Office manage staffing for these services (e.g., from \$900 to \$2000).

### **a. Proposed Increase in the Surcharge for Late Payment of Maintenance Fees**

The proposed 525% increase in the surcharge for late payment of maintenance fees is exceptionally high. The purpose of this fee is to encourage “timely maintenance fee payments” and to bring the fee “more in line with similar fees in other IP offices.” PPAC Detailed Appendix, slide 62. However, the Office is not projecting that this increase will even provide any funds to the Office. Further, the Office does not identify a need for the earlier submission of maintenance fees (i.e., 6 months prior to the expiration of the surcharge period). Thus, the Section does not support such a high increase in this fee.

In the event that the Office decides to significantly increase this surcharge, the Section provides the following recommendations. Since maintenance fees are paid every four years, if owners change and/or if an owner did not properly calendar the maintenance fees, it is easy to miss the payment deadlines. Thus, if such an increase in the surcharge is permitted, the Section recommends that the Office provide at least a notification to the patent owners prior to the date the surcharge is due. Currently, the Office only provides a courtesy reminder after a maintenance fee is missed (i.e., after a surcharge is due). The

Section also recommends providing an option for Patent Owners to petition for a waiver of the high surcharge in appropriate circumstances (e.g., the PTO notice was not received prior to the initial payment deadline even though the proper maintenance fee correspondence address was provided to the Office).

**b. Proposed Increase in a Request for Expedited Examination of a Design Application**

Examination of design applications generally does not require as many resources or as much time as examination of utility applications. Further, when a Request for Expedited Examination of a Design Application is filed, the applicant is required to have conducted a pre-examination search, and provide information regarding the field of the search and an information disclosure statement listing the relevant references. 37 CFR §1.155. This pre-examination search should aid the Examiner's review of the design application. Thus, the Office has not adequately explained why such a high increase in this fee is necessary.

The Office indicates that this increase will "bring the fee more in line with the request for prioritized examination of a utility patent examination (currently \$4,000)." PPAC Detailed Appendix, slide 63. However prioritized examination of a utility patent application does not require an applicant to provide a pre-examination search (*see* 37 CFR §1.102(e)), further examination of utility applications is generally considered to be inherently more complicated than review of a design application. Therefore, this fee alone is not sufficient to compare with the fee for expedited examination of a design application.

Without additional information, the Section opposes such a high increase in a Request for Expedited Examination of a Design Application as this may discourage inventors.

The Section requests additional information from the Office regarding the percentage and number of design applications that are reviewed via the expedited examination program, the amount of time that Examiners typically spend reviewing design applications, and a comparison with the amount of time that Examiners typically spend reviewing utility applications.

**Proposed Active Patent Practitioner Fee**

The Office proposes an Active Patent Practitioner Fee paid annually by registered patent attorneys, agents and individuals granted limited recognition, beginning in the year after they are registered. This Active Patent Practitioner Fee is intended to offset the costs associated with the services the Office of Enrollment and Discipline (OED) provides practitioners in administering the disciplinary system and roster maintenance. The Office further acknowledges that the administration of the Active Patent Practitioner Fee would promote integrity of the patent practitioner roster and eliminate the need for a survey. The Office further comments that registered patent practitioners would receive a discount for the Active Patent Practitioner Fee if they can certify completing a continuing legal education (CLE) requirement.

The Section requests that the Office take into account the following comments, concerns, and questions as it determines whether to impose an Active Patent Practitioner Fee on registered practitioners, and if so, how such a program will operate:

- On January 16, 2018, the Office increased fees and began charging several new fees pursuant to a final rule published on November 14, 2017. *See* 82 Fed. Reg. 52780 (Nov. 14, 2017). The final rule acknowledged fee increases that were intended to offset costs to perform OED services. Now, the Office is introducing an annual fee for registered patent practitioners that is intended to offset the same services that were to be addressed by the fee increase on January 16, 2018. The Section would appreciate learning the apportionment of the Active Patent Practitioner Fee with respect to the present OED fees and other patent practitioner enrollment fees.
- The Section is interested in learning whether an Active Patent Practitioner Fee program would meet the projected startup costs to implement this new administrative process.
- The Section encourages the Office to ensure that any new fee structure includes the costs of tracking of registered patent practitioner payment of an Active Patent Practitioner Fee as well as the cost of CLE verification.
- According to the PPAC Patent Fee Proposal Executive Summary, the proposed rules provide that non-compliance with payment of the Active Patent Practitioner Fee “results in additional fees and/or administrative suspension after additional notice.” The Section believes it would be helpful to indicate what additional fees would be assessed on a non-compliant registered patent practitioner. The Section also encourages the Office to describe what a suspension process would involve.
- The Office notes in the PPAC Patent Fee Proposal that after two years of inactivity, a “practitioner would need to make a showing to the OED Director that they continue to possess the necessary qualifications to render legal services to patent applicants or retake the registration examination to be eligible for reactivation.” The Section recommends that the Office explain the requirements for an inactive patent practitioner to show the OED Director that he/she continues to possess the necessary qualifications to render legal services to patent applicants.
- The Section encourages the Office to share any statistical analysis regarding the number of registered patent practitioners who are expected to maintain registration through an Active Patent Practitioner Fee program.
- According to the Patent Fee Proposal Detailed Appendix, the purpose of the Active Patent Practitioner Fee, at least in part, is to offset the “costs associated with the services OED provides practitioners in administering the disciplinary system and roster maintenance to be recovered directly from those practitioners.” However, the OED has disciplinary jurisdiction over all “practitioners”—which include members of

