

**TRADEMARK PUBLIC ADVISORY
COMMITTEE
FEE SETTING REPORT
November 30, 2015**



**UNITED STATES PATENT AND
TRADEMARK OFFICE**

BACKGROUND OF REPORT

As part of the continuing commitment to fiscal responsibility, financial prudence, and operational efficiency, the United States Patent and Trademark Office (USPTO) recently completed its comprehensive biennial fee review. This represents the first major agency review using the fee-setting authority provided by the Leahy-Smith America Invents Act (AIA) (Public Law 112-29, September 16, 2011). The fee review process incorporated an evaluation of the existing trademark fee schedule, as well as research and analysis on potential revisions to the fee schedule. As a result, the Director issued a set of proposed increases to certain trademark fees.

According to the USPTO, the proposed targeted fee adjustments are designed to provide sufficient financial resources to facilitate the effective administration of the United States intellectual property system. These proposed fee increases are also based on the following three stated objectives: (1) to better align fees with costs as the basis for adjusting some fees; (2) to ensure the integrity of the register by incentivizing more timely filing, examination of applications and other filings, and more efficient resolution of appeals and trials; and (3) to promote the efficiency of the process, in large part through lower cost electronic filing options. Not every proposed fee increase meets all three of the stated objectives, and some align more closely with a single objective than others.

The AIA authorizes the USPTO to set fees for its services and requires the Trademark Public Advisory Committee (TPAC) to review the fee proposals, hold public hearings on the proposals, provide comments and suggestions to the USPTO on the proposed fees, and publish a report outlining these comments and suggestions.

In accordance with the delegated authority to set fees via Section 10 of the AIA, the USPTO notified TPAC of the intent to set or adjust certain trademark fees and submitted a preliminary trademark fee proposal with supporting materials on October 14, 2015. Notice of this proposal was published in the Federal Register (80 Fed. Reg. 63542) on October 20, 2015.

Supporting materials explaining the specific fees impacted by the proposal were published on the USPTO web site on October 22, 2015. As required under the AIA, TPAC held a public hearing on November 3, 2015 and also received comments submitted by interested stakeholders.

At the public hearing, the TPAC received comments from two attendees. We also received a comment from one participant in the WebEx broadcast of the hearing. Subsequent to the hearing, the USPTO received written comments from five organizations (the International Trademark Association (INTA), the American Bar Association's Section of Intellectual Property (ABA-IPL), the American Intellectual Property Law Association (AIPLA), the Intellectual Property Owners Association (IPO) and SAVE THE FROGS!). This report summarizes those comments, along with the views and recommendations of the members of TPAC regarding the fee adjustments in the USPTO's proposal.

After the USPTO receives and considers this report, the USPTO will publish a Notice of Proposed Rule Making (NPRM) in the Federal Register setting forth its proposed trademark fees. The NPRM will likely be published in May 2016. The publication of that Notice will open a 60-day comment window, during which the public will be permitted to provide written comments directly to the USPTO. Additional information about public comments to the USPTO will be provided in the NPRM. Finally, after it receives and reviews responses to the NPRM, the USPTO will publish its final rule setting or adjusting fees in the Federal Register. Thus, any fee increases or changes will likely take effect at the beginning of 2017.

EXECUTIVE SUMMARY

Generally, stakeholders support the USPTO's stated goals and are supportive of the need to increase certain fees. Stakeholders do not, however, support a proposed increase in the fees for filing a Request for Extension of Time to File an Allegation of Use. Stakeholders also expressed some concerns about the proposed new fees for filing Requests for Extension of Time

to Oppose. TPAC encourages the USPTO to consider these issues. Members of TPAC are in alignment with the thoughtful comments we received, and are in support of many of the fee increases contained in the USPTO proposal. We also recommend two alternative fees (one related to the submission of an Appeal Brief to the Trademark Trial and Appeal Board (TTAB) from a final refusal to register a mark, and the other related to filing a “traditional” Trademark Electronic Application System (TEAS) application), as the USPTO further evaluates the fee structure that will best advance the objectives outlined in the proposal.

