

**From:** Ryan Alley <ryan@alleylegal.com>  
**Sent:** Wednesday, February 29, 2012 3:27 PM  
**To:** fee.setting  
**Subject:** Written comments to PPAC on USPTO fee-setting hearing  
**Attachments:** Fee-Setting Written Comments to PPAC - Alley.pdf

Please find enclosed written comments for PPAC's consideration in connection with their role in USPTO fee-setting.

Sincerely,

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February 29, 2012

Patent Public Advisory Committee  
United States Patent and Trademark Office  
Mail Stop CFO  
PO Box 1450  
Alexandria, VA 22313-1450  
fee.setting@uspto.gov

Via Email Only

Dear PPAC Members:

The following written comments are provided in response to the Federal Register's PPAC Fee Setting Hearing Notice of January 30, 2012 and PPAC Questions for Fee Setting Hearings published on the USPTO website. My comments reflect my experience as a registered patent attorney and solo practitioner who represents both large and small domestic clients and do not necessarily reflect the views of my clients.

In response to Question 5(a), the elasticity assumptions in application filing appear to be improperly ignored in USPTO revenue calculations, obscuring the true revenue changes if the new fees are adopted. A comparison of slides 22 and 29 of the Executive Summary shows application filings under the new increased fee structure and alternative (current) fee structure to be identical. This does not appear to be a reasonable assumption, based on slides 58 and 73 of the detailed appendices indicating fee increases of 30-40% would result in an application filing decrease of 4%. The USPTO should clarify and revise downward its resultant fee collections under the new structure, or revise upward its resultant fee collections under the alternative (current) fee structure. As it is, the Executive Summary appears to incorrectly understate the revenue from the alternative fee structure, at least compared to the revenue from the proposed fee structure.

The non-elasticity assumption set forth on page 65 of the detailed appendices for supplemental examination filing does not appear reasonable, unless the USPTO is already calculating 0 applicants will take advantage of the process due to prohibitively high fees. A 30% increase (over \$6,000) in fees for supplemental examination should result in at least a 4% decrease in demand, the same drop assumed for new filings for a similar percentage increase in filing fees. Also, in response to Question 5(f), given the USPTO's high fee point for supplemental examination and non-elasticity assumption, it

is arguable that the USPTO has priced supplemental examination out of demand (i.e., beyond cost recovery and profit maximization). From a personal perspective, I do not anticipate any of my clients seeking supplemental reexamination at these costs, before or after the fee increase. It is unclear if the USPTO can effectively limit access to a statutorily-granted service through prohibitively high fee-setting.

The non-elasticity assumption set forth on page 60 of the detailed appendices for extension of time fees does not appear reasonable. A 33% increase in fees for a 1-month extension of time will certainly result in decreased demand. Extension of time fees are often paid directly out of firm profit margin in prosecution and are often easily avoidable through more vigilant workload management, given the 3-month grace period and the fact that the majority of responses are filed on the 3-month date. Both of these would suggest applicant behavior is extremely responsive to extension in time fee increases.

In response to Questions 6(a)-(c), if current examination and after-final procedures are continued, the proposed increases in RCE and Appeal fees will result in significant costs to my clients and a projected decrease in filing and prosecution activity well in excess of the 4% decrease assumed by the USPTO. My experience across several art units is that at least 60% of my applications require at least one RCE and/or appeal. I would project a personal 12% filing decrease / abandonment increase over current rates if the appeal and RCE fees are increased as proposed. (This suggests the assumed 8% decreases in maintenance fee payments on page 63 of the appendices to be low for my experience, because at least 12% will never reach this stage, instead going abandoned or unfiled in the face of increased appeal & RCE fees).

However, I wish to emphasize the above forecast decrease in patenting activity is premised on current examination and after-final procedures being maintained. The USPTO has suggested minor tweaks to remove issue fees, allow submission of IDSs after final, and expand pre-appeal brief conference availability to offset the RCE and appeal fees in some situations. These are definite steps in the correct direction; I estimate at least 15% of my applications have required a non-certifiable IDS to be filed after final, and the removal of an RCE requirement for such submission would greatly ease concerns over RCE fee increases. The USPTO should strongly consider further revising final office action procedure to avoid a “rush to final” that artificially pushes the need to file RCEs and to appeal bad rejections. These practices would become extremely costly to Applicants under the proposed fees. Applicants should absolutely be seeing the best art applied to their applications before prosecution is closed, and Examiners should be given more incentives and ability to reformulate rejections and

searches to provide this through prosecution without closing prosecution. Some suggestions include providing small count fractions to Examiners for identification of allowable subject matter; requiring that prosecution should not be closed even where the Examiner produces a new primary reference, even following an amendment (that does not present a new “invention” for examination); first action final office actions should be eliminated; and some form of interactive pre-appeal conference review should be made available to applicants at final and before paying any appeal fee to ensure only the best rejections are being appealed and make Applicants completely aware of the weaknesses of their applications. If current examination and after-final procedures are substantially modified to present solid rejections and avoid premature finality, then the proposed increases in RCE and Appeal fees may be reasonable. Otherwise, it is my belief that revenue for issue and maintenance fees should be revised significantly downward (12-16% instead of 8%).

I thank the Committee for their time and consideration in fulfilling their statutory duty in reviewing the USPTO’s fee setting authority. It is vital that the Committee and Applicant community be given a significant role in implementation of this authority, for the good of the patent system and to ensure the USPTO retains this authority beyond its 2018 sunset date. Should there be any questions or outstanding matters that need to be clarified or resolved, the Committee is welcome to contact Ryan Alley at the email or telephone number below.

Respectfully submitted,

/Ryan Alley/

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