

November 25, 2015

Mr. Brendan Hourigan  
Office of the Chief Financial Officer  
United States Patent and Trademark Office  
Mail Stop CFO  
P.O. Box 1450  
Alexandria, VA 22314-1450  
ATTN: Brendan Hourigan

Via email: [fee.setting@uspto.gov](mailto:fee.setting@uspto.gov)

**Re: Fee Setting for Design Patent Applications**

Dear Mr. Hourigan:

Banner & Witcoff, Ltd. (“Banner”) is pleased to submit the following comments to the United States Patent and Trademark Office (“USPTO”) regarding proposed USPTO fee increases that have been presented to the Patent Public Advisory Committee (“PPAC”) pursuant to Section 10 of the America Invents Act. (*See* 80 Fed. Reg. 63543-44). Our comments focus on proposed fee increases for US design patent applications.

In recent years, Banner has filed thousands of US design patent applications on behalf of its clients. While we respect the USPTO’s fiscal needs and appreciate that fee increases from time to time are likely necessary to ensure a high quality US intellectual property protection system, we respectfully submit that disproportionate design fee increases should not be part of the solution—and will in fact exasperate USPTO fiscal stresses by reducing design application filings.

In announcing the fee increases to the Patent Public Advisory Committee (“PPAC”), Under Secretary of Commerce for Intellectual Property and Director of the USPTO Michelle K. Lee characterized the fee increases as “modest.” (Correspondence from Director Lee to the PPAC dated October 27, 2015 at 1). For the reasons stated below, Banner respectfully submits that the 48% fee increase for design patent applications through issuance (from \$1320 to \$1960) is not “modest” and does not seem to reflect the historical cost to the USPTO. As proposed, such drastic fee increases will discourage US intellectual property protection for designs, and chill incentives to create designs.

***The Design Fee Increase Does Not Correspond to USPTO Historical Costs***

In the USPTO Patent Fee Proposal Detailed Appendix (“Appendix”) presented to the PPAC, the USPTO asserts that that the historical cost (2014) to the USPTO of design filing, search, examination and issuance is \$1528 per application. (*See* Appendix at 67 and 72).

However, the proposed fee increase raises corresponding design application fees to \$1960, which is \$432 or 28% more than the USPTO’s asserted historical cost. The ultimate use of the \$432

surplus is unclear, but at any rate the design fee increase seems unaligned with actual USPTO costs (perhaps they subsidize small entity fee reductions, but this is not clear in the Appendix). To the extent the USPTO intends to use design fees to subsidize utility patent costs, we respectfully submit that such diversion is no more palatable to design users than long-time Congressional fee diversion was to the USPTO.

Moreover, the Appendix does not provide support for the historical cost amounts provided, so it is difficult to assess their veracity. However, a uniform historical cost of \$280 for utility, reissue, design and plant issuance (*See* Appendix at 72) raises ostensible questions regarding historical cost methodologies. In particular, other parts of the Appendix suggest that the utility issue fee includes costs relating to pre-grant publication of utility patent applications. (*See, e.g.,* Appendix at 66 (“The fees to obtain a basic utility patent (file/search/examination and issue/publication) will increase slightly”)). Indeed, the cost of pre-grant publication for utility patent applications is never broken out separately.

With this in mind, it seems difficult to fathom how design patent issuance costs are equivalent to utility patent issuance costs as the Appendix suggests. Adding to the difficulty is the fact that design patents typically have fewer pages than utility patents and are thus cheaper to publish. To the extent the USPTO seeks relief regarding design patent issuance costs, we respectfully submit that the solution lies with the elimination of paper-based design patents in favor of digital design patents. This idea has been discussed for many years, and would also provide the added benefit of increased design patent quality if implemented properly, as the current system currently downgrades imagery relating to digitally filed design applications—apparently in part to satiate legacy USPTO paper-based patent issuance systems.

### **The Relatively Low Cost of Design Patent Applications Multiplies the Effect of the Design Fee Increases**

According to the American Intellectual Property Law Association’s 2015 Report of the Economic Survey (“2015 Survey”), the mean law firm charge for preparing and filing a design application (excluding USPTO fees) is \$1942 (*See, e.g.,* 2015 Survey at 178). By contrast, the same mean charge for a “minimal complexity” non-provisional utility patent application is \$7622 (*See Id.* at 161) and \$11810 for a “relatively complex electrical/computer” application (*See Id.* at 162).

If design fees are increased 48% from \$1320 to \$1960, it follows that the total mean charge for preparing a design patent application (with USPTO fees included) will increase 20% to \$3902. By contrast, the mean total charge for preparing the utility patent applications mentioned above will only rise 1-2%.

While a 1-2% overall increase might be “modest” and thus tolerable, a 20% increase will upset the apple cart. In this regard, we respectfully take issue with the “elasticity assumptions” in the Appendix that, *inter alia*, “the previous assumption [from the last fee setting rulemaking] of highly inelastic demand for USPTO services proved correct. Using this experience, the Office again assumes that demand for its services is highly inelastic and hence the impact to demand

due to a change in fee rates will be small.” (*See generally* Appendix at 94-96). At the outset, the previous fee setting rulemaking did not involve fee increases anywhere near 20%.

Looking deeper from a law firm perspective, clients have legal budgets. While a 1-2% overall increase in a legal budget might not cause much concern, a 20% increase will sound alarm bells—from corporate legal departments to individual inventors—around the world. Such an increase is unprecedented, and we respectfully submit that the USPTO will see a significant reduction in design patent application filings in the event the proposed fee increases are implemented.

**The Design Fee Increases Will Disproportionately Affect Smaller Entities and Individuals Because They Effectively Halve Small Entity Status and Nearly Eviscerate Micro-Entity Status**

In effect, the proposed design fee increases halve the value of small entity status (which of course is associated with a 50% reduction in USPTO fees). Put another way, new small entity design application fees would cost \$980, which is 74% of the existing large entity design application fees of \$1320.

Micro-entities will be similarly hit. In particular, new micro-entity design application fees would cost \$490, which is 37% of the existing large entity design application fees. Effectively, then, micro-entity status is nearly eviscerated (except for 13%) vis-à-vis the current fee *status quo*. We respectfully submit that negating the effect of micro-entity status so soon after enacting it (March 2013) is not the best way to assuage USPTO fiscal needs.

We welcome any questions or inquiries regarding these comments, and thank the USPTO for the opportunity to respond.

Sincerely,

/Richard Stockton/

/Robert Katz/

Principal Shareholders, Banner & Witcoff, Ltd.