DISCUSSION OF PROPOSED FEE CHANGES

1. Increased Fees for Paper Submissions (Fee Codes 6001, 6005, 6006, 6008, 6201, 6203, 6204, 6205, 6206, 6207, 6208, 6210, 6211, 6212, 6213, 6214, 6401, 6402 and 6403)

The USPTO has long encouraged the use of electronic submissions through TEAS, and has provided TPAC and members of the public with information that the cost to process paper submissions is much higher than electronic filings over the Internet. Because most trademark processing fees have been uniform for both paper and electronic filers, electronic filers have, in effect, been subsidizing those who choose to file on paper. Given this, the comments we reviewed were uniform in their support of the USPTO’s proposal to increase fees for paper submissions as a way both to encourage broader use of more efficient electronic systems, where available, and to more closely align fees with the processing costs incurred by the USPTO for each type of submission.

Two associations (INTA and AIPLA) encouraged the USPTO to provide a mechanism that would provide relief to filers in situations where an electronic submission is not possible, such as in the event of a system outage or when the nature of the submission renders the use of electronic systems impossible. TPAC agrees that the USPTO should provide some mechanism to enable applicants to request a waiver from the fee surcharge for paper submissions in these instances.

Further to the USPTO's goal of encouraging the use of electronic communications, members of TPAC also suggest that the USPTO consider an increase in the fee for filing a traditional TEAS application (fee code 7001), since this application form does not require applicants to agree to communicate electronically and therefore requires the USPTO to respond on paper to TEAS applicants who do not provide an email address. Similar to paper filers, TEAS applicants are therefore creating additional processing costs by requiring the USPTO to communicate in paper, and we believe that an additional fee to offset, or to partially offset, these costs is appropriate. Similarly, the USPTO may wish to consider creating a new fee for paper submission of a Response to Office Action.

2. Fee Increases in General

One organization, SAVE THE FROGS! on behalf of itself and all nonprofit organizations, requested that the USPTO not raise any fees. All other stakeholder submissions provided support for the USPTO's need to increase certain fees in order to comply with its statutory mandate to recover sufficient costs to support trademark operations and to maintain a suitable reserve. TPAC also recognizes the USPTO's need to recover its costs and to maintain an operating reserve sufficient to provide for continuity of operations. We therefore agree with the general support for an increase in some fees expressed by nearly all stakeholders who provided comments.

TPAC also appreciates the manner in which Trademark Operations has historically engaged in a dialog with its customers before changing policies, seeking the broadest possible feedback. Trademark Operations has also demonstrated fiscal responsibility. For example, before implementing a targeted reduction of certain fees at the beginning of calendar year 2015, Trademark Operations conducted a careful analysis in order to ensure that the Operating Reserve would not dip below acceptable levels. Nevertheless, increased expenses in other areas of the USPTO budget now present the need to increase trademark revenue. TPAC encourages all other areas of the USPTO to take seriously the need to control budget and spending in order to keep fee increases to a minimum. As an organization funded entirely by User Fees, the USPTO

should always control its spending activities, and should continue to focus on activities that support trademark owners. In particular, significant projects, such as IT enhancements, must be carefully monitored and carried out in a manner that does not adversely impact the ability of the USPTO to maintain a stable fee structure.

3. Proposed Increases Related to ITU Applicants (Fee Codes 6002/7002, 6003/7003 and 6004/7004)

For several reasons, the IP associations that provided comments (INTA, AIPLA, IPO and ABA-IPL) uniformly expressed a lack of support for the USPTO's proposal to raise fees for electronically filing a Request for Extension of Time for Filing a Statement of Use (SOU). First, several stakeholder submissions pointed out that the USPTO's processing costs for this transaction are \$17, and the existing fee of \$150/class more than adequately covers this transaction. More importantly, increasing these fees would place US-based filers, who are not able to utilize either the Paris Convention or the Madrid Protocol in the US, at a further disadvantage compared to filers based in other countries. This proposed increase could also adversely impact *pro se* applicants and small businesses by making it more expensive to maintain a trademark application while preparing to bring a new product or service to the market. Finally, the stakeholders who submitted comments noted that increasing this fee will not advance the USPTO's stated objective of improving the integrity of the Register. Notably, adequate safeguards already exist in that applicants are required to have a continuing *bona fide* intent to use a mark in order to request an extension of time.

