

Comments on the USPTO's 2018 Proposed Patent Fee Schedule Changes  
Jonathan Stroud, Adjunct Professor

My name is Jonathan Stroud. While I am the Chief IP Counsel for Unified Patents Inc., I submit my comments here as a former USPTO patent examiner, private practitioner, and adjunct professor. All errors, thoughts, and proposals are my own. Thank you for the opportunity to share my thoughts.

### Summary

I recently published an article called *Patent Post-Grant Review After Alice*, in which I proposed the USPTO uncouple fee raises in post-grant review (PGR) and *inter partes* review (IPR), given the many factors that discourage practitioners to use PGR versus IPR. 69 **Baylor L. Rev.** 56 (2017) available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2932534](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2932534). I also noted that our filing costs are almost 100 times the cost of most foreign opposition proceedings (generally in the hundreds of dollars), or filing a district court complaint (\$400), further discouraging their early (and hopefully dispositive) use. I suggest the USPTO use their fee-setting authority to encourage PGR filings over IPR filings, uncoupling these step raises and shifting fee recovery to IPR filings rather than the now-minor PGR filings. Continued fee raises across the Board for the little-used procedure will only further push practitioners into IPR procedures, and will ironically reduce the number of filings and the amount recouped by the Office to fund their activities.

### Detailed Comments

The base fee for a PGR request was, prior to this calendar year, \$30,000, with a \$12,000 filing fee, and a post-institution fee of \$18,000. In 2018, it was raised to \$38,000—a \$16,000

filing fee that is unrecoverable, and a \$22,000 fee that can be refunded if the case is not instituted or settled prior to institution. It costs nearly \$40,000 USPTO fees alone today to file one PGR petition within 9 months of patent grant—a fee only very large companies can afford.

The proposed increases would take that \$16,000/\$22,000 base filing cost and raise it to \$20,000/\$27,500—effectively making PGR petitions cost almost \$50,000 in filing fees alone.

I appreciate that the fees are generally based on a standard fee-recovery calculation, and make neutral assumptions about the costs of labor dedicated to each PGR. This is an easy and seemingly neutral way to administer fees at the Board.

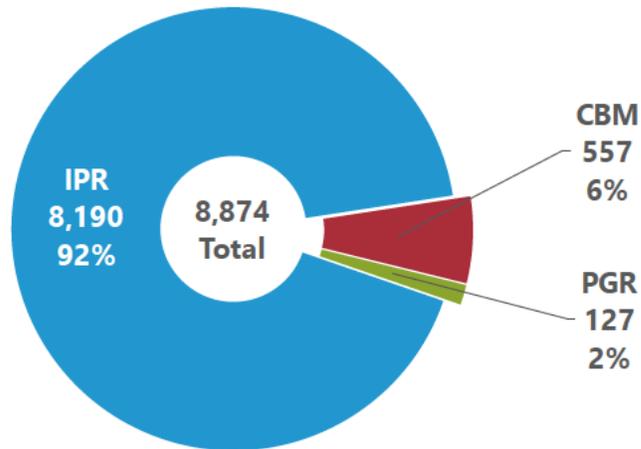
But given that over 325,000 patents issue each year, users of the system face a difficult economic choice fraught with risks that unfortunately encourage a wait-and-see approach and increase patent value uncertainty. Proactive filing of post-grant challenges is fraught with risk and offers little reward in the US patent system. Trying to identify and anticipate which of the 325,000 annually issuing patents are:

- (1) are eligible for PGR,
- (2) possibly read on, threaten, or block your company's products, and
- (3) are likely to be asserted, whether by competitors or by (eventually) by a licensed patent assertion or aggregation entity, and
- (4) have validity issues best vetted in PGR;

