

**From:** Brad Pedersen <Pedersen@ptslaw.com>  
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**To:** aia\_implementation  
**Subject:** Fee Setting (Before Proposed Rules)

The Minnesota Intellectual Property Law Association (MIPLA) is grateful for the opportunity to provide input with respect to the Request for Public Comments Urged for Group 1 Fee Setting Authority under the America Invents Act (AIA).

MIPLA is an independent organization of nearly 500 members in and around the Minnesota area representing all aspects of private and corporate intellectual property practice, as well as the academic community. MIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent law before the United States Patent and Trademark Office.

The comments submitted herewith reflect the general views of the Board of MIPLA after consultation and input from the IP Law, Patent Practice and Patent Litigation Committees, and do not necessarily reflect the view of opinions of any individual members or firms of the committees or MIPLA, or any of their clients. MIPLA understands that the USPTO will not directly respond to these suggestions, and MIPLA reserves the right to formulate specific comments pursuant to formal rule promulgation with respect to fee setting.

In general, MIPLA agrees with the overall comments and suggestions provided during the recent Public Patent Advisory Committee (PPAC) hearing by the four IP law associations (ABA, IPO, AIPLA and NYIPLA) who made comments during the hearing, including:

1. *Transparency* - The need for greater transparency and better support for the assumptions and justifications for the proposed fees; and
2. *Post Issuance Proceeding Fees* - The concern that the extraordinary fee levels proposed for the post issuance proceedings (IPR, PGR, CBM, *Ex Parte* Reexamination and Supplemental Examination) are so high that they will defeat the recognized purpose of these proceedings under the AIA of providing a more streamlined, efficient and less expensive avenue for challenging the validity of issued patents.

In addition, MIPLA has the following specific comments and suggestions with respect to the proposed fees, fee setting authority and USPTO budgeting.

1. *IT Spending* – MIPLA supports and encourages the allocation of more funds toward updating the IT resources of the USPTO. Improvements to IT capabilities such as the ability to key word search IFW files and references submitted on PTO-1449 forms are likely to have the biggest immediate impact on overall patent quality.
2. *Reserve Fund* - While the goals for establishing a reserve fund of 3 months of operating reserve may be a laudable, MIPLA is concerned that trying to accomplish this goal over just a few years creates too great a burden on current patent applicants. MIPLA agrees with the fears expressed during the hearing that Congress might again attempt to dip into such a large reserve fund. MIPLA suggests that one way for the USPTO to address these concerns would be to more gradually build up this rainy day fund by, for example, increasing the targeted fund amount by one week of extra operating funds for each year over the next 12

years. This would spread out the burden of establishing such a reserve fund over a larger number of applicants, and also create more opportunities to establish precedent for Congress not invading this fund.

3. *Backlog/Hiring Targets* – While MIPLA agrees with the ultimate goals of reduced pendency and backlog, at least some members of MIPLA believe that the USPTO goals set forth in the 2010-2015 Long Range Plan should not be automatically extended into the years after 2015. Because of the stated reason why the original goals are no longer achievable, the USPTO should initially set patent fees during this round of fees setting so as to realize reasonable hiring and backlog targets through FY2015. Fee setting for FY2016 and beyond are better left to a new Long Range Plan.
4. *Base Fee Plus Per Item Surcharge Fee* – Several of the proposed fees are setting additional surcharge fees for various items (e.g., pages, references, questions, claims) based on block incremental levels (e.g., \$35,000 surcharge for each additional ten (10) claims presented above 70 in IPR, PGR). MIPLA opposes this kind of framework for surcharge fees and strongly suggests that the USPTO adopt a base fee plus per item fee surcharge framework. The use of a block incremental level framework for these kinds of surcharge fees can result in arbitrary and capricious fees being charged. For example, if only a single additional claim is presented above the 60 claims in a PGR, then a \$35,000 surcharge for considering one claim (i.e., claim 61) is effectively \$35,000/claim. Whereas for another PGR where 69 claims are presented, the effective surcharge for the very same claim 61 is now only \$3,500/claim. Such a dramatic difference does not seem justified or reasonable.
5. *Post Issuance Proceeding Fees as Gatekeeping Function* – Based on the proposed fee amounts and frameworks, it appears that the USPTO is both uncertain as to the costs that will be incurred with such post-issuance proceedings and is concerned about overutilization of these post-issuance proceedings that could overwhelm the USPTO. MIPLA encourages the USPTO to refrain from using its fee-setting authority as a gate-keeping function for the post issuance proceedings, particularly in light of the fact that Congress established a specific initial numeric threshold limit for such proceedings. Especially for proceedings for which there may be no predicate analog proceeding, the USPTO should underestimate fees, not overestimate any new fees.
6. *Potential for Subsidizing Post Issuance Proceeding Fees* - One other consideration that should be factored into fee setting associated with post-issuance proceedings is that the purpose of these proceedings is to enhance overall patent quality. In theory, such post-issuance proceedings would never be needed as the patent quality of issued patents from the USPTO approaches an idealized goal of perfect patent quality. The reality, however, is that patent quality will never be perfect. Given that post issuance proceedings are raising questions of patent validity that might have been addressed during original examination, it seems appropriate for the USPTO to consider potentially subsidizing these proceedings from revenues for maintenance fees, for example, to encourage a feedback process of improving patent quality via such post-issuance proceedings.
7. *Possible Fee Differentiation for Continuing Applications* - On the issue of recovering costs,

the USPTO should consider a further recovery of costs associated with increased filing fees for continuing applications that are filed years after their claimed priority date. Because at least some of the costs of prosecution are subsidized by payments of maintenance fees, especially the third maintenance fee, the USPTO should consider whether continuation applications which are filed at a point in time that makes payment of the final maintenance fee unlikely should be required to pay a larger filing fee to offset the inability to subsidize the prosecution costs using the final maintenance fee payment.

8. *IDS After Final Without RCE* – MIPLA strongly supports the suggestions by the USPTO that rules are being considered to allow applicants a mechanism for submitting additional after final IDS filings without requiring the applicant to file an RCE.
9. *Projected Growth Rates for Application Filings* – MIPLA notes that the projected growth rates in application filings from FY2013-FY2017 do not appear to account for what is very likely to be a decrease in RCEs due to increasing fees and availability of an option for IDS submission after Notice of Allowance without the need for an RCE. MIPLA encourages the USPTO to provide for growth rate estimates that are separated into original utility filings and RCE filings.
10. *Incorporation of Pre-Appeal Brief Conference Into Appeals Fee* – MIPLA urges the USPTO to consider promulgating rules to make the pre-appeal brief conference an option in the formal rules, and to adopt a fee structure for the appeal process that includes fees for the use of the pre-appeal brief conference.

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