



AMERICAN BAR ASSOCIATION

Intellectual Property  
Law Section

321 N. Clark Street  
Chicago, IL 60654-7598  
T 312-988-6254  
iplaw@americanbar.org  
www.americanbar.org/iplaw

**CHAIR**

George W. Jordan III  
Houston, TX

**CHAIR-ELECT**

June Besek  
New York, NY

**VICE-CHAIR**

Kim R. Jessum  
Yardley, PA

**SECRETARY**

Adriana S. Luedke  
Bethesda, MD

**FINANCIAL OFFICER**

Willard Jones II

**FINANCIAL OFFICER-ELECT**

Robert Lytle

**REVENUE OFFICER**

Susan E. McGahan

**CLE OFFICER**

David Postolski

**MEMBERSHIP OFFICER**

Kevin Greenleaf

**PUBLICATIONS OFFICER**

Stephen E. Gillen

**SECTION DELEGATES TO  
THE HOUSE OF DELEGATES**

Joseph M. Potenza (2020)  
William L. LaFuze (2021)  
Lisa A. Dunner (2022)

**IMMEDIATE PAST CHAIR**

Mark K. Dickson

**COUNCIL MEMBERS**

Elizabeth Chien-Hale (2020)  
Sharon A. Israel (2020)  
tbd (2020)  
Christina N. Scelsi (2020)  
James R. Davis II (2021)  
Jonathan R. Sick (2021)  
Joshua L. Simmons (2021)  
Francine D. Ward (2021)  
Steven P. Caltrider (2022)  
Thad Chaloehtiarana (2022)  
Christina D. Frangiosa (2022)  
Mary E. Rasenberger (2022)  
Richard B. Biagi (2023)  
Diane Dunn McKay (2023)  
Donna M. Meuth (2023)  
Anna (A.J.) Oakes (2023)

**Young Lawyer Council Member**

Franklin Graves (2020)

**SECTION STAFF**

Michael G. Winkler  
Director  
Carey Farley  
Programming / Events  
Amy Mandel  
Communications / Publications  
Kira M. Alvarez  
Legislative Consultant  
Washington, DC  
kira.alvarez@americanbar.org

September 30, 2019

*Via Electronic Mail: fee.setting@uspto.gov*

Mail Stop-Office of the Chief Financial Officer,  
Director of the United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

Attn: Brendan Hourigan

Re: Comments in response to the Notice of Proposed Rulemaking  
entitled: *Setting and Adjusting Patent Fees During Fiscal Year 2020:*  
*(Federal Register / Vol. 84, No. 147/ Wednesday, July 31, 2019 /*  
*Proposed Rules)*

Dear Director Hourigan:

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 Proposed Rulemaking (NPRM) entitled: *Setting and Adjusting Patent Fees During Fiscal Year 2020: (Federal Register / Vol. 84, No. 147/ Wednesday, July 31, 2019 / Proposed Rules)*. The views expressed herein are presented on behalf of the Section of Intellectual Property Law. They have not been approved by the House of Delegates or the Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the position of the Association.

Since 1894, the ABA-IPL Section has advanced the development and improvement of intellectual property laws and their fair and just administration. As the forum for rich perspectives and balanced insight on the full spectrum of intellectual property law, the Section serves within the ABA as a highly respected voice within the intellectual property profession, before policy makers, and with the public.

The Section appreciates the opportunity to provide written comments to the Office regarding the patent fee setting rule in response to the Federal Register Notice of Proposed Rulemaking.

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) recover the aggregate estimated costs of patent 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 NPRM but has some concerns about the current formulation of the proposed patent fee setting rule, and therefore would ask the Office to revise the proposal to address our concerns before the rules are implemented. The Section requests that the Office take account of the following in setting fees to be implemented in 2021 and 2022 (for the proposed Annual Active Patent Practitioner Fee).

### **Proposed Increases for AIA Trials**

The Notice of Proposed Rulemaking includes increased fees for AIA trials. For example, for inter partes review (IPR) proceedings that challenge up to 20 claims—a 26% increase in the filing fee is proposed, while a 26% fee increase is proposed for post-institution fees.<sup>1</sup> These proposed fees greatly exceed the 5% increase in across-the-board fees proposed in the Notice.

The increase is premised on increasing workloads following the U.S. Supreme Court's decision in *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), which dictates that, when the PTAB institutes a trial, the Final Written Decision must address all challenged claims. Therefore, a Decision on Institution must institute on all claims or none. Post-*SAS*, the PTAB no longer has the option of instituting on fewer than all challenged claims. In response to *SAS*, the Office modified its pre-institution practices and now endeavors to address all arguments raised in the petition in the Decision on Institution. The Notice states that this change “has increased the amount of time spent per case,” both pre-institution and post-institution and thus “will increase the average cost to conduct each proceeding.”

