

**From:** Winkler, Michael <Mike.Winkler@americanbar.org>  
**Sent:** Thursday, March 01, 2012 1:14 PM  
**To:** fee.setting  
**Subject:** FW: Comments from ABA Section of Intellectual Property Law on Proposed Patent Fee Schedule  
**Attachments:** ABAfeeLetter022112FINAL formatted.pdf

I am sending a revised version of the letter sent yesterday from the ABA Section of Intellectual Property Law on this subject, as there were some minor word-spacing issues with the previously sent version.

Thank you.

**Mike Winkler**

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**Mark your calendar:**  
**27th Annual Intellectual Property Law Conference**  
**March 28-30, 2012**  
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**From:** Winkler, Michael  
**Sent:** Wednesday, February 29, 2012 3:17 PM  
**To:** 'fee.setting@uspto.gov'  
**Subject:** Comments from ABA Section of Intellectual Property Law on Proposed Patent Fee Schedule

Please find attached comments from the ABA Section of Intellectual Property Law on the Notice of Proposed Rulemaking entitled: *Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule: (Federal Register / Vol. 77, No. 19 / Monday, January 30, 2012/ Proposed Rules)*, submitted on behalf of Section Chair Robert A. Armitage.

Please feel free to contact us if there are any questions.

Thank you.

**Mike Winkler**

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February 29, 2012

***Via Electronic Mail: [fee.setting@uspto.gov](mailto:fee.setting@uspto.gov)***The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
Mail Stop CFO  
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Attn: Michelle Picard

**Re: Comments on Notice of Proposed Rulemaking entitled: *Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule: (Federal Register / Vol. 77, No. 19 / Monday, January 30, 2012/ Proposed Rules)***

Dear Under Secretary Kappos:

I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the "Section") to provide comments in response to the patent fee proposal of the United States Patent and Trademark Office ("the Office") Notice of Proposed Rulemaking entitled: *Patent Public Advisory Committee Public Hearings on the Proposed Patent Fee Schedule: (Federal Register / Vol. 77, No. 19 / Monday, January 30, 2012/ Proposed Rules)*. In particular, the Section submits the following comments in response to the Office's request for public comment regarding the Patent Fee Proposal. These comments have not been approved by the American Bar Association's House of Delegates or Board of Governors and should not be considered to be views of the American Bar Association.

The Section appreciates the opportunity to provide written comments to the Office regarding the patent fee proposal prior to publication of its final proposed fee schedule in a Federal Register Notice of Proposed Rulemaking, anticipated in June 2012.

The ABA Section of Intellectual Property generally encourages the Office to establish fees at a level that will assure the Office is adequately funded and, therefore, able to conduct high-quality, timely and complete examinations of patent applications; to adequately capitalize the Office's operations (especially in the area of its information technology capabilities); and to maintain funds for contingency purposes. The Section urges the Office to set aggregate fees at the lowest possible level consistent with these funding priorities.

The Section would request that the Office take account of the following in setting fees for the next fiscal year and beyond:

- The Office should ensure that any new fee structure advances the quality of patent examination and avoids significant delays on the part of the Office in conducting patent examination. Patent quality and timely conduct of patent examination remain of critical importance to the integrity of the patent system. Fee-setting by the Office opens an unprecedented opportunity to provide consistently adequate resources for the Office to execute on both short-term and long-range initiatives that can improve the quality and timeliness of patent examination.
- The Office should methodically address its backlog of unexamined patent applications using resources that will become available through its fee-setting authority. The Section specifically supports initiatives on the part of the Office that would assure a one- to two-year pendency of applications for patent as the norm. If necessary to assure that any fee increase over the next year will be modest, the Office should develop a backlog reduction plan that is titrated to achieve a sustainable, steady-state pendency over a reasonable time horizon, *i.e.*, over the course of the next several fiscal years.
- The Office should build the necessary information technology capabilities to assure that the examination process can be conducted with efficiency and quality. New capabilities are important to assure that applicants for patent can efficiently access the patent system and information concerning patents and pending patent applications. Again, if necessary to assure that any fee increase over the next year will be modest, the Office should develop a multi-year plan for building these capabilities. Finally, the investment in such capabilities should be accompanied by metrics that are capable of assessing whether they produce economies, conveniences, and quality improvements sufficient to justify the investment in creating them.
- The Office should set fees at a level sufficient to fund a modest reserve, sufficient to secure financial sustainability of the Office. Because users of the patent system would benefit if any required increase in fees for the next fiscal year can be kept to a modest level, the Office should provide clear justification for the appropriate level for reserve funds and set an appropriate time horizon over which any reserve would become fully funded.

Consistent with the foregoing, the Section favors in principle a fee structure established by the Office pursuant to authority granted to it under the Leahy-Smith America Invents Act (AIA) that reflects the overall intent of the AIA; namely, that the patent system as a whole operate in a more transparent and objective manner. Congress provided the opportunity for greater efficiency in patent examination by simplifying substantive patent law. Moreover, it provided that the patenting process would be more open to public participation, particularly through new pre-grant and post-grant procedures created by Congress. Finally, it removed numerous subjective aspects of the patent system and provided patent owners greater access to remedial measures designed to increase the reliability of issued patents. Thus, the Section believes that the Office's fee-setting should operate in an integrated fashion with the related AIA rulemaking efforts in order to facilitate congressional intent to streamline the efficiency of the patenting process, implement the

AIA's newly mandated procedures, and promote patent owner and public access to new proceedings.

