

UNITED STATES
PATENT AND TRADEMARK OFFICE





Patent Fee Proposal

PPAC Fee Setting Hearing

May 18, 2023



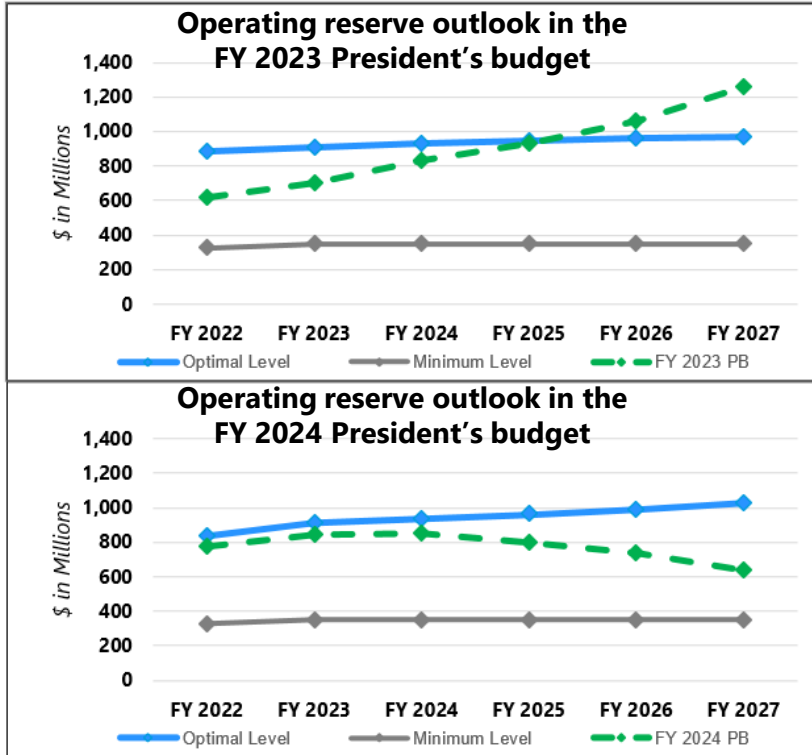
UNITED STATES
PATENT AND TRADEMARK OFFICE ®

Agenda

- Financial outlook
- Fee setting objectives and benefits
- Detailed proposals
 - Targeted patent proposals
 - Targeted PTAB proposals
 - Other proposals

Patent financial outlook

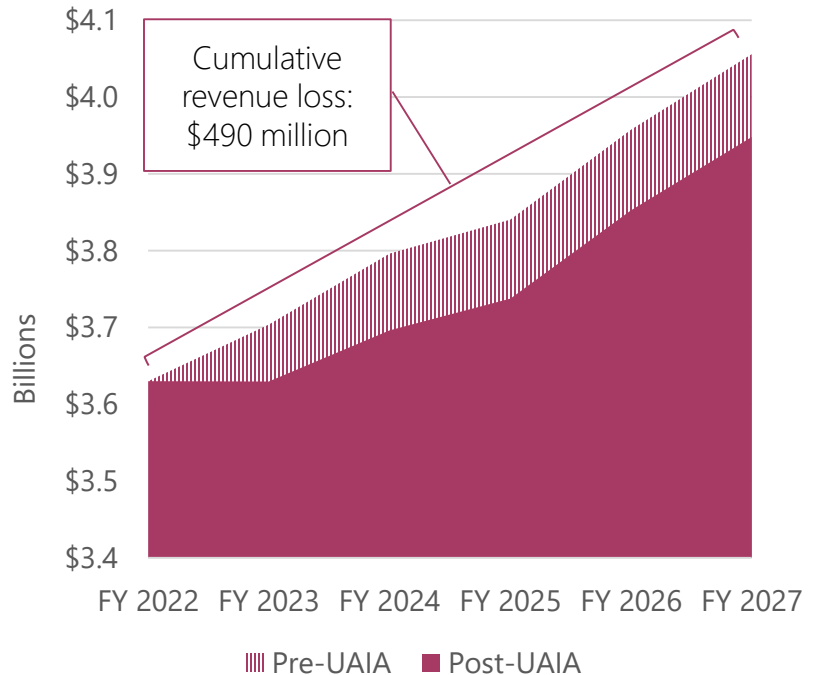
Five year cumulative cost increase and lost revenue is over \$600M



- The operating reserve and current fee schedule no longer finance the increase.
- We forecasted a strong outlook in the FY 2023 President's budget, issued in March 2022.
- In the FY 2024 President's budget, issued in March 2023, we forecasted that patent spending will outpace fee collections beginning in FY 2024.
- The outlook changed for two primary reasons:
 - Costs increased by ~\$173 million cumulatively through 2027 due to inflationary pressures.
 - Our fee collections forecast decreased by ~\$449 million cumulatively over the same period, largely due to increased fee reductions under the Unleashing American Innovators Act (UAIA) of 2022.

