

UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT PUBLIC ADVISORY COMMITTEE MEETING  
FEE SETTING HEARING

Alexandria, Virginia

Thursday, May 18, 2023

1 PARTICIPANTS:

2 Patent Public Advisory Committee (PPAC) Members:

3 SUZANNE HARRISON, Chair

4 HEIDI NEBEL, Vice Chair

5 STEVEN CALTRIDER

6 DANIEL BROWN

7 CHARLES DUAN

8 OLIVIA TSAI

9 LOLETTA DARDEN

10 HENRY HADAD

11 JUDGE SUSAN BRADEN (Ret.)

12 USPTO:

13 KATHI VIDAL  
14 Under Secretary of Commerce for  
15 Intellectual Property and Director of  
16 United States Patent and Trademark  
17 Office

18 VAISHALI UDUPA  
19 Commissioner for Patents

20 JAY HOFFMAN  
21 Chief Financial Officer, US Patent and  
22 Trademark Office

SCOTT BOALICK  
Chief Administrative Patent Judge PTAB

1 PARTICIPANTS (CONT'D):

2 MICHAEL TIERNEY  
3 Vice Chief Administrative Patent Judge

4 BOB BAHR  
5 Deputy Commissioner for Patents

6 MICHELLE PICARD  
7 Senior Advisor for Financial Management

8 BRIAN ROBERTS  
9 Economist, Office of Planning & Budget

10 LAUREN AILES  
11 Economist, Office of Planning & Budget

12 KATHLEEN DUDA, Union Representative,  
13 President Patent Office Professional  
14 Association

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1 P R O C E E D I N G S

2 (1:00 p.m.)

3 CHAIR HARRISON: Welcome everybody to  
4 the PPAC Fee Setting Hearing. My name is Suzanne  
5 Harrison, I'm the current Chair of PPAC; and we're  
6 here today to hear from the public, their thoughts  
7 and comments about the fee setting that has been  
8 proposed by the USPTO. I want to take a moment  
9 and I want to introduce everyone that's around the  
10 table, so that you understand who you'll be  
11 speaking to. So, we'll do PPAC first.

12 MS. NEBEL: My name is Heidi Nebel.  
13 This is my second year as a PPAC member and I am  
14 currently Vice Chair.

15 MR. CALTRIDER: Steve Caltrider, current  
16 member of PPAC.

17 MR. BROWN: Dan Brown, third year. I'm  
18 a member independent inventor designate.

19 MR. DUAN: Hi there. My name is Charles  
20 Duan. I am second year member of PPAC.

21 MS. TSAI: I'm Olivia Tsai and I'm a  
22 first term member of PPAC.

1 MS. DARDEN: Hi, I'm Loletta Darden. I  
2 am also a first term member of PPAC.

3 MR. HADAD: Good afternoon, Henry Hadad;  
4 also a first year member of PPAC.

5 JUDGE BRADEN: Retired Judge Susan  
6 Braden, third year member of PPAC.

7 MS. DUDA: Kathy Duda, President of  
8 POPA.

9 COMMISSIONER UDUPA: I'm Vaishalia  
10 Udupa, Commissioner for Patents.

11 MR. HOFFMAN: My name's Jay Hoffman.  
12 I'm the Chief Financial Officer here at the USPTO.

13 JUDGE BOALICK: I'm Scott Boalick, Chief  
14 Judge of PTAB.

15 JUDGE TIERNEY: Michael Tierney, Vice  
16 Chief Administrative Patent Judge PTAB.

17 MR. BAHR: Bob Bahr, Deputy Commissioner  
18 for Patents.

19 MS. PICARD: Michelle Picard, Senior  
20 Advisor for Financial Management.

21 MR. ROBERTS: Brian Roberts, Economist,  
22 Office of Planning & Budget.

1                   MS. AILES: I'm Lauren Ailes. I'm an  
2                   Economist in the Office of Planning & Budget.

3                   CHAIR HARRISON: So, I want to take a  
4                   moment and I want to talk a little bit about why  
5                   we're having this very public fee setting hearing.  
6                   First off, we're statutorily required as part of  
7                   the creation of PPAC to make sure that the public  
8                   is heard in efforts around fee setting to the  
9                   USPTO. The process of fee setting takes about 20  
10                  to 24 months to come to completion and it has two  
11                  opportunities for public engagement. The first is  
12                  at this actual public fee setting hearing where  
13                  you'll hear from the PTO on their proposal for fee  
14                  setting, and you have an opportunity to provide  
15                  your comments and thoughts for us to consider as  
16                  part of that. After the fee setting hearing, PPAC  
17                  is required to take what we hear at this hearing  
18                  today, include our comments on the fee setting  
19                  proposal, and provide those back to the USPTO for  
20                  their further consideration into this process.  
21                  They will then -- once they receive that report --  
22                  they will review it, analyze all the comments,

1 take that into consideration, and come back with  
2 an adjusted set of proposed fees. They will then  
3 publish that adjusted proposal through the Federal  
4 Register Notice and Proposed Rulemaking -- NPRM --  
5 and then again, the public will have another  
6 chance to provide comments to the NPRM and engage  
7 with the USPTO as part of that process. So, this  
8 is the first opportunity, but not the only  
9 opportunity that the public will have to be heard  
10 in this process; and we at PPAC take this very  
11 seriously and want to make sure that we do you  
12 justice, and make sure that your thoughts and  
13 comments are heard and reported back to the PTO.

14           Unfortunately, Kathi Vidal is traveling  
15 today. She's in -- I think -- Asia actually, but  
16 she has prepared some comments for this hearing;  
17 and so, I want to take a minute to have you -- we  
18 can roll the tape so you can hear her comments.

19           MS. VIDAL: Good afternoon and welcome  
20 to today's hearing on setting new fees for our  
21 patent business line. I'm Kathi Vidal, Under  
22 Secretary of Commerce for Intellectual Property

1 and Director of the USPTO. Thank you so much to  
2 the members of our Patent Public Advisory  
3 Committee and to all of our attendees, both  
4 in-person and online, for joining us today. This  
5 hearing is part of our commitment to fiscal  
6 responsibility and our ability to provide the  
7 highest quality, most reliable, and robust patents  
8 granted by any IP office in the world.

9           The American intellectual property  
10 system plays a pivotal role in the perpetual  
11 renewal of our nation's economy. IP ownership  
12 spurs innovation. It creates new businesses, new  
13 jobs and new opportunities, and it improves the  
14 welfare of our citizens and communities. The  
15 USPTO is committed to helping every inventor  
16 protect and benefit from their intellectual  
17 property. As I toured the country and heard from  
18 stakeholders of all sizes, including  
19 under-resourced and individual inventors, there is  
20 much I learned. As I spoke to under- resourced  
21 and individual inventors, and the groups that  
22 represent them, they shared many ideas on how we

1 can better support them. We are in the process of  
2 delivering through our new No-Fee Expedited  
3 Examination Pilot Program for first time filers,  
4 to our commitment to expanding and doubling down  
5 on our pro bono offerings, to much more, which is  
6 in process or is to come. When I spoke to  
7 heavily-resourced companies, many said that they  
8 would rather pay more in USPTO fees to secure  
9 stronger patent rights. They also recognize that  
10 the USPTO needs to keep barriers low so that those  
11 who are under- resourced can also secure patent  
12 protection.

13 Thanks for Congress and the America  
14 Invents Acts, the USPTO has fee setting authority  
15 through 2026. Thanks for Congress and the  
16 Unleashing American Innovators Act, the USPTO was  
17 able to cut small and micro entity fees. The  
18 USPTO does not take fee setting and Congress'  
19 faith in us lightly. We have been good stewards  
20 of that authority. In fact, on April 17th the AGA  
21 notified me that the USPTO will receive its 21st  
22 consecutive certificate of excellence in

1        accountability reporting -- CEAR -- award at the  
2        organization's annual awards dinner Wednesday, May  
3        31st. Where we have identified spending that does  
4        not provide the return we believe the country  
5        deserves, we have cut costs. This includes  
6        releasing approximately 1 million square feet of  
7        office space in or around our Northern Virginia  
8        campus. This decision was the result of a  
9        multiyear study. It will save the office \$40  
10       million each year going forward, but we must keep  
11       up with inflation, with updating our Legacy IT  
12       systems and exploring IT solutions to provide  
13       higher quality IP and better customer experience,  
14       with initiatives that will improve the robustness  
15       and reliability of the patents we issue, with  
16       measures that will curb fraud and abuse. We must  
17       continue to attract the best workforce in the  
18       country and provide them with the resources they  
19       need to perform their jobs to the best of their  
20       ability.

21                        To preserve a sustainable financing  
22       model, we are proposing to both surgically target

1 fee adjustments to labor intensive services and  
2 increase fees so that our revenues are enough to  
3 cover our total costs. We have also worked to  
4 balance fee increases with fee reductions. For  
5 example, we suggest an average 81 percent decrease  
6 in extension of time fees for provisional  
7 applications. This discount will have a positive  
8 impact on micro entities. I'm confident that the  
9 proposed fee schedule will promote greater use of  
10 the patent system by more people. It should help  
11 right size the workload of patent examiners and  
12 will allow us to better serve our hundreds of  
13 thousands of stakeholders well into the future.  
14 Also, to the extent we have balance fees over the  
15 entire patent life cycle, those both reduce  
16 barriers to the IP ecosystem, as well as provide  
17 for a financial model that is more resilient and  
18 stable.

19 Finally, I would also note that the  
20 USPTO reviews our fees on at least a biannual  
21 basis and proposes adjustments as needed. The  
22 last adjustment to fees took place in early fiscal

1 year 2021. This current proposal would not take  
2 effect until fiscal year 2025. In a few moments  
3 you will hear a detailed outline of our proposal.  
4 Our hearing today is the first opportunity for you  
5 to share feedback on the proposal. This will be a  
6 comprehensive process and we look forward to your  
7 perspectives and your comments as we move through  
8 each step. I value your thoughts and your ideas.  
9 Our office is committed to serving you and all of  
10 America's innovators with honor, with the utmost  
11 respect, and with integrity. Thank you again for  
12 your time and participation. We look forward to  
13 your input.

14 CHAIR HARRISON: Great. Now, we'd like  
15 to hear from the Commissioner of Patents, Vaishali  
16 Udupa.

17 COMMISSIONER UDUPA: Hello. I'm  
18 Vaishali Udupa, Commissioner for Patents and  
19 yesterday marked my four-month anniversary here at  
20 this amazing agency; and when I started, one of  
21 the things that really stood out to me was the  
22 high level of activity that this agency engages in

1 on a regular basis to incentivize innovation  
2 through the issuance of robust and reliable  
3 patents that benefit America's economy and the  
4 nation's technological progress. One way that the  
5 USPTO ensures that it continues to issue robust  
6 and reliable patents is through its continued  
7 investments in our agency's examination  
8 infrastructure. For example, we recently worked  
9 to improve initial search and availability of  
10 prior art to examiners. Why does this matter?  
11 Well, one, it leads to a more efficient  
12 examination process; two, it puts a decrease in  
13 the likelihood of the information gap between the  
14 examination base and any potential later challenge  
15 or litigation phases through the life of the  
16 patent -- and my computer is telling me it shutoff  
17 -- and third, it increases confidence in the  
18 reliability of the patent grant overall.

19 Our investments have also enabled us to  
20 make great strides in IT modernization; and this  
21 includes updating our IT tools, not only for  
22 internal processes and employees, but also for our

1 external stakeholders. These updates include a  
2 more robust web-based patent search tool for the  
3 public, and this is better-known as a patent  
4 public search or PPUBS; and more recently, we  
5 launched our electronic patent grants or E-  
6 Grants, and E-Grants allow the patentee to view  
7 and print complete issued patents by the patent  
8 center immediately upon issue; and this process  
9 significantly decreases the USPTO's printing and  
10 mailing needs, and this saves the agency nearly \$2  
11 million a year.

12 But another thing that we really care  
13 about and we're keenly focused on is keeping our  
14 examiners up-to-date through training, and this is  
15 an ongoing and continuous area of emphasis for us.  
16 Through our patent examination technical training  
17 program, we are able to bring experts from  
18 industry and academia to participate as guest  
19 lecturers. They provide technical training and  
20 share their expertise with our patent examiners  
21 regarding the state of the art, and the USPTO also  
22 holds technology fairs; there are some going on

1 right now in the electrical space, we just had  
2 some in the medical device and business method  
3 areas, and we have some more coming up in the chem  
4 and bio spaces; and what these tech fairs provide  
5 are a series of lectures on topics of interest  
6 specific to technologies handled by examiners in  
7 the different TC's or the technology centers; and  
8 the USPTO also sponsors patent examiner site  
9 experience education initiatives, these are called  
10 SEE trips, which enable examiners to visit  
11 commercial, industrial and academic institutions  
12 within the continental U.S. During these trips,  
13 examiners interact directly with the innovators,  
14 the scientists and the engineers at real world  
15 sites. They learn about the new and evolving  
16 technologies and experience how these technologies  
17 are developed and operate in the field; and for  
18 the host organizations, they have an opportunity  
19 to communicate directly with the patent examiners  
20 and gain an understanding of how our patent system  
21 works. These efforts, and more, support patent  
22 quality and able our system to work better for all

1 of our stakeholders.

2 By balancing our fees, we are able to  
3 sustainably develop and maintain programs like  
4 these. As Director Vidal mentioned, we  
5 continuously review our operations and evolve to  
6 ensure that our programs meet the needs of all of  
7 our stakeholders as much as possible. It is  
8 wonderful to see the level of interest that our  
9 stakeholders have in this process. I look forward  
10 to hearing your views and feedback on our proposed  
11 fee adjustments, and I thank you all for taking  
12 the time to speak with us today.

13 CHAIR HARRISON: Thank you, Vaishali.  
14 Before I turn it over to Jay to actually go  
15 through the proposal, I just want to clarify; the  
16 USPTO and PPAC will not be answering any  
17 questions, other than clarification questions; if  
18 there is something that you don't understand in  
19 the fee proposal. So, I just want to clear that  
20 up before we go forward. Jay, I'll turn it over  
21 to you.

22 MR. HOFFMAN: Great. Well, thank you,

1        Suzanne. Thank you, Vaishali, for kicking this  
2        off and thank you again everyone for joining us  
3        this afternoon. My name is Jay Hoffman and I'm  
4        the Chief Financial Officer here at the United  
5        States Patent and Trademark Office. The USPTO  
6        recently completed a comprehensive patent fee  
7        review and concluded that we must adjust fees to  
8        increase aggregate revenue and recover aggregate  
9        costs. Many of the people who diligently and  
10       thoughtfully formulated the proposals I'm about to  
11       go through in depth -- members of the PTAB, our  
12       patent business unit, and my team in OCFO -- are  
13       either in the auditorium with us or are watching  
14       virtually. I speak for them when I say, we  
15       appreciate both your time and feedback, which will  
16       help us shape a proposal that ultimately benefits  
17       the American innovation ecosystem.

18                Before I talk through each of the  
19       proposals, I'd like to note that several documents  
20       explaining our proposed fee adjustments are  
21       available on the fee setting and adjusting section  
22       of the USPTO website. These materials provide

1 more background on our fee setting methodology,  
2 along with a detailed list of the current and  
3 proposed fees for each of the proposals that I'll  
4 talk through today. Thank you in advance for your  
5 time and we look forward to hearing your comments  
6 as we continue the fee setting process. Next  
7 slide please.

8 I'd like to set the stage with our  
9 agenda. I'll begin by providing you context on  
10 our current financial outlook, then discussing our  
11 fee setting objectives, and move to the detailed  
12 fee proposals. We've characterized our fee  
13 proposals into two types. The first is targeted  
14 to specific fees or services and the second is  
15 targeted to across-the-board proposals. The  
16 targeted patent and PTAB proposals -- as Kathi  
17 mentioned -- are geared toward labor intensive  
18 services and improving efficiencies. The other  
19 across-the-board proposals are aimed at balancing  
20 aggregate revenue with aggregate costs. Next  
21 slide please.

