

From: Prebyl, Benjamin S. <bprebyl@oliff.com>
Sent: Wednesday, February 29, 2012 4:32 PM
To: fee.setting
Cc: Berridge, William P.
Subject: Fee Setting
Attachments: Fee Setting.pdf

Dear Ms. Picard:

Please see the attached written comments concerning the proposed patent fee schedule.

Best regards.

William P. Berridge

<<Fee Setting.pdf>>

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Oliff & Berridge, PLC, 277 S. Washington St., Suite 500, Alexandria, Virginia 22314, (703) 836-6400, email@oliff.com

OLIFF & BERRIDGE, PLC

ATTORNEYS AT LAW

February 29, 2012

277 SOUTH WASHINGTON STREET
ALEXANDRIA, VIRGINIA 22314TELEPHONE: (703) 836-6400
FACSIMILE: (703) 836-2787
E-MAIL: EMAIL@OLIFF.COM
WWW.OLIFF.COM

United States Patent and Trademark Office
Mail Stop CFO
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

By Email

Attention: Ms. Michelle Picard

Re: Fee Setting

Dear Ms. Picard:

Oloff & Berridge, PLC is a private intellectual property law firm that files and prosecutes thousands of patent applications each year on behalf of a wide range of U.S. and foreign applicants. Its practice before the U.S. Patent and Trademark Office (USPTO) provides a perspective and depth of experience necessary to provide the following comments for the PPAC to consider while drafting their report detailing the advice and recommendations of the PPAC regarding the proposed fee change.

PPAC is planning to issue its report regarding the proposed fee change during the notice of proposed rulemaking regarding (NPRM) public comment period, which is after the NPRM has published in the Federal Register. We encourage the PPAC to issue its written report before June of 2012 (the USPTO's targeted release date for the NPRM regarding the proposed fee schedule) so the USPTO is able to consider the PPAC's written report before publishing its proposed fees and supporting rationale in the Federal Register.

Our further concerns, as well as our recommendations for addressing those concerns, are detailed below.

A. RCE and Appeal

The fee setting authority makes it possible for the USPTO to incentivize and disincentivize applicant behavior by setting fees at low or high levels to encourage certain activities while discouraging others. To this end, the USPTO has set punitive rates for RCE and appeal fees. However, one of the primary reasons these activities are pursued is because of poor and/or piecemeal patent examination by inexperienced examiners. Thus, we recommend substantially reducing or eliminating any increase in the RCE and Appeal fees at least until the USPTO's proposed "brute force" approach (involving increasing personnel on board for patent examining activities to around 10,400) for reducing the patent application backlog is fully implemented.

While we agree that the USPTO needs more examiners (particularly more experienced examiners, and thus more focus should be directed to keeping experienced examiners), it should not be overlooked that training personnel to be capable of quality and/or non-piecemeal patent examination takes years. In the upcoming years, the USPTO is planning on significantly expanding the patent examining corps by hiring thousands of examiners. With this hiring, the USPTO estimates that it will have hired more than 3,800 new patent examiners from FY 2011 to the end of FY 2013 to expand examination capacity in a brute force approach to reduce the patent application backlog. While potentially accelerating examination processing, such a flood of new Examiners will also have the unintended consequence of initially diminishing the overall quality of patent examination. Thus, any increases in RCE and Appeal fees are unreasonable at this time given the significant number of new inexperienced examiners being brought on board.

Specifically, it would be unreasonable to force the patent community to pay excessive RCE and Appeal fees to achieve quality patent examination when the USPTO will be diluting the patent examining corps in the above manner. Instead, such fees should be incrementally increased to a level necessary to recover full costs of these services once the overall experience level of the examining corps increases and quality examination is ensured. Thus, initially, we recommend substantially reducing or eliminating any increase in the RCE and Appeal fees.

B. Post Grant Proceedings

Correction of improvidently issued patents by post grant proceedings is in the public interest. Therefore, imposing excessively high fees on a per claim basis to request *ex parte* reexamination, IPR, and PGR is inconsistent with sound public policy. Additionally, such high fees on a per claim basis would encourage applicants to include numerous inconsequential claims in important patent applications in a calculated effort to avoid post grant procedures. For example, under the proposed fee schedule a patent with 20 claims could be made subject to an IPR for a \$27,200 filing fee. However, if the proposed excessive fees are in place, the patent applicant may add 41 inconsequential claims (at a cost of \$4,100; \$100 per claim in excess of 20, as proposed) to increase the USPTO filing fee alone for an IPR to \$95,200 in an effort to frustrate initiation of an IPR. Thus, under the proposed fee structure, depending on the extent to which the patent applicant may want to game the system, enough inconsequential claims may be added to make any post grant proceedings cost prohibitive. Accordingly, we recommend the USPTO reset these post-grant patent proceedings fees at a single lower rate (not on a per claim basis, but at a level that will allow the USPTO to completely recover the aggregate costs for its services) to increase participation.

C. Operating Reserve

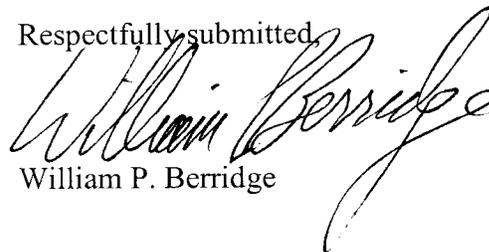
The proposed patent fee structure provides resources to begin funding a patent operating reserve. Such an operating reserve is funded at the expense of the patent community paying any fees within the next few years. However, the America Invents Act does not prevent fee diversion. Thus, fees collected that exceed appropriation levels become subject to fee diversion by Congress. It is not reasonable for current applicants to pay fees above and beyond the fees needed to cover aggregate costs to fund an operating reserve that is subject to fee diversion by

Congress. In other words, the proposed fee structure should be reduced to the extent the proposed fees have been increased to fund this rapid-growing operating reserve, at least until there is a guarantee that the USPTO will have exclusive access to the fees in the operating reserve. If the operating reserve is maintained, it should be funded more gradually (such as at a rate of less than 2 percent of total USPTO expenses per year) to avoid current applicants carrying too much of the burden.

D. Examination Fee Refund

We suggest that the USPTO exercise its fee setting authority to provide for refunds of the examination fee under circumstances similar to those provided in 35 U.S.C. 41(d)(1)(D), which allows the USPTO to provide a refund of any part of the search fee for any applicant who files a written declaration of express abandonment as prescribed by the Director before an examination has been made of the application under 35 U.S.C. 131 (and in part the provision in 35 U.S.C. 41(a)(2) that the USPTO may provide for a refund of any part of the excess claims fee for any claim that is canceled before an examination on the merits, as prescribed by the Director, has been made of the application under 35 U.S.C. 131). Because no examination will occur in an application to be abandoned, we suggest that 37 C.F.R. §1.138(d) be amended to reflect that an applicant seeking to abandon an application filed under 35 U.S.C. 111(a) and Sec. 1.53(b) on or after December 8, 2004, may obtain a refund of the examination fee, search fee, and excess claims fee paid in the application after submission of a petition and declaration of express abandonment before an examination has been made of the application. This will further incentivize applicants to reduce the backlog of less-important patent applications by abandoning them, and free up Patent Office resources for examination of important applications.

Respectfully submitted,



William P. Berridge

WPB:BSF