



American Intellectual Property Law Association

September 30, 2019

Honorable Andrei Iancu
Under Secretary of Commerce for Intellectual
Property and Director of the United States
Patent and Trademark Office, 600 Dulany Street Alexandria, VA 22314
Via email: fee.setting@uspto.gov

Attention: *Brendan Hourigan*

**RE: Comments on USPTO Setting and Adjusting Patent Fees During Fiscal
Year 2020 [Docket No. PTO-P-2018-0031]**

Dear Director Iancu:

AIPLA appreciates the efforts by the U.S. Patent and Trademark Office in preparing this Notice of Proposed Rulemaking (NPRM) for Setting and Adjusting Patent Fees During Fiscal Year 2020.

AIPLA is a national bar association of approximately 12,000 members engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

Our comments below address seven aspects of the proposed fee schedule: general comments on the proposed fees; comments on the surcharge for not filing patent applications in docx format, comments on the surcharge for late payment of maintenance fees within 6 months, comments on the patent trial and appeal fees, comments on the annual practitioner fee, and comments on the CLE discount for this fee.

AIPLA has, in the past, expressed the view that fees, in the aggregate, should recover 100% of the costs of the USPTO, and that the relationship between “front-end” (filing, search, examination, etc.) and “back-end” fees (e.g., issue fees, RCE fees and, maintenance fees) should be maintained. For example, the search and examination fees for patents should not necessarily be set to recover the entire costs of front-end processing for patents and a portion of such costs

should continue to be borne by maintenance and renewal fees.¹ This approach balances the fees to ensure that front-end fees remain low enough to allow a wide range of inventors and businesses to seek patent protection, making up the shortfall with back-end fees.

1. General Comments on the Proposed Fee Schedule

The proposal contains a multitude of fee increases, some of which AIPLA does not have concerns with, while other fee increases do concern AIPLA. For example, Section V(A) of the NPRM describes an across the board adjustment of 5% in patent fees. We understand that these fees may be justifiable for many reasons, such as to compensate for inflation over the three-year period in which they will be in effect, to pay for employee merit wage increases, to update infrastructure, or to provide new or improved services.

AIPLA, with membership practitioners both in corporations and in private practice representing large entities, small entities and micro entities is concerned that many of the proposed fee increases will, ultimately, increase the cost of obtaining patents and may result in a reduction in filings as all entities, regardless of size, allocate their limited resources to fewer patents. Given that many entities have a fixed budget for IP portfolios, many of these fee increases will ultimately increase the cost of obtaining and maintaining patents and may result in a reduction of patents in the entities' portfolios. Consequently, these fee increases need to be well justified.

Applying these fee increases, and especially the fee increases of 25% or more, dramatically impacts small and micro entities. While we understand that the Office is statutorily limited in the discounts it can provide to small and micro entities, we urge the Office to reconsider the increases that most significantly impact those entities.

In the same vein, AIPLA encourages the Office to consider the policy implications of certain proposed fee increases. For example, AIPLA is concerned that the new surcharge for paying maintenance fees during the grace period may disproportionately affect small and micro entities who are less likely to use sophisticated docketing systems or maintenance payment services than large entities.

2. Comments on the Surcharge for not Filing in docx Format

The Fee Proposal includes adding a Surcharge of \$400 for utility non-provisional filings submitted in a format other than DOCX. While AIPLA is aware of the benefits of receiving character-based submissions rather than image-based submissions, we do have concerns about how the USPTO proposes to implement character-based submissions using docx files. A main difficulty with the USPTO's proposed requirement that an applicant file "a docx file" is that there is no single unambiguous docx format. A set of inputs to one word processor (e.g., some text, some chemical formulas, some math equations) will yield a file with an extension of docx with particular data content. Those exact same inputs to another word processor (the exact same text, the exact same chemical formulas, the exact same math equations) will yield a file with the same docx extension but with non-identical data content. Our members who have submitted documents in docx format have noted format changes and errors in the text when their

¹ AIPLA Comments to the Patent Public Advisory Committee (PPAC) on the "Proposed Patent Fee Schedule," February 29, 2012 ("AIPLA 2012 Comments to PPAC"), Page 3 ([PDF](#))

documents were converted to portable document format (pdf) by the rendering engine used by the USPTO. Implementing the proposed fee before there is a consistent unambiguous standard for a docx file is premature.