While aggregate fee collections by the Office will need to fund the aggregate costs of providing USPTO services, the Section supports the principle that certain individual fees, charged for a specific service or proceeding, may be set in excess of – or at a discount to – the actual cost to the Office of providing the service. For the purpose of imposing such surcharges over costs – or subsidies relative to costs – the Section urges the Office to set fees below or above costs on the basis of sound public policy considerations, reflecting a consensus among the constituencies impacted by the patent system. Foremost, the public policy considerations should be consistent with legislative findings by Congress during consideration of the AIA and the manifest congressional intent in enacting the AIA. *In particular, the Office should not set fees for access to newly mandated proceedings and procedures in the Office that would have the effect of inappropriately discouraging their use.*

Setting fees at a prohibitively high level would unacceptably impinge on the rights of patent applicants and the public to fully utilize the remedial and other provisions in the new laws. Thus, the authority given to the Office to set fees must be tempered by a cognizance of how the exercise of such authority might frustrate the congressional intent of the provisions enacted by Congress in the AIA.

For example, the claims fees imposed in both Post-Grant Review and Inter Partes Review proceedings will render those proceedings effectively inaccessible in many instances. Emblematic of this issue is the situation where a patent owner has deliberately sought and been issued a vast network of interrelated patent claims, all directed to a single invention, solely for the purpose of complicating efforts of a competitor to invalidate the patent in a later enforcement proceeding. Self-evidently, a third party petitioner seeking Post-Grant Review has no control over the number of claims that the patent owner may have sought – and Congress clearly did not intend that a patent owner might effectively immunize itself from a Post-Grant Review proceeding being commenced against the patent through the simple expedient of claiming prolixity.

However, as proposed, the fees to be imposed on a Post-Grant Review petitioner are dependent on the number of claims in a patent. Specifically, the fee for filing a Post-Grant Review petition against a patent containing 20 or fewer claims will be \$35,800. This sizable basic filing fee will be challenging enough for many would-be petitioners. It sits, however, at the low end of the proposed fee scale. For a patent containing 200 claims, filing a petition for Post-Grant Review would cost: \$125,300 for the first 70 claims, then an additional \$465,400 for the remaining 130 claims, for a grand total of \$590,700.

The same fee-related concerns apply to Inter Partes Review. The fee for filing an Inter Partes Review petition against a patent containing 20 or fewer claims is proposed to be \$27,200. For a patent containing 200 claims, the fee would be an astounding \$448,800 (\$95,200 for the first 70 claims plus \$353,600 for the remaining 130 claims).

The Section submits that fees of this magnitude will all but foreclose use of the proceedings for claim-heavy patents. The fee structure should not create a system that discriminates against third party challenges to patents with the largest number of claims. This could not have been the congressional intent of these provisions – discouraging challenges to patents with the most complex and problematic claim structures that may be among the patents most difficult to effectively challenge in a patent infringement lawsuit. Since Congress clearly could not have intended for patent applicants to have an incentive to flood applications with large numbers of claims, knowing that in many instances this will prevent a subsequent Post-Grant Review or Inter Partes Review challenge, the Section requests that the Office reconsider a fee structure for these proceedings that is not claim-number dependent. For instance, the Office might consider a fee surcharge linked to the number of *rejections* proposed in a request, as opposed to the number of claims targeted by the request. This approach may better serve the interest of implementing a relatively cost-effective mechanism for challenging all claims of a patent, where necessary, while at the same time providing a surcharge for those filers that choose to be overly cautious with respect to the number of proposed rejections.

Another area of concern is the fees for patent appeals. Changing the fee structure for patent appeals raises policy issues that the Office should address. Currently the fee for a large entity to receive a decision from the Board of Patent Appeals and Interferences (“the Board”) on the merits is \$620 for a notice of appeal and \$620 for filing of an appeal brief (\$1240 total). Under the proposed fee structure, the Office will charge a fee of \$1500 for the notice of appeal and \$2500 for continuing with the appeal to the Board after the Examiner’s answer, for a total fee of \$4000.

The Section, at least in principle, supports limiting subsidies for applicants pursuing appeals – because any subsidies for patent appeals need to be funded through higher fees for patent filings to compensate for subsidizing those applicants who pursue appeals. The Section, therefore, urges the Office, if it moves forward with this new fee structure, to carefully monitor whether the appeal fees are inappropriately high relative to the experience of the Office in processing and deciding these appeals.