the bar of the highest court of a State or territory—who are not registered patent practitioners, but who nevertheless appear before the USPTO in non-patent matters. For example, attorneys are not required to apply for registration or recognition to practice before the USPTO in trademark matters. *See* 37 C.F.R. §§ 2.17; 11.1; 11.14. Therefore, the Section believes the Office should ensure an Active Patent Practitioner program does not lead to registered patent practitioners underwriting the cost for all OED operations.

The Section encourages the concept of continuing legal education for all active lawyers, and further encourages lawyers to participate in continuing education efforts that are of value to them. Accordingly, this Section supports the efforts of the Office to recognize registered patent practitioners to certify completion of a recommended number of CLE hours to promote the integrity of the registered patent practitioner roster.

The Section requests that the Office take account of the following questions and comments in developing a CLE certification program:

- The proposed rules provide for a discount for an Active Patent Practitioner Fee if the registered patent practitioner can verify that he or she has completed the recommended number of CLE hours over the past two years at the time they pay an Annual Active Patent Practitioner Fee. The proposal identifies that 6 hours of CLE every two years would meet this obligation, wherein those 6 hours would include 1 hour of Ethics (accepted for Ethics CLE credit in any U.S. state or territory) and 5 hours of Patent Law and Practice (37 C.F.R. § 11.5(b)(1)). How will CLE credit be accredited by the Office? Will the Office have an accreditation process to identify what credits qualify as “Patent Law and Practice” credit?
- Most States keep track of CLE requirements through transcript reporting, which usually requires the CLE activity provider to maintain a record of course attendees and the credits earned for the CLE activity. At the conclusion of the CLE activity, this record is sent by the CLE activity provider to an administrative body (committee or commission), which will have authority to adopt additional regulations and which will provide a structure for the efficient administration of an accredited CLE program. Would the “Check the Box” reporting of CLE include transcript recordation?
- While the ABA recommends transcript reporting as the most efficient and accurate means of reporting credits, a number of states provide for the use of affidavits as an alternative method of reporting. ABA Model Rule for Continuing Legal Education with Comments, available at [https://www.americanbar.org/cle/mandatory\\_cle.html](https://www.americanbar.org/cle/mandatory_cle.html). Reporting by affidavit requires the individual lawyer to maintain his or her own record of CLE credits on an affidavit submitted at the end of each reporting period. Would the “Check the Box” reporting of CLE include use of affidavits?
- How will attendance and credit records be compiled by an administrative body within the OED and how will such compilation be funded? Most states finance their CLE programs by an annual fee ranging from \$5.00 to \$15.00 per credit. Do the proposed

fees account for any costs for administration or verification of the completion of a CLE program?

- Would allowing registered patent practitioners to opt out of a CLE requirement by paying an additional \$100 in fees, as the Office proposes, potentially detract from the goal of improving the quality of the patent bar and the patents they prosecute?
- Is the proposed pro hac vice fee tailored to wholly cover the costs to qualify admission through pro hac vice?

The Section strongly encourages the Office to address the aforementioned comments and questions before implementation of an Active Patent Practitioner Fee program.

### **Conclusion**

The Section gratefully acknowledges the efforts by the Office to formulate a reasonable patent fee structure. The aforementioned comments have been provided in the spirit of making proposed changes in a way that is compatible with the needs of our members. The Section thanks the Office for the opportunity to provide comments on the Notice.

If the Office has questions regarding this Section's comments or would like further explanation of any of our comments, it should please feel free to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Very truly yours,

A rectangular box containing a handwritten signature in black ink that reads "Mark K. Dickson".

Mark K. Dickson  
Chair, ABA Section of Intellectual Property Law