The process for submitting a docx file is also uncertain and unclear. For example, in the e-filing process the user uploads a file with a docx extension, and the USPTO system runs the docx file through a rendering engine to yield a pdf file. The user is then told that if the user clicks "submit", the user is agreeing that the pdf will be the document of record. This means that, prior to clicking "submit," the user must proofread the entirety of the pdf file so as to detect corruptions introduced by incompatibilities of the docx file submitted by the user and the USPTO's rendering engine. Further, while the docx web page² indicates that the submission of a docx file generates a unique hash based on the content of the file to ensure that the docx file cannot be changed post-submission, there is no indication as to when and how this hash is checked to determine whether a document has been modified or whether it would matter if it had been modified as the converted pdf document is the official record. Because the converted pdf document is the official record, it appears that any discrepancies discovered after submission cannot be corrected.

One solution would be to allow applicants to implement a process similar to the "pre-conversion format" procedure provided under Section 706 of the PCT Administrative Instructions. This procedure permits applicants to correct errors in the converted document based on the pre-conversion document after filing. Alternatively, the Office could allow an applicant to submit a pdf document generated by their own rendering engine as the official record. Another solution might be allowing applicants to submit both docx and pdf files, with the pdf files, generated by the applicant's rendering engine, being the "official" submission. In this case, it would be relatively easy to revert to the pdf in the case of the corrupted e-submission of the docx file or issues arising due to the incompatibility of the word processors.

AIPLA recognizes with approval the Office's stated undertaking to scrub a variety of types of metadata from uploaded docx files. This gives rise, however, to questions about what if anything is preserved in the permanent record in the USPTO systems. Is the only version of the docx file that gets preserved in USPTO's systems a post-scrubbing version? If so, then what if the scrubbing process, though well intentioned, also inadvertently corrupts some substantive content as rendered? If on the other hand the USPTO were to preserve the pre-scrubbed version of the docx file (so as to guard against such possible inadvertent corruption) then the scrubbing does not protect the filer, and the filer faces the substantial burden of having to carry out such scrubbing each time that any e-filing activity takes place. Any lapse by the filer in the scrubbing process presents a substantial risk of loss of attorney-client privilege or other work product or sensitive or confidential information.

AIPLA is also concerned with the magnitude of the fee for not submitting a docx file. The NPRM admits that running optical character recognition on the document costs about \$3.15 per document. Thus, the \$400 fee appears to be an attempt to recover more than the aggregate cost of generating a character-based document. In addition, these surcharges of \$200 for a small entity and \$100 for a micro entity place an undue burden on these entities. These surcharges may be much less than the cost of checking the rendered pdf document for errors resulting in

² <https://www.uspto.gov/patent/docx>

large, small, and micro entities choosing to pay the surcharge rather than paying to have the rendered submission checked.

3. The Surcharge for Late Payment of Maintenance Fees Within the 6 Month Grace Period.

Our members do not believe that these fees are justified based on services provided. Further, the Office did not identify any damage to the public resulting from use of the 6-month grace period. A competitor would still need to wait until the expiration of the grace period to know that the maintenance fee has not been paid. The surcharge may disproportionately affect small and micro entities who are more likely to need the 6-month grace period as they might not be able to afford to use any of the commercial maintenance fee services. These fees will also affect large entities who use the grace period as a part of their decision-making process on which patents to maintain. AIPLA appreciates the reduction in these fees from \$1000 to \$500 for large entities in the PPAC submission. If the goal is to minimize the use of the grace period, we strongly suggest that the Office initiate procedures to notify patentees by USPS mail and email, to all registered email addresses, of both the due date for the maintenance fees to be paid and entrance into the grace period.