Further, combining the fees for a notice of appeal and filing of an appeal brief into one fee at the notice of appeal stage does not accurately reflect the timing of costs incurred by the USPTO. The Office only incurs a substantial cost once the appeal brief is filed. In addition, the Office estimates that a significant number of applicants will file a notice of appeal, but not file an appeal brief. Thus, by setting a disproportionately high appeal fee, the Office may discourage use of the appeal procedure and may result in an increase in Request for Continued Examination (RCE) filings and thereby add to pendency and run counter to the objective of improving quality and pendency. The Section, therefore, requests that the Office take this possibility into account before finalizing the fee structure.

As another example, the fees for filing a Supplemental Examination for 10 items of information would be \$27,000, assuming all items submitted are 20 pages or less in length. If each of the 10 items is 100 pages, the filing fees would be \$31,600. Should the patentee have more than 10 items for consideration, then multiple Supplemental Examinations would have to be filed with

the appropriate fees. For consideration of 50 items of 100 pages each, for example, the filing fees alone would be \$158,000.

The Section is concerned that fees of this magnitude may make the proceeding too costly for a majority of the potential users which, in turn, will frustrate congressional intent in creating such a proceeding. The intent of Congress in enacting Supplemental Examination was to allow a patentee, without limitation, to bring to the USPTO's attention information relevant to the patent. The Section requests that the Office take this into account before finalizing the fee structure.

Moreover, the Office appears to have taken a policy position on Supplemental Examination that is inconsistent with the objective for securing a complete, high-quality, and expeditious initial examination of patent applications by the Office. The Office has indicated that by making Supplemental Examination less accessible through fees in excess of costs, it will encourage patent applicants to submit all relevant information in the initial examination. The Section believes that the Office's statements in this regard reflect an inferior policy choice and would have undesirable consequences.

The effectiveness of the Office in examining patent applications is known to be hindered because patent applicants already "over disclose" information to the Office. For example, today some patent applicants provide information disclosures for review by patent examiners that are massive, but that contain only a few items of information being truly consequential to the decision of the patent examiner to issue a patent. In addition, patent applicants are notoriously reluctant to offer an explanation of the relevance or significance of any of the information being provided to a patent examiner because of the potential for later allegations that there was an omission or misrepresentation in the course of such characterizations. It is not unknown for 90% to 99% of information disclosed to the Office during patent examination to be entirely inconsequential to the patent examiner's determination that a claimed invention can or cannot be patented.

The Section believes that the policy objective that achieves the best outcome for the patent system is one where applicants for patent would be candid and forthcoming with the Office by identifying and then submitting to the Office only the information actually necessary for an accurate and complete examination. In other words, the patent examiner should have access to all information known to the patent applicant that is *consequential* to patentability, but not be swamped with a massive disclosure of information of marginal relevance, and otherwise inconsequential significance, to deciding patentability.

If such a superior policy objective were placed front and center in the Office's rulemaking with respect to Supplemental Examination, it would suggest that the new proceeding be made *more accessible*, not *less accessible*, because it would serve as a "safety valve" for patent applicants. It would afford the option for them to achieve post-issuance consideration of some or all of the excess information and encourage patent applicants to limit information disclosures during patent examination to information believed to be truly consequential to determining patentability.

Thus, if the better policy choice were to be made by the Office, at least in the Section's view, this choice would result in a fee structure for Supplemental Examination that would not deter a patentee from providing additional items of information for USPTO review after the patent issues through Supplemental Examination.

Viewed from this perspective, it does not make sense to have an arbitrary limit on the number of items able to be identified in a single Supplemental Examination request. More than 10 items of information may be required, for example, to present a single issue for review by the Office. The Section, therefore, would urge the Office to restructure the rules relating to supplemental examination in three respects. First, impose no limitation on the items of information that can appear in a request. Second, otherwise limit the content of the Supplemental Examination to such explanations as are necessary for the Office to understand if a new question of patentability is being presented that is substantial in character. Third, set the fee at the estimated cost for review of the volume of information presented.

The Section, as evidenced by the examples above, submits that any proposed fee set above or below costs, or otherwise adjusted so as to encourage or discourage any particular service, should be accompanied by a reasoned analysis setting forth how the fee structure advances the Congressional intent for the utilization of the service at issue, improves quality within the Office, or reduces pendency (or time to decision otherwise), both specifically for the fee at issue and in the overall framework of the Office's operation.

The Section encourages full and transparent disclosures regarding costs and assumptions relied upon to determine costs. Costs should be updated annually, and reevaluated to reflect the actual Office experience as new proceedings are implemented.

The Section favors in principle the Office's approach of providing a fee discount to small and micro entities for most services. Likewise, the Section applauds the efforts of the Office to continue to build efficiency and minimize costs for operation as the Office works toward financial sustainability. The Section looks forward to receiving progress reports regarding these efforts on a regular basis.

In conclusion, congratulations are in order to you and your staff – indeed, the entire USPTO team charged with AIA implementation. Your efforts have been extraordinary. We look forward to a final implementation package that profoundly advances the operation of the U.S. patent system and realizes the tremendous promise of the AIA. If you have any questions regarding our comments or wish further explanation of any of our comments, please feel free to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Sincerely,



Robert A. Armitage  
Section Chairperson

The Honorable David J. Kappos  
February 29, 2012  
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American Bar Association  
Section of Intellectual Property Law