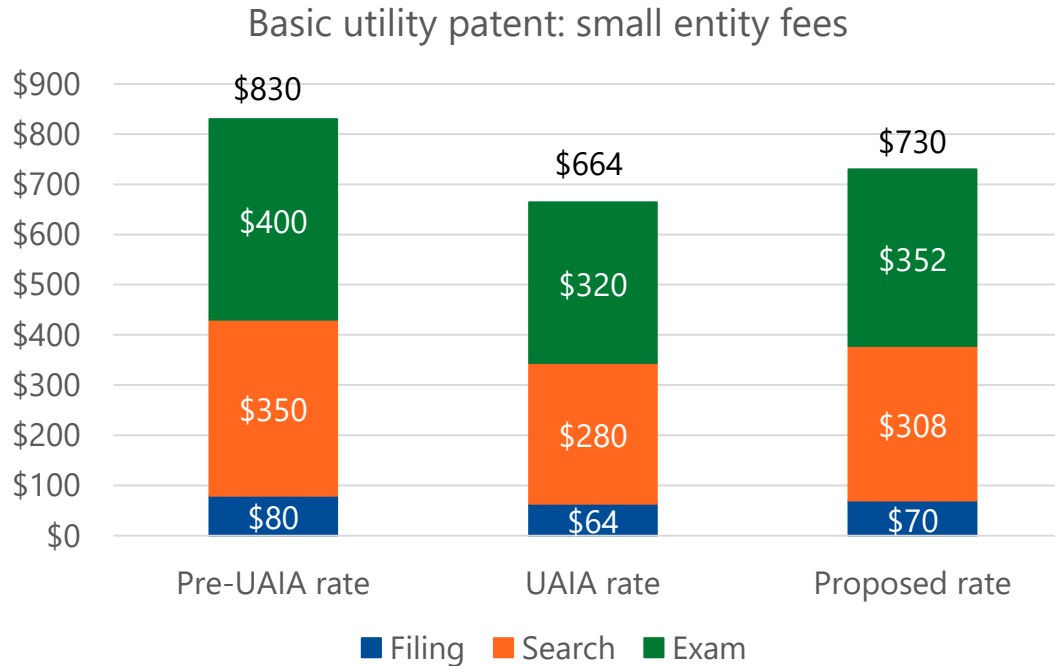
UAIA financial implications

- The UAIA reduced barriers to entry into the patent system by increasing fee discounts:
 - Small entity discounts from 50% to 60%; and
 - Micro entity discounts from 75% to 80%.
- Forecasted patent fee collections decreased by:
 - \$74 million in FY 2023 (partial year); and
 - Approximately \$100 million in each of the out years.



Fee rate comparison

Most discounted fee rates remain below pre-UAIA levels



Fee setting objectives

- Recover aggregate costs to finance the USPTO's mission, strategic goals, and priorities
- Enable financial sustainability
- Promote efficient operations and filing behaviors
- Better align fees with the costs of services provided
- Encourage access to the patent system for all stakeholders

Resourcing mission benefits for intellectual property (IP) stakeholders

- Enhance the United States' role as a global innovation leader
- Promote inclusive innovation through active engagement and widespread access to IP resources and tools
- Foster an innovation mindset in more Americans
- Issue and maintain robust and reliable patents that incentivize and protect innovation
- Improve patent application pendency
- Optimize patent application processes to enable efficiencies for applicants and other stakeholders
- Protect patents from fraudulent and abusive behaviors
- Support the development and enforcement of clear IP laws
- Help those pursuing IP protection to identify available funding sources
- Continue to equitably deliver exceptional customer experiences
- Develop modern information technology (IT) infrastructure and applications



Proposed fee structure changes

- The USPTO proposes to set or adjust fees contained in the table of proposed fee adjustments. The changes impact the following fee categories:
 - After-final consideration pilot
 - Assignments
 - Continuing applications
 - Design patents
 - Excess claims
 - Extension of time for provisional applications
 - Information disclosure statements
 - Patent term adjustment
 - Patent term extension
 - Request for continued examination
 - Suspension of action
 - Terminal disclaimer
 - Unintentional delay petitions
 - America Invents Act trial fees
 - Word count limits in inter partes review (IPR) and post grant review (PGR) petitions
 - Director review of Patent Trial and Appeal Board (PTAB) decision
 - Across-the-board adjustments to all fees and certain categories of fees



Targeted patent proposals

After-Final Consideration Pilot (AFCP 2.0)

- Propose a new fee for participating in the existing AFCP 2.0 Program, in which applicants may submit certain papers for consideration after final action without filing a request for continued examination (RCE) or continued prosecution application (CPA).
 - The fee will improve cost recovery.
 - Around 60,000 requests for AFCP 2.0 were filed in FY 2022, representing more than 10% of disposals.
 - More than half of AFCP 2.0 filings resulted in an examiner interview and more than 100,000 hours of patent examiner time charged to AFCP 2.0 in FY 2022, resulting in higher examination costs.

