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May 24, 2023

Via Email Kathi.Vidal@uspto.gov

Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office Kathi Vidal
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313

Re: Subject: Opposition to Proposed Fee Increases - Summary of Concerns and Arguments

Dear Director Vidal,

The National Association of Patent Practitioners (NAPP) writes to express our opposition to certain contemplated fee increases outlined in the recent preliminary notice published by the United States Patent and Trademark Office (USPTO) on April 20, 2023. After thoroughly reviewing the proposed fee schedule and engaging in extensive discussions within our community, we have summarized the key concerns and arguments surrounding these fee increases.

NAPP represents hundreds of member patent practitioners across the country who specialize in patent practice before the United States Patent and Trademark Office (USPTO). Our members and their clients are crucial stakeholders of the USPTO and will be significantly affected by these fee increases.

Opposition to the escalation of certain fees—for extra claims, RCEs, TDs, IDSs, and AFCP 2.0 interviews:

NAPP recognizes fee increases are needed so the USPTO may ensure a strong patent system where the USPTO issues robust and reliable patents. As a self-funded agency, the USPTO requires fees to recover infrastructure investments and attract top talent. However, certain of the contemplated fee increases exceed those required to fund the agency. One major concern raised by our community is the substantial increase in extra claims fees. The rate for “each claim in excess of 20” is being doubled, from \$100 to \$200 per claim for large entities, and the rate for “each independent claim in excess of three” is being raised by 25%, from \$480 to \$600 (large entity). Small and micro entity rates are being raised proportionately. Similarly, the fees for Requests for Continued Examination (RCE) are being sharply increased by 25-80% depending on the type (first, second, third, or subsequent RCE). Terminal disclaimer (TD) fees are also being significantly raised, in some cases doubling or even up to 7 times the current rate, with the disparity depending on when the disclaimer is filed, such as after a final rejection. Information

disclosure statement (IDS) filing fees are also sharply increased for citing large numbers of references: For example, an IDS citing even one reference, once 200 references are cited cumulatively, would cost \$300 extra (unless the PTO intends to charge \$200+\$300+\$300 for it). The proposal also seeks to add a \$500 fee for conducting any AFCP 2.0 interview.

NAPP respectfully opposes these increases.

The PTO has not provided cost analysis or transparent reasons for these increases:

One significant issue raised by our community is the absence of a cost analysis for the above-listed specific fee increases. The lack of such analysis raises questions about the rationale behind these fee hikes and the transparency of the decision-making process.

For most of the contemplated fee increases, the PTO provides a “unit cost” to justify fee adjustments. However, for the fee increases listed above, which appear to be the most substantial proportionally, the “unit cost” is listed as “n/a.” In other words, the PTO has not conducted any analysis to determine if there is any extra cost arising from extra claims, RCEs, and TDs, and if so, how much.

For some of these costs, NAPP believes that “unit cost” analysis could not justify the increase. For example, some extra independent claims are restricted and never examined; dependent claims are reviewed easily once an independent claim is allowed; RCE filings and AFCP 2.0 interviews currently often simplify rather than complicate prosecution; and filing terminal disclaimers after final rejection costs virtually nothing extra and may avoid the need for unnecessary appeals.

If the PTO has other reasons for the increases, aside from unit cost, it should detail those with specificity, but it has not done so. PTO materials vaguely allude to incentivizing applicants to align with PTO goals, but no careful analysis appears to justify particular fee changes.

Such sharp increases will have unintended consequences:

NAPP respectfully submits that the proposed fee increases, particularly those related to the fees listed above, will result in unintended consequences, which will result in adverse effects on the patent system, on patent applicants, and on the PTO workflow itself. Fee hikes of this magnitude will incentivize applicants to employ strategies to circumvent the excessive and exorbitant fees. This could lead to more applications (original or continuations), delays in filing claims, reduced citations, and correspondingly increased workload for examiners, resulting in longer processing times and potentially impeding the efficiency and effectiveness of the USPTO.

NAPP respectfully submits that the PTO should consider the likely reactions by applicants and practitioners should such sharp increases take effect. Examples, and discussions of particular fees, are listed below.