4. Patent Trial and Appeal Fees

AIPLA remains concerned about the 25 percent increase in the fees for Inter-Partes Review proceedings and Post-Grant Review proceeding. While we understand that these increases may be justified by the additional work required as a result of the *SAS* decision, the NPRM admits that there is not sufficient data, at this time, to determine whether this increase is reasonable. Furthermore, our members note that there has been an overall decline in institutions from January 2018 when the current fees were implemented. AIPLA encourages the Office to revisit these fees and to provide support to justify these PTAB fee increases. For example, data from the PTAB on the work required for complete institution cases versus the pre-*SAS* partial institution cases has not been made available to allow us to determine whether the proposed increase is reasonable. AIPLA notes that most of the additional work required by the *SAS* decision occurs after the institution of the proceeding. AIPLA again suggests that the Office consider a way of dividing up the fees so that the pre-institution fees bear less of any increased cost than the post-institution fees.

5. Request for Expedited Examination of a Design Application

AIPLA objects to the proposed 122% increase in the fee for making a Request for Expedited Examination of a Design Application, from \$900 to \$2000 as this increase has not been adequately justified as based on cost of recovery or value to recipient. The NPRM only opaquely describes the Office's need without any calculation or demonstration of burden hours and threatens to close the program without the full increase, improperly discouraging applicant behavior.

Such a large increase will disproportionately impact design patents compared to utility patents, substantially limit small entities from obtaining meaningfully-prompt design protection, and will disadvantage applicants using the U.S. design patent system to obtain design protection compared to the European Registered Community Design system.

Because design applications are limited to a single claim, the proposed increase would cause applicants to pay roughly twice as much to expedite the examination of four design patent claims as it would be to expedite the examination of four utility patent claims. Applicants seeking expedited design examination should not be so disadvantaged compared to applicants seeking expedited utility examination. An increase so large is more likely to impact small entities and micro-entities that have fewer financial resources.

Although some industrial designs can be protected through copyright law, designs which do not qualify should not suffer from lack of affordable expedited procedures to enable their owners to rapidly obtain rights to stop unauthorized, infringing use; nor should applicants be forced to rely on copyright law for prompt protection of industrial designs, as it might not be effective.

6. Annual Practitioners' Fee and Continuing Legal Education Discount

The Fee Setting NPRM provides amendments to implement an annual practitioners' fee (APF) that includes a discount for certifying compliance with approved continuing legal education (CLE). The proposed rule changes are incomplete and our members have many questions about how the funds collected from the APF will be used, how the APF and CLE discount will be administered, and how stakeholders will be affected. To address these questions, AIPLA strongly urges the Office to remove the APF and the CLE discount from the Fee Setting NPRM and to issue one or more separate NPRMs for any proposed APF and CLE discount or requirement.

a. Annual Practitioners Fee

In principle, AIPLA strongly supports an adequately and properly funded OED. We do not, however, agree with funding the OED through the APF as established in the Fee Setting NPRM. We note that the Office proposed a practitioner fee as a part of a rule making in the early 2000's, and it was not adopted at that time. No reason is provided in the Fee Setting NPRM for why this issue is being revisited. If some urgency has arisen, this justification should be explained in the NPRM. The APF proposes amendments to part 11 of 37 C.F.R. and these amendments are incomplete, as many questions remain about the basis and use of the fees, and the administration and implementation of these rules. AIPLA believes that the Office should provide a more complete set of rules in one or more separate NPRMs rather than promulgating these rules in the Fee Setting NPRM under the Section 10 fee setting authority.

i. How Will the APF Funds Be Used?

More clarity is warranted on the need for the APF, how it would be used, and how it would be administered than can be provided in the limited text of the Fee Setting NPRM that concerns the APF. We would like more information on how the OED's use of any fees relate to the OED's mission, responsibilities, workload and activities and how these relate to the Section 10 fee setting authority; we also want to know what issues at OED are being addressed under the increased funding provided by the APF.

