



United States Patent and Trademark Office

*Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office*

VIA ELECTRONIC TRANSMISSION

April 20, 2023

Patent Public Advisory Committee
ATTN: Suzanne Harrison, Chairperson
24 19th Ave.
San Francisco, CA 94121
Via email to: Suzanne@percipience-ip.com

Dear Members of the Patent Public Advisory Committee (PPAC):

As a fee-funded agency, we must periodically assess and adjust fees to ensure our fee collections finance the aggregate costs necessary to produce robust and reliable patents. The agency recently completed a comprehensive patent fee review, with the conclusion that we should adjust fees to increase aggregate revenue and refine certain fees to efficiently finance ongoing operations. The first steps in the fee adjustment process are to deliver our patent fee proposal to the PPAC and engage the public. Given the statutory and regulatory timeline for setting and adjusting fees, we anticipate any fee changes will be implemented on or around January 2025.

Financial Outlook

Our patent fee review included an evaluation of the financial outlook under the existing fee schedule, as well as significant research and analysis on proposed revisions to certain fees. The financial outlook has two dominant themes. First, the Unleashing American Innovators Act (UAIA) of 2022, signed into law December 29, 2022, reduced barriers to entry into the patent system by increasing small and micro entity discounts. As a consequence of new, higher discounts, the USPTO will collect significantly less fee revenue going forward relative to baseline estimates. Second, the broader U.S. economy has experienced higher-than-expected inflation the last two years and, in turn, increased USPTO operating costs relative to baseline estimates. Consequently, aggregate operating costs will exceed aggregate fee revenues for our patent business line beginning in fiscal year 2025. This operating shortfall will be financed using existing operating reserve balances until implementation of a new fee schedule that increases fee collections.

Patent Fee Proposal

This patent fee proposal finances agency operating costs going forward and ensures we are able to deliver on the commitments contained in our upcoming 2022–2026 Strategic Plan. It promotes efficient operations, adjusts some fees relative to the cost of services provided, increases access to the patent system, and sufficiently finances ongoing and planned initiatives that encourage participation in the innovation ecosystem. The entirety of the proposal is consistent with longstanding policy to lower

barriers to entry to the U.S. patent system. The enclosed documents outline in detail all proposed fee changes. The following paragraphs provide a high-level summary of certain elements in the proposal.

Decrease extension of time (EOT) fees for provisional applications

The USPTO's fee review concluded that applicants who have certified micro entity status in provisional applications are more than twice as likely to request EOT as compared to other applicants. Thus, we are proposing reduced EOT fees for provisional applications by an average of 81% to reduce financial and entry barriers and foster inclusive innovation.

New accumulating fee for cumulative number of applicant-provided citations in the record

The USPTO is proposing additional fees for applicant-provided citations in the record. Specifically, we are proposing three surcharges due upon the first filing of any information disclosure statement (IDS) that results in a cumulative number of applicant-provided citations exceeding 50, 100, or 200 references, respectively. Under this proposal, an applicant who exceeds all three thresholds by providing more than 200 citations in a single IDS will be required to pay all three surcharges (i.e., 50, 100, and 200). Additional citations add costs to the application review process, as each citation requires examiner review, and we must adequately recover these costs. In addition, these surcharges are intended to prompt more efficient citation behavior from applicants, providing a financial incentive to avoid citing clearly irrelevant and marginally pertinent cumulative information.

New tiered fee for continuing applications with extended benefit claim practice

The USPTO is proposing a new tiered fee for continuing applications. As a process, later-filed continuing applications may forego future maintenance fee collections. This new tiered fee will apply to applicants filing continuing applications more than three years or seven years after the earliest benefit date, or presenting delayed benefit claims that achieve the same result. It is intended to encourage more efficient filing and prosecution behavior from applicants and partially offset future lost maintenance fee collections that eventually recover the examination costs incurred.

Adjustments to requests for continued examination (RCE) fees

The USPTO is proposing an adjustment to RCE fees. Continued examination requests result in additional examination costs. This proposal passes more of the costs associated with RCEs to applicants filing for them and adjusts RCE fees by increasing fee amounts for first and second RCEs, and adding an additional tier with a higher fee for third and subsequent RCEs. This additional tier is intended to encourage applicants to consider whether to file multiple RCEs on the same application.

Adjusting fees associated with filing a terminal disclaimer

The USPTO is proposing to change the flat fee for filing a terminal disclaimer to a sliding fee scale where costs increase after certain milestones, such as a final action or appeal. The proposed sliding fee scale will encourage applicants to file terminal disclaimers as early as possible during the examination process, enabling more efficient examination and benefitting both the agency and our applicants.

5% across-the-board fee adjustment

In part and as a result of higher-than-expected inflation, the USPTO is proposing a 5% across-the-board fee increase to most patent-related fees. This increase equates to an approximate 1.2% annual adjustment when considering the likely four-year gap between implementation of this proposed fee rule and the last major fee rule implemented in October 2020.

5% increase to filing, search, and examination fees

The USPTO is proposing to increase filing, search, and examination fees by an additional 5% above the 5% across-the-board proposal described above. To achieve low barriers to entry into the IP system, filing, search, and examination fees are lower than our costs incurred in performing these services. We recover aggregate shortfalls through other fee collections, primarily maintenance fees, which we collect later in the patent life cycle. This proposal marginally recovers some additional filing, search, and examination costs earlier in the patent life cycle, but not all associated costs, thus retaining consistency with a low barrier to entry policy.

Next Steps

Enclosed with this letter are two documents. The first provides a summary of the proposal; the second provides a listing of each proposed fee adjustment or new fee. In addition, background material and supporting analysis will be posted to our website, www.uspto.gov/FeeSettingAndAdjusting.

Section 10 of the Leahy-Smith America Invents Act (AIA), as amended, requires the PPAC to hold a public hearing within the 30-day period following receipt of this proposal. As of this communication, a public hearing has been scheduled for May 18, 2023. The AIA also requires the PPAC to submit a written report setting forth, in detail, the committee's comments, advice, and recommendations following the public hearing, and that report be made available to the public.

I look forward to reviewing the PPAC's comments and recommendations on this patent fee proposal and working in collaboration with you to strengthen the U.S. innovation ecosystem.

Sincerely,



Katherine K. Vidal
Under Secretary of Commerce for
Intellectual Property and Director of the
United States Patent and Trademark Office

Enclosures

Attachment I – Executive Summary of Patent Fee Proposal
Attachment II – Table of Proposed Patent Fee Adjustments

Cc:

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