22 I'm going to begin with the financial

1 outlook and I'd like to direct your attention to  
2 the slides that are on the screen here. The two  
3 charts here on the left side of the page provide a  
4 bird's eye view of our operating reserve balance.  
5 They also convey our operating reserve guardrails.  
6 Minimum balances are represented by the solid gray  
7 lines and optimal balances by the solid blue  
8 lines. The dotted green lines represent our  
9 operating reserve forecast. Our operating reserve  
10 is a result of a simple cumulative math equation  
11 over time. It starts with a beginning balance, we  
12 add to it during years when revenues exceed costs,  
13 and we subtract from it during years when costs  
14 exceed revenue. I'm using these charts as a  
15 representation of our financial position at two  
16 different points in time. The top chart presents  
17 the operating reserve forecast included in the FY  
18 2023 President's Budget; this dates back to March  
19 of 2022, about a year ago. At that point in time  
20 we forecasted that fee collections would outpace  
21 our costs. Consequently, we anticipated adding to  
22 the operating reserve with a goal of building it

1 to optimal levels to improve our financial  
2 sustainability; and we predicted that we'd reach  
3 that goal in fiscal year 2025. Now, the bottom  
4 chart presents the operating reserve forecast  
5 included in the FY 2024 President's Budget from  
6 March of this year, just a couple of months ago.  
7 This budget shows a change in our operating  
8 reserve forecast relative to last year. Rather  
9 than adding to the operating reserve each year,  
10 this forecast shows that we'll be subtracting from  
11 it, with a net difference of over \$600 million.  
12 This trend reflects aggregate patent operating  
13 costs increasing through FY 2027 and exceeding  
14 aggregate revenue generated under the current fee  
15 schedule. As a result, we'll need to adjust our  
16 operating reserve to partially finance patent  
17 operations until we can adjust fees to recover  
18 costs, and also make progress toward optimal  
19 operating reserve levels. There's no cause for  
20 concern as we work through this fee adjustment  
21 process and rely on the operating reserve; the  
22 bridge financing is one of the intended purposes

1 of the operating reserve.

2 Now, there are two material changes to  
3 the USPTO's cost structure that require us to  
4 adjust fees. First, as we outlined in the FY 2024  
5 President's Budget, inflationary pressures are  
6 increasing our costs. In fact, we estimate that  
7 patent costs will increase by at least \$173  
8 million through FY 2027 due to higher than  
9 expected inflation in personnel and contractor  
10 costs. Let's focus specifically on personnel  
11 costs. Patent examiners are at the heart of  
12 everything we do to deliver the mission. This  
13 year we'll employ about 8,300 patent examiners.  
14 Accordingly, salaries and benefits comprise 70  
15 percent of all patent-related costs, totaling \$2.5  
16 billion this year. We project these  
17 personnel-related costs to rise faster than  
18 previously forecast, here is why. Recently,  
19 higher than anticipated inflation resulted in much  
20 needed higher employee pay raises that we  
21 previously budgeted. I should note that these  
22 higher than expected inflationary pay increases

1 occurred across all of government agencies and not  
2 just the USPTO. Second, the Unleashing American  
3 Innovators Act -- or UAIA -- of December 2022  
4 increased discounts for small and micro entities.  
5 Small entity discounts increased from 50 percent  
6 to 60 percent and micro entity discounts increased  
7 from 75 percent to 80 percent. These deeper  
8 discounts help achieve important policy objectives  
9 aimed at making the intellectual property system  
10 more accessible. Now, while these percentage  
11 changes may sound modest, they've actually had a  
12 significant and material impact on patent revenue.  
13 Through FY 2027, we forecast that patent revenue  
14 will fall \$449 million from our forecast that we  
15 put in the FY 2023 President's Budget, primarily  
16 driven by these new discounts. The revenue  
17 generated by the current fee schedule is  
18 incompatible with this unplanned revenue loss.  
19 The agency must adjust fees to sufficiently  
20 balance our aggregate revenue with aggregate  
21 costs. Next slide please.

22 Now, the total cumulative revenue

1 differences between the two points in time I  
2 showed on the previous slide was \$449 million, but  
3 the revenue lost specifically to the UAIA  
4 discounts was \$490 million. Our FY 2024  
5 President's Budget forecasted an estimate of \$41  
6 million in increases from other fees to arrive at  
7 this net \$449 million revenue loss. This is a  
8 visual representation of the lost revenue  
9 resulting only from the new UAIA discounts. This  
10 year, we estimate that the discounts will result  
11 in lost revenue of about \$74 million. After that,  
12 the impact will increase to approximately \$100  
13 million per year or \$490 million through the end  
14 of FY 2027. You can see annual implications in  
15 the chart on the right. The hashed area behind  
16 the burgundy solid area represents where our  
17 annual revenue forecasts were prior to the change  
18 in the fee discounts. The solid area represents  
19 our new forecast after implementing the discounts,  
20 and the difference between the hashed area and  
21 that solid area reflects the \$490 million in lost  
22 revenue. Next slide.

1                   This slide presents basic utility patent  
2                   small entity fees at three points in time, okay.  
3                   So, let's read this from left-to-right. The first  
4                   bar displays file search and examination fees  
5                   prior to the UAIA's new fee discounts. The middle  
6                   bar displays our current fee rates after we  
7                   implemented the discounts, and the bar on the far  
8                   right displays our proposed file search and exam  
9                   fees in this proposal. So, while we're proposing  
10                  increasing fees slightly to rebalance revenue and  
11                  costs, they're still lower than before the UAIA;  
12                  so, this is deliberate and consistent with our  
13                  policy of reducing barriers to entry to the  
14                  intellectual property system. Now, with that  
15                  financial context, I'm going to transition to our  
16                  specific fee proposals. Next slide.

17                  I'll start with our five broad goals for  
18                  this round of fee setting. As I just discussed,  
19                  one of the main priorities is to recover aggregate  
20                  costs to finance the USPTO's mission, strategic  
21                  goals and priorities. By statute, all patent  
22                  operation costs must be offset by the fees we

1 collect. Our unique status as a fee-funded agency  
2 also means we must maintain and replenish our  
3 operating reserve to provide stable financing  
4 across variable business cycle. In addition, this  
5 proposal is framed to encourage applicants to make  
6 decisions in the services they consume that  
7 promote operational efficiency. It sets some fees  
8 below the cost of performing the work, while other  
9 fees are set closer to the cost of the services  
10 provided. The goal is to establish a balance  
11 where aggregate fees offset aggregate costs, while  
12 also maintaining the operating reserve at viable  
13 levels. Next slide please.

14 The fee setting effort will provide us  
15 the resources to work toward objectives that  
16 benefit all intellectual property stakeholders. A  
17 significant priority is our promotion of inclusive  
18 innovation through active engagement and  
19 widespread access to resources and tools. We  
20 believe these proposed fee adjustments will  
21 optimize patent application processes and enable  
22 efficiencies that incentivize and protect

1 innovation. As Director Vidal conveyed, these  
2 fees will resource initiatives to improve the  
3 reliability of the patents we issue; and as  
4 always, we continuously aim to deliver exceptional  
5 customer experiences during every interaction that  
6 we have with our stakeholders. Next slide please.

7 So, we'll go through each of these  
8 proposals in details. So, first, I want to  
9 reiterate that this information, and much more, is  
10 posted to the fee setting and adjusting section of  
11 the USPTO website; and I visited with some of you  
12 before the hearing and it sounds like you were  
13 able to find everything okay. Next slide please.  
14 Okay. I'll discuss wider-reaching proposals  
15 toward the end of today's presentation. For now,  
16 I'll start with the changes that are targeted to  
17 individual fees or services. For simplicity,  
18 we've depicted fee rates for large or undiscounted  
19 entities. Small and micro entity discounts would  
20 still be available where allowed by statute at the  
21 updated 60 percent and 80 percent discount  
22 specified in the UAIA legislation; and I'll point

1 that out, where the discounts are and are not  
2 available, and we've also noted it on each of the  
3 slides that you'll see here. Next slide.

4 Our first proposal establishes a new fee  
5 for applicants participating in the existing After  
6 Final Consideration Program 2.0, commonly referred  
7 to as AFCP. This program allows applicants to  
8 submit certain documentation for consideration  
9 after a final action without filing a request for  
10 continued examination or RCE, or continued  
11 prosecution application or CPA. We currently  
12 offer this program free of charge and it's been  
13 successful and popular with more than 60,000  
14 requests filed annually. While the process is  
15 free for applicants, there's a significant cost  
16 for the USPTO. We're proposing that some of that  
17 cost be incurred by the requestor, rather than  
18 subsidized by other users of the patent system.  
19 Our proposed fee of \$500.00 per AFCP 2.0 request  
20 for undiscounted entities would help us recover  
21 the programs costs and ensure its continuity into  
22 the future. Small and micro entity discounts

1 would still be available. We'll go into more  
2 detail on RCE and CPA fees later in the  
3 presentation, but I'd like to mention them briefly  
4 now. Our proposed undiscounted fee for a first  
5 RCE is \$1,500.00. Total proposed undiscounted  
6 fees for a filing, search and examination CPA  
7 amount to \$1300.00. So, even with the new AFCP  
8 2.0, applicants would still benefit financially  
9 from not having to file an RCE or CPA. Next  
10 slide.

11 Our next proposal reinstates a \$40.00  
12 fee for recording electronically submitted  
13 assignments and related documents and increases  
14 the paper submission fee. We previously  
15 discontinued the electronic submission fee to  
16 encourage patent holders to keep assignment  
17 information up-to-date and to promote electronic  
18 submissions. However, a no-cost option has led  
19 to an increase in excessive submissions that  
20 burden the assignment recordation process. We  
21 believe that reintroducing a nominal fee now would  
22 discourage unnecessary submissions while

1 increasing recording efficiency. We also propose  
2 increasing the paper submission fee from \$50.00 to  
3 \$60.00. We receive about 615,000 electronic  
4 submissions annually and only about 225 paper  
5 submissions. Our intent is to continue  
6 encouraging electronic submissions and we believe  
7 maintaining a lower electronic submission fee  
8 relative to paper would encourage and benefit  
9 those who choose electronic submission for  
10 recording. Unfortunately, small and micro entity  
11 discounts would not be available for either of  
12 these fees. Next slide.

13 Our next proposal creates a new tiered  
14 fee structure for filing continuing applications,  
15 either more than three years or more than seven  
16 years after the earliest benefit date. This fee  
17 would apply to all continuing applications,  
18 including continuations, divisionals and  
19 continuation in part applications filed during the  
20 defined time periods. It would also apply to  
21 applicants presenting delayed benefit claims that  
22 achieve the same effect. We designed the USPTO's

1 fee structure to charge filing search and  
2 examination fees below the cost of performing  
3 these services for two reasons. First, it is  
4 consistent with our policy to low barriers to  
5 entry to the intellectual property system.  
6 Second, we want to enable inventors to apply for  
7 patent protection early in their inventions life  
8 cycle. We recoup those costs through maintenance  
9 fees later in the granted patent life cycle and  
10 the rights ultimately maintained by the owner. An  
11 interesting situation arises with maintenance fees  
12 and issue fees. The patent maintenance fee  
13 schedule is based on the patent's issue date.  
14 However, patent terms are based on the earliest  
15 benefit date. Continuing applications filed years  
16 after the earliest benefit date have less term.  
17 In other words, these continued patents sometimes  
18 have insufficient term to reach all maintenance  
19 fee payments. In fact, in some cases, the patent  
20 may expire before one or more maintenance fees are  
21 due to be paid. As a result, we're at risk of not  
22 recovering all costs incurred during the search

1 and examination due to insufficient term to pay  
2 maintenance fees. To recover our cost of extended  
3 benefit claim practice, we've set proposed  
4 undiscounted fees of \$1,500.00 for presentation of  
5 benefit claims more than three years and \$3,000.00  
6 more than seven years after the earliest benefit  
7 date. Continuing applications comprise about 35  
8 percent of total applications annually; about half  
9 would fall under one of our two proposed tiers.  
10 Discounts would still be available for small and  
11 micro entities. About 30 percent of continuing  
12 applications subject to these proposed fees are  
13 filed by small and micro entities, in-line with  
14 their share of all continuing applications. Next  
15 slide.

16 Our next proposal increases fees for  
17 filing search and examination, and issue of design  
18 applications. Currently, design fees are set less  
19 than the cost of performing examination work, even  
20 for undiscounted entities. Unlike utility  
21 patentees, design patentees do not pay maintenance  
22 fees. Consequently, design patents are subsidized

1 by utility patent fee collections. Our design  
2 filing volume has increased over time, expanding  
3 the revenue shortfall, and placing more  
4 subsidization burden on unrelated elements of the  
5 patent system. In addition, the share of design  
6 patents filed by micro entities has rapidly  
7 increased and substantially impacted fee  
8 collections. During fiscal year 2014, only 10  
9 percent of applicants paid the micro entity fee  
10 rate. That figure nearly tripled last year, when  
11 28 percent of applicants paid micro entity fees.  
12 Foreign applicants comprised more than half of  
13 design applications and have driven the increase  
14 in micro entity filers. Since these filers  
15 receive an 80 percent reduction in fees, the  
16 result is more subsidization from utility filers.  
17 Next slide.

18 Under our proposal, undiscounted basic  
19 and CPA filing fees would increase from \$220.00 to  
20 \$300.00, the search fee would increase from  
21 \$160.00 to \$300.00, and the examination fee from  
22 \$640 to \$700.00. Lastly, the issue fee for design

1 patents would increase from \$740 to \$1,300.00.  
2 Combined, these increases would help recover the  
3 costs of design patent search and examination.  
4 Even with these proposed increases, the fees to  
5 file a design application remain below our  
6 application processing costs. Keep in mind, we do  
7 not charge a maintenance fee for design patents.  
8 Increasing these fees is the only method to  
9 recover most processing costs for design patent  
10 work. We also propose increasing fees for both  
11 part one and part two of the international design  
12 application to \$1300.00 each, equal to the  
13 equivalent fees for direct filing. Small and  
14 micro entity discounts would still be available  
15 for these fees. Next slide.

16 Now, under this proposal, total basic  
17 fees to obtain a design patent would increase by  
18 48 percent. Filing, search and examination fees  
19 would remain below the cost of performing the  
20 work, consistent with our objective to maintain  
21 lower barriers to entry. The majority of the fee  
22 increases would not be due until issue, after we

1 grant the patent. More than 62 percent of design  
2 applications claim small or micro entity  
3 discounts. The aggregate fee increase for a small  
4 filer with an issued design is \$272.00 and \$136.00  
5 for a micro entity filer, keeping total fees low.  
6 As you can see in the graph, utility patent fee  
7 payments would continue subsidizing some design  
8 application processing costs. Next slide.

9 Our next proposal increases fees for  
10 presenting claims in excess of statutory  
11 thresholds. About 15 percent of applications  
12 contain more than 20 total claims, only about 8  
13 percent contain more than three independent  
14 claims. Excess claims require more time to  
15 examine, so this proposed increase recovers some  
16 of the added costs of examining these  
17 applications. We propose increasing the  
18 undiscounted fee for each claim in excess of 20  
19 from \$100.00 to \$200.00. The undiscounted fee for  
20 each independent claim in excess of three would  
21 increase from \$480 to \$600.00. Small and micro  
22 entity discounts would continue to be available

1 for these fees. Next slide.

2 Our next proposal reduces fees for  
3 extension of time for provisional applications  
4 only. We propose reducing these fees by up to 86  
5 percent to improve access to the intellectual  
6 property system. We receive about 350 extensions  
7 of time filings annually in provisional  
8 applications. These fees are disproportionately  
9 paid by micro entity applicants. Inventors  
10 typically file an extension of time if they're  
11 still determining whether to move forward with a  
12 non-provisional application. Given that there's  
13 not a significant cost to the USPTO during this  
14 phase, we propose reducing this fee and  
15 alleviating the financial burden on micro entity  
16 applicants. Next slide.

17 Under our proposal, the undiscounted fee  
18 for an extension for response within the first  
19 month would decrease from \$220.00 to \$50.00. Fees  
20 for the second, third and fourth months would  
21 decrease accordingly, and the undiscounted fee for  
22 extensions within the fifth month would fall from

1       \$3,160.00 to \$800.00. Small and micro entity  
2       discounts would still be available for these fees  
3       at the lower rate. Next slide.

4               Our next proposal changes the way we  
5       charge fees for Information Disclosure Statements,  
6       or IDS's. Our analysis found that a small  
7       percentage of applicants file a large number of  
8       IDS's. This increases the time required by  
9       examiners to consider the submitted information  
10      and in turn, increases our costs. This proposal  
11      recovers some of the costs incurred as a result of  
12      filing a large number of IDS's. We're proposing  
13      separate surcharges for applications that exceed  
14      certain predetermined thresholds on applicant  
15      provided cumulative citations. We believe this  
16      proposal would benefit applicants by encouraging  
17      them to cite only clearly relevant information and  
18      avoid unnecessary surcharges. When additional  
19      citations are needed, this proposal would also  
20      help recover our costs of processing and reviewing  
21      additional references in single applications.  
22      These surcharges would be due the first time an

1 applicant files an IDS that causes the cumulative  
2 number of applicant provided citations in the  
3 application to exceed the thresholds. Applicants  
4 currently cite more than 50 references in about 13  
5 percent of applications, more than 100 in about 8  
6 percent, and more than 200 in about 4 percent.  
7 Next slide.

8 All right. So, we propose a surcharge  
9 of \$200.00 for over 50 cumulative citations,  
10 \$300.00 for over 100 cumulative citations, and  
11 another \$300.00 surcharge for over 200 citations.  
12 Effectively, applicants who exceed all three  
13 thresholds would pay all three surcharges, for a  
14 total of \$800.00. These fees would not be  
15 eligible for small and micro entity discounts.  
16 Next slide.