In particular, the separate NPRM for the APF should address the specific OED services and other services that will be funded by the APF and how the collected funds will be applied to those services, as well as the statutory authority the Office is relying upon for these new fees. AIPLA notes that the OED already charges fees for many services that OED provides. For example, an application fee for admission to the examination for registration, a fee for

administering the registration examination, and a fee for recognition or registration after disbarment or suspension on ethical grounds. Could at least some of the funding for the OED be recovered by increasing these fees? The Office estimates that the APF fee will raise 10-11 million dollars per year. This amount seems excessive to fund the patent-related services provided by the OED, especially when considered as an increase to the existing fees collected pursuant to 37 C.F.R. § 1.21(a)(1)-(10). Further, we remain concerned that the increased funding should not be used to expand the role of the OED *per se* to include active investigation of practitioners that is not linked to a complaint or to a notification from a state bar association.

The Fee Proposal indicates that instituting the APF will eliminate the need for the Office to perform its annual survey of patent practitioners. This, however, represents a net savings to the Office and should be reflected in any cost accounting produced to justify the APF.

The NPRM indicates that part of these fees will support the Law School Certification Program and the Patent Pro-Bono Program. The separate APF NPRM should provide details on the expenses for these programs that are born by the PTO and how the funds from the APF will be applied to these expenses.

As part of the APF justification, the Office indicated that this fee is commensurate with fees charged by state bar associations. State bar associations, however, provide more distinct services to their attorneys than the OED provides to patent practitioners. Additionally, our members report that the proposed fees are substantially higher than some state bar fees. We are concerned that the imposition of an APF will, whether by intent or mission-creep, result in an expansion of OED's mission with a concomitant need for increases in the APF to recover costs therefor.

ii. How Will the Office Administer the APF?

Given that funds from the APF will be used for existing OED programs and to implement new programs, to what extent would the expense of administering the APF take resources away from other programs? The numerous practitioner statuses laid out in the proposed regulations seem unduly confusing. This is a complex scheme that is best implemented in a separate NPRM. Such complexity invites confusion by the public who employ patent professionals' services as to what each status means. The statuses include Administratively Suspended, Disciplinarily Suspended, Voluntarily Inactive, Emeritus, and Resigned. Each status has different fee requirements and different requirements for reactivation. Why would anyone opt for voluntary suspension over emeritus as there are no fees for emeritus status and reactivation is easier?

In this regard, however, we welcome the statement in the NPRM that only practitioners who have been resigned for more than two years would need to retake the registration examination.

AIPLA is concerned that the imposition and enforcement of the APF will have unintended consequences with far-reaching ramifications, and the NPRM fails to address most of these issues. For example, how will practitioners be notified as to when the fee is due? The NPRM states simply that "practitioners will be notified." Notification by mail alone may be insufficient, for example, when a practitioner has registered only their employer's address. When that practitioner has left an employer and their former employer does not forward mail, the practitioner may have no notice that the fee is due. We suggest that the separate NPRM for the APF include rules encouraging practitioners to register multiple mailing addresses and

multiple email addresses and that require notification by both USPS mail and by email to all of these addresses both when the fee is due and when any 30-day notices for non-payment are sent. The underlying priority would be ensuring that practitioners are afforded the widest latitude in meeting any registration obligations. This is critical because of the numerous implications/ramifications of an inadvertent administrative suspension.

When a practitioner is suspended for inadvertently failing to pay the fee, what is the status of any document filed by the practitioner during the suspension? If documents are deemed to be invalid, will there be a mechanism for retroactively validating the documents to prevent unintentional abandonment of applications or will the remedy be to file an expensive request for revival of an unintentional abandoned application? Practitioners make claim amendments and advance arguments during routine patent prosecution that not only impact the initial patentability analysis, but also form the file record that is reviewed and potentially litigated. Would prosecution by an inadvertently suspended practitioner cause a patent resulting from that prosecution to be invalid or unenforceable? Even in the best of circumstances, the administrative burden on both the Office and practitioners in rectifying and remedying an error of this type would be cumbersome. The NPRM does not justify the APF in light of the potential cost to the Office and the patent system as a whole.