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
New fee code	Consideration of AFCP 2.0 request	n/a	n/a	\$500	n/a	n/a

* Undiscounted fee rate

Assignments

- Propose reinstating a nominal fee for recording assignments and related documents submitted electronically and increasing the fee for recording assignments submitted via paper.
- Since the previous fee for recording an electronic assignment was eliminated in 2014, the number of frivolous submissions has increased.
 - The fee for electronic submissions will discourage frivolous submissions, and the higher paper assignment fee encourages applicants to opt for the less expensive electronic submission.
 - This fee will help recover processing costs and fund improvements to assignment recordation.

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
New fee code	Recording each patent assignment, agreement, or other paper, per property – if submitted electronically	\$3	\$0	\$40	\$40	n/a
8021	Recording each patent assignment, agreement, or other paper, per property – if not submitted electronically	\$3	\$50	\$60	\$10	20%

Undiscounted fees not available

Continuing applications

- Propose a new tiered fee for filing continuing applications more than three or seven years after the earliest benefit date, or presenting delayed benefit claims that would achieve the same effect.
 - These fees would affect about half of continuing applications, or about 15% of total applications filed each year.
 - About 36% of continuing applications fall into the first tier (over 50,000 per year).
 - About 15% of continuing applications fall into the second tier (over 20,000 per year).
- Because maintenance fees are based on the issue date, while the patent term is based on the earliest benefit date, these affected applications have less term remaining at issue (if granted), and this, therefore, reduces potential future maintenance fees that eventually recover the examination costs incurred for these applications.
 - The proposed fee would partially offset foregone maintenance fee revenue resulting from later-filed continuing applications.
 - The proposed fee would recover the front-end costs of continuing-type applications with extended benefit claim practice and encourage more efficient filing and prosecution behavior from applicants.

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
New fee code	Filing an application or presentation of benefit claim more than three years after earliest benefit date	n/a	n/a	\$1,500	n/a	n/a
New fee code	Filing an application or presentation of benefit claim more than seven years after earliest benefit date	n/a	n/a	\$3,000	n/a	n/a

* Undiscounted fee rate

Design patents

- Propose increasing fees for filing, search, examination, and issuance of design applications.
 - Current fee rates do not sufficiently recover the cost of examination of design patents and are subsequently subsidized by utility applicants, including discounted and undiscounted entities.
 - Rapid growth in applications among micro entities (mostly foreign) has compounded this shortfall.
 - In FY 2022, about 28% of design filings paid micro entity fee rates, up from just 10% in FY 2014.
 - Design patentees do not pay maintenance fees; any shortfall must be subsidized by utility collections.
 - With the current number of small and micro entity applicants, about 61% of design costs are subsidized by utility collections.
- Targeted design fee increases will recover a higher percentage of costs from design applicants and reduce subsidization from other fee sources.

(see table on next page)



Design patents (cont.)

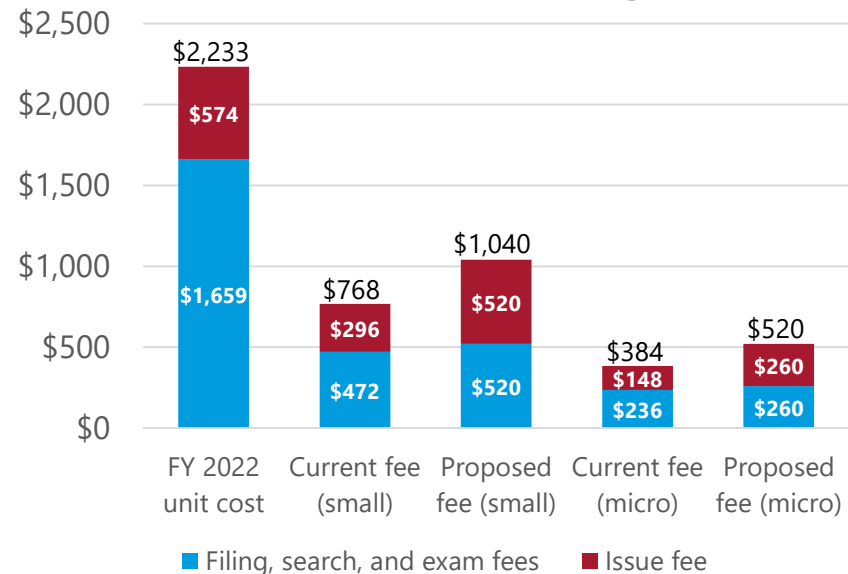
Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
1012	Basic filing fee – Design	\$250	\$220	\$300	\$80	36%
1017	Basic filing fee – Design CPA	\$930	\$220	\$300	\$80	36%
1112	Search fee for design and CPA	\$574	\$160	\$300	\$140	88%
1312	Examination fee for design and CPA	\$835	\$640	\$700	\$60	9%
1502	Issue fee for design	\$574	\$740	\$1,300	\$560	76%
1791	International design application first part U.S. designation fee	n/a	\$1,020	\$1,300	\$280	27%
1792	Issue fee paid through the International Bureau in an international design application (part II designation fee)	n/a	\$740	\$1,300	\$560	76%