17 All right. So, our next proposal  
18 increases the fee for patentees requesting  
19 reconsideration of their patent term adjustment --  
20 or PTA -- from \$210.00 to \$300.00. We receive  
21 about 500 requests for PTA reconsideration  
22 annually. This fee better aligns our costs for

1       reconsidering a PTA and effects only those  
2       applicants requesting the service. These fees  
3       would not be eligible for small or micro entity  
4       discounts. Next slide.

5               Our next proposal increases fees for  
6       patentees seeking to extend their patent term in  
7       conjunction with the FDA USDA approval process.  
8       These term extensions are complex and time  
9       consuming, and the costs of performing this work  
10      is well above the fees charged. Consequently, we  
11      propose increasing the fee for patent term  
12      extension -- or PTE -- from \$1,180 to \$6,700.00.  
13      The fee for an initial application interim  
14      extension would increase from \$440 to \$1,320.00.  
15      The fee for a subsequent application would  
16      increase from \$230 to \$680.00. This proposal  
17      recovers the costs from only those applicants  
18      requesting the service. We also propose  
19      establishing a new supplemental redetermination  
20      fee of \$1,440.00 for patentees choosing to  
21      disclaim their term after a notice of final  
22      determination. We receive about 120 PTE

1 applications per year and only about 30 percent  
2 would be affected by this redetermination fee.  
3 Our intent is to encourage patentees to disclaim  
4 earlier in the process and increase our  
5 operational efficiency in the PTE review. These  
6 fees would not be eligible for small and micro  
7 entity discounts. Next slide.

8 Our next proposal pertains to requests  
9 for continued examination -- or RCE's -- which  
10 provide a path to allowance for some applicants  
11 needing an additional prosecution round. A small  
12 percentage of applicants file three or more RCE's,  
13 as opposed to appealing or abandoning. Our  
14 current fee for the first RCE is set below cost,  
15 even for undiscounted entities. Next slide. We  
16 propose increasing the undiscounted fee for the  
17 first RCE from \$1,360 to \$1500.00, which remains  
18 below the historical cost of \$3,059.00 to perform  
19 the work. We believe this proposal would enable  
20 efficient and effective final disposal by  
21 balancing RCE's as a path to allowance with other  
22 after final options. We also propose splitting

1 the current fee for second and subsequent RCE's  
2 into a separate fee for a second RCE and a new  
3 higher fee for third and subsequent RCE's. Our  
4 proposal increases the undiscounted fee for second  
5 RCE from \$2,000 to \$2500.00. It also sets the fee  
6 for third and subsequent requests at \$3600.00.  
7 These proposed fees would allow us to directly  
8 recover the costs of continued examination from  
9 applicants requesting the service. In addition,  
10 the new three tier structure would enable  
11 applicants to avoid additional RCE's by weighing  
12 the added costs before considering multiple  
13 requests. Small and micro entity discounts would  
14 continue to be available for these fees. Next  
15 slide.

16 Our next proposal increases fees for  
17 suspension of action under 37 CFR 1.103(a) and  
18 creates a tiered system of higher fees for  
19 subsequent suspensions. Importantly, this  
20 proposal would not affect fees for suspensions of  
21 action requested at the time of filing a CPA or  
22 RCE. The new tiered system is intended to improve

1       our internal processing by reducing the number of  
2       sequential suspensions. Under this proposal, the  
3       undiscounted fee for a first request would  
4       increase from \$220 to \$300.00; subsequent requests  
5       would increase from \$220 to \$450.00. Of the  
6       approximately 2500 suspension requested filed  
7       annually, only about 20 percent are second or  
8       subsequent requests that would incur the higher  
9       fee. Small and micro entity discounts would  
10      continue to be available for these fees. Next  
11      slide.

12                   Our next proposal separates terminal  
13      disclaimer fees from other disclaimer fees. More  
14      than 90 percent of terminal disclaimers are filed  
15      after the first action on the merits, but our  
16      costs increase significantly the further along an  
17      application is in the examination process. If  
18      applicants file earlier -- sorry -- my iPad wants  
19      to move faster than I do -- if applicants file  
20      earlier, it would reduce the time spent on double  
21      patenting analysis, improve our internal  
22      processing, and provide earlier public notice. To

1 encourage earlier filing, we propose a sliding  
2 scale of fees based on the stage of prosecution  
3 when the disclaimer is filed. Next slide. The  
4 current terminal disclaimer filing fee is \$170.00  
5 with no time restrictions. Our proposal increases  
6 the fee to \$200.00 for filings prior to first  
7 action on the merits. Terminal disclaimers after  
8 the first action on the merits and prior to the  
9 final action would incur a fee of \$500.00. Only  
10 about 21 percent of terminal disclaimers are filed  
11 after final action, on appeal, or after allowance.  
12 Our proposal sets the fee for filing a terminal  
13 disclaimer after final action or allowance at  
14 \$800.00. Filing on or after an appeal would incur  
15 a fee of \$1100.00. Finally, filing a patented  
16 case would incur a fee of \$1400.00. These fees  
17 would not be eligible for small and micro entity  
18 discounts. Next slide.

19 Our final targets patent proposal  
20 increases the fee for unintentional delay  
21 petitions and establishes a higher tier for  
22 petitions with delays of more than two years. The

1 fee increase for unintentional delays of less than  
2 or equal to two years is an inflationary  
3 adjustment in-line with the 5 percent  
4 across-the-board proposal I'll talk about later.  
5 We must follow a more rigorous time consuming  
6 review process for delays longer than two years.  
7 As examination time increases, agency costs also  
8 increase, as reflected in our proposed higher  
9 tier. Next slide. Under this proposal, the  
10 undiscounted fee for an unintentional delay of  
11 less than or equal to two years would increase  
12 from \$2100 to \$2200.00. The undiscounted fee for  
13 petitions for an unintentional delay of more than  
14 two years would increase from \$2100 to \$3,000.00.  
15 Only about 10 percent of unintentional delay  
16 petitions have a greater delay than two years.  
17 Small and micro entity discounts would continue to  
18 apply to these fees. Next slide.

19 All right. Our next set of proposals  
20 target fees associated with petitions filed before  
21 the Patent Trial and Appeal Board, or PTAB. Our  
22 first PTAB proposal increases the fee levels for

1 America Invents Act -- or AIA -- trials. This  
2 proposal addresses the rising costs of conducting  
3 AIA trials caused by higher than budgeted  
4 inflationary pressures and new requirements from  
5 recent court decisions. Our proposed fee  
6 increases on the next slide would allow PTAB to  
7 continue conducting high-quality, timely and  
8 efficient proceedings. Next slide. All right.  
9 As you can see in the table, our unit cost to  
10 perform this service is currently higher than the  
11 fee imposed for each review request. We propose  
12 increasing fees by 25 percent to offset processing  
13 costs with the fees being charged. Under our  
14 proposal, the fee for an inter partes review -- or  
15 IPR -- request up to 20 claims would increase from  
16 \$19,000.00 to \$23,750.00. The IPR post  
17 institution fee would increase from \$22,500 to  
18 \$28,185.00; and while this dollar amount isn't  
19 trivial, these proposed fees remain lower than our  
20 costs of performing the service. We propose  
21 increasing the excess claims fee for the IPR  
22 request with more than 20 claims from \$375 to

1 \$470.00. We also propose increasing the IPR post  
2 institution excess claim fee for claims in excess  
3 of 20 from \$750 to \$940.00. Likewise, fees for  
4 post grant review -- or PGR -- and covered  
5 business method -- or CBM -- review requests up to  
6 20 claims would increase from \$20,000.00 to  
7 \$25,000.00. The post institution fee for PGR's  
8 and CBM's would increase from \$27,500 to  
9 \$34,375.00. These proposed fees are also lower  
10 than our cost of performing the service. We also  
11 propose increasing the excess claims fee for PGR  
12 and CBM requests with more than 20 claims from  
13 \$475 to \$595.00. The post institution claim  
14 excess fee for PGR's and CBM's for claims in  
15 excess of 20 would increase from \$1,050 to  
16 \$1,315.00. Next slide.

17 Okay. The next proposal establishes new  
18 fees for IGR and PGR petitions that exceed  
19 proposed word limits. Currently, petitions may  
20 not exceed the word limit, which has led some  
21 petitions to file additional parallel petitions.  
22 The PTAB accepts these petitions if there's a

1 rationale for needing additional pages, such as  
2 alternative claim constructions are too many  
3 claims to address in one petition. One possible  
4 way we propose to solve the problem of parallel  
5 petitions is by allowing more words with fees  
6 commensurate to the time required to process  
7 longer petitions. Now, perhaps this measure could  
8 be considered when certain criteria are met. This  
9 idea is also set forth in the Advanced Notice of  
10 Proposed Rulemaking -- or ANPRM -- issued on April  
11 21st. Should we move forward with some variant of  
12 this idea, we propose a 50 percent higher fee for  
13 50 percent more words and a 100 percent higher  
14 fee for 100 percent more words per defined  
15 limits. Providing the option to pay for more  
16 words in a single petition when certain criteria  
17 are met provides the agency and petitioners a more  
18 efficient communication method than parallel  
19 petitions; and in instances in which the Board  
20 currently allows parallel petitions, it should  
21 also reduce cost to the patent owners. The USPTO  
22 has not decided whether to move forward with this

1 idea and will review responses to both the ANPRM  
2 and this fee proposal before issuing further  
3 proposals. If the USPTO decides to move forward,  
4 we would shape any rules based on feedback to the  
5 ANPRM. As a reminder, feedback to the ANPRM is  
6 due on June 20th, so be sure to submit your  
7 comments on the ANPRM through its own Federal  
8 Register Notice and comments on this fee proposal  
9 through regulations.gov. Next slide. Should a  
10 rule go into effect under our proposal, the fee  
11 for 50 percent more words or an additional 7,000  
12 words on an IPR request would be \$11,875.00. For  
13 100 percent more words or an additional 14,000  
14 words, the fee would be \$23,750.00. The fee for  
15 IPR post institution petitions would be \$14,065.00  
16 for an additional 7,000 words. The fee for an  
17 additional 14,000 words would be \$28,125.00; and  
18 similarly, for PGR requests, we propose a fee of  
19 \$12,500.00 for an extra 9,350 words and \$25,000.00  
20 for an extra 18,700 words. For PGR post  
21 institution petitions, we propose fees of  
22 \$17,190.00 for an additional 9,350 words and

1       \$34,375.00 for an additional 18,700 words. Next  
2       slide.

3                       Finally, we propose creation of a new  
4       fee for parties requesting USPTO Director Review  
5       of PTAB decisions. This fee is for the review  
6       process established in response to the Supreme  
7       Court's Arthrex decision. We estimate fully  
8       burden cost for the Director Review process at  
9       around \$15,000.00 each; well above our proposed  
10      fee of \$440.00. The proposed fee matches the fee  
11      for petitions to the Chief Administrative Judge.  
12      Next slide.

13                      Our next two proposals are broader in  
14      scope than the previous proposals and cover a  
15      range of patent fees. They're overarching purpose  
16      is to ensure aggregate revenue recovers aggregate  
17      costs and broadly respond to the higher than  
18      anticipated inflation and reduced fee collections  
19      resulting from new discounts. Next slide. The  
20      first of these proposals is an across-the-board  
21      inflationary adjustment that would increase all  
22      non-targeted fees by 5 percent. The additional

1 revenue generated by this proposal would help the  
2 USPTO recover aggregate projected operating costs,  
3 finance priorities that enhance the country's  
4 innovation ecosystem, and ensure robust and  
5 reliable patents. The agency last adjusted fees  
6 in October 2020. Now, assuming we move forward  
7 with a formal fee proposal, new fees would not be  
8 implemented until FY 2025, more than four years  
9 after the agency's last fee adjustment. A 5  
10 percent across-the-board increase in 2025 would be  
11 equivalent to just a 1.2 percent annual increase,  
12 well below the prevailing inflation rate the last  
13 few years. To keep this fee schedule simple, the  
14 USPTO generally rounds fees to multiples of \$5.00;  
15 therefore, some smaller fees would not change  
16 because a 5 percent increase would round down to  
17 the current fee. Other fees would change by  
18 slightly more or slightly less than 5 percent,  
19 depending on this rounding convention. Next  
20 slide.

21 Let's take a look at how this might  
22 work. So, here we have an example of this

1 across-the-board adjustment for patent maintenance  
2 fees. So, this graph illustrates the current  
3 undiscounted maintenance fee and our new proposed  
4 fee. As you can see, total maintenance fees at  
5 all three stages are paid would increase from  
6 \$13,460.00 to \$14,135.00 or 5 percent. Next  
7 slide.

8 Our final proposal establishes an  
9 additional 5 percent increase in filing, search  
10 and examination fees on top of the 5 percent  
11 across-the-board proposal, for a total of a 5  
12 percent increase levied prior to issuance. As I  
13 previously discussed; filing, search and  
14 examination fees are set lower than the agency's  
15 cost in providing these services. We maintain  
16 lower fees at the beginning of the patent process  
17 to achieve lower barriers to entry to the  
18 intellectual property system. Consequently, we  
19 recover aggregate shortfalls through other fees  
20 collections, primarily maintenance fees, later in  
21 the patent life cycle. This proposal would  
22 marginally recover some additional filing, search

1 and examination costs earlier in the patent life  
2 cycle and incrementally reduce subsidization  
3 through maintenance fees. This additional 5  
4 percent increase only applies to Bates file,  
5 search and examination fees. Next slide.

6 Okay. So, in this example; filing,  
7 search and examination fees for a utility patent  
8 would rise by an extra 5 percent, increasing the  
9 total undiscounted front-end fees from \$1,820 to  
10 \$2,000.00 or \$180.00. Okay, next slide. This  
11 table illustrates the undiscounted fees for a  
12 basic patent life cycle and pulls these two  
13 proposals together. So, the row for filing fees  
14 shows the current fee at \$320.00 and the proposed  
15 fee of \$350.00, which includes both the 5 percent  
16 across-the-board increase and the 5 percent  
17 front-end proposal, rounding down to 9 percent.  
18 In the next row for search fees, our current fee  
19 is \$700.00 and the proposed fee is \$770.00. We  
20 also included two cumulative columns in this  
21 table. So, in the first; \$1,120.00 is the  
22 cumulative amount of our current filing and search

1 fees, the second cumulative column contains our  
2 proposed filing and search fees of \$1,120.00 for a  
3 cumulative increase of 10 percent; so, this  
4 concept repeats in each row. I want to point out  
5 that our across-the-board proposal increases  
6 maintenance fees by only 5 percent and not the  
7 additional 5 percent that we're proposing for the  
8 Bates file, search and exam fees. Therefore, when  
9 you look at the cumulative increase through the  
10 third stage maintenance fee, the increase is only  
11 6 percent in total. All right, next slide.

12 So, that concludes our specific  
13 proposals. This public hearing is only the first  
14 in many required steps in the fee setting process.  
15 I'd like to briefly talk about the path forward  
16 and our tentative timeline for those steps. Next  
17 slide. So, first and foremost, these proposals  
18 are only proposals, not final recommendations. We  
19 welcome your analysis, comments and suggestions.  
20 Your feedback is incredibly important in helping  
21 us shape our formal proposals to work best for the  
22 patent system. As you provide input, please

1 directly associate your comments with specific  
2 proposals under consideration. This step will  
3 help make sure we're connecting your ideas to the  
4 correct proposals. The PPAC will integrate these  
5 comments into a public written report, indicating  
6 the committee's advice and recommendations based  
7 on today's oral testimony and written comments  
8 received in the next week through regulations.gov.  
9 Now, we have 18 people, ten here in-person and  
10 eight joining us virtually, who have requested  
11 time to testify today and provide us with their  
12 thoughts and ideas. I'm delighted that you've  
13 taken the time to review our proposal and I'm  
14 eager to hear your impressions and suggestions,  
15 and I enjoyed meeting several of you before the  
16 meeting today. Those of you scheduled to testify  
17 this afternoon should provide a written copy of  
18 your testimony no later than May 25, 2023 for  
19 inclusion in the record; and those of you who do  
20 not speak also have an opportunity to provide  
21 comments via the regulations.gov by May 25, 2023.  
22 Do remember, we'll make comments available for

1 public inspection; so, please exclude private  
2 information like telephone numbers, addresses,  
3 things like that in your text; unless you want a  
4 lot of new friends. All right. Next slide.

5           So, looking ahead, we intend to publish  
6 a Notice of Proposed Rulemaking -- or NPRM -- in  
7 the Federal Register early in calendar year 2024.  
8 This notice will incorporate feedback we receive  
9 from the PPAC report and formally outline our fee  
10 proposals for another round of public comments  
11 after the 60 day public comment period following  
12 the NPRM and the time required to develop a final  
13 rule. We anticipate publishing the final rule  
14 from this fee setting effort in early FY 2025.  
15 New fee rates would take effect perhaps in January  
16 of 2025, about two years from now. So, there's  
17 some uncertainty in these dates; although a  
18 typical fee setting rulemaking takes about two  
19 years from start to finish. We'll keep the public  
20 updated on timelines as we move through the  
21 process. Next slide.

