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Re: Comments on Setting and Adjusting Patent Fees, Notice of Proposed rulemaking, 0651-AC54, 77 Fed. Reg. 55028 (Sept. 6, 2012) (“the 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 Proposed Rules the United States Patent and Trademark Office (the “Office” or the “PTO”) published in the Federal Register on September 6, 2012. These comments have not been approved by the ABA House of Delegates or Board of Governors, and should not be considered to be views of the American Bar Association.

The Section remains supportive of the efforts by the Office to reduce the patent application and appeal backlog, and applauds the Office’s success thus far. The Office’s efforts in programs such as the First Action Interview Pilot Program, increased hiring in the Examination Core and the Board, the Patent Prosecution Highway, and additional efforts are commendable. Accordingly, the Section supports the stated goals to (1) implement a sustainable funding model for operations; and (2) optimize patent timeliness and quality.

The Section notes that the Office further articulates key policy considerations unrelated to costs to justify the fee structure. In general, and except as described further below, the Section supports these policy objectives. With regard to specific provisions, the Section provides the following comments for consideration by the Office.

## I. Various fees should be set nearer the pre-2012 status quo

### A. Proposed fees associated with subsequent RCE filings should be reduced

The Proposed Rules set a fee for a first RCE at \$1,700, and subsequent RCEs at \$2,000. The comments supporting the Proposed Rules state the rationale as follows:

In FY 2011, about 30 percent of applications filed were for RCEs. Generally, around 70 percent of RCE applications filed in a year are for first RCEs and the remaining 30 percent are a second or subsequent RCE. Given this data, it is reasonable to expect that most outstanding issues are resolved with the first RCE. Those applications that cannot be completed with the first RCE do not facilitate an effective administration of the patent system with the prompt conclusion of patent prosecution.

The Section disagrees with the Office's stated rationale. It stops just at the threshold of an important question that is highly relevant to this rulemaking: *Why* do those 30% of applications experience extended prosecution?

The Section has heard complaints from members of the patent applicant community that the large majority of multiple-RCE applications arise because the patent examiner fails to productively engage with the applicant.<sup>1</sup> Two independent analyses of USPTO appeal data have

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<sup>1</sup> See, e.g., presentation to OMB OIRA, with John Love in attendance, June 15, 2007, Attachment F, <http://www.whitehouse.gov/sites/default/files/omb/assets/omb/oira/0651/meetings/619-3.pdf>, starting at PDF page 34. Anecdotally, when an examiner fully searches the application for the first Office action, fully considers the claim language, and writes an Action that communicates the examiner's reasoning clearly, prosecution almost never drags on. The overwhelming majority of extended prosecution applications arise from only two causes: either the examiner rejects a meritorious application for failure to complete all procedural requirements for consideration of the applications, or the examiner doesn't explain the basis for the rejection to clearly communicate to the attorney so that the attorney knows when to give up. While the Section fully understands that in some cases the fault lies with the attorney, our experience is that the quality of examination, and the quality of explanation in Office actions has fallen in the last ten years. This general issue has been raised to the PTO before, for example by IEEE-USA, Comments on Patent Processing (Updating) 0651-0031, comment request, 77 Fed. Reg. 16813-17 (Mar. 22, 2012), [http://www.uspto.gov/news/fedreg/comments/0651-0031\\_IEEE\\_Comment.pdf](http://www.uspto.gov/news/fedreg/comments/0651-0031_IEEE_Comment.pdf) at section 4, pages 21-32. While the Section does not adopt that letter word-for-word, the Section believes that IEEE-USA presents many useful observations and suggestions that deserve careful consideration and analysis.

found that 80% to 85% of appeals are decided in applicants' favor,<sup>2</sup> which lends support to the anecdotal view of the attorney community that extended RCE practice can be attributable to the patent examiner's handling of the application, rather than a reticence on the part of applicants to promptly conclude examination. Therefore, absent more definitive data, the Office should not presume the applicant drives RCE filings.

The Proposed Rule's justification appears to depend in part on an assumption concerning applicant conduct and, that by charging an excessive fee, applicant behavior will be impacted given the financial disincentive to filing subsequent RCEs. If the failure to advance prosecution is problematic on account of applicant conduct, the Section supports action by the Office under 37 C.F.R. 1.111(b) to address the issue. If the failure to advance prosecution is problematic for other reasons, applicants should not be penalized through a punitive fee structure. Therefore, absent further policy justification, the Section concludes that the Proposed Fees are not likely to resolve the perceived issues within the Office relating to multiple-RCEs being filed and should not be set at excessive levels in response.<sup>3</sup>

## **B. Proposed fees associated with a Notice of Appeal should be reduced**

The Proposed Rule changes the fees for the Notice of Appeal and Appeal Brief from separate charges under the present fee schedule, to a single charge for the Notice. A new forwarding fee following the Examiner's Answer is introduced. Thus, at the time of the filing of the Notice of Appeal, the applicant would pay for both the Notice of Appeal and an Appeal Brief. However, as many appeals are terminated prior to filing an Appeal Brief (often following a pre-appeal conference within the Office in favor of the applicant), this means that the applicants are paying for the filing of the Appeal Brief even when the Appeal Brief will not be filed. As most of the work within the USPTO occurs in reviewing the Appeal Brief, the single charge for the Notice is excessive if the application proves to be in a condition for allowance at the pre-appeal conference. In essence, the cost of a successful Notice of Appeal and pre-appeal