* Undiscounted fee rate

Design patents (cont.)

- Propose to increase overall design fees by 48%.
 - Entry fees (i.e., filing, search, and examination) will increase collectively by 27% to recover a larger portion of the costs for these services.
 - Most of the proposed increase in design fees will be paid after a patent has been allowed (issue fee increasing by 76%), consistent with 2014 fee life cycle proportions.
 - Small and micro entities will continue to be subsidized.

Unit cost, current fees, and proposed fees for design patents



Excess claims

- Propose increasing fees for presenting claims in excess of the statutory thresholds.
 - Better alignment with the cost of examining an application with excess claims.
 - Encourages applicants to be more efficient in the number of claims filed.

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
1202	Each claim in excess of 20	n/a	\$100	\$200	\$100	100%
1201	Each independent claim in excess of 3	n/a	\$480	\$600	\$120	25%

* Undiscounted fee rate



Extension of time (EOT) for provisional applications

- Propose decreasing EOT fees in provisional applications.
 - Provisional applications are not examined; therefore, it is not urgent to expedite processing.
 - Reduces the financial burden on applicants who are still determining whether to move forward with a nonprovisional application.
 - Reduces the financial burden on micro entity filers, who are disproportionately affected by EOT fees in provisional applications.
 - Between 2014 and 2021, micro entities paid over 36% of EOT fees in provisional applications while filing only 17% of applications.
 - Micro entity applicants may accrue EOT fees for no other reason than trying to formally establish micro entity status due to signature errors or omissions.
 - Aligns with our objective to foster inclusive innovation and increase access to the patent system.

(see table on next page)



Extension of time (EOT) for provisional applications (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
New fee code	Extension for response within first month, provisional application	n/a	\$220	\$50	- \$170	-77%
New fee code	Extension for response within second month, provisional application	n/a	\$640	\$100	- \$540	-84%
New fee code	Extension for response within third month, provisional application	n/a	\$1,480	\$200	- \$1,280	-86%
New fee code	Extension for response within fourth month, provisional application	n/a	\$2,320	\$400	- \$1,920	-83%
New fee code	Extension for response within fifth month, provisional application	n/a	\$3,160	\$800	- \$2,360	-75%

* Undiscounted fee rate

Information disclosure statement (IDS)

- Propose a separate surcharge the first time each pre-determined threshold is exceeded based on the cumulative number of applicant citations listed in an application.
 - Better reflects the additional costs and time provided to examiners to consider these large IDS submissions.
 - The USPTO receives a large number of cited references on IDS submissions, sometimes in the thousands, for a small percentage of applications.
 - Large IDS submissions negatively impact prosecution time and burden examiners.
 - These applications have a higher cost because the USPTO provides examiners extra time to review large IDS submissions.
 - Encourages more efficient filing and prosecution behavior from applicants.
- The three proposed thresholds are:
 - 50 references: about 13% of applications currently exceed this threshold
 - 100 references: about 8% of applications currently exceed this threshold
 - 200 references: about 4% of applications currently exceed this threshold
 - Note: Applicants would pay the surcharge at each individual threshold (e.g., an applicant filing over 200 references would pay three surcharges—at 50 references, 100 references, and 200 references).

(see table on next page)



Information disclosure statement (IDS)

(cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
New fee code	First time filing an IDS that causes the cumulative number of applicant-provided citations to exceed 50	n/a	n/a	\$200	n/a	n/a
New fee code	First time filing an IDS that causes the cumulative number of applicant-provided citations to exceed 100	n/a	n/a	\$300	n/a	n/a
New fee code	First time filing an IDS that causes the cumulative number of applicant-provided citations to exceed 200	n/a	n/a	\$300	n/a	n/a

Undiscounted fees not available



Patent term adjustment (PTA)

- Propose increasing the fee for patentees requesting reconsideration of their PTA indicated on the patent.
 - Improves recovery of the costs the USPTO incurs to reconsider the PTA.
 - Distributes the costs of the service to only those applicants requesting the service.