The Section believes that the proposed fee increases are premature. At least at the time of publishing the NPRM, the Office lacked data on whether and how *SAS* will meaningfully impact workload. The Public Patent Advisory Committee's report to the Office suggested “that the PTAB conduct data collection and analysis on the impact of... decisions [including *SAS*] on its processes so stakeholders can better appreciate the need

---

<sup>1</sup> Thus, the total fees on an instituted IPR challenging up to 20 claims would be of \$38,250 compared to the current fees of \$30,000. In addition, for each claim in excess of 20, a fee of \$375 for submission and \$750 for review would apply.

for increased fees.” The Office responded that it is “currently collecting data on the impact of these decisions and will reevaluate the extent of the increase in costs once actual data become available.” Until that data becomes available, it is impractical to say whether the fee increases are warranted. For example, the PTAB is expecting a 24% drop in the number of filings challenging patent validity in 2019 compared to the average number of filings for the last five years. If the trend is short-lived, then the falling filing rate may not substantially impact workload concerns. However, if this trend continues for at least the next few years, such falling filing rates could greatly offset the PTAB’s concerns about increasing workload per petition. Moreover, increasing filing fees may further disincentivize new filings and depress Office workloads even further.

The Section encourages the Office to finish collecting and analyzing data on the impact of recent judicial decisions and determine whether and to what extent the economics of filing rates and post-*SAS* workload warrant a fee increase—prior to instituting the proposed fee increases for AIA trials.

### **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 the Office projects will lead to improved patent quality, reduced pendency and greater consistency. 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 streamlining application and publication processes, making applications more accessible for searching purposes and improving accessibility for sight-impaired customers. It is expected that most patent practitioners will be able to comply with the DOCX format given this standard has been incorporated into all word processing software.

The Office explains that initially this fee will only be charged for the submission of specifications, claims and abstracts that do not comply with the DOCX format. The Section recommends that no surcharge would be due if a substitute specification is filed after payment of a surcharge for filing a non-DOCX specification, claims, and/or abstract. Further, the Section recommends only charging this fee once per application to avoid burdening those individuals who are unable to file DOCX documents.

The Office anticipates that in the future, the program may be extended to additional documents. The Section suggests that this surcharge 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 later-filed non-DOCX documents, it becomes burdensome to those individuals who are unable to file DOCX documents.

It is reported that filing DOCX documents can result in changes to the underlying text,<sup>2</sup> particularly in the case of mathematical formulae or chemical structures. The Section supports modifying the filing system so that if a DOCX document contains a discrepancy, it can be corrected after the filing date without losing priority to the filing date. For example, a system like WIPO's filing system could be used, which allows a practitioner to file a "pre-conversion format" version of a patent application along with the DOCX file. In the event of some later problem with the USPTO's rendering of the DOCX file, the practitioner would be permitted to point to the pre-conversion format, which would control in the event of any discrepancy.

### **Proposed Maintenance Fee Late Penalty Surcharge Increase**

The Section appreciates the Office's reduction of the prior proposed surcharge for late payment of a maintenance fee of \$1,000, which was presented in the September 2018 PPAC hearing, to \$500.

However, the proposed 213% increase in the surcharge for late payment of maintenance fees is still exceptionally high. The purpose of this fee is to "encourage patent holders to renew prior to the due date" for maintenance fee payment without surcharge and to bring the Office's surcharge fee "more in line with its global counterparts." 84 Fed. Reg. 37410 (July 31, 2019). The Office indicates that encouraging on-time payment of maintenance fees provides a benefit to the public by clarifying earlier on which patent rights remain in force and which have been allowed to lapse. However, the Office acknowledges that currently "[o]ver 95 percent of patent renewals are paid before the due date." *Id.* The Office does not project how many additional renewals it expects to be paid before the due date in view of the proposed surcharge increase. Thus, it appears that this surcharge is effectively a penalty against those who pay maintenance fees during the surcharge period. Parties who delay payment of a maintenance fee include small entities, micro-entities, and independent inventors, for whom the payment of a maintenance fee is often a significant investment. Forcing such entities to pay a higher surcharge does not appear to be justified in this circumstance. Thus, the Section does not support such a high increase in this fee.

