



Date: 2019-09-30

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

Submitted via email to: fee.setting@uspto.gov

ATTENTION: Brendan Hourigan
Re: Fee setting

On behalf of Telefonaktiebolaget LM Ericsson ("Ericsson"), I am pleased to submit the following comments in response to the Federal Register Proposed Rule of July 31, 2019, regarding the setting and adjusting of patent fees during fiscal year 2020. Representatives of Ericsson attended and presented testimony at the Patent Public Advisory Committee Public Hearing on the Proposed Patent Fee Schedule on September 6, 2018 and subsequently submitted formal comments to the USPTO on September 13, 2018. Ericsson applauds the USPTO for their efforts to remain fully fee-funded and seek input from industry stakeholders on the proposed fee changes. However, Ericsson respectfully maintains that the USPTO's goals may be accomplished by alternative fee changes that more evenly distribute fee increases across the full life of a patent. The comments that follow summarize and maintain Ericsson's position with respect to the proposed changes.

Ericsson is a Swedish multinational networking and telecommunications company headquartered in Stockholm. The company was founded in 1876, employs 95,000 people, and operates in over 180 countries. Ericsson Inc., the fully-owned North American subsidiary, is headquartered in Plano, Texas, and employs more than 9,000 people in North America, with the vast majority of those in the U.S. Ericsson is dedicated to research and innovation, leading the development of cellular technology—from 2G to 5G. Around 15 percent of Ericsson's annual global revenue is invested in research and development and Ericsson has the strongest portfolio in the industry, with over 49,000 granted

Ericsson Inc.

IPR & Licensing - Patent Development
6300 Legacy Drive
Plano, TX 75024



Date: 2019-09-30

patents globally. Ericsson actively licenses its patent portfolio and is one of only a handful of companies to have booked over \$1 billion annually from patent licensing. Revenues from the licensing of our innovations are reinvested in research and development and enable Ericsson to remain at the forefront of innovation in mobile communications.

Ericsson's interest in the proposed changes stems from its significant ongoing investment in research and development and patent protection for its inventions. Ericsson has been a major contributor to the development of global standards for mobile telecommunications for more than 30 years and has invested tens of billions of dollars in this effort. The patents that Ericsson obtains are often a proxy for its technical contributions to various telecommunications standards. The cost to build and maintain Ericsson's global patent portfolio is substantial and, therefore, the proposed changes to the patent issue and maintenance fees could have a significant financial impact on Ericsson's patent and licensing strategy. Furthermore, the continued viability of Ericsson's investment in standards development and wireless communication implementations depends upon licensing agreements regarding such patented technology. In many instances, these licensing agreements are a result of determining patent validity before the PTAB. As a result, Ericsson is a major participant in America Invents Act (AIA) post-grant trials, both as a petitioner and as a patent owner; thus, the proposed changes to those fees is also of special importance to Ericsson.

Patent Issue and Maintenance Fees

Ericsson respectfully maintains that it is important to set fees so that, during the entire lifecycle of a patent, a patentee can pay fees at points in time where sufficient information is available to make an appropriate decision about the commercial merits of obtaining/maintaining a patent. Under this rationale, Ericsson believes that the significant proposed increases to issue fees and first maintenance fees—20% and 25%, respectively—are not economically and practically justified. One of the stated rationales for the proposed substantial increases is the apparent belief that "technology lifecycles [have grown] shorter" and, therefore, "it is important that USPTO not rely too heavily on fees paid late in the life of a patent." In many



Date: 2019-09-30

industries, including telecommunications, this is not necessarily true. The standards defining each successive generation of wireless communications are the product of many years of research and development and the collaborative efforts of many industry participants. As a notable, recent example, development of the 5G communication standard development, led by Ericsson from the outset, started more than 8 years ago, almost a decade before any commercial deployment.

Thus, it is not uncommon for Ericsson to be granted patents on inventions related to technical contributions to a standard prior to the final version; as such, some granted patents do not read on the final standard and, therefore, may have reduced commercial value. Furthermore, some granted patents may not read on the final standard but do relate to specific implementations of the standard that may not be developed or commercialized until after publication of the final standard.

The stated rationale of the Office may also not hold true for many other industries, such as pharmaceuticals, which typically have long product development and regulatory approval times. Therefore, it is not believed that shifting the burden of fee increases to the issue and first maintenance fees is warranted.

While the total maintenance fees are proposed to increase by only 7%, 1st stage maintenance fees will see an increase 25%, with the 2nd and 3rd maintenance fees proposed to increase by only 4%. Ericsson believes that shifting a substantial portion of full-life maintenance fees to the 1st fee can force many patentees to incur substantial costs prior to having sufficient information to make an appropriate decision about the commercial merits of maintaining a patent. Furthermore, many patentees with large portfolios, such as Ericsson, periodically prune their portfolios to maintain only those patents for which they have realized, or still expect to realize, some commercial or license value. The process to evaluate such large portfolios can require a significant number of man-hours, and thus internal costs; by shifting the burden of the maintenance fee increases to the first maintenance fee, such patentees will have to undertake an additional pruning process and possibly incur substantial costs prior to having sufficient information to make an appropriate decision about the commercial merits of maintaining a



Date: 2019-09-30

patent. For similar reasons, shifting the burden of maintenance fees may also discourage smaller companies with fewer resources from seeking patent protection.

It is believed that the USPTO can generate the desired projected revenues from issue and maintenance fees based on alternative fee structures that do not have the noted potential negative financial impacts, particularly on holders of large patent portfolios. As proposed previously by Ericsson and other commenters, alternative fee changes can be structured that would still provide the same full-life maintenance fee recovery by the USPTO without imposing such a drastic increase in the initial issue fee and first maintenance fee burdens.

In summary, with respect to the proposed increases to the issue and maintenance fees, Ericsson proposes that the Office shift a greater burden of those fees to the second and third maintenance fees. The benefits of doing so include: 1) patentees are more likely to have realized commercial value of patented inventions (sale/licensing) when larger fees come due; 2) patentees, particularly those having large portfolios, can avoid substantial costs associated with an additional portfolio pruning process within only a few years after patent issue; and 3) aggregate issue and maintenance fee revenue should be substantially equal to that achievable under the Office's proposed fee changes.

IPR Fees

Finally, Ericsson provides brief comments on the proposed changes to the IPR fees. Ericsson agrees with the rationale presented in the letter from Director Iancu to the PPAC dated August 8, 2018, that fees should be more closely aligned with anticipated costs to the Office and that the "PTAB will no longer be able to institute on less than all claims challenged in a petition, leading to significant additional work". Rather than the significant across-the-board fee increases, however, Ericsson proposes that fees be closely aligned with the number of claims, by lowering the excess claim threshold (e.g., three to five claims) and increasing the excess claim fees after that threshold is reached. This proposed cost structure will likely



Date: 2019-09-30

reduce the number of claims that would have otherwise been challenged (and reviewed by PTAB) under an excess claim threshold of twenty claims.

We appreciate the opportunity to provide these comments and thank the USPTO for its consideration.

Sincerely,

Brian M. Kearns
Director - Patent Unit U.S.A.
Ericsson Inc.
6300 Legacy Drive
Plano, Texas 75024