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
1455/2455/3455	Filing an application for patent term adjustment	\$745	\$210	\$300	\$90	43%

Undiscounted fees not available



Patent term extension (PTE)

- Propose increasing the fees for patentees seeking to extend the patent term under 35 U.S.C. 156 in conjunction with the Food and Drug Administration/U.S. Department of Agriculture approval process.
 - Current fees cover only a small percentage of the costs of reviewing a PTE application, which is a complex and lengthy process.
 - Distributes the costs of the service to only those applicants requesting the service.
- Propose creating a supplemental redetermination fee for patentees who choose to disclaim a term late in the PTE process. Supplemental redeterminations require the USPTO to recalculate the PTE determination, which is costly.
 - Encourages patentees to disclaim a term earlier in the PTE process, improving USPTO efficiency.

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
1457/2457/ 3457	Application for extension of term of patent	\$2,581	\$1,180	\$6,700	\$5,520	468%
1458/2458/ 3458	Initial application for interim extension	\$2,347	\$440	\$1,320	\$880	200%
1459/2459/ 3459	Subsequent application for interim extension	\$2,347	\$230	\$680	\$450	196%
New fee code	Supplemental redetermination after notice of final determination	n/a	n/a	\$1,440	\$1,440	n/a

Undiscounted fees not available

Request for continued examination (RCE)

- Propose increasing fees for a first RCE by 10% and splitting the current fee for second and subsequent RCEs into an increased fee for a second RCE and a new, higher fee for a third and subsequent RCE.
 - Proposed fees for multiple RCEs allow the costs of continued examinations to be recovered directly from those applicants requesting multiple RCEs, instead of relying on other fees to subsidize the costs.
 - The proposal continues to set the first RCE below cost.
 - Encourages applicants to be more efficient when considering filing multiple RCE requests.
 - About 9% of RCEs filed are for third and subsequent RCEs.
 - Delays in prosecution resulting from multiple RCEs may reduce the potential for future maintenance fees that eventually recover the examination costs incurred for these applications.
 - Balances RCEs as a path to allowance with other after-final options to provide efficient and effective paths to final disposal.

(see table on next page)

Request for continued examination (RCE) (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
1801	Request for continued examination (RCE) – first request	\$3,059	\$1,360	\$1,500	\$140	10%
1820	Request for continued examination (RCE) – second request	\$2,191**	\$2,000	\$2,500	\$500	25%
New fee code	Request for continued examination (RCE) – third and subsequent request	\$2,191**	\$2,000	\$3,600	\$1,600	80%

** FY 2022 historical cost is based on the current fee structure, which combines second and subsequent RCEs.

* Undiscounted fee rate

Suspension of action

- Propose removing fees for suspensions of action under 37 CFR 1.103(a) from the broad category described in 37 CFR 1.17(g) and creating a tiered system in which the fees for subsequent suspensions are charged at a higher rate.
 - Would not affect fees for suspensions of action requested at the time of filing a CPA or RCE.
 - Encourages efficient applicant behavior and promotes efficient examination.

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
New fee code	First request for suspension of action	n/a	\$220	\$300	\$80	36%
New fee code	Subsequent request for suspension of action	n/a	\$220	\$450	\$230	105%

* Undiscounted fee rate



Terminal disclaimer

- Propose separating the terminal disclaimer fee from the broad statutory disclaimer fee and charging a sliding scale of fees for filing a terminal disclaimer, based on when it is filed.
 - The cost to process a terminal disclaimer increases greatly after certain milestones, such as final action or appeal.
 - Over 53,000 terminal disclaimers are filed annually, 90% of which are filed after the first action on the merits, with 21% filed after final rejection, on appeal, or after allowance.
 - A sliding fee scale encourages applicants to file a terminal disclaimer as early as possible during the examination process.
 - Earlier terminal disclaimer submissions permit the USPTO to reduce unnecessary examination costs, reduce appeal costs, provide greater certainty for the public, and promote overall efficiency of operations.