In the event that the Office decides to implement the proposed 213% increase in 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. Therefore, if the proposed surcharge increase is implemented, the Section recommends that the Office provide a

---

<sup>2</sup> See, e.g. <https://blog.oppedahl.com/?p=4623>, "The Problem with USPTO's proposed non-DOCX penalty" (Aug. 5, 2019).

notification to the patent owners prior to the date the surcharge is due. Currently, the Office provides a courtesy reminder only after a maintenance fee is missed (i.e., after a surcharge is due). Further, the Section 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 a current maintenance fee correspondence address was provided to the Office).

### **Proposed Increase in Request for Expedited Examination of a Design Application Fee**

Without additional information, the Section opposes the proposed 122% fee increase associated with filing a Request for Expedited Examination of a Design Application because the Office has failed to justify the proposed increase and because inventors (particularly smaller entities) may be discouraged from filing such requests.

Examination of design applications generally does not require as many resources or as much time as examination of utility applications. Although a design application may contain multiple embodiments, it is limited to a single claim. In contrast, a U.S. utility application typically contain multiple claims of varying scope.

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. Applicants must invest additional time conducting this search or hire a search firm to conduct the search on their behalf. The Section notes that the Office has not proposed removing the requirement for this pre-examination search in proposing the fee increase. Thus, the aggregate cost to an Applicant for filing a Request for Expedited Examination includes both the USPTO's proposed fee along with any additional costs associated with providing the pre-examination search.

The Section understands that the primary effect of filing a request for preliminary examination is to move the application to the top of an Examiner's docket. Expedited cases may also be processed more promptly. Yet, the Office has not sufficiently demonstrated that the proposed increase in fees is warranted.

The Office states that the increase in demand from one to "over two percent" of total design patent application filings "has forced the Office to choose to cap the program [...], end the program, or increase the fee." The Section is not in favor of the first two of these proposed options, which consequently leaves the option of a fee increase. But it is unclear whether the number of design applications that are examined on an expedited basis increased along with the increased percentage. The Section is not opposed to a reasonable fee increase necessary to maintain the expedited examination program.

As part of its justification for the fee increase, the Office notes that this is the first fee increase since November 2000. But if the standard fee increase of 1.6% had been made annually since 2000, the fee would be \$1,256 in 2021. Thus, the proposed fee is about 60% greater than the standard increase imposed by the Office to keep up with inflationary cost increases.

The Section would appreciate further justification from the Office for the amount of the proposed fee increase, including a calculation or demonstration of the burden on the Office that establishes this fee increase is necessary. This justification may include additional information from the Office regarding the increased amount of resources associated with expedited examination of design applications, the number of design applications that are reviewed via the expedited examination program, the amount of time that Examiners typically spend reviewing design applications (and whether a request for expedited examination affects this time in any way), and the impact, if any, of the pre-examination search on the amount of time that Examiners typically spend reviewing the expedited design applications. Depending on the data, the Office may consider removing the requirement of a pre-examination search, which would help applicants by alleviating some of the financial burden associated with filing a request for expedited examination.

### **Proposed Active Patent Practitioner Fee**

The Section supports a sustainable funding model for USPTO operations, including a reasonable, justified and necessary fee to cover the costs associated with the services or programs OED provides patent practitioners, such as by providing CLE courses or maintaining an accurate roll of active patent practitioners, or to increase public access to competent legal representation in patent matters before the USPTO, such as via Pro Bono Patent programs or Law School Clinic Certification.

In the NPRM, 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. A stated purpose of the Active Patent Practitioner Fee is to “offset the portion of costs of OED’s disciplinary and register maintenance operations currently paid by patent applicants and owners.” The Office states that the fees would also be used to serve the Patent Pro Bono Program and Law School Clinic Certification Program and help cover the costs of increased outreach efforts by the OED.

The creation and maintenance of an effective structure for discipline and disability proceedings is one of the legal profession’s primary responsibilities. As explained in the Comment to Rule 8 of the ABA Model Rules for Lawyer Disciplinary Enforcement, “Lawyer discipline and other regulatory functions [...] should be funded by fees assessed on lawyers admitted to practice in the state.” The same comment explains that “[t]he availability of adequate funds for personnel and expenses will enable an agency to perform all essential duties and not just unavoidable tasks.” The Section supports applying this guidance to all patent practitioners registered to practice before the USPTO.

As detailed more below, the Section recommends setting the annual patent practitioner fee at the current proposed “CLE discount level” and not providing a discount for the purpose of satisfying a CLE requirement. Instead of the proposed CLE discount, the Section proposes offering an annual patent practitioner fee discount irrespective of CLE for solo practitioners, or patent practitioners employed by a member of a small law firm, non-profit, and/or the government because otherwise payment of the fee may become prohibitively expensive.