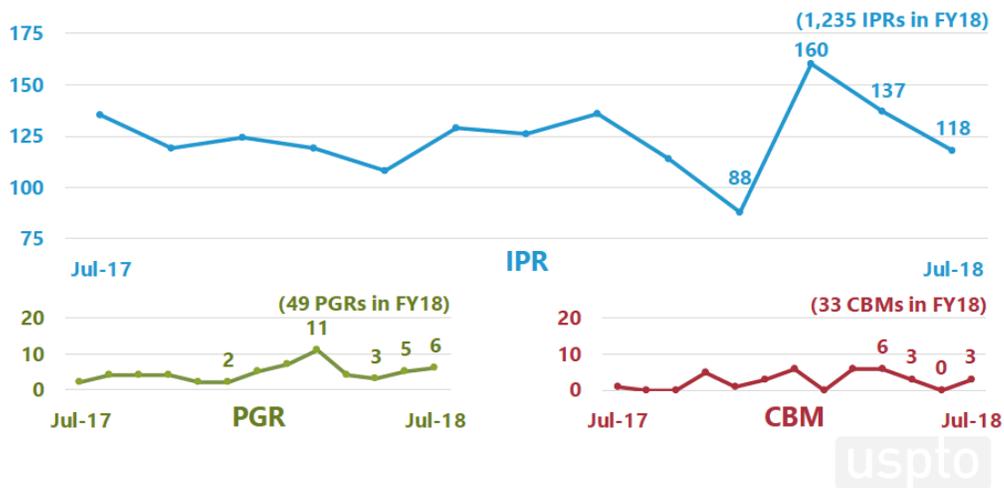
Is difficult enough over the lifetime of a patent, much less in the first six months post-issuance (leaving a reasonable, if aggressive, 3-month window to prepare and file by the 9-month deadline). But without the background of litigation costs and the attendant risk, few companies have the resources, will, or need to file proactive challenges. Our system strongly disincentives early filing.

The already-high cost of filing fees for PGR requests, coupled with the expense of identifying key patents early and getting on file so quickly, is deterring companies from using our system the way Congress intended. Ninety-two percent of all filings have been IPR petitions; only two percent (127 PGRs versus 8,190 IPRs) have been filed, with little change suggested by the last five years of office data. The office receives less than a dozen PGR filings month, compared to, on average, hundreds of IPR petitions. As a percentage of cost recovery, PGR fee raises will cause little actual fee recovery, and should disincentivize those filings even further.

### **Petitions by Trial Type** (All Time: 9/16/12 to 7/31/18)



## Petitions Filed by Month (July 2018 and Previous 12 Months: 7/1/17 to 7/31/18)



PGR fees are already are much higher than the fees for IPR, based on a linear valuation of the “attorney hours” that would go into an IPR versus a PGR based on length of pleadings and grounds as proxies for expected work-hours. But those are balanced by the broader scope of likely estoppel, which is likely to encourage finality and settle expectations earlier, a large risk for challengers. Standing and willfulness concerns also cloud early use of the system. In practice, few attorneys would currently recommend to their clients the filing of a PGR over a wait-and-see approach to filing an IPR—surely a negative practical outcome.

While the USPTO must act as a business and balance its budget, it also has a duty to the public and to Congress to effectuate the AIA statute, both as written and in the spirit of good governance to the public. Encouraging early, proactive settlement of disputes prior to expensive litigation is part of the mission of the USPTO—to encourage settled expectations and investment in the long-term strength of patents. Patents challenged unsuccessfully in PGR are maintained are substantially strengthened and generally looked at by market analysts and litigation financiers as desirable assets to license, fund, and value recently-issued patents for the length of their term.

The economic barriers to filing PGR alone discourage proactive review and encourage costly, wasteful litigation later. There has been little study of this to date. *But see* Brian Love, *Inter Partes Review as a Shield for Technology Purchasers: A Response to Gaia Bernstein's 'The Rise of the End-User in Patent Litigation'*, 56 B.C. L. REV. 1075, 1092–93 (2015) (comparing the rates at which parties were sued with the rates at which they used IPR).

Given that fee-setting authority is within the purview of the USPTO, and that they exercise that fee-setting authority by balancing cost recovery with policy goals, it makes sense for the USPTO to reevaluate its choice to raise PGR fees by more than \$4,000 again this year. If we as a patent community are to encourage good behavior and disincentivize bad behavior, we should encourage early challenges (and discourage late ones). One way the office may do that is with its substantive fee-setting authority. I urge you to uncouple PGR fee raises from IPR fee raises and to freeze or lower them (at least relative to IPR fees). Thank you.