(see table on next page)



Terminal disclaimer (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
New fee code	Terminal disclaimer, filed prior to the first action on the merits	n/a	\$170	\$200	\$30	18%
New fee code	Terminal disclaimer, filed prior to a final action	n/a	\$170	\$500	\$330	194%
New fee code	Terminal disclaimer, filed after final or allowance	n/a	\$170	\$800	\$630	371%
New fee code	Terminal disclaimer, filed on or after a notice of appeal	n/a	\$170	\$1,100	\$930	547%
New fee code	Terminal disclaimer, filed in a patented case	n/a	\$170	\$1,400	\$1,230	724%

Undiscounted fees not available



Unintentional delay petitions

- Propose increasing the fee for petitions based on unintentional delay and creating a higher tier for unintentional delay petitions for delays of more than two years.
 - Fee increase for petitions with a delay less than or equal to two years is designed to offset the rising costs of new procedures.
 - Under new procedures established in March 2020, petitions based on unintentional delay for a period of more than two years require the petitioner to provide additional information, receive higher scrutiny, and go through a more rigorous review by petitions attorneys.
 - As a result, existing fees for unintentional delay petitions no longer recover the costs for evaluating and deciding these petitions.
 - Creation of a higher tier aligns with increased costs to the USPTO when deciding a petition with a longer delay.
 - Only approximately 10% of unintentional delay petitions have a delay of more than two years and would incur the higher cost.

(see table on next page)



Unintentional delay petitions (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee*	Proposed fee*	Dollar change	Percent change
1558/1784/1454	Unintentional delay less than or equal to two years	n/a	\$2,100	\$2,200	\$100	5%
New fee codes	Unintentional delay greater than two years	n/a	\$2,100	\$3,000	\$900	43%

* Undiscounted fee rate



Targeted PTAB proposals

America Invents Act (AIA) trial fees

- Propose increasing AIA trial fees by 25%.
 - The costs associated with IPR have continued to increase as a result of recent court cases and higher operating costs caused, in part, by inflation.
 - These fee increases support aggregate cost recovery for USPTO operations.

(see table on next page)

AIA trial fees (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
1406	Inter partes review request fee – up to 20 claims	\$21,980	\$19,000	\$23,750	\$4,750	25%
1414	Inter partes review post-institution fee – up to 20 claims	\$37,563	\$22,500	\$28,125	\$5,625	25%
1407	Inter partes review request of each claim in excess of 20	n/a	\$375	\$470	\$95	25%
1415	Inter partes post-institution request of each claim in excess of 20	n/a	\$750	\$940	\$190	25%
1408	Post-grant or covered business method review request fee – up to 20 claims	\$37,683	\$20,000	\$25,000	\$5,000	25%
1416	Post-grant or covered business method review post-institution fee – up to 20 claims	\$49,198	\$27,500	\$34,375	\$6,875	25%
1409	Post-grant or covered business method review request of each claim in excess of 20	n/a	\$475	\$595	\$120	25%
1417	Post-grant or covered business method review post-institution request of each claim in excess of 20	n/a	\$1,050	\$1,315	\$265	25%

Word count limits

- Propose establishing new fees for IPR and PGR petitions that exceed proposed word count limits.
 - A 50% higher fee for 50% more words per defined limits.
 - A 100% higher fee for 100% more words per defined limits.
- Providing the option to pay for more words in a single petition will reduce the number of parallel petitions filed and promote efficiency in reviewing petitions.

(see table on next page)



Word count limits (cont.)

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
New fee code	IPR request – additional 7,000 words	n/a	n/a	\$11,875	n/a	n/a
New fee code	IPR request – additional 14,000 words	n/a	n/a	\$23,750	n/a	n/a
New fee code	IPR post-institution – additional 7,000 words	n/a	n/a	\$14,065	n/a	n/a
New fee code	IPR post-institution – additional 14,000 words	n/a	n/a	\$28,125	n/a	n/a
New fee code	PGR request – additional 9,350 words	n/a	n/a	\$12,500	n/a	n/a
New fee code	PGR request – additional 18,700 words	n/a	n/a	\$25,000	n/a	n/a
New fee code	PGR post-institution – additional 9,350 words	n/a	n/a	\$17,190	n/a	n/a
New fee code	PGR post-institution – additional 18,700 words	n/a	n/a	\$34,375	n/a	n/a

Director review of a PTAB decision

- Propose a new fee for parties requesting review of a PTAB decision by the Director.
 - Fee is for the review process established by the USPTO in response to the *Arthrex* decision.
 - Proposal is set to match the Petitions to the Chief Administrative Judge fee.