TPAC recognizes that a junior user may avoid considering adoption of a particular mark based on these longer-pending applications and that the increased cost of maintaining pending applications may discourage the filing of such extension requests in that some trademark applicants may feel pressure to commit to use of a mark. However, TPAC agrees with the points raised by these stakeholders, and we believe some of the same concerns may apply to the proposed increase in the fee for filing a SOU. We encourage the USPTO to pursue a different method for increasing its revenue in a way that will not disproportionately impact domestic filers

who utilize the intent-to-use (ITU) trademark filing system under Trademark Act Section 1(b), 15 U.S.C. § 1051(b).

4. Proposed Increase in Request to Divide (Fee Codes 6006 and 7006)

Although the IP associations did not address this fee proposal in their written comments, one attendee at the November 3 hearing, Allison Ricketts, pointed out that raising the fees for dividing an application is contrary to the USPTO's stated goal of seeking to move ITU applications forward to registration as soon as possible. Increasing the fees for Requests to Divide may discourage ITU applicants from filing SOUs at an early stage, where possible, and could thereby deprive third parties searching the Register from gaining information about actual use of the mark. The members of TPAC find this reasoning to be persuasive, and we also note that increases to this fee will add to the costs for ITU applicants, further contributing to the disparity between costs to foreign entities filing under the Paris Convention of Madrid Protocol and domestic entities, who must prove use before receiving a registration. We therefore encourage the USPTO to consider a fee increase that would have a more even impact across the spectrum of all filers, and not just ITU applicants.

5. Proposed Increase for Petitions to the Director (Fee Codes 6005 and 7005)

In light of the cost of processing a Petition, no stakeholder expressed opposition to the proposed increases in paper and electronic fees for filing a Petition to the Director. Members of TPAC also did not identify any issue related to this proposed fee increase.

6. Proposed Increases Related to TTAB (Fee Codes 6401/7401, 6402/7402 and 6403/7403)

Although there appears to be general support for the goal of recovering some of the costs incurred by the TTAB, several stakeholders expressed concerns, discussed below, that we believe merit consideration.

With regard to the proposal to increase the fee for filing a Notice of *Ex Parte* Appeal (fee code 6402/7402), AIPLA pointed out that many applicants file a Notice of Appeal in conjunction with a Request for Reconsideration in order to preserve their rights. Frequently, these appeals do not go forward. Thus, charging a higher fee for this filing could discourage applicants seeking reconsideration. Instead, AIPLA proposed that the USPTO create a new fee that could be tied to the Applicant's submission of an Appeal Brief.

The members of TPAC agree with AIPLA's recommendation, and we encourage the USPTO to explore the possibility of creating a new fee that would be more directly tied to those appeals that move forward beyond the filing of the Notice of Appeal.

Stakeholders also raised concerns about the proposal to create two new fees tied to filing Requests for Extensions of Time to Oppose a published trademark application. One association, AIPLA, opposed these proposed new fees in its comments. Stakeholders also expressed concern that the imposition of a new fee may have the unintended effect of creating more *inter partes* proceedings, to the extent that third parties prefer simply to file a Notice of Opposition in lieu of incurring the cost of obtaining an extension of time. Although TPAC recognizes a divergence of views on this proposed fee increase, and although our members also are not unanimous, we nevertheless hold the majority view that attaching a reasonable fee to obtaining extensions of time to oppose after the initial 30-day extension should both encourage potential opposers to engage more quickly in an analysis of the potential dispute and to seek resolution at a sooner point.

In most cases, we do not believe that the proposed new fees for obtaining extensions of time to oppose are substantial enough to cause a potential opposer to elect to file a Notice of Opposition rather than to obtain extensions of time to oppose (even with the payment of a fee) and seek to negotiate a resolution. We also believe that applicants have an interest in ensuring that their applications are permitted to move forward to registration as soon as possible unless legitimate third-party concerns exist. Requiring third parties to invest their money in order to

hold up an application will benefit applicants by discouraging non-meritorious extensions filed by third parties.

Given the range of opinions expressed in response to the proposals related to TTAB fees, the members of TPAC, while supportive of these proposals, encourage the USPTO to carefully consider these opinions. We also recommend changing the fee related to Notices of Appeal, as explained above.

Finally, the TPAC recommends process improvements for any future proposed fee increases. In particular, TPAC strongly encourages the USPTO to provide as much advance notice as possible to the public in order to increase participation in public hearings and to permit preparation and submission of testimony.