AIPLA also encourages the Office to consider the administrative costs to law firms and corporations to make and keep track of APF payments. It is important to appreciate that patent applicants either directly or indirectly bear the burden of any increase in practice costs. While large entities and frequent patent filers might be able to absorb such costs, the burden on independent inventors, micro-entities, and many small and medium entities (SMEs) who can least afford the service of professional patent advocates will be disproportionately affected.

Will an administratively suspended practitioner, attorney or agent, lose attorney client privilege? Is OED required to report the administrative suspension of an attorney to their state bar? Did the Office consider that imposing the APF may result in an increase in practitioner malpractice premiums, especially if the PTO does not actively notify practitioners of their due dates by both USPS mail and email?

Thus, AIPLA is concerned that instituting an APF will increase the overall administrative cost of prosecuting patent applications and thereby induce micro entities and SMEs to save money by reducing their reliance on patent professionals. This may result in a reduction in patent quality and an additional burden on the Office. Consider, for example, that some independent inventors or micro-entities might further reduce their use of patent professionals who are skilled at preparing high quality applications and working with examiners. An increase in *pro se* prosecution would increase the burden on patent examination staff, thus increasing administrative costs, which runs counter to the Office's strategic goal of increasing patent quality.

b. CLE Discount

At the outset, we note that AIPLA, as a provider of CLE, strongly encourages practitioners to continue their legal education. CLE serves to engage practitioners, keeps them current on the law, and supports the industry goal of garnering the highest quality patents and intellectual property framework possible. The Office appears to echo this opinion by proposing that, should the APF be implemented, a discount will be applied to those practitioners who meet some

(currently vaguely defined) CLE compliance. As this discount is linked to the APF, AIPLA recommends that, like the APF, it should be the subject of a separate notice of proposed rulemaking and not included in the Fee Setting NPRM. In view of the unanswered questions, presented below about how the CLE discount will be administered AIPLA recommends that the NPRM for the CLE discount/requirement also be separate from the NPRM for the APF.

The Office does not propose a *per se* CLE requirement for patent practitioners, nor does the Office seem to account for the fact that many patent practitioners and advocates are not attorneys. Therefore, it appears that the Office is using financial incentives to encourage patent practitioner behavior while avoiding the underlying questions relating to the substance of the CLE needed to obtain the proposed CLE discount, how the CLE discount would be administered, and what consequences, both intended and unintended, might arise for those claiming the CLE discount. The ambiguity is of such degree that we believe that rather than encouraging CLE, many will forego the discount to avoid having to address yet another administrative burden, i.e., determining how to comply and document CLE compliance/discounts.

This burden is further exacerbated by lack of clarity in regard to what would qualify as CLE sufficient to justify the APF discount. The NPRM vaguely describes the substance of the CLE as related to “patent law and practice and ... ethics.” Our members would like to know more about what type of CLE is needed to make the certification, where it could be obtained, and the projected costs before we can comment meaningfully on any federal rules that include CLE certification and discount. Has the Office considered the additional administrative burdens on both the Office and practitioners that the proposed CLE related rules will generate? Is the OED prepared to qualify seminars in the same manner that state bar associations qualify seminars for both substantive and ethics-based CLE credits? Will the OED submit the materials to all 50 states and the District of Columbia for certification?

Even though the NPRM avoids imposing a CLE “requirement” by proposing a CLE discount to the APF, use of the discount would still require CLE certification. AIPLA is therefore concerned that the Office will use this need as yet additional justification for the APF and downstream increases of the APF to fund oversight of the CLE certification. Has the Office done any cost analysis as to how much such new administrative oversight will cost and how that oversight may affect future fees?