Fee code	Description	Historical cost (FY 2022)	Current fee	Proposed fee	Dollar change	Percent change
New fee code	Request for review of PTAB decision by the Director	n/a	n/a	\$440	n/a	n/a

Undiscounted fees not available

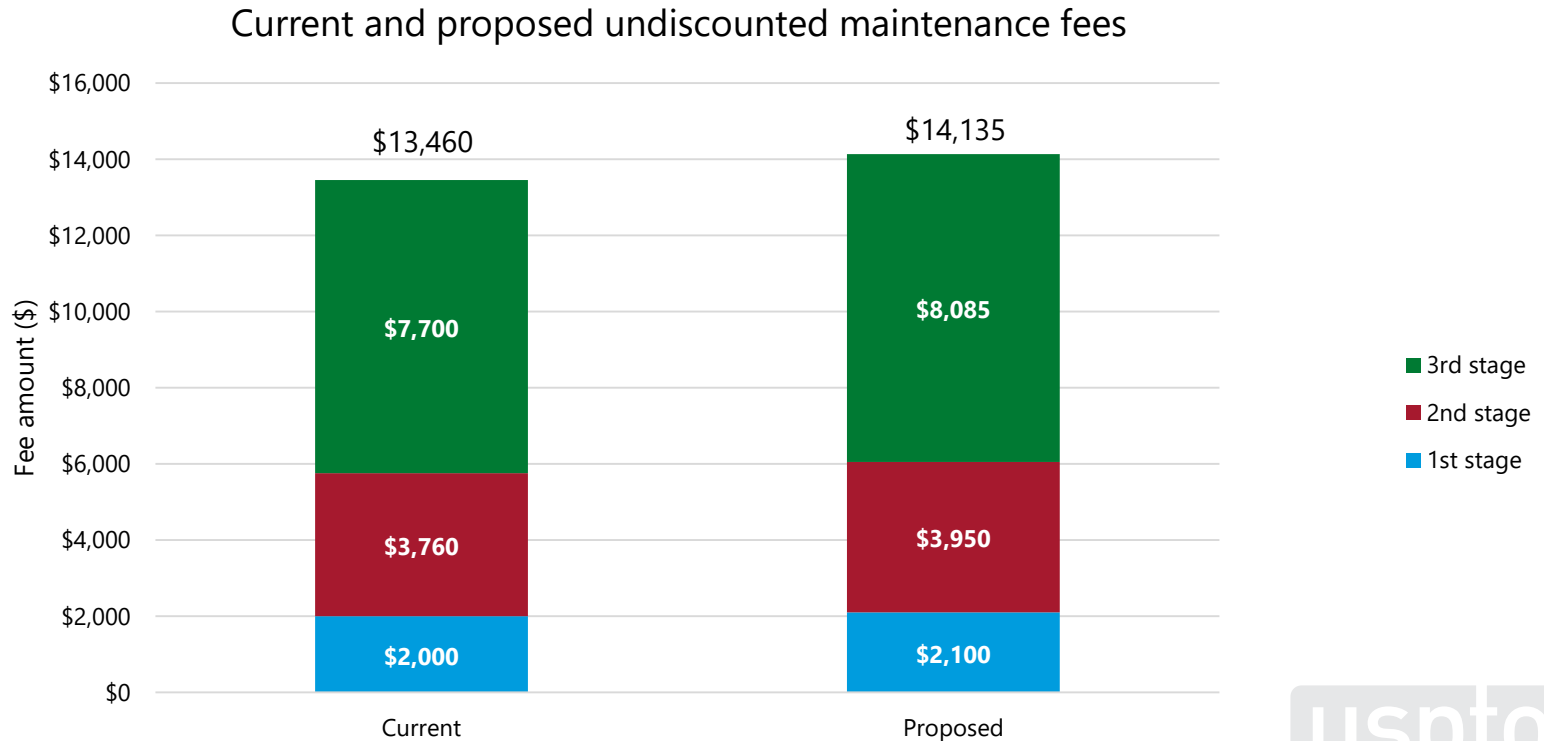
Other proposals

Across-the-board inflationary adjustment

- Propose increasing patent and PTAB fees not covered by targeted adjustments by approximately 5%.
 - Additional revenue generated from proposed increases will ensure that aggregate revenue recovers aggregate costs to achieve the mission, and will advance policies and activities that provide robust and reliable patents and enhance the country's innovation ecosystem.
 - This increase is an approximate 1.2% annual adjustment when considering the likely four-year gap between implementation of the proposed fee rule and the last major fee rule that was implemented in October 2020.