### **CLE Discount Off Active Patent Practitioner Fee**

The Office indicates that registered patent practitioners can receive a \$100 discount for the proposed Active Patent Practitioner Fee if they certify that they completed a set number of continuing legal education (CLE) hours relating to patent law and practice and ethics. Although the Section encourages continuing legal education in these areas for registered patent practitioners, the Section is concerned that the Office’s approach of linking a continuing legal education and the Active Patent Practitioner Fee in this way may not send the right message about the importance of continuing legal education. Accordingly, the Section generally favors requiring CLE for registered patent practitioners without any coupling to an Active Patent Practitioner Fee.

### **Pro Bono Model for Patent Practitioners**

The Office proposes that up to two of five CLE hours in patent law and practice could be obtained by participating in the USPTO Patent Pro Bono Program, and that for every three hours of such pro bono service, a patent practitioner can earn one hour of CLE credit. The Section is concerned that the Office’s proposed model of three hours of pro bono service to obtain one hour of CLE credit does not sufficiently reflect the importance and value of pro bono service. The Section therefore recommends providing one hour of CLE credit for each hour of pro bono service in the USPTO Patent Pro Bono Program. This one-to-one approach seems more likely to encourage patent practitioners to increase their pro bono service.<sup>3</sup>

### **Communication with Patent Practitioners Prior to Administrative Suspension**

The NPRM indicates that when a patent practitioner fails to pay the annual fee by the due date, after a 60-day notice during which the practitioner could pay the fee along with a delinquency fee, the Director can administratively suspend the practitioner. 84 Fed. Reg. 37415 (July 31, 2019).

To avoid inadvertent and unintended administrative suspensions, the Section encourages the Office to identify improved means for timely communicating well in advance of any

---

<sup>3</sup> The ABA Model Rules of Professional Conduct encourages every lawyer to provide legal services to those unable to pay and aspire to provide at least 50 hours of pro bono legal services per year.

due date a notice of when the Active Patent Practitioner Fee is due, any late fees, and any subsequent adverse action resulting from a failure to timely pay the Active Patent Practitioner fee. The OED maintains its own database of “official” correspondence addresses for registered patent practitioners. Thus, when practitioners update their correspondence address with the Office for substantive matters, this update does not transfer to the OED’s database. However, some practitioners are unaware that when they change their address in pending matters before the USPTO that such a change of address does not affect the OED’s separate databases of “official” addresses. This can result in the OED sending a notice of a pending administrative suspension to an address that is no longer current, even when a practitioner has updated a correspondence address with the Office for substantive matters. The Section encourages the OED use both its registry and the Office’s separate registry to ensure timely receipt by practitioners of any notices associated with the payment, deadlines, or non-payment of the proposed Active Patent Practitioner Fee.

Further, although not required by statute, Patent Examiners typically call the practitioner of record for a patent application prior to sending a Notice of Abandonment. The Section recommends that the OED adopt a similar practice of calling patent practitioners prior to sending a Notice of non-payment of the Annual Patent Practitioner Fee. In addition to highlighting the impacts of non-payment, this approach would provide an opportunity to remind patent practitioners to update their correspondence address with the OED so that they receive timely notifications from the OED and advise the OED if its database contains out-of-date contact information.

### **Status Clarification of Filings by Administratively Suspended Patent Practitioners**

The Section recommends that the Office clarify the status of any papers filed in the Office by patent practitioners who become administratively suspended for failing to pay the Active Patent Practitioner Fee by addressing the following questions: Will the USPTO reject filings made by practitioners who are administratively suspended? Are papers signed by administratively suspended practitioners valid, or will the Office take the position that such papers are invalid? Further, if an administratively suspended practitioner inadvertently (without deceptive intent) files papers in furtherance of the preparation or prosecution of a patent application or other matter in which a PTO registration number is required, how would the administrative suspension affect the client’s rights?

### **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 and their clients.



Brendan Hourigan  
United States Patent and Trademark Office  
September 30, 2019  
Page 9

The Section thanks the Office for the opportunity to provide comments on the Notice. If the Office has questions regarding the Section's comments, please feel free to contact me. Either I or another member of Section leadership will respond to any inquiry.

Sincerely,

A handwritten signature in black ink, appearing to read "G.W. Jordan III". The signature is stylized and written in a cursive-like font.

George W. Jordan III  
Chair, ABA Section of Intellectual Property Law