22           All right. So, thank you all once again

1 for joining us today. We look forward to hearing  
2 your testimony and receiving your written  
3 comments. Thank you everyone for your attention.

4 CHAIR HARRISON: Great. Thank you so  
5 much, Jay. So, now we're going to switch to the  
6 public hearing part, where we actually get to hear  
7 from you, your thoughts about this proposed fee  
8 setting; and I'd like to just say that we will be  
9 going through the folks in the room first and then  
10 we will be moving to the virtual folks. So, for  
11 those in the room, when you come up to give your  
12 comments, you have a choice of standing behind the  
13 podium or sitting in the seat. There will be  
14 people that will be giving you time check cues on  
15 either side, depending on where you are, and it's  
16 really your choice. So, at this time I would like  
17 to invite up James Packard Love.

18 MR. LOVE: I got it. Okay. You can  
19 hear me. Thank you. The current fee structure of  
20 maintaining -- obtaining and maintaining patent  
21 protection has these distinctions based on the  
22 size of the entity -- micro, small, and the larger

1 entities -- but not on the way that the patents  
2 are licensed or used. I will suggest four areas  
3 where patent fees can provide incentives to make  
4 the patent system work better for society and  
5 conclude with a proposal for graduating fees based  
6 on the value of patents.

7           The first thing I wanted to highlight  
8 was that in Europe there's a number of countries  
9 and not just -- not only Europe, that have license  
10 of right endorsements that reduce the payments  
11 that -- for patents by normally 50 percent. Now,  
12 a lot of people think of the patent system as a  
13 system of exclusive rights, but the non-exclusive  
14 licensing of patents is actually sometimes better  
15 for society.

16           In a license of rights system, the  
17 patent holder gives up the right to have a -- to  
18 use any kind of exclusive arrangement with the  
19 patents. And everyone -- anyone has a right to  
20 get a license from that patentee. And the terms  
21 of the license are either negotiated voluntarily  
22 between the patent owner and anyone that wants a

1 license, or the person making the endorsement  
2 agrees that a third party can set the thing. It  
3 could be, in some cases, the Patent Office could  
4 be the patent controller. It could be the patent  
5 register. It could be by an arbitration or by a  
6 court.

7 Another way that this could be  
8 implemented, in a smaller endorsement, would be  
9 just for research purposes. Now, the United  
10 States does not have a research exception,  
11 generally. And we rely, in some cases, on state  
12 sovereign immunity and work at the universities to  
13 sort of pick up some of the slack. You could have  
14 a differential fee, depending on whether a person  
15 would make an endorsement for voluntary  
16 endorsement for a research exception, using the  
17 fees associated with patents as a way of obtaining  
18 an incentive that would not only apply to  
19 government funded research, but would apply to  
20 anyone's research.

21 A third issue we wanted to raise is that  
22 the Patents for Humanity program has sometimes

1 focused on things, like the Medicines Patent Pool  
2 license from Gilead, for example, got a Patents  
3 for Humanity award. I will tell you, I spent  
4 about seven or eight years trying to get the  
5 Medicines Patent Pool created in the first place.  
6 So, I have a long background with that. They  
7 normally do patents that cover anywhere from  
8 around 90 to about 115 countries that have lower  
9 incomes with voluntary license, primarily for --  
10 well, for medicines. It's a Medicines Patent  
11 Pool.

12           So, the proposal would be that there  
13 could be a discount to a firm or a patent holder  
14 in the United States that would license some type  
15 of acceptable social licensing thing. It could be  
16 limited to medicine or it could be a broader  
17 category.

18           An example of how it could be  
19 implemented, you could either have an agreement  
20 for a recommendation for the medicine's patent  
21 pool to be considered for the fee discount or  
22 waiver, or you could have an objective standard

1       that a patent holder could endorse when filing the  
2       patent applications or seeking renewal fees.

3               The fourth item I wanted to mention is  
4       that the World Health Organization in 2019 adopted  
5       a resolution on transparency. And there's a lot  
6       of things about the IP system which are not very  
7       transparent. But we've always thought it would be  
8       good to have a repository of patent licenses. And  
9       you could have either higher fees if you don't  
10      contribute and add your license to the repository.  
11      It could be a voluntary repository or a lower fee  
12      if you did.

13              And I will now switch to a different  
14      topic, which is if you could base the fees not on  
15      the size of the patent holder, but on the value of  
16      the inventions. What we recommended in the  
17      written testimony is one way is self- assessment.  
18      So, you could say whether or not your patent was  
19      worth a category, like 10 million, 100 million,  
20      500 million, or a billion dollars. And by making  
21      such an assessment, you would indicate that you'd  
22      be willing to sell the patent for that amount.

1       These would be kind of big categories.

2                   And the self-evaluation system has been  
3       used in other areas, particularly in real estate,  
4       where people would make their own assessment of  
5       the value of the property, but also be willing to  
6       sell the property for how they assess it. It  
7       would just make it a self-executing way of doing  
8       it.

9                   But right now, you've got patents that  
10      are worth, you know, maybe \$50 billion and paying  
11      the same fees as any other patent. And so, we  
12      think it it'd be interesting to look at whether  
13      you have different fees, at least at some stage of  
14      the patent life, depending on what the value of  
15      the patent is. And I think you could rely very  
16      easily on a self-assessment system.

17                   The last thing I wanted to mention is  
18      that these incentives -- some of these incentives  
19      will work much better in a coordinated  
20      international way, particularly like, for example,  
21      the social patent.

22                   And that concludes my testimony. Thank

1       you very much.

2                   CHAIR HARRISON: James, for the record,  
3       could you just state your organization, please?

4                   MR. LOVE: I'm sorry?

5                   CHAIR HARRISON: Could you state your  
6       organization?

7                   MR. LOVE: Oh, the name of the  
8       organization?

9                   CHAIR HARRISON: Yeah.

10                  MR. LOVE: I'm sorry. I represent  
11       Knowledge Ecology International. So, this  
12       testimony is on our website, keionline.org. And  
13       we're a small -- we have an office in Geneva,  
14       Switzerland. We monitor the Geneva-based  
15       institutions pretty closely and here in  
16       Washington, DC. And we're -- I used to work for  
17       Ralph Nader. I mean, we're more or less a --  
18       started out as sort of a consumer rights movement,  
19       I think. But we have basically a public interest  
20       orientation in our work.

21                  CHAIR HARRISON: Okay. Thank you very  
22       much. I'd like to invite up Patricia Kelmar. And

1 if you could just state your organization, please.

2 MS. KELMAR: Sure. Thank you very much.

3 I'm Patricia Kelmar. I'm the Senior Director for

4 U.S. PIRG, the Public Interest Research Group.

5 We're a consumer advocacy organization.

6 The U.S. spends far more on prescription

7 drugs than other countries, not because we use

8 more drugs, but because we pay higher prices.

9 High prices impact our personal budgets, increase  
10 our insurance health insurance premiums, and put a

11 greater strain on important taxpayer health

12 programs like Medicare and Medicaid.

13 The Patent Office plays a key role in

14 whether or not patients have access to lower cost

15 medications in the marketplace. We support

16 proposed fee schedule changes that will give the

17 PTO the resources it needs to improve the scrutiny

18 of patent applications submitted, in particular,

19 by the pharmaceutical industry. And I'll draw

20 your attention to one change that may negatively

21 impact the public's ability to challenge weak

22 patents.



1 GAO both show that examiners need significantly  
2 more time and resources, and we agree. They need  
3 time to uncover patent applications that are filed  
4 in an attempt to build a portfolio of questionably  
5 weak patents. This well documented business  
6 strategy, known as patent thicketing, is employed  
7 by drug companies to effectively deter or prevent  
8 generic and biosimilar competition.

9 Amassing excessive numbers of secondary  
10 patents on a single drug keeps competition at bay.  
11 It's a lengthy and expensive process to invalidate  
12 an approved patent in the court system. Better to  
13 fund more examiner time to ensure weak patents are  
14 never approved, rather than hoping litigation will  
15 right any wrongs.

16 I'll submit written details on these  
17 comments, but I just bring up these three points.  
18 We support the new proposed fees relating to  
19 continuing applications and urge you to consider  
20 raising the proposed amounts. Continuing  
21 applications are often used to build patent  
22 thickets -- and in the case of patenting post FDA

1 approval changes to formulations, delivery  
2 mechanisms, and additional methods of use.

3 Of the top ten selling drugs, 66 percent  
4 of patent applications were filed after the FDA  
5 approved the drug. The PTO deserves to be fully  
6 compensated for detailed work to uncover attempts  
7 by applicants to build patent thickets through  
8 continually -- continuing applications.

9 We oppose the fee increases for the  
10 inter partes review, the only avenue that the  
11 public has to challenge weak patents. Because the  
12 public cannot prove standing in a federal district  
13 court to challenge weak patents, IPR is our only  
14 option. When IPR fees were lower, public interest  
15 groups like the Electronic Frontier Foundation,  
16 IMAC, and Consumer Watchdog petitioned for review.

17 The previous administration increases in  
18 IPR fees put these proceedings financially out of  
19 reach for public interest groups. And these  
20 additional proposed fees of more than \$10,000 will  
21 shut out the public interest definitively. Under  
22 the proposed schedule, it would cost us almost

1       \$52,000 just to ask for review and get to the  
2       institution phase.

3                 That's an insurmountable sum for most  
4       nonprofits. And that doesn't even include the  
5       money we would need to raise to hire attorneys,  
6       pay for experts, and all of the other costs  
7       associated with an IPR case. So, please consider  
8       lowering or even waiving IPR fees for low resource  
9       public entities.

10                Finally, we need more information to  
11       fully evaluate the proposed fee schedule, such as  
12       an explanation of how the costs per unit were  
13       derived and cost amounts that were for the  
14       unqualified -- unquantified tasks in the schedule  
15       that was published. Fees should be aligned to  
16       support the agency functions that utilize the most  
17       resources.

18                In conclusion, we support fee increases  
19       to fund excellence in patent examination while  
20       preserving other agency resources for examiner  
21       training and enforcement activity. And please  
22       lower or eliminate the IPR fees so consumers and

1 patients will not be financially blocked from  
2 using their rights to challenge weak patents in  
3 IPR. Thank you very much.

4 CHAIR HARRISON: Thank you. Laura?

5 MS. SHERIDAN: Hello. I'm Laura  
6 Sheridan from Google. Thank you to the Patent and  
7 Trademark Office and PPAC for allowing me to share  
8 these remarks today, as we consider the best fee  
9 structure to promote robust and reliable patent  
10 rights.

11 My remarks will focus on fees associated  
12 with the core mission of the Patent Office, which  
13 is to assess whether to grant a patent based on  
14 its compliance with the statutory requirements.  
15 It is a challenging job and one that we have an  
16 expert workforce of patent examiners in place to  
17 tackle. But examiners need to be given time and  
18 resources to bring about the best quality  
19 possible, while of course still being mindful of  
20 pendency. And that requires more funding.

21 The better we can do at the start of a  
22 patent's life, the less contentious things will be

1 down the line when that patent is enforced. The  
2 increased clarity and certainty that is brought  
3 about by a detailed patent examination process and  
4 a clear patent prosecution record is beneficial to  
5 both patent holders and the public. Having fees  
6 too closely tied to the maintenance of patent  
7 rights does not create predictable and a stable --  
8 does not create a predictable and stable system  
9 for high-quality examination.

10 As we shared in a blog post last year,  
11 patent examiners should have the required  
12 resources upfront to conduct robust examination.  
13 This includes prior art searching, evaluating the  
14 patent application for compliance with Section  
15 112, understanding what the claim terms mean, and  
16 applying the prior art to the claims. All of this  
17 is labor intensive and essential to reliable  
18 patent rights.

19 Last Congress, the Unleashing American  
20 Innovators Act included a requirement that the  
21 Patent Office conduct a study of its fee structure  
22 within two years of its enactment. The study is

1 to assess whether the fees for examination should  
2 better match the costs for examination so that  
3 there are more upfront resources available, and  
4 ask what incentives are created by using  
5 maintenance fees to cover the cost of examination.  
6 This is a question that has gone unanswered for  
7 too long. And we are confident that the result  
8 will be that patent quality is best achieved when  
9 resources are available upfront.

10 This can and must be accomplished in a  
11 way that does not hinder the ability of our small  
12 and micro-entities to pursue patent protection for  
13 their innovations. In fact, as we said in our  
14 blog post, this is something that large companies  
15 can and should support for the overall health of  
16 the patent system.

17 For this reason, we support the proposal  
18 to increase the fees for filing, search, and  
19 examination. We agree with the rationale to  
20 recover more of these earlier in the patent  
21 lifecycle. However, we would encourage the office  
22 to raise these fees even more for large entities,

1 moving towards front end fees that match the costs  
2 at the beginning and do not wait until a  
3 maintenance fee is paid to do so.

4 We appreciate the policy of promoting a  
5 low barrier to entry. However, that barrier to  
6 entry is much lower for large entities. In  
7 addition, large entities have factored in the  
8 overall cost for a patent when they pursue  
9 coverage. Any patents over and above this, like  
10 those that are pursued for numbers and with a low  
11 likelihood to maintain, are not the sort of  
12 patents that need to be incentivized.

13 As the office conducts its study under  
14 the Unleashing Act, we encourage the following  
15 question to be explicitly answered. Would raising  
16 upfront fees for large entities so that the  
17 overall costs of examination are fully recovered  
18 have a meaningful impact on access for those  
19 entities?

20 We also strongly support the new tiered  
21 fee structure for later file continuing  
22 applications. As the PTO points out, this will

1 encourage more efficient filing and prosecution  
2 behavior and takes into account that some of the  
3 maintenance fees will not be collected. Other  
4 jurisdictions already operate this way, and  
5 harmonization by the USPTO makes a lot of sense.

6 As we mentioned in our comment in  
7 response to the RUSPTO's request on robustness and  
8 reliability, there is a pronounced increase in  
9 likelihood of litigation for patents resulting  
10 from continuations across computer related  
11 technologies. This likelihood grows for  
12 continuations pursued five or more years after the  
13 original filing. We will reshare this data in our  
14 written remarks.

15 With this increased likelihood of  
16 litigation, it is even more important that  
17 adequate resources are in place to evaluate  
18 compliance with Section 112, among the other  
19 statutory requirements. We also strongly support  
20 the increases in fees for the first and second  
21 RCEs and an additional tier for third and  
22 subsequent RCEs. There is no reason for the

1 agency to not be made whole, if an applicant  
2 chooses to continue prosecution of a patent  
3 application instead of appealing the examiner's  
4 decision or abandoning the effort.

5           Finally, we support the additional fees  
6 for applicant-provided citations in the record,  
7 with surcharges for citations in an IDS exceeding  
8 certain thresholds. We agree it's good to  
9 incentivize, leaving out marginally pertinent and  
10 cumulative information, as the examiner's review  
11 of these materials takes time away from assessing  
12 the relevant citations.

13           So, to summarize, we believe the PTO  
14 will be in the best position to grant robust and  
15 reliable patent rights when the fees before the  
16 grant of a patent more closely match the costs,  
17 instead of relying upon the maintenance fee for  
18 that recovery. We thank the office for moving in  
19 this direction and encourage it to work towards  
20 full cost recovery, exploring what this would look  
21 like for large entities and how best to phase  
22 this. Thank you.

1                   CHAIR HARRISON: Thank you. Josh?

2                   MR. MALONE: I'm glad to see everyone  
3 sitting down, because I'm going to astound you. I  
4 agree with Google that large entities should pay  
5 full freight for their application. So, great  
6 idea. Otherwise, I'm Josh Malone. I'm the  
7 inventor of Bunch of Balloons. My invention was  
8 stolen, and the PTAB took away my patent. And it  
9 was very horrifying, very hurtful. And I  
10 appreciate the opportunity to share with you  
11 today.

12                   Today's hearing is about patent fees.  
13 I'm going to testify about the related concept of  
14 value. How can we determine if the fees are too  
15 high or too low, Jay? Supply and demand. What is  
16 the right number? And the answer is tied to the  
17 value of the product. That is to say the  
18 reliability of the issued patent. A patent must  
19 be reliable. If it's reliable, then it's worth a  
20 lot. And if it's unreliable, it's worth very  
21 little.

22                   A small entity can obtain a patent for

1       \$1,206 in fees. Maintenance fees are an  
2       additional \$5,384. But can an inventor get a  
3       reliable patent for \$1,200? My friend, Tom  
4       Pierson, from Houston invented a high-efficiency  
5       turbine power plant, which he commercialized and  
6       built a company around. And after several IPRs of  
7       the PTAB, his patents were nothing more than a  
8       plaque that he hung on the wall. Reflecting on  
9       his useless patents and millions of dollars he had  
10      wasted, he commented, well, I guess it's better  
11      than having an empty wall.