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<sup>2</sup> Kip Werking, 75% – The Real Rate of Patent Applicant Success on Appeal, IP Watchdog, May 2, 2012, <http://www.ipwatchdog.com/2012/05/02/75-the-real-rate-of-patent-applicant-success-on-appeal/id=24525/> (79% of appeals are successful); Ron D. Katznelson. Comments submitted to OMB and PTO under the Paperwork Reduction Act on USPTO appeal rules, ICR No. 200809-0651-003, (November 17, 2008), <http://www.reginfo.gov/public/do/DownloadDocument?documentID=95757&version=1> at Figure 2, page 3 (80% of appeals are successful at Pre-Appeal or Appeal brief stage, before reaching the Board).

<sup>3</sup> Executive Order 12,866 requires the PTO to consider other causes and solutions, especially those caused by the agency itself, before it regulates to attenuate rights of the public. The Section agrees the Office that its rules should facilitate the "effective administration of the patent system." Respectfully, the Section submits that the root cause of multiple-RCE filings should be addressed in a manner addressing both applicant and Office faults which contribute to multiple-RCE filings rather than trying to curtail legitimate actions by an applicant through fee-setting.

conference would increase by 61%. The Section recommends that the Notice of Appeal fee be eliminated or greatly reduced.

With respect to any fees for filing of an Appeal Brief and the forwarding fee, the Section further believes that an increase of 142% in total appeal fees may be excessive in view of the reversal rate of 80% or more.<sup>4</sup> Such an increase has the effect of discouraging meritorious appeals through the 142% fee increase, which the Section believes is not justified.

### **C. Correction of Inventorship**

The Section is concerned that the proposed \$1,000 fee for correcting Inventorship after issuance of a first action on the merits is not appropriate in all cases, and is also uncertain as to its need. For example, when the Office requires restriction of claims, applicants need to remove inventors and may not make appropriate corrections quickly enough. Applicants are able to make these changes using Application Data Sheets, thereby removing the need for Office expense in updating records. In these and other cases, the Section suggests that the Office consider not requiring payment of the fee or having a reduced fee where the applicant in good faith could not have anticipated such a requirement or have made the correction using an Application Data Sheet.

### **D. Post-Grant and *Inter Partes* Review**

The Section, in principle, supports the Office's decision to split the fees for initial petition and for proceeding after grant. This is an excellent way to divide fees commensurate with burdens on the Office. Practitioners and users are concerned with costs associated with discovery, and fear that the Office will face large, unanticipated costs associated with discovery and motions. The Section recognizes that the Office has the power to issue sanctions, but the Office should also consider fees on motions, particularly on motions for supplemental discovery or multiple motions, as these motions may impose significant burdens on the Office (considering motion, opposition and reply) and the party having allegedly discoverable information.

The Office currently considers the cost of an oral hearing in its fees for instituting post-grant proceedings. The Section suggests that the Office consider further breaking fees up at other milestones, *e.g.*, request for oral hearing and request for rehearing, thereby further reducing front-end costs and matching fees commensurate with PTO work. The PTO should also consider increased fees for late filed motions to amend, *e.g.*, after patent owner response, unless there is a new rejection, because these late filed motions inject uncertainty and greater cost into the proceeding. Finally, when the Board imposes sanctions, it should consider its costs and seek to recover them.

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<sup>4</sup> See footnote 2

#### **E.      *Ex Parte* Reexamination**

The Section, in principle, supports the lowering of the fee for proposed fee for *ex parte* reexamination by 15%. However, the Section is concerned that the fee is still not commensurate with the Office's costs. As mentioned by the PPAC, the Office's costs for prosecuting an *ex parte* patent application is \$3,569.<sup>5</sup> The Section acknowledges that the Central Reexamination Unit (CRU) faces higher costs due to the need to pay more experienced examiners, handle more petitions and questions, and to determine threshold issues. However, the examiner does not have to perform a search, and does not typically revise proposed rejections. In fact, examiners often repeat proposed rejections substantially *verbatim*. Therefore, the Section views the \$15,000 fee for requesting *ex parte* reexamination as excessive in view of the Office's costs.

#### **F.      Supplemental Examination**

The Section, in principle, supports the Office's movement to lower the costs of supplemental examination by 14%. However, the Office still inappropriately seeks to influence behavior through fee setting. The Office's stated purpose for Supplemental reexamination fees is,

to encourage applicants to submit applications with all relevant information during initial examination, yet low enough to facilitate the effective administration of the patent system by providing patentees with an alternative to the court system for addressing inequitable conduct.

The comments accompanying the Proposed Rules at p. 55059.

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 though 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

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<sup>5</sup> Patent Public Advisory Committee Fee Setting Report at p. 19 ([http://www.uspto.gov/aia\\_implementation/120924-ppac-fee-setting-report2.pdf](http://www.uspto.gov/aia_implementation/120924-ppac-fee-setting-report2.pdf)).

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some patent applicants provide information disclosures for review by patent examiners that are massive, but that contain only a few items of information 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.

## II. Conclusion

If you have any questions on our comments or would wish for us to further explain 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.

Very truly yours,



Joseph M. Potenza  
Section Chair  
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