In addition, AIPLA is concerned about the publication of the CLE status of practitioners pursuant to their claiming the APF discount. The proposed amendment to Section 11.11(a) states that “(t)he OED Director may also publish from the register the continuing legal education certification status of each registered practitioner.” AIPLA would like to confirm that, when the public searches for a practitioner, there may be a field indicating lack of CLE certification. If this is the case, then AIPLA is concerned with a process that notifies the public of practitioners who fail to provide the CLE certification *that only relates to claiming a discount* rather than practitioners who have participated in a meaningful CLE program. We believe that this will unfairly prejudice practitioners including patent agents and attorneys who do not have a state CLE requirement or who simply opt to pay the full APF, as the public may not understand the distinction. Providing a public record that reports a lack of certification amounts to a public shaming that essentially makes the CLE certification mandatory.

As noted above, AIPLA encourages CLE programs and recognizes their benefits for the patent profession and the stakeholders in the patent system. The linkage between the proposed APF and CLE certification, however, is inadvisable for a variety of reasons.

First, the amount of the discount, \$100, is much less than the cost of most existing CLE programs especially considering both out-of-pocket expenses and lost productivity. The proposed discount is not much of an incentive and practitioners likely will choose not to make the certification and, instead, pay the undiscounted APF. Thus, the discount seems to be a vehicle to raise additional fees, not to encourage practitioners to receive CLE. Furthermore, the CLE discount disproportionately affects patent agents who typically do not have a CLE requirement and, thus, will not be able to make the certification without incurring extra expense.

Second, by advancing a CLE “discount,” rather than formally proposing a CLE requirement, the Office misses out on the benefit of a clear debate and discussion regarding best practices. A public discussion will serve to flesh-out and enhance CLE programs and requirements and inform the public about the educational requirements imposed on patent practitioners. This will help private sector CLE providers develop, maintain, and document CLE programs that best serve the patent system. Thus, AIPLA believes that there should be no link between the APF and CLE and that the Office should separate these elements out of the Fee Setting NPRM.

Further, the Fee Setting NPRM states that the CLE discount is justified because practitioners who have taken CLE are less likely to commit errors and, thus, represent less work for the OED. If this is the justification for a CLE or APF discount attached thereto, it does not comport with the indication that one would be eligible for an APF discount if, for example, one participated in the Patent Pro Bono Program. AIPLA lauds and encourages pro bono activities, but it is entirely unclear as to how one increases their legal acumen by providing free services instead of paid services. Perhaps instead of providing the CLE discount, the Office should consider providing a discount to practitioners who provide patent pro bono services through the USPTO Pro Bono program.

There are far reaching consequences of the incomplete CLE program that the Office proposes in the Fee Setting NPRM. For example, what are the consequences of a certification that does not meet OED standards? How are disagreements regarding certification challenged? Will the OED randomly check certifications? If a challenge during litigation results in an OED complaint, what proof does a practitioner need to provide to support their certification? What documentation is required in the Office to not only support a claim to an APF discount but also to document participation in a CLE program? What affect would an invalid CLE certification have on patent validity or enforceability?

Also, addressing the many questions associated with the proposed CLE discount will, by necessity, create additional regulatory and compliance costs for the Office. How will these costs affect any APF? Will the APF need to be increased to provide the requisite CLE programs and associated bookkeeping? What is the impact on practitioners regarding their burden of compliance?

7. Reserve Fund

AIPLA has supported the establishment of a Reserve Fund to help improve the financial stability of the USPTO and sustain operations under certain unexpected circumstances. We

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appreciate the material in the NPRM concerning the appropriate target amount, or projections on how these proposed fees will replenish the Fund over the years following implementation of these fees.

8. Conclusion

Thank you again for the opportunity to make these comments. AIPLA supports the USPTO's efforts on improving the patent system, welcomes the opportunity to answer any questions these comments may raise, and looks forward to a continuing dialogue on this very important subject.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheldon H. Klein", with a stylized flourish at the end.

Sheldon H. Klein

President

American Intellectual Property Law Association