12                Even at \$1,200, that's an overpriced  
13      plaque. Of course, he paid much more than \$1,200.  
14      It was thousands more in prosecution and  
15      maintenance fees, several million in attorney fees  
16      at the PTAB, all wasted. So, the PTO fees were  
17      much too high for these patents that were taken  
18      away by the Patent Office when he needed them.  
19      Had he received a reliable patent backed by the  
20      full faith and credit of the United States  
21      government, he would have had a good value. He  
22      likely would have gladly paid the increased fees

1 that are proposed here today for a reliable  
2 patent. We all would.

3 Molly, David, Jody, Roman, Glenn, Larry,  
4 Jean, Valerie, Ron, Stephen, Ray, Patrick, Susan,  
5 Mark, all these inventors that are on our website  
6 and in the PTAB docket would appreciate reliable  
7 patents. They were devastated when the USPTO took  
8 their patents back, that they had relied upon to  
9 build their businesses and bring their ideas to  
10 life.

11 The legal fees of defending a patent at  
12 the PTAB are a problem as well. The AIPLA reports  
13 that the median legal cost to defend a patent at  
14 the PTAB and appeal is \$450,000 each. The PTAB  
15 was supposed to be a faster and cheaper  
16 alternative to district court, and that hasn't  
17 worked out. Instead it adds about three years of  
18 delay and more than a million dollars, while  
19 invalidating patents that are upheld in an Article  
20 III court.

21 This is what happened in my case. It's  
22 demoralizing. It's unfair. It's destructive.

1 The average value of these PTAB patents is  
2 negative because they end up costing the inventor  
3 much more than they can return. In ten years, the  
4 PTAB has issued final written decisions on 3,968  
5 patents. And of those, only 629 have been upheld.  
6 That's an 84 percent invalidation rate. Some  
7 people have challenged the number 84 percent,  
8 arguing we should count patents that are settled  
9 or denied institution as well in the denominator.  
10 But that's not the case. Settlement usually means  
11 the inventor gave up their rights because they  
12 couldn't afford to go on. That's not a win. And  
13 there's no estoppel with denial of an institution.  
14 So, those patents are likely to be invalidated by  
15 the 2nd or 3rd or 6th or 25th try. And I've done  
16 the analysis. The more times a patent is  
17 challenged at the PTAB, the more likely it is to  
18 be invalidated.

19 The only patents that can be assessed  
20 are the ones that have made it through to a final  
21 decision. The others are of unknown validity.  
22 And Mr. Tierney and his friends of the PTAB have

1 told me that there is no presumption of validity  
2 at the PTAB. Others argue that a denominator  
3 should be upwards of 3 million, the number of  
4 unexpired patents in existence. On that basis,  
5 they say, the invalidation rate is less than 100th  
6 of 1 percent.

7           However, those patents are, on average,  
8 much weaker than the patents at the PTAB and would  
9 suffer a much higher invalidation rate if they  
10 were tested. These cannot be counted as valid  
11 patents in the analysis. And they certainly would  
12 not be presumed valid at the PTAB. Rather than  
13 spending more time debating the number, the office  
14 must reckon with the increasing belief of  
15 inventors that U.S. patents are unreliable and not  
16 worth their investment.

17           Increasing the fees will result in even  
18 more inventors boycotting the USPTO. This is  
19 especially true for millennials and  
20 under-resourced inventors. They are quick  
21 learners and are not surprised anymore when I  
22 explain to them that a patent costs millions of

1 dollars to defend, that large corporations will  
2 steal their invention regardless of whether or not  
3 it is patented, and that if they try to stop them  
4 the USPTO will more likely than not take away  
5 their patent.

6           There's a solution to this crisis.  
7 Congress gave the Director discretionary authority  
8 on whether to institute a PTAB trial or not based  
9 on "the effect on the economy or the integrity of  
10 the patent system." It's in the statute in 2011.  
11 The advanced notice of proposed rulemaking  
12 published last month holds much promise. I really  
13 hope that it will quickly mature into a robust  
14 rule to exempt inventors from the PTAB. If and  
15 when that happens, patents will become much more  
16 reliable and inventors will enthusiastically pay  
17 these fees.

18           Thank you for your time.

19           CHAIR HARRISON: Thank you. Courtney?

20           MS. BRINCKERHOFF: Good afternoon. I'm  
21 Courtney Brinckerhoff from Foley and Lardner. And  
22 today I'm speaking on behalf of IPO. Although my

1 remarks are preliminary, based on discussions with  
2 members of IPO committees, they're not official,  
3 haven't been approved by the IPO board, but IPO  
4 will be submitting comments by the deadline.

5 IPO understands the USPTO's need to  
6 adjust fees, but has concerns about those that may  
7 be designed to influence applicant behavior, but  
8 could have unintended detrimental consequences.

9 With regard to the escalating terminal  
10 disclaimer fees, filing a terminal disclaimer has  
11 significant substantive effect. An applicant  
12 should not be penalized for waiting to file a  
13 disclaimer until it is clear that doing so is  
14 appropriate, based on the final claim language.  
15 The escalating fee schedule could lead sole  
16 inventors and less sophisticated applicants to  
17 file unnecessary disclaimers, needlessly limiting  
18 their patent rights and undermining the value of  
19 their portfolios.

20 On the other hand, the escalating fee  
21 schedule could lead applicants to appeal more  
22 double patenting rejections, which would undermine

1 the stated goal of promoting efficient operations.  
2 The stated justification for the escalating fee  
3 schedule that the cost to process a terminal  
4 disclaimer increases greatly after certain  
5 milestones is not understood. The USPTO  
6 encourages the use of e-terminal disclaimers,  
7 which we understand are processed and accepted  
8 nearly automatically.

9 With regard to the continuing  
10 application surcharge, IPO understands they are  
11 intended to make up for so-called loss maintenance  
12 fee payments. But to applicants, it seems like  
13 the Patent Office is asking applicants to pay  
14 upfront for a patent term they won't enjoy, for a  
15 patent that may not even be granted.

16 The Director's letter states that the  
17 surcharge is intended to encourage more efficient  
18 filing and prosecution behavior, but filing  
19 continuations early is not efficient. Prosecuting  
20 multiple related applications simultaneously can  
21 make it complicated and costly to comply with duty  
22 of disclosure requirements, especially if

1 different prior art is cited in different  
2 applications, necessitating the need for cross  
3 citing IDSs.

4           Most applicants wait to file  
5 continuations so they can make informed decisions  
6 over whether a further application is even needed  
7 and also to spread out patent costs. The  
8 surcharge could limit the ability of sole  
9 inventors and others to protect the full scope of  
10 their inventions, because prosecuting multiple  
11 cases at the same time will strain patent budgets.  
12 That, in turn, could undercut the value of their  
13 patent portfolios and limit investment in the  
14 technology.

15           If applied to a divisional applications,  
16 the surcharge could be inconsistent with 35 USC  
17 121. So, the USPTO should consider making an  
18 exception for divisional applications. The  
19 surcharge also would have a disparate impact on  
20 U.S. national stage applications, which do not  
21 even enter the U.S. until 30 months from their  
22 priority date. The surcharge could lead to more

1 RCEs or appeals if applicants continue to  
2 challenge rejections, instead of a common practice  
3 now of letting allowed subject matter grant and  
4 pursuing other valuable subject matter in a  
5 continuation application.

6 With regard to the escalating RCE  
7 charges, IPO is concerned that the \$3,600 3rd RCE  
8 fee reflects a presumption that multiple RCEs  
9 reflect dilatory applicant conduct. IPO addressed  
10 this issue in its comments to the robustness and  
11 reliability FRN and understands those will be  
12 taken into consideration. RCEs can be required to  
13 obtain consideration of an IDS. So, IPE -- IPO  
14 encourages considering an exception to at least  
15 the highest RCE fee, if the only submission being  
16 made with the RCE is an IDS. For similar reasons,  
17 IPO suggests that QPID RCEs be exempted from the  
18 higher fees.

19 With regard to consequences, the higher  
20 RCE fees could lead to more appeals if applicants  
21 decide to appeal rejections instead of continuing  
22 prosecution with the examiner, even if they

1 believe progress could be made and unnecessary  
2 appeals are not efficient. The proposed \$500 fee  
3 for AFCP 2.0 would likely lead to a drastic drop  
4 in use of that program, especially in view of the  
5 fact that examiners have nearly complete  
6 discretion in how to treat an AFCP 2.0 submission.

7           With regard to design patent fees, IPO  
8 would like assurance that the USPTO is addressing  
9 the reported problem of fraudulently claimed  
10 micro-entity status so that others are not in  
11 effect subsidizing this fraud. We would also  
12 appreciate more explanation of the high historical  
13 cost basis for the CPA fee, which seems out of  
14 line with other fees.

15           And with regard to the PTAB trial fees,  
16 IPO would appreciate more explanation of the  
17 USPTO's costs, given that you've explained today  
18 that the proposed increases still wouldn't cover  
19 those costs.

20           CHAIR HARRISON: Thank you. Ashraf?

21           MR. FAWZY: Hi, I'm Ashraf Fawzy. I'm  
22 Director and Managing Counsel at Unified Patents.

1 Unified Patents is a membership organization  
2 dedicated to improving patent quality and reducing  
3 the proliferation of low quality patents.

4 I'm here today to indicate support,  
5 generally for several of the proposed fee changes  
6 as part of an effort to ensure effective  
7 administration and issuance of patents while also  
8 improving patent quality.

9 First, as we all are aware, USPTO has  
10 plenary authority to set its own fees and drive  
11 behavior. And the proposed fees are generally  
12 reasonable offsets for increasing patent quality,  
13 which is essential. It's essential to our IP  
14 system that the USPTO not only be able to  
15 adequately finance its operations through  
16 collections and operating reserve. But also, to  
17 that end, the majority of proposed fee changes are  
18 modest.

19 For example, many of the fee changes  
20 appear to be about 5 percent increases, which is  
21 narrowly tailored and commensurate in scope with  
22 recent economic conditions. This is undoubtedly

1 true, in view of rising costs and inflation felt  
2 across all aspects of our economy.

3           Increased fees are also generally  
4 necessary to the extent they support rigorous --  
5 more rigorous examination. While there are a  
6 number of fee increases greater than 5 percent,  
7 those are measured and affect a low number of  
8 annual applications relative to the total number  
9 of applications that are filed, as is evident from  
10 Mr. Hoffman's comments earlier.

11           The Inspector General and GAO reports  
12 show that examiners need more resources and time,  
13 particularly today -- in today's age where more  
14 patent applications are being filed than ever  
15 before. Effective examination is particularly  
16 necessary when considering that more patents are  
17 issuing, with data showing that, for example,  
18 utility patents issued annually are increasing.

19           Further, with the increased complexity  
20 and volume of patents being sought, new and more  
21 effective tools for examination should be  
22 explored, which will likely require even more

1 resources. Anything that can be done to  
2 efficiently reduce the number of issued patents  
3 that may be unpatentable is -- or may be found  
4 unpatentable later on is a positive step.

5 As such, patents have been shown in  
6 repeated studies to have a negative economic  
7 impact, including with regard to increased  
8 litigation costs, transactional costs, barriers to  
9 market entry, and with regards to drug prices.  
10 And I'll cite -- we'll cite more detailed reports  
11 in our submission.

12 The USPTO's transparency in providing  
13 the information behind these proposals is welcome,  
14 for example, with unit costs. But further  
15 information related to the costs of examination  
16 and how the unit costs are derived would also be  
17 helpful in allowing the public to assess the  
18 budget. Transparency enables accountability for  
19 whether resources are being put into the right  
20 places for patent examination.

21 A few additional comments related to  
22 specific proposals. Fees for late filed

1 continuations promote efficient operation and  
2 filing behaviors. Research has shown that  
3 continuation patents are largely a tool for larger  
4 companies or companies with higher patent budgets  
5 to create thickets of patents around drugs,  
6 medical technologies, and other high value  
7 technologies. Companies don't seek large  
8 portfolios of continuation patents, unless the  
9 patents are especially valuable and worth  
10 investing additional resources for patent  
11 protection.

12           Those patent applications warrant  
13 additional examination that should be funded by  
14 increased fees. Indeed, the more continuations  
15 that exist, the more nuanced, complex and rigorous  
16 the examination should be. Further, to the extent  
17 there is gamesmanship occurring in the system,  
18 continuation applications are an area where --  
19 particularly late filed continuation applications  
20 are an area where patentees may try to take  
21 advantage of the system; for example by  
22 duplicating scope or attempting to patent onto

1 competitor products.

2           The fees for late filed continuation --  
3 sorry. It's important to note that these  
4 continuation fees are properly assessed for late  
5 filed continuations. This part of an efficient  
6 patent system includes timing by both parties, the  
7 USPTO, and the patentee. And the proposed fee  
8 appropriately places the incentive on not delaying  
9 to file a continuation on the patentee, which  
10 improves efficiency in the system.

11           Fees for excess IDS references and  
12 terminal disclaimers are also likely to promote  
13 efficient operations and filing behaviors. These,  
14 again, indicate that a patent is valuable and  
15 worthy of the additional examination effort.

16           With regard to terminal disclaimers,  
17 this is something where there is a partial onus on  
18 the patentee to recognize that they are  
19 potentially running afoul of a double patenting  
20 issue, So, the incentive is appropriately  
21 apportioned with regards to such fees. The same  
22 indication of value and need for rigorous

1 examination is similarly present with regards to  
2 the excess claim fees, RCE fee increase, and after  
3 final consideration fees.

4 All of these fee -- these categories of  
5 patents and associated fees are where we have seen  
6 and data shows that the potential for gamesmanship  
7 exists. These patents end up being repeatedly  
8 asserted in litigation and scrutinized for  
9 validity. Under such scrutiny, courts are finding  
10 many patents to be invalid years after issuance.  
11 That can be prevented by examination that is even  
12 more rigorous, efficient, and that utilizes new  
13 tools and technology.

14 Finally, I'll end with an old adage that  
15 a mentor once told me, which is that it's possible  
16 to do something better, faster, or cheaper. You  
17 can have two out of three, but not all three. For  
18 our patentsystem, it's critical to improve patent  
19 quality and to further reduce pendency. That's  
20 two out of the three that we should be  
21 prioritizing.

22 Thank you.

1                   CHAIR HARRISON: Thank you. Ann?

2                   MS. MUETING: Good afternoon. My name  
3 is Ann Mueeting of Mueeting Ross Group. I am not  
4 here on behalf of my firm or our clients. I am  
5 here on behalf of the American Intellectual  
6 Property Law Association as its president elect.

7                   My comments reflect AIPLA's current  
8 viewpoints on the fee proposal. As in the past,  
9 AIPLA believes that the USPTO should recover, in  
10 the aggregate, 100 percent of the cost needed to  
11 run the Office. We also maintain that the current  
12 balance between front-end and back-end fees should  
13 be maintained so that filing and examination fees  
14 remain low enough to maximize access to the patent  
15 system.

16                   Nonetheless, we recognize the need for  
17 the office to increase fees to compensate for  
18 inflation. As such, we find that many of the  
19 proposed increases seem reasonable and  
20 appropriate. We do, however, have concerns with  
21 some of the aspects of the office's current fee  
22 proposal, as there are significant increases and

1 new fees for certain aspects of patent application  
2 process.

3 We believe that the office should  
4 conduct a thorough analysis and justify any  
5 significantly increased fee or new fee, showing  
6 that the fees are necessary and calculated to  
7 recover the actual costs associated with each  
8 targeted practice.

9 We note that the office's recent request  
10 for comments on USPTO initiatives to ensure the  
11 robustness and reliability of patent rights asked  
12 many questions about possible policy initiatives  
13 that would alter current examination practices and  
14 that are now targeted for significant fee  
15 increases or new fees. We have significant  
16 concerns regarding this approach.

17 Some areas of our members' specific  
18 concerns include the following. In continuation  
19 applications, the proposal would have fees  
20 starting as soon as three years after the earliest  
21 benefit date. In many technologies, examination  
22 does not typically start for two or three years

1 after filing. The fees will also  
2 disproportionately affect independent inventors,  
3 startups, and small businesses who are most  
4 sensitive to even small fee increases.

5           Regarding terminal disclaimers, the  
6 proposed fee increases are significant, ranging  
7 from 18 percent to as much as 724 percent, even  
8 though the cost of processing these documents is  
9 considerably less. While the office might want to  
10 encourage early TD filing, it is difficult to  
11 determine their necessity until substantive  
12 prosecution takes place.

13           Regarding information disclosure  
14 statements, the proposed fees for submitting  
15 cumulative numbers of references are completely  
16 new. Applicants should not be penalized for  
17 complying with their obligation under Rule 56,  
18 which imposes upon applicants a duty to disclose  
19 to the Office all information material to  
20 patentability.

21           The failure to fulfill this duty can be  
22 devastating, with the issued patent potentially

1       being deemed unenforceable. Also, these fees are  
2       inconsistent with the policy goal of having  
3       applicants submit all material information which  
4       promotes robust and reliable patents.