Across-the-board example

Utility patents, maintenance

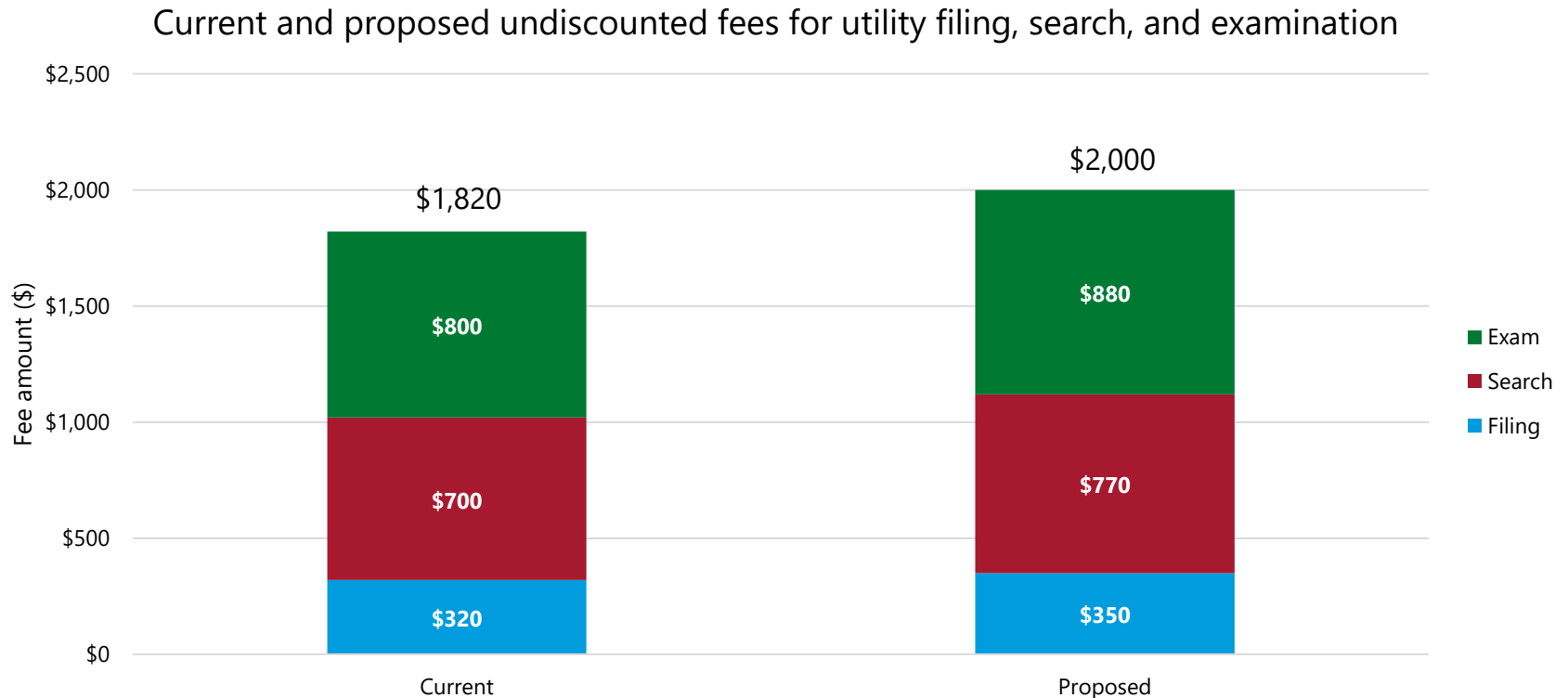


Front-end fee proposal

- Propose increasing filing, search, and examination fees by an additional 5% on top of the 5% across-the-board proposal (10% in total).
 - To mitigate barriers to entry into the IP system, filing, search, and examination fees are lower than the costs incurred by the USPTO in performing those services.
 - Aggregate shortfalls are recovered through other fee collections, primarily maintenance fees, which are collected later in the patent life cycle.
 - This proposal marginally recovers some additional filing, search, and examination costs earlier in the patent life cycle, but not all associated costs with those activities, thus remaining consistent with a low barrier to entry policy.

Front-end fee proposal example

Utility filing, search, and examination fees



Basic patent life cycle fees for undiscounted entities

Current and proposed

Description	Current fee	Cumulative fees, current	Proposed fee	Cumulative fees, proposed	Cumulative fees, percent change
Filing	\$320	\$320	\$350	\$350	9%
Search	\$700	\$1,020	\$770	\$1,120	10%
Examination	\$800	\$1,820	\$880	\$2,000	10%
Issue	\$1,200	\$3,020	\$1,260	\$3,260	8%
1st stage maintenance	\$2,000	\$5,020	\$2,100	\$5,360	7%
2nd stage maintenance	\$3,760	\$8,780	\$3,950	\$9,310	6%
3rd stage maintenance	\$7,700	\$16,480	\$8,085	\$17,395	6%

Path forward

Path forward

All comments welcomed through www.regulations.gov by May 25!

- This proposal is not final; it is a starting point. We look forward to your comments and suggestions.
 - Please directly associate comments, favorable or critical, with the specific proposals under consideration so we can appropriately consider them.
- We will consider and analyze all input before preparing a notice of proposed rulemaking.
- We look forward to a productive dialogue over the next few months. Thank you!



Approximate future milestones

- May 2023: PPAC hearing
- January–March 2024: Publish notice of proposed rulemaking
- March–June 2024: 60-day public comment period
- October–December 2024: Publish final rule
- January 2025: Anticipated effective date of fee changes