1. Extra claims fees: For example, if an applicant wishes to file an application with 40 claims, including 6 independent claims, in some instances, the applicant will consider it more cost-effective to file two applications, each with half of the claims, which would incur lower costs, rather than paying \$5800 in extra claims fees (the price under the fee schedule circulated for comment). This would create additional work for examiners and cause further delays at the USPTO.

For another example, applicants may refrain from filing full sets of dependent claims until after allowance, then add dependent claims (such as counterparts of other claims or portions of a consolidated dependent claim) via an after-final or even an after-allowance amendment. Alternatively, applicants may file further continuations to address previously unaddressed dependent claims.

For another illustration, to defer excess claims costs, an applicant may file an initial application with one independent method claim and one independent apparatus claim, and present one dependent claim having a large number of additional elements, all in combination. Once the examiner allows those claims, the applicant can separate the additional elements into separate dependent claims, which would be permitted under the PTO's after-final rules, even under Rule 312 after allowance. *See* MPEP 714.16. (And if the PTO refused entry of such an amendment, which it should not, a further unnecessary CON could be filed.) Such practices would not reduce the total fees, but they would avoid the risk of paying large fees only to see an application rejected, so applicants will have strong incentives to follow such practices. But such after-final amendments would result in more work for the examiner and the PTO and more delays in patent issuance, exactly contrary to the PTO's intentions.

2. RCE fees: Similarly, the high expense of an RCE may induce applicants to file a continuation (CON) application instead of an expensive RCE, again causing more expense to the PTO.

3. IDS fees: Likewise, the high expense of citing many references will likely cause applicants whose related patents are involved in litigation (a primary reason many references are cited) to make indirect citations, causing more work for examiners, not less. For example, an applicant could cite, as *one* reference, a document containing a litigation defendant's undifferentiated list of references, without citing the references on that list directly. Or an applicant could refrain from citing references identified in parent applications (another primary reason why many references are cited), counting on examiners to comply with their duty to review references cited in parent applications anyway. *See* MPEP 904 ("In all continuing applications, the parent applications must be reviewed by the examiner for pertinent prior art. The examiner must consider prior art which was cited and considered in the parent application.").

4. AFCP 2.0 fees: The AFCP 2.0 program has proven highly successful in avoiding unneeded appeals and RCEs/CONs. A high fee will destroy this popular program. Applicants will respond by avoiding AFCP 2.0 processes and seeking normal interviews (without narrowing amendments) and filing normal after-final amendments. AFCP 2.0 also allows examiners extra time credits, which normal interviews do not. The result of imposing such a fee will be to increase the number of appeals, RCEs, and CONs, which is contrary to the PTO's desires.

5. TD fees: Additionally, the increase in terminal disclaimer fees does not align with the minimal cost incurred by the PTO for accepting a TD. This change may encourage applicants to appeal double-patenting rejections, particularly if an appeal is already necessary following a final rejection, rather than paying a punitive fee for waiting until after the final rejection. Applicants may also choose to file a CON to avoid such fees, especially if additional actions like citing newly discovered prior art are needed.

It is quite reasonable for an applicant to first challenge a double-patenting rejection, then if it is the only rejection repeated in a final office action, to file a terminal disclaimer. That practice should be encouraged, not penalized. It is also unfair to penalize applicants for deferring terminal disclaimers given that they are irrevocable. Any higher fees for terminal disclaimers should not be imposed until after patent grant, and preferably after the period for PGR review has been finished. At the very least, an applicant should not have to pay a higher fee if the examiner sends a final office action with a terminal disclaimer only without having telephoned the applicant to provide an opportunity to file a terminal disclaimer to obtain allowance. Alternatively, the PTO should permit the revocation of terminal disclaimers.

Summary: In sum, NAPP respectfully submits that the sharp increases in per-claim fees, RCE fees, IDS fees, AFCP 2.0 fees, and TD fees are unnecessary and unfair and will lead to more, not less, delays and more, not less, work for the PTO. NAPP hopes the PTO will reconsider the plan and adjust the rule proposal accordingly. NAPP offers to assist the PTO in working through likely practitioner and applicant reactions.

Sincerely,



Richard A. Baker, Jr.
National Association of Patent Practitioners, Secretary