5               Regarding requests for continuation --  
6       continued examination, the office is proposing an  
7       80 percent increase for a third or more RCE, which  
8       is likely to prematurely overwhelm the Patent  
9       Office's appeal system and/or inhibit applicants  
10      from continuing to try to work with the examiner  
11      to find patentable subject matter.

12             Regarding excess claim fees, the  
13      proposed fees are increased by 100 percent. Our  
14      members observe that many times applicants do not  
15      receive the benefits of the current excess claim  
16      fees due to the administrative practice, such as  
17      restriction, where claims are withdrawn from  
18      consideration but no refunds result. It is our  
19      position that excess claim fees should be based on  
20      claims actually examined.

21             Regarding patent term extensions, the  
22      increases of 196 percent to as much as 468 percent

1 are of significant concern. These are increases  
2 -- these fee increases target specific applicants  
3 seeking restoration of lost patent term for a  
4 limited category of technologies and products.  
5 The PTE program was designed to create new  
6 incentives for research and development, but these  
7 increases would run directly counter to these  
8 important policy goals.

9           Regarding design applications, we are  
10 concerned that for some applicants that depend on  
11 the crucial protection afforded by design patents,  
12 the proposed significant increases in the fees  
13 would now make crucial design patents financially  
14 inaccessible to some. It also seems entirely at  
15 cross purposes to the proposed new design patent  
16 bar being considered to create more diversity in  
17 the patent bar.

18           Finally, we note the time limitations  
19 preclude more extensive comments in this venue and  
20 urge the PPAC to consider our written comments  
21 that will follow, as well as our prior comments  
22 relating to our input on patent robustness and

1 reliability.

2 Thank you for this opportunity.

3 CHAIR HARRISON: Thank you. Robert?

4 MR. KATZ: Good afternoon, everybody.

5 Thank you for the opportunity to speak. I've got  
6 a lot of comments, so I apologize for speaking  
7 quickly on this.

8 I'm here on behalf of FICPI, which is an  
9 international organization, International  
10 Federation of Intellectual Property Attorneys.  
11 It's the only international nonprofit organization  
12 whose membership consists entirely of IP attorneys  
13 in private practice.

14 The FICPI members represent a wide range  
15 of clients, from individuals to small and large  
16 companies, and it focuses on IP issues. It's  
17 organized by member regions. And I'm here  
18 representing the U.S. national section. And I'm  
19 the current president. I'm also an attorney at  
20 the firm of Banner and Witcoff. I've been there  
21 for 30 years, and I do focus quite a bit of my  
22 practice on design patents.

1           I will touch on utility patent fees, but  
2           I wanted to focus primarily on design patent fees.  
3           Obviously, we know there's a 48 percent increase  
4           from 1,760 to 2,600. But unlike utility patent  
5           procurement where the USPTO fee is a minority of  
6           the total costs, where like a utility patent  
7           application may cost 15,000 or even more to  
8           prepare, design patent fees are much less from an  
9           attorney standpoint. And the USPTO fees are a  
10          major portion of the total cost, and it will have  
11          a negative impact on the total filing.

12           A 48 percent increase will break the  
13          system, will cause a lot of applicants to file  
14          less cases, especially design driven applicants  
15          that can't afford that. And it will ultimately be  
16          a great benefit for some companies. But those  
17          companies are the companies that pedal in  
18          knockoffs and counterfeits. And we will see an  
19          increase of those in the marketplace due to this  
20          increase, undoubtedly.

21           This increase is also intertwined with  
22          the fact that pendency of a normal non-special

1 design patent is over two years now. That's one  
2 of the worst in the world. And so, because  
3 knockoffs and counterfeits appear in the  
4 marketplace faster than a design patent will  
5 grant, applicants are forced to pay for that  
6 expediting fee of \$1,600, which was recently  
7 increased from \$900.

8 So, recognizing that the problem of long  
9 pendency and these increases, it will -- it's  
10 effectively the 2,660 from a couple of years ago,  
11 before that fee was increased. And these  
12 proposals will bring that to 4,280 or a 61 percent  
13 increase in design patent fees.

14 Also, the fact that a design patent is  
15 only entitled to one claim under current practice,  
16 it's not uncommon that four or five design patents  
17 need to be covered to adequately protect a  
18 commercial embodiment. So, USPTO fees can easily  
19 exceed \$20,000 alone. The cost for three design  
20 patent claims in the U.S. far exceed the cost for  
21 a utility patent application with three utility  
22 patent claim.

1           So, against that, we do have some  
2           suggestions that might be helpful. One is  
3           eliminating the single-claim practice. There  
4           might be some way of having a way you can get  
5           three design claims in a particular application  
6           that might lower some overhead fees, and there  
7           might be a win-win there.

8           Examiners -- and we've worked hard to  
9           get there. But examiners can take steps to be  
10          more efficient, more cost efficient. They'll be  
11          able to get more applications done in a short --  
12          in a shorter period of time. We do see a lot of  
13          improper office actions where it's based on either  
14          the examiner wanting preferred language in the  
15          spec or they're prying an improper microanalysis  
16          of the drawings. So, hopefully the PTO will do  
17          better training on that front.

18          Another area that can help Patent Office  
19          manage, Europe and the UK have a 25-year term for  
20          design rights. There's no reason -- I mean,  
21          obviously, you need to have a statutory change.  
22          But if you extended design rights in the U.S. to

1 25 years, you could have a maintenance fee at the  
2 15- year point to get an additional 5 or 10 years  
3 there, and that can help recoup the fee. And that  
4 is effectively just found money for the Patent  
5 Office to help offset the other fees that they  
6 have.

7           And then as was previously mentioned,  
8 while we -- the micro-entity filing access was a  
9 great idea and there was -- you know, the fact  
10 that there -- 29 percent of the filings last year  
11 were micro entities, it only really was a small  
12 amount of people that it was -- from the targeted  
13 people. Many of those were fraudulent in nature,  
14 but yet it seems like those fees are already being  
15 absorbed by the large entities. So, those are the  
16 other ones.

17           And then I think some of the other areas  
18 we want to talk about is the terminal disclaimer  
19 fee and the continuation fee. Those step fees  
20 that are proposed, they should be limited to  
21 utility patent fees only, not designs. That's the  
22 behavior that's trying to be targeted for those.

1                   Secondly, some of the big ticket items  
2                   for the USPTO cost, we suspect, are being  
3                   improperly passed to designs. Like Global  
4                   Dossier, the new search system, DOCX, all this  
5                   infrastructure we think is being passed down on a  
6                   per application basis than on a per use or per  
7                   essence basis.

8                   And finally, for utility patent fees, we  
9                   do agree with some of the comments that have come  
10                  in earlier today about the AFCP program, that this  
11                  will defeat it in its entirety. And that if you  
12                  want it to exist, you should keep it without the  
13                  increased fee. And that the continuation  
14                  divisional application fee for three years is way  
15                  too low of a threshold. Maybe the seven years  
16                  more reasonable, but three years is right at the  
17                  cusp where even SMEs are going to be at a  
18                  disadvantage because they need to build a  
19                  portfolio to attract investors.

20                  So, again, please reconsider some of  
21                  these fees, especially on the design side. It's  
22                  important to keep knockoffs and counterfeits off

1 the market. So, thank you for your time.

2 CHAIR HARRISON: Thank you. Dirk and  
3 Molly, you're up next. Molly, can you turn on  
4 your camera please? You're on mute.

5 MS. METZ: Yeah, I'm sorry. That was  
6 difficult to get that all going. Can you guys all  
7 hear me?

8 MR. HOFFMAN: Yeah.

9 MS. METZ: Okay. My name is Molly Metz.  
10 I'm a former competitive jump roper. I own a  
11 company called JumpNrope. I'm the inventor of  
12 what I consider the world's most precise jump rope  
13 technology.

14 I was granted my patents in 2010 and  
15 '12. I was able to enforce my patents for eight  
16 years. I worked with the ITC. There was over 150  
17 companies infringing on my technology. But  
18 finally, in 2021 I sued my largest infringer, and  
19 my patents were invalidated at the PTAB.

20 That was a confusing time for myself and  
21 my husband. And I think, like anyone, they would  
22 probably do the same thing. I've spent my free

1 time now educating myself on what happened and the  
2 difficulties that other inventors are having  
3 enforcing their patents, and then to be told  
4 suddenly your patents have been no good all this  
5 time.

6           So, today I'm here, I have \$300,000 in  
7 legal debts. I have one employee left at my  
8 company, and it's just been devastating. So, my  
9 point in being here today -- I have notes, but the  
10 common theme that I've heard today is robust and  
11 reliable patents. And that was sort of in my  
12 notes as well. You know, as a patent owner, you  
13 get a patent and you trust the USPTO when it says  
14 we have a 97 percent, you know, reliability in our  
15 patent examination.

16           And Kathi Vidal, during her introduction  
17 today, saying she's proud that the U.S. provides  
18 robust and reliable patents. So, as a user of the  
19 system, you go into that and you build a business.  
20 You hire employees, you put your money into molds  
21 and inventory, and you go. And that's what the  
22 point is for a patent.

1                   But what I'm learning -- you know, I was  
2                   just in D.C. the last few days and I was meeting  
3                   with some attorneys and some ex-judges. And I  
4                   said, what could I have done differently, you  
5                   know, in my case? And they rambled off a few  
6                   things and they said, well, you could have filed  
7                   for continuations. You should have created a  
8                   patent portfolio.

9                   Which I asked, what does that mean?  
10                  They said, well, you should have gotten more  
11                  patents. And you should have paid more money and  
12                  all these fees, and all these, you know -- and I  
13                  said, why? And they said, well, when you go to  
14                  litigation, if you have ten patents, it's better  
15                  than one. You know, they'll knock out nine, and  
16                  maybe you can keep one of them. And they say, you  
17                  can -- you should have hired the right attorneys.  
18                  You should have traded your business in a  
19                  pro-patent state.

20                  And I'm listening to all of this and I'm  
21                  thinking, wow, I invented a really awesome  
22                  technology. I got a patent, a robust and reliable

1 patent, and that failed me. And now I'm being  
2 told, no, no, no, as a patent owner, you need more  
3 patents. You need better attorneys. You need,  
4 you know, to create your business in another  
5 state. And so, I'm a little confused, as a patent  
6 owner, hearing all of that.

7           So, that brought me here today to kind  
8 of make my point. And I want to refer to two  
9 other patent women -- two other women who own  
10 patents I know now today, who have about 150,000  
11 of them in their patent portfolio, the other one  
12 with \$300,000 in their fees for their patent  
13 portfolio. And I asked them where they are today.

14           And their answer is, they are  
15 devastated. They are broke. They're unable to  
16 get counsel because they can't get injunctions.  
17 They're being threatened with IPRs, and they're  
18 just devastated. They're stuck in this game. And  
19 so, when the topic of increasing fees come up,  
20 they're mortified. You know, you tack on 10  
21 percent of their 300,000, and what are they  
22 getting from that? Where is the robust, the

1 reliable patents coming into play here?

2           So, I'm just checking my notes here if I  
3 have anything else I want to say with this. I  
4 guess my question is, how are we helping them?  
5 How are we helping inventors like me? How are we  
6 going to trust that our patents are reliable and  
7 robust, you know, on the front end?

8           And that was the theme. You know, there  
9 was a speaker today from Google. There was Josh  
10 Malone, Unified Patents. You know, we're all kind  
11 of talking about reliable patents. And I don't  
12 know. And so, that was my point today. I know  
13 Dirk is standing there. And I think I'm giving  
14 him a little bit of time here to speak as well.

15           So, that's what I'll do. Go ahead,  
16 Dirk.

17           MR. TOMSIN: Good afternoon. Wait, can  
18 you guys hear me? Good afternoon. My name is  
19 Dirk Tomsin. I represent JumpNrope and my wife,  
20 an invalidated patent owner. Thank you for  
21 sharing, Molly.

22           With the perspective of an inventor that

1 went through an AIA trial, I would like to follow  
2 up with two more issues that I think need change.  
3 During an IPR, the petitioner gets part of the IPR  
4 fees returned when the petition does not get  
5 instituted. Not only does this seem like an  
6 incentive for a petitioner, it also seems wrong.  
7 I believe that this poses enormous bias on the  
8 APJs in their decision whether to institute or  
9 not. This has to change to prevent bias in future  
10 decisions for institutions.

11 The second issue I want to bring forward  
12 is that when a patent get canceled, it's  
13 considered as if it never should have been issued,  
14 which means that the PTO mistakenly issued a  
15 patent. In other words, the PTO made a mistake.  
16 Yet still the patent owner does not get any fees  
17 back.

18 There is so much more than PTO fees.  
19 I'm just talking about PTO fees. There's so much  
20 more. There's legal fees trying to defend an  
21 invalid, mistakenly awarded patent. There is  
22 whole life savings and loans from other people or

1 banks that go into building a business around a  
2 mistake by the PTO. How is it okay that  
3 petitioner gets their money back for filing a weak  
4 petition, its own mistake, but the patent owner  
5 does not while the PTO made the mistake?

6           Seeing fees go up across the board  
7 indicate that these issues, which are known, are  
8 not being considered. And I and many other  
9 inventors, like me or like my wife, want to see  
10 this changed and both solutions for these two  
11 issues need to be worked into the new fee  
12 settings.

13           Personally, I believe that it's nothing  
14 but normal to return all the fees related to a  
15 canceled, mistakenly awarded patent to the patent  
16 owner. Thank you.

17           CHAIR HARRISON: Thank you. That is all  
18 we have for the in-person speakers, and we'll now  
19 move to the online speakers. And we're going to  
20 start with Brian. I'd like to note for the online  
21 speakers, you'll be getting queues for time  
22 through the chat.

1                   MR. KEARNS: Hey, thanks. Can everyone  
2                   hear me? Okay. My name is Brian Kearns. And I  
3                   lead the U.S.-based patent development team at  
4                   Ericsson. So, Ericsson has more than 60,000  
5                   patents granted worldwide, a significant portion  
6                   of which are in the United States. We regularly  
7                   file several thousand applications, including  
8                   several hundred continuations per year at the  
9                   USPTO. As such, we have a strong interest in  
10                  ensuring the U.S. patent system continues to  
11                  operate efficiently and fairly for all applicants.

12                  Fee changes may be necessary for a  
13                  variety of reasons: to recover costs, for the  
14                  USPTO to remain self-funded, and also influence  
15                  certain applicant behaviors. However, we believe  
16                  that changes should only be undertaken based on  
17                  robust evidence that they're both financially  
18                  necessary, that they won't unduly influence  
19                  applicant behavior in a way that affects patent  
20                  ownership rights.

21                  We submit that additional data is needed  
22                  before implementing many of the proposed fee

1 increases. But in the interest of time, I wanted  
2 to highlight three particular targeted proposals:  
3 continuing applications, terminal disclaimers, and  
4 excess claim fees.

5 So, new tiered fees for continuing  
6 applications are proposed to offset foregone  
7 maintenance fee revenue, recover front end costs,  
8 and encourage more efficient filing and  
9 prosecution behavior. But Ericsson respectfully  
10 requests reconsideration of these proposals.

11 First, the maintenance fee rationale  
12 presumes, without detailed evidence, that  
13 applicants generally abandon earlier filed  
14 applications in favor of later filed  
15 continuations. We want to challenge this  
16 presumption. Applicants are guided by the value  
17 and claim scope of their patents and not simply  
18 minimizing the maintenance fees paid.

19 Ericsson typically keeps multiple  
20 patents in a family alive, including an earliest  
21 filed parent application or parent patent. Thus,  
22 a robust continuation practice may actually

1 provide more maintenance fee revenue than a single  
2 application.

3           Second, the recovery of front-end cost  
4 presumes that these costs are the same across  
5 continuing applications, as they are for new  
6 applications. We want to challenge this as well.  
7 Continuations are generally handled by the same  
8 examiner who's already familiar with the content  
9 of the specification and the field of art.

10           Office actions and continuations often  
11 cite the same art as a parent application or  
12 provide obviousness type double patenting  
13 rejections. So, the front-end cost of examination  
14 may actually be lower in continuation  
15 applications.

16           And finally, we disagree with the  
17 assertion that continuation practice encourages  
18 inefficient applicant behavior. Applicants  
19 typically file applications covering various  
20 embodiments of an invention, but the current claim  
21 fee structure strongly encourages them to seek  
22 coverage for only a subset of those embodiments.

1           It may take years for the applicant to  
2 determine which embodiments are both commercially  
3 valuable and entitled to patent protection over  
4 the prior art. The current continuation practice  
5 allows applicants to track these developments  
6 efficiently and seek the full scope of patent  
7 protections to which they are entitled.

8           A new sliding scale of fees is proposed  
9 for terminal disclaimers, based on the argument  
10 that the cost to process terminal disclaimer  
11 increases greatly after certain milestones. The  
12 increase is proposed to allegedly reduce  
13 unnecessary examination costs and promote overall  
14 efficiency. We disagree with this as well.

