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Setting and Adjusting Patent Fees

Comment On: PTO-P-2018-0031-0001
Setting and Adjusting Patent Fees During Fiscal Year 2020

Document: PTO-P-2018-0031-0041
Comment Richard Torczon

Submitter Information

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General Comment

See attached file.

Attachments

Comments on RIN0651-AD31

To the Under Secretary of Intellectual Property and the Director of the United States
Patent and Trademark Office,

Dear Sir:

Thank you for the opportunity to comment on the notice regarding Setting and Adjusting Patent Fees During Fiscal Year 2020, 84 Fed. Reg. 37398. These comments are specific to the annual fees proposed for registered patent practitioners.

The annual fees are proposed to “better align the costs of OED services with those who receive the benefits.” 84 Fed. Reg. 37430. Nothing could be further from what the Office told Congress in obtaining its statutory authority for a separate bar.¹ The beneficiaries of the OED disciplinary system are the Office and patent applicants, not the registered practitioners.² Because patent practitioners are not the beneficiaries, the Office does not have authority to impose the proposed annual fees. Additionally, much of the proposed fees will be spent on collecting the fees, indicating bureaucracy for its own sake in contravention of the stated goals of this Administration.

The Office is the exception to the rule that attorneys admitted to a State bar may also practice before Federal agencies. 5 U.S.C. 500(e). The Office successfully lobbied to be an exception. Significantly, its winning argument was not that attorneys need a second disciplinary authority to regulate their conduct. Rather, the argument was that the *Patent Office* and *patent applicants* would be better served by placing additional skill requirements on patent practitioners. H.R. Rep. No. 1141, 89th Cong., 1st Sess. (1965), reprinted in 1965 U.S.C.C.A.N. 4170, 4172-74, 4176-77, 4179; W.H. Sager &

¹ This rationale is dubious on its face in any case. Because active practitioners will pass the cost anyway, this realignment simply obscures the cost of Office operations than shifting costs away from patent applicants. For this reason alone, the proposed realignment works against government transparency and should be rejected.

² The State bars represent a much better case for practitioners as beneficiaries because they are self-regulating and provide much greater opportunity for members to change policies through their votes and participation in governance. OED provides none of these benefits.

L.S. Shapiro, *Administrative Practice Before Federal Agencies*, 4 U. Rich. L. Rev. 76, 82 (1969).

Despite the lack of a corresponding trademark registry, OED administers disciplinary proceedings against trademark attorneys without imposing any fees on those attorneys. If attorneys are the “users” of the disciplinary system, then trademark attorneys should pay the same fees that patent attorneys are being asked to pay. Yet, like patent attorneys, trademark attorneys need no redundant disciplinary agency to ensure the integrity of their profession because a State bar already performs this function. To the extent the Office believes that its interests and those of its applicants are not already sufficiently protected by State bars, then the beneficiaries of OED’s additional scrutiny are the Office and its applicants, not the attorneys.

The case is closer for patent agents, who do not have a State entity fully capable of disciplining them for professional misconduct, but even here the record is clear that the Office has permitted patent agents to practice before the Office because it views them as a benefit to the Office and to patent applicants. *Sperry v. Florida*, 373 U.S. 388 (1963). In any case, patent practitioners who are not State bar members are a fraction of registered practitioners and cannot justify the creation of an inefficient funding apparatus just for them. Just as general trademark fees will continue to cover the cost of disciplining trademark attorneys, general patent fees can pay for disciplining patent agents.

The notice of proposed rulemaking is not explicit about the basis for setting the fee. The user-fee rationale, however, suggests that it is being set under the “Other fees” provisions of 35 U.S.C. 41(d)(2)(A). The rulemaking makes no effort, however, to explain how the proposed fees involve a service to the person being charged the fee. See also 31 U.S.C. 9701 (specifying that user fees must be set based on “the value of the service or thing to the recipient”). As discussed above, in this case, no such connection exists, which may explain why no explanation was attempted. Because patent practitioners are not users of the disciplinary system, they cannot be legitimately taxed with its upkeep.

The proposed annual fees are also suspect on efficiency grounds. For example, the proposed rule would impose a fee on an inactive practitioner of \$70 per year. It is difficult to see how an inactive practitioner would derive anywhere near \$70 per year worth of benefit from having his or her name maintained on the list in inactive status. Similarly, it is difficult to see how simply maintaining a name on a list costs the Office anything like \$70 per year. The notice provides no rationale. Collection of a

fee, however, has its own overhead costs. It follows that much if not most of the fee would go toward collecting and processing the fee rather any benefit to the Office and patent applicants (much less the inactive practitioner). It would be far more efficient to continue pay for this service out of general patent fee collections, then to create a fee that mostly goes to collecting the fee, even if the practitioner were the beneficiary. Since the Office and patent applicants are the principle beneficiaries of maintaining the list, they are the users who should pay for it. The same is true (if to a less dramatic extent) for the other annual fees.

Finally, this comment does not mean to suggest that fees fairly traceable to an individual benefit, such as fees to become registered in the first place, are inappropriate. It does not follow, however, that costs for a general Office good can or should be carved out and charged to patent practitioners. It certainly does not justify an inefficient regime to make patent applicants pay indirectly what they are already paying for directly and with much greater efficiency through general patent fees.

Respectfully submitted,

/Richard Torczon/
Reg. No. 34,448

30 September 2019