15           First, no cost data is provided to show  
16 a significant financial or time cost in processing  
17 terminal disclaimer, and certainly not one that  
18 increases as time progresses. The USPTO has  
19 already promoted efficiency in this area with the  
20 introduction of e-terminal disclaimers in 2013,  
21 which are auto processed and approved almost  
22 immediately upon submission.

1           Second, it's unclear how a delayed  
2           filing would increase examination costs. Double  
3           patenting rejections are often presented in  
4           conjunction with other claim rejections. So, in  
5           these situations, filing a terminal disclaimer  
6           early in prosecution would not expedite  
7           prosecution, as other rejections would remain.

8           In practice, Ericsson receives double  
9           patenting rejections almost exclusively in our  
10          continuation applications. So, we respectfully  
11          submit that while terminal disclaimer practice now  
12          is generally superfluous for continuing patent  
13          applications, aside from patent term adjustment,  
14          continuing patent application will have the same  
15          term as its parent public will have sufficient  
16          notice of their relation with or without the  
17          filing of a terminal disclaimer.

18          Finally, the USPTO has proposed  
19          significantly increasing the fees for excess claim  
20          fees. This is for better alignment with the cost  
21          of examination and to encourage more efficient  
22          behavior in the number of claims filed. We submit

1 that the proposed increases are excessive.

2 First, no historical cost data is  
3 provided regarding these fees, so it's difficult  
4 to fully evaluate the necessity of such a large  
5 increase without more data. Furthermore, this  
6 increase in the motivation to encourage applicants  
7 to be more efficient in the number of claims filed  
8 is at odds with the concurrent proposal to add new  
9 fees for continuing applications.

10 The current excess claim fees already  
11 encourage applicants to be efficient in the number  
12 of claims they file, pursuing claims of differing  
13 scope or embodiments in continuing applications.  
14 Taken together, the increase in excess claim fees  
15 and the addition of new continuation fees would  
16 indicate that efficient filing would require an  
17 applicant to know exactly which embodiments are  
18 most commercially valuable and patentable over the  
19 prior art at the time of filing. This is simply  
20 unrealistic.

21 For at least these reasons, we would  
22 like to submit that the targeted fees are not

1 justified by the current evidence that we've seen,  
2 and if implemented could negatively influence  
3 applicant practices, resulting in a loss of patent  
4 rights.

5 Thank you for your time and  
6 consideration of our comments. We look forward to  
7 continuing to work with the USPTO on this.

8 CHAIR HARRISON: Thank you. Andrew?

9 MR. SHERMAN: Thank you. I'm Andrew  
10 Sherman. I am a serial entrepreneur and have over  
11 100 patents that I have written and been part of,  
12 and they've led to the starting of a dozen  
13 companies.

14 And from my point of view, I am  
15 concerned that increasing maintenance cost,  
16 particularly when the Patent Office does not stand  
17 by the patent and it can be invalidated at the  
18 PTAB indefinitely -- the practical effect of this  
19 is that we invented a magnesium product that  
20 changed the way oil and gas is produced, saved 92  
21 percent of the water and emissions for completion.

22 Within six months of actually

1       introducing that product, Chinese infringers were  
2       selling my product -- infringing product for less  
3       than it cost me to produce it. And I went to the  
4       largest user and his comment was, I don't believe  
5       patents are valid. He says, I will beat you at  
6       the PTAB. I had another infringer that basically  
7       held me hostage and said, you know, I can bankrupt  
8       you by filing a continuing number of IRBs.

9                 So, the practice of returning fees to  
10       the petitioner, when it cost me 50,000 plus in  
11       legal fees just to prepare a preliminary response,  
12       I would propose that before -- that the PTAB be  
13       denied if a maintenance fee, particularly the  
14       seven year fee is due, that at that point the  
15       patent has had enough time to be challenged, and  
16       that you shouldn't charge a maintenance fee if you  
17       don't stand behind the patent.

18                We can't do that in business, if -- and  
19       the proof is the patents that are challenged are  
20       the valuable ones. In light of some of the other  
21       fees, I mean, charging for a mandatory disclosure  
22       and increasing those fees just when there's no

1 real cost to attach that is -- we have to do  
2 those, that's just -- that's wrong.

3 Excess claims and RCEs, increasing those  
4 fees 100 percent. In order to have a valid and  
5 enforceable patent, I've had to enforce them, we  
6 need to continue those. We need enough claims.  
7 Because when we file the patent, we're not --  
8 we're doing that before we're commercializing and  
9 really know what -- which features are the actual  
10 important ones to the end users.

11 And, you know, it's three years down the  
12 road before we get issued a patent. And then we  
13 -- you know, we need to be able to adapt to what  
14 is actually in the market. And increasing those  
15 fees for small entities are -- the U.S. Patent  
16 Office has the highest maintenance fees in the  
17 world or among the highest today.

18 The practical impact, we're in a state  
19 of national -- declared national emergency for  
20 supply chains. And we're fighting the Chinese,  
21 and they are using our patent system and  
22 weaponizing it against us in the middle of a

1 national supply chain emergency. This is a  
2 problem.

3           The practice of returning the fee for  
4 discretionary denial seems against policy. It  
5 incentivize looking at those, if nothing else. If  
6 that is denied, that should be returned to the  
7 patent owner that had to go through the expense,  
8 or it should go into -- I support higher fees to  
9 get more robust, upfront patents because I've  
10 invested \$15 million in building a business, 55  
11 employees, and it is based on an enforceable  
12 patent.

13           If that patent is not enforceable, there  
14 is a court, there are venues to actually work out  
15 whether it was erroneous or not. The PTAB is not  
16 it, when it cost me half a million dollars to  
17 defend, and it's a 70 percent to 85 percent chance  
18 that I'll lose. Basically, there is no respect  
19 for patents. And I'm basically not writing  
20 patents. I'm keeping trade secrets and finding  
21 other ways of controlling my information.

22           The other is -- I would think that for

1 companies -- countries and entities and countries  
2 that do not have an enforceable patent system  
3 where we can access it, at the very least, we  
4 should double or triple their fees. I don't know  
5 if that's allowable. But, you know, certainly at  
6 the PTAB, they should be barred, if we can't  
7 access their court system, or their fees should  
8 be, you know, exponentially higher for them to do  
9 that. Thank you.

10 CHAIR HARRISON: Thank you. Shaina?

11 MS. CASPER: Hi. My name is Shaina  
12 Casper. I'm a patient dependent on insulin living  
13 with type 1 diabetes, also the U.S. policy manager  
14 for T1 International.

15 T1 International is a global diabetes  
16 advocacy organization led by people with diabetes,  
17 for people with diabetes. And we believe in a  
18 world where everyone with diabetes, no matter  
19 where they live, has everything that they need to  
20 survive and achieve their dreams. We accept no  
21 funding from pharmaceutical companies and provide  
22 advocacy, training, and support to insulin for all

1 advocates.

2                   And in the U.S. we've got 41  
3 volunteer-led Insulin For All chapters. And we've  
4 got three working groups with a national  
5 membership. Communities of Color working group,  
6 Families United for Affordable Insulin, for those  
7 who have lost loved ones due to insulin rationing,  
8 and the Family -- Federal Working Group, which is  
9 focused on addressing the insulin price crisis.

10                   Patent review reform is a priority for  
11 T1 International's Federal Working Group. Because  
12 100 years ago, in January of 1923, the discoverers  
13 of insulin sold the patent for \$1, saying that  
14 insulin does not belong to me, it belongs to the  
15 world. And rather than this gift that it was  
16 intended to be, their discovery has become the  
17 poster child of pharmaceutical price gouging.

18                   As we've heard here today, this problem  
19 is not unique to insulin. Big pharma has created  
20 thickets of patents around their products,  
21 allowing them to maintain a monopoly for far  
22 longer than initially intended. This patent

1 thicketing, along with pay for delay patent  
2 dispute agreements and more, has hindered true  
3 competition, and thus the lowering of prices of  
4 drugs, drug device combinations, diagnostic  
5 technologies, durable medical equipment, and other  
6 medical devices and tools.

7           Patent evergreening has arrived then in  
8 part because the USPTO has not provided the  
9 adequate training or time needed for patent  
10 examination, has cut the public out of the  
11 process. Fees are needed to support rigorous  
12 examination, invalid but issued patents prevent  
13 generic and biosimilar entry, and keep prices for  
14 patients high.

15           We also need transparency into the  
16 USPTO's costs of examination and other activities  
17 beyond the unit costs. This transparency would  
18 enable accountability for whether resources are  
19 being put into the right places for patent  
20 examination. And additionally, continuation  
21 patents are a common tool of this packet  
22 thicketing that we've been hearing, late filed

1 continuation patents were an additional  
2 examination and should be funded by increased  
3 fees.

4 Thank you for your time.

5 CHAIR HARRISON: Thank you. Anna?

6 MS. BALL: Hi, everyone. My name is  
7 Anna Ball. I'm a first year graduate student.  
8 And my journey with chronic illness began at the  
9 age of 20, following my diagnosis of lupus and OCD  
10 and anxiety disorder.

11 I represent Generation Patient. We are  
12 the first class of health policy scholars that is  
13 led entirely by young adult patients. We work to  
14 increase health literacy, confidence and  
15 self-management skills, and public policy  
16 knowledge and advocacy strategies of young adult  
17 patients. Generation Patient does not accept  
18 funding from pharmaceutical, insurance, hospital,  
19 or related healthcare industries.

20 My story is just one of millions of  
21 stories that illuminates the need for public  
22 accountability in the patent system. The patent

1 system is not currently working for patients, with  
2 case examples of Humira, Equilis (sic), and  
3 Keytruda. We worry about other therapeutics will  
4 be in the list of harmful patent practices.  
5 Action is not taken. This is why we appreciate  
6 the opportunity to address the USPTO on this  
7 important hearing which would impact patients.

8 We will submit further written content  
9 that reflects all of our viewpoints, but I wanted  
10 to highlight a few. We believe in increased fees  
11 for continuation patents. We recognize that  
12 patent examiners need more resources and time to  
13 accomplish thorough review and assure patents are  
14 granted and not unfairly prohibit competition. A  
15 paper titled "On the Appeal of Drug Patent  
16 Challenges" by Charles Duan highlights that  
17 invalid but issued patents prevent generic or  
18 biosimilar entry and keep prices high.

19 Pharmaceutical companies, we believe, do  
20 not seek large continuation patents, unless those  
21 patents provide high profit margin. Continuation  
22 patent applications warrant additional examination

1 that should be supported by increased fees. Fee  
2 increases could be larger than proposed to support  
3 a greater examination.

4 We are thrilled about the USPTO and FDA  
5 collaboration, and believe that increased time on  
6 patent examination can allow the patent examiners  
7 -- I'm sorry, I'm in finals week right now.  
8 Patent applications that warrant additional  
9 examination that should be subsidized by increased  
10 fees. Fee increases that could be larger than  
11 proposed to support a greater examination.

12 We are thrilled to be -- we are thrilled  
13 about the USPTO and FDA collaboration and believe  
14 that increased time on patent examination can  
15 allow for patent examiners to thoroughly compare  
16 decisions and actions taken by the FDA and those  
17 made by the USPTO. Continuation patent  
18 applications warrant additional examination that  
19 should be funded by increased fees.

20 A second point that we need to -- is  
21 that we need more transparency into the cost of  
22 examinations for patent review and other

1 activities. As patients, we want to ensure that  
2 we have accountability to ensure that proper  
3 resources are dedicated towards rigorous patent  
4 examination.

5           We are currently aware of the unit costs  
6 for agencies' actions that are given, but we are  
7 not clear on how these costs are derived.  
8 Specificity on this would allow for more public  
9 accountability understanding. We also strongly  
10 oppose fee increases for inner parties review. As  
11 a patient group, we need public accountability  
12 groups to have accessible opportunities to  
13 challenge patents that are not benefiting  
14 innovation to the public. These fee increases are  
15 a threat to allowing more general public  
16 distribution in the patent system.

17           In conclusion, we also wish to note that  
18 the patent system is misused. Our demographic of  
19 young people with chronic conditions is  
20 disproportionately affected. We need novel  
21 innovation fairly priced. We want to emphasize  
22 that for us, as young adult patients, the need --

1 the access to prescription medication is a basic  
2 human need.

3           According to the Georgetown University  
4 McCourt School of Public Policy, 53 percent of  
5 people ages 18 to 34 use prescription drugs. More  
6 so, 21 percent of people ages 18 to 49 years old  
7 say they have difficulty affording medication.  
8 This share is likely even higher for younger  
9 adults living in the highest poverty rate in the  
10 United States that is between ages of 18 and 24.

11           But given that research is not  
12 sufficiently focused on young adult populations,  
13 there is no specificity of the site. We are  
14 grateful that this patent hearing includes  
15 adequate representation of young adult patients,  
16 with the opportunities to increase the affordable  
17 medication. We welcome elaborating on any of the  
18 above continuing -- and continue to partner to  
19 ensure patent fees reflecting the time and effort  
20 needed to thoroughly review.

21           Thank you for hearing my testimony.

22           CHAIR HARRISON: Thank you. David?

1                   MR. BOUNDY: Hello. My name is David  
2 Boundy. Am I audible?

3                   CHAIR HARRISON: Yes, we can hear you.

4                   MR. BOUNDY: Okay, great. My name is  
5 David Boundy. And I am representing U.S. Inventor  
6 and the Small Business Technology Council.

7                   We've all seen the Roberts Court  
8 actively policing cases of agency overreach. The  
9 PTO is not permitted to play by the rules of a  
10 profit maximizing enterprise. And the PTO can't  
11 play by the rules of agencies that have policy  
12 making authority.

13                   I hope that a book got on your desks,  
14 and I will walk it through -- walk through it with  
15 you tab by tab and give you an overview so that  
16 you can read it more carefully later.

17                   Tab one is Section 41 of the Patent Act.  
18 It's the basic fee schedule that Congress enacted  
19 as part of the AIA. Henry, you probably remember  
20 when Section 41 was added as part of the  
21 compromise with the appropriators to end fee  
22 diversion. Legislative history refers to Section

1 41 as the reference point for future fees.

2           Tab two gives the end result of where  
3 I'm going to go over the next couple of minutes.  
4 PTO has authority to scale up fees of Section 41  
5 in proportional lockstep for, you know, maybe -- I  
6 don't know what the number is. It might be 32  
7 percent or something. The Patent Office can break  
8 out of that lockstep in two situations, either  
9 where Congress specifically authorized some  
10 reference point other than Section 41 or when the  
11 PTO shows us cost data to justify a higher fee.  
12 Unless the PTO can show us one of those two, part  
13 of the costs -- part of the check and balance of  
14 giving the PTO control over its own fees, ending  
15 fee diversion, and giving the PTO fee setting  
16 authority was that the PTO is locked into Section  
17 41, unless it follows all of the laws that get it  
18 out.

19           Tab three introduces three important  
20 laws that govern most agency fee setting. First,  
21 the Constitution requires that taxes have to  
22 originate in Congress. Taxes cannot originate in

1 the executive branch. Case law has made very  
2 clear that any fee set to incentivize or to  
3 influence behavior is a tax. The PTO doesn't have  
4 the authority to tax. So, the PTO can't set fees  
5 to influence behavior.

6 Also, in tab 3 is the Independent  
7 Offices Appropriations Act of 1952. The IOAA sets  
8 ground rules for executive branch user fees,  
9 unless an agency has a carve out. The AII -- the  
10 AIA gave the Patent Office one carve out, but two  
11 provisions of the general fee setting statute  
12 remain operative. Tab three is the second most  
13 important -- no. Yeah, and third on tab three is  
14 the Patent Act.

15 Most important thing is the silences in  
16 the Patent Act. Section 2 lists the powers of the  
17 office. There are plenty of powers relating to  
18 foreign patent policy, but there's nothing that  
19 delegates the Patent Office any control over  
20 domestic patent policy. So, the frequent  
21 reliances on policy in the Patent Office's  
22 justification are simply unlawful. They're

1 outside the bounds of what the agency is allowed  
2 to think about.

3 Tab four is the second most important  
4 page in this book. It's a bit of the legislative  
5 history of the AIA. When the bill was introduced  
6 in January 2011, the PTO had asked for extremely  
7 broad fee setting authority and had asked to be  
8 made exempt from all the checks and balances that  
9 apply to all other agencies. And that's the way  
10 the statute was introduced.

11 However, as part of the compromise, the  
12 end fee diversion, and as part of the compromise  
13 that gave the Patent Office its segregated account  
14 and gave it a fee setting authority, the final  
15 language says that the PTO may only set fees to  
16 recover cost. Only is the key word here. The  
17 legislative history explains that the PTO may do  
18 no more than recover costs. Congress specifically  
19 denied the Patent Office the authority to use fees  
20 as a policy implementation tool.

21 Tab five is there for you to read on the  
22 plane. It explains some of the financial

1 incentives that might be causing some of the  
2 problem.

3 Tab six shows a few of the fees, that  
4 when I did this two days ago that I thought had  
5 sound rationale. Listening today, I've revised  
6 some of those opinions. But the important thing  
7 is that some of the fees are well founded. And  
8 also important, when the PTO has data that they  
9 want you to see, they give it to you.

10 Tab seven lists a lot of fees that  
11 aren't lawful. Patent Office may not set fees to  
12 incentivize or disincentivize or to influence  
13 behavior. That's not constitutional. Where the  
14 PTO claims to set fees to implement policy, that's  
15 in excess of the statutory authority that Section  
16 2 or Section 3 give. Where the PTO hasn't given  
17 us cost information, they don't have authority to  
18 break out of lockstep of Section 41 or the IOAA.

19 Where the PTO data does show that costs  
20 decrease over time, they don't have authority to  
21 make the fees increase over time. Where the PTO  
22 creates costs on applicants by improper

1 examination and raising rejections that can't  
2 stick -- that aren't robust and reliable is the  
3 keyword of the day -- the PTO shouldn't raise fees  
4 on the techniques we use to correct those examiner  
5 errors.

6 Tab eight is one of the public comment  
7 letters from 2019, and it's just a longer version  
8 of everything I've given you in more detail so you  
9 can get fully up to speed.

10 Tab nine is the most important part of  
11 this presentation. It starts with a brief primer  
12 on the law of rulemaking. And also, in tab nine  
13 is the PTO's response to the comments that were  
14 there in tab eight.

15 Please read tab nine the most carefully.  
16 If you are a lawyer, tab nine will leave you  
17 gravely concerned. There is not a law firm in the  
18 country that would tolerate the shenanigans that  
19 you see in tab nine. Tab nine will leave you  
20 gravely concerned. Even if you're not a lawyer,  
21 tab nine will prompt you to ask a lot of  
22 questions.

1                   And tab ten is a paper by Ron Katznelson  
2                   who went over this same material. Many of you  
3                   know Ron, and it also makes good airplane reading.  
4                   And that's the end of my talk. Thanks very much.

5                   CHAIR HARRISON: Great. Thank you so  
6                   much. Now, we're on to Matt.

7                   MR. MOYERS: Hello. Thank you for  
8                   letting me be here. My name is Matt Moyers. I am  
9                   the founder of Peak Value IP. I have been  
10                  operating at the crossroads of finance and  
11                  intellectual property for 23 years, before I  
12                  announced my retirement earlier this year.

13                  With respect to the proposed patent  
14                  fees, I agree with almost everyone else that the  
15                  initial fees should provide a patent that is  
16                  unassailable. That when it is issued, it is valid  
17                  and it cannot be invalidated. And if it is to be  
18                  invalidated, I propose that the PTAB process not  
19                  be raised 25 percent, but rather be raised to 25  
20                  percent of the exposure that that entity that is  
21                  petitioning the patent for invalidation pay. That  
22                  would decentivize the process of invalidation,

1       which has turned this entire patent market system  
2       on its head.

3               The patent system as it stands right now  
4       is imploding upon itself, and small inventors are  
5       being left out in the cold. And I speak on this  
6       with great experience, representing a number of  
7       small entities that I have performed valuations  
8       for.

9               When I first started IP valuation, it  
10       was in the context of a post-Enron era. Sarbanes  
11       Oxley was the rule of law where we started putting  
12       the value of developed technology on accounting  
13       balance sheets. And that has gone on for many,  
14       many years. We account for it in a post-merger  
15       and acquisition setting, but we do not account for  
16       it prior to that.

17               There's a huge dislocation of  
18       information and purpose for how IP is viewed in  
19       this United States. There's tax purposes.  
20       There's the legal setting that you have here.  
21       There's transfer pricing issues. There's state  
22       and gift tax. All the valuation, all the pricing

1 does not come under one specific position, and it  
2 is undermining the system in a way that needs to  
3 be addressed. And this fee setting proposal that  
4 you guys are working on should continue.

5 But separate from that, we should create  
6 a system where people can receive a patent and it  
7 will be unassailable and it will be valid forever.  
8 And with that comes a whole myriad of change that  
9 you can have, because the patent will then morph  
10 from being a simple asset and a right to exclude  
11 to potentially a licensable equity or debt  
12 instrument. And if it is an equity or debt  
13 instrument, the U.S. Patent Office can start  
14 charging on the true value of intellectual  
15 property and specifically on patents, and all of  
16 your fee issues will go away.

17 But because the U.S. Patent Office is  
18 currently operating like a park and recs district,  
19 where we do permit stamping, issue a patent, and  
20 then pull it back when we decide that it shouldn't  
21 be because some petitioner institutes the patent,  
22 there's no value. So, you know, I think

1 ultimately, we could open up the entire U.S.  
2 patent system as well as the trademark system, as  
3 well as the copyright system to be an open market  
4 where there's actual secondary transactions and  
5 liquidity.

6           The S&P 500 right now is valued in  
7 excess of \$25 trillion. But to develop the  
8 technology of that value, which includes patents,  
9 it's got to be in the 7 to 8 trillion. Yet patent  
10 transactions on an annualized basis is a very,  
11 very de minimis value compared to those other  
12 large groups.

13           So, in conclusion, I ask that you start  
14 to marry up what is happening with patent  
15 valuation and pricing and start taking fees that  
16 kind of relate to that and make the patent system  
17 unassailable. Thank you.

18           CHAIR HARRISON: Thank you. Dennis?

19           MR. CROUCH: Madam Chair, members of the  
20 public -- Patent Public Advisory Committee,  
21 esteemed guests, my name is Dennis Crouch. I'm a  
22 law professor here at the University of Missouri,

1 and I'm author of the Patently-O website.

2 I'm really grateful for this opportunity  
3 and that you're opening this up for discussion of  
4 the proposed structural fee changes. I want to  
5 note my remarks today that I'm in my personal  
6 capacity and not representative of the university  
7 or any other institution.

8 You know, at its core, a patent system  
9 is designed for the purpose of incentivizing  
10 innovation and incentivizing disclosure. Over the  
11 past 20 years, I've spent countless hours thinking  
12 and writing about these patent incentives. And in  
13 my view, the Patent Office fees are a really  
14 important aspect of the whole incentive analysis.

15 The recently proposed USPTO fee changes  
16 today and previously have stimulated a really  
17 lively debate. And amidst this complex  
18 disclosure, I'm hoping to share a few insights and  
19 basically underscore the necessity of a bigger  
20 picture examination of the impact of these fees  
21 beyond merely USPTO revenue and USPTO efficiency.

22 The proposed fee increases do, though,

1       aim to promote a more efficient filing and  
2       prosecution behavior. And that aspect of the PTO  
3       purposes, I think, deserve substantially more  
4       explanation from the office and attention in terms  
5       of what's going on.

6                 Now, when I think of governmental fees,  
7       I think of them as serving several purposes, some  
8       of which require more justification than others.  
9       And I want to briefly touch upon three categories  
10      that I think directly relate to the proposals  
11      here, and at least two of which necessarily  
12      require more analysis from the USPTO.

13                First off, we all recognize that fees  
14      provide the USPTO with necessary revenue. So long  
15      as Congress refuses to subsidize the patent  
16      system, those fees need to be there in order to  
17      have an examination approach. Second, though,  
18      higher fees can create what we call a costly  
19      screen, right? A costly screen, now there's some  
20      benefits of that, having some kind of nominal fee,  
21      because it discourages trolling behavior.

22                And it also can filter out weaker

1 arguments, right? If it's free to make an  
2 argument, you'll get more. But if you place a  
3 small fee on, you'll have some weeding out. But  
4 at the same time, that kind of fee additional --  
5 especially if it's as an additional fee down the  
6 line, can discourage smaller businesses,  
7 individual inventors, and many others from taking  
8 advantage of their rights.

9           And that appears, you know -- so, you  
10 know, a number of the fees that have been  
11 proposed, including these increased design patent  
12 fees, I think fall within this category of a  
13 costly screen, right?

14           The third category, I just want to  
15 mention, is a type of fee that simply is designed  
16 to discourage actions, right, and discourage them  
17 in a way that results in loss of rights for the  
18 individual, right? And in these fees, that's  
19 typically loss of rights for the patent holder.

20           Now, an important point here that's been  
21 made by many of the prior speakers, the USPTO fees  
22 serve as a lever in the patent system's incentive

1 structure, pushing folks to act one way or  
2 another. And any change to the fee structure  
3 needs to be carefully considered because it's  
4 going to have that kind of impact.

5 Well, economists have been forecasting  
6 the impact of price changes since the time of Adam  
7 Smith. Before any fee shifting occurs, in my  
8 view, it's essential that we send these proposals  
9 over to someone, such as the USPTO chief economist  
10 or other economic experts, to really analyze the  
11 potential impact of fee shifting, both on USPTO  
12 revenue, which I know that's already happening,  
13 but more important, on applicant behavior as well  
14 as the behavior of innovators and those investing  
15 in innovation.

16 Some of the changes here involve  
17 pressuring applicants to further towards what we  
18 might call compact prosecution, adding additional  
19 front-end fees; and on balance, shifting things  
20 away from maintenance fees. Of course, in my  
21 view, maintenance fees are actually quite  
22 important. They're a key feature of the patent

1 system because the PTO only gets paid for those if  
2 the patent is valuable enough for applicants and  
3 owners to keep paying.

4 Now, this analysis I think should also  
5 consider the impact on innovators and investors,  
6 including their ability to participate in the  
7 patent system, potential impact on their  
8 incentives. A careful economic analysis will help  
9 identify potential unintended consequences. And  
10 so far, it looks like that really hasn't -- that  
11 really hasn't happened.

12 The last thing I want us to consider, or  
13 at least recognize, is that today, in the U.S.  
14 patent system, most non- provisional applications  
15 are filed from folks coming from abroad, outside  
16 of the U.S. This reality likely also changes the  
17 calculus on several levels and should be expressly  
18 considered by the office before moving forward.

19 Ultimately, we want a well-designed fee  
20 system and it has the potential of incentivizing  
21 responsible behavior among patentees. And the  
22 reality, though, is the Patent Office should

1 really consider that impact and let us know,  
2 right, as we consider that, how that has  
3 influenced the decision making. Thanks so much.

4 CHAIR HARRISON: Thank you very much.  
5 Ramzi?

6 THE REPORTER: Ramzi should be  
7 connected. Ramzi, are you able to hear me?

8 MR. MAALOUF: Yes. Can you hear me?  
9 Hello?

10 THE REPORTER: Yes, we can. Please go  
11 ahead.

12 MR. MAALOUF: Thank you. Thank you.  
13 Good afternoon all. My name is Ramzi Khalil  
14 Maalouf. I'm an engineer and an independent  
15 inventor.

16 I hold several U.S. patents, many of  
17 which have had global commercial success. For  
18 example, a device based on one of my patents sold  
19 over 500 million units worldwide. Another is  
20 currently in use in over a billion smartphones.  
21 Despite this, I've not made any money for my  
22 patents, quite the opposite in fact. In addition

1 to the monies I've spent building a business,  
2 which I assume was protected by my IP, have  
3 incurred enormous expenses fighting infringements.

4 Some strong armed me into settlements  
5 after filing multiple, potentially ruinous IPRs.  
6 While others successfully invalidated my patents  
7 through IPR rulings issued by administrative  
8 judges who are, in my opinion, illegally appointed  
9 at the PFA.

10 Among others, I've had to fight against  
11 an infringement by entity known as DJI, the drone  
12 folks who are banned by the U.S. government; and  
13 Xiaomi, who now rank higher than Apple in  
14 smartphone sales. Still, fearful of my probably  
15 superior skills as a pro se defendant, Chow Ming  
16 enlisted Microsoft, their strategic AS partner, a  
17 trillion dollar company and the second largest in  
18 the world to file an IPR on their behalf against  
19 me, even though Microsoft does not produce or sell  
20 the patented product.

21 On February 23rd, the U.S. Court of  
22 Appeal, of this month -- of this year, the U.S.

1 Court of Appeal to the Federal Circuit affirmed  
2 the PTAB decision to invalidate my patent, and  
3 under the ridiculous opinion that the commercial  
4 success of my invention is sufficient motivation  
5 to combine the prior art and implied proof that it  
6 was obvious to invent it.

7 Well, how does this relate to the fee  
8 setting? Well, every product is directly related  
9 to the perceived value that the payer has for that  
10 item. In my opinion, our broken system, and  
11 especially the IPR process, is destroying our U.S.  
12 Patent as an alarming 84 percent kill rate and  
13 making the actual value of the patent equal to  
14 zero.

15 Irrespective of the fees, whether they  
16 remain the same or they're increased by 5 or 10  
17 percent as proposed, I spent \$800 to file my first  
18 patent. Sadly, over the years, and on the advice  
19 of qualified counsel, I repeated this process 37  
20 more times. Some would argue that the first time  
21 would be a shame on the PPAC, and the next 37  
22 would be shame on me and my lawyers. But that

1 would not be the case here, because patents are  
2 issued by the U.S. government, the ultimate source  
3 of trust and security.

4 I love inventing and I love this  
5 country. I believe the independent U.S. inventor  
6 is responsible for our nation's competitive edge  
7 and has improved the value of well-being of our  
8 citizens. I realize, especially when I was wrong  
9 to assume that -- while I was fortunate to  
10 accurately predict the market in my invention, I  
11 was wrong to assume that the patents are real  
12 property rights that cannot be taken away,  
13 certainly not by an administrative process by the  
14 same government that issued it in the first place.

15 I thought that an official U.S. issued  
16 and signed patent, just like \$100 bill, was backed  
17 by the full faith and credit of the U.S.  
18 government. I realize my comments may be harsh,  
19 but they're from the heart and well-intended,  
20 because my fellow inventors and I are deeply  
21 pained and want to make sure that our nation does  
22 not lose our valuable, innovative edge to others.

1           I have many suggestions to share. But  
2           in the interest of time, here's the most  
3           important. Offer the inventor an option to  
4           unconditionally -- an option to unconditionally  
5           guarantee the validity of a patent and charge ten  
6           times or even a hundred times a fee multiplier for  
7           that guarantee. That would give qualified  
8           examiners, who are implicitly accused of  
9           incompetence by judges for being wrong 84 percent  
10          of the time, more hours to review cases and wider  
11          access to prior databases.

12           Perhaps form a three to five person  
13          panel, a senior examiner to review each patent  
14          before it is issued or when it is challenged, as  
15          Japan does. I am willing to pay \$8,000 or even  
16          \$80,000 or more fee that comes with a validity  
17          guarantee, just like a title insurance policy on  
18          my home. That will give me the comfort of knowing  
19          that I can rely on my patent and invest in my  
20          business, and that the full force and resources of  
21          the U.S. government would step in and protect me  
22          against obvious challenges attempting to

1       invalidate my patents.

2                   I have much more to say, but my time is  
3       up. Thank you for the opportunity. May God bless  
4       you, bless this country, and guide you in your  
5       decisions moving forward. Thank you. (applause)

6                   CHAIR HARRISON: Thank you very much. I  
7       want to -- this concludes, actually, the public  
8       comment portion of this hearing. And I want to  
9       say on behalf of PPAC and the USPTO, that we thank  
10      you very much for your carefully considered and  
11      thoughtful and very passionate comments to help  
12      the USPTO, inform them of your beliefs and  
13      thoughts, so that they can go back and think about  
14      how this relates to the current fee proposals that  
15      they have.

16                   As I said before, PPAC will take all of  
17      these comments, along with the written comments  
18      that we receive, and we'll be writing a report to  
19      give to the USPTO on what we have heard today and  
20      what we hear in the comments, with our own --  
21      combined with our own PPAC thoughts on the fee  
22      proposals that will allow the USPTO to take all of

1       that under consideration and come back with a  
2       revised -- a potentially revised fee proposal for,  
3       again, one more round of comments by the public.

4               So, again, we thank you very, very much  
5       for spending the time with us today to make your  
6       voices heard. This concludes the hearing.

7               (Whereupon, at 3:38 p.m., the  
8       PROCEEDINGS were adjourned.)

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1 CERTIFICATE OF NOTARY PUBLIC

2 COMMONWEALTH OF VIRGINIA

3 I, Mark Mahoney, notary public in and for  
4 the Commonwealth of Virginia, do hereby certify  
5 that the forgoing PROCEEDING was duly recorded and  
6 thereafter reduced to print under my direction;  
7 that the witnesses were sworn to tell the truth  
8 under penalty of perjury; that said transcript is a  
9 true record of the testimony given by witnesses;  
10 that I am neither counsel for, related to, nor  
11 employed by any of the parties to the action in  
12 which this proceeding was called; and, furthermore,  
13 that I am not a relative or employee of any  
14 attorney or counsel employed by the parties hereto,  
15 nor financially or otherwise interested in the  
16 outcome of this action.

17

18 (Signature and Seal on File)

19 Notary Public, in and for the Commonwealth of  
20 Virginia

21 My Commission Expires: August 31, 2025

22 Notary Public Number 122985

