TRADEMARK PUBLIC ADVISORY COMMITTEE

Report on Trademark Fee Proposal August 14, 2023



UNITED STATES PATENT AND TRADEMARK USPTO

**TPAC** Report on Fee Proposal 2023



**Table of Contents**

1. [Introduction 3](#_bookmark0)
2. [Overview 3](#_bookmark1)
3. [Discussion of Proposed Fee Changes 4](#_bookmark2)
	1. [Application Filing Fees 4](#_bookmark3)
	2. [Intent-to-Use (ITU) Fees 5](#_bookmark4)
	3. [Maintenance Filing Fees 5](#_bookmark5)
	4. [Fees for Letters of Protest and Petitions 6](#_bookmark6)

TPAC

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# Introduction

The United States Patent and Trademark Office (“USPTO”) is conducting a comprehensive review of its fees, as authorized and required by the Leahy-Smith America Invents Act.

As the first public step, on May 8, 2023, USPTO Director Kathi Vidal provided the Trademark Public Advisory Committee (“TPAC”) with the USPTO’s proposal to adjust its trademark fees. The proposal is the result of extensive internal study and analysis by the USPTO.

The USPTO has provided substantial information to TPAC and the public concerning the fee proposal, including a schedule of all proposed adjustments, a rationale for each proposed adjustment, and a detailed breakdown of current and historical processing costs for each service. Many of these materials are attached to this report for convenient reference.

TPAC conducted a public hearing on the fee proposal on June 5, 2023, and subsequently received written comments from the public as well. This report summarizes the public comments and provides TPAC’s evaluation and recommendations.

# Overview

TPAC believes the fee proposal as a whole is appropriate and well-supported. The USPTO has explained that aggregate fee increases are needed because:

* + Demand is decreasing from previously-projected levels.
	+ Usage patterns have shifted, resulting in lower utilization of post-registration services that were designed to recover more revenue under the current fee structure.
	+ Higher than expected inflation has resulted in increased operating costs.

We have no doubt that overall increases are needed to ensure that the USPTO complies with its statutory mandate to set fees at a level commensurate with anticipated aggregate costs. The majority of public commenters recognized this reality as well.

The USPTO nonetheless has flexibility in how it achieves that mandate. As a result, the levels at which individual fees are set may be adjusted based on policy considerations:

**Cost recovery:** The USPTO comprehensively tracks costs associated with specific services to use as a starting point, but not all fees are set at remunerative levels if there are other important policies to be served.

**Access:** The USPTO may lower some fees to reduce barriers to registration, especially for under-resourced filers. For example, application filing fees have historically been set below the full costs of examination, with the expectation that additional revenue will be recovered from maintenance fees.

**Motivating behavior:** Fees may be set at higher or lower levels to incentivize filers to engage in desirable behavior, to encourage efficiencies, or to discourage counterproductive conduct.

**Subsidization:** Fees for certain services may be set above estimated costs to help offset costs of other services that are not fully funded.

In this report TPAC evaluates the proposed fees in four categories. We have analyzed the extensive information provided by the USPTO, carefully considered all the public comments, and weighed the policy considerations. For some categories, we recommend that the USPTO consider

revising a proposed adjustment. In others we suggest that the USPTO consider the details of implementing a particular adjustment and provide additional explanation to the public.

# Discussion of Proposed Fee Changes

## Application Filing Fees

Application filing fees will be realigned as the USPTO phases out the current Trademark Electronic Application System (TEAS) Standard and Plus application filing options and replaces them with a single basic application form. Surcharge fees would only be incurred if specific actions were taken during filing.

Public comments generally supported the increase in the basic application fee and recognized that an increase is needed to maintain fiscal responsibility, though some expressed concern that the increase might discourage individuals and small entities from applying to register their marks.

Many commenters expressed questions or concerns about proposed surcharges and how they would be implemented.

###### TPAC Recommendations

We support the fee increases, but suggest that the USPTO further consider how the surcharges will be implemented, specifically:

* + **Character limit**: We recognize the importance of discouraging unnecessarily long descriptions and recovering more of the examination costs incurred by them. We recommend additional consideration and explanation about whether a character limit is the best approach, compared to a word limit, a limit on separate goods and services, or some other similar metric.

If the USPTO retains the character limit, we suggest providing more specifics about how it will work. Will spaces and punctuation count as characters? Will the limit apply only to the free text field, or will it also apply to standard descriptions selected from the ID Manual drop-down list?

* + **Custom IDs**: We encourage the USPTO to consider measures to avoid disadvantaging filers that seek protection for innovative products and services. For example, the USPTO might waive or defer the surcharge if applicants request to add the new description to the ID Manual.

Also, the drop-down lists can be cumbersome for longer descriptions. Many filers who use descriptions from the ID Manual find it more efficient to collect the descriptions and paste them as a block into the free text field, instead of individually selecting each description from the drop-down lists. Will the system be able to identify standard descriptions from the free text field and not add a custom ID charge?

* + **Insufficient information**: We encourage the USPTO to provide more details about what specific deficiencies will trigger this surcharge and when it will be incurred. Will it be flagged for the filer prior to submission, or could it be assessed in a later USPTO action?

To facilitate access to the registration system for individuals and small entities, we recommend that the USPTO evaluate the feasibility of a small-entity discount or two-tiered filing fee that would permit filing at lower cost by under-resourced users. The USPTO may also consider

reducing fees for applicants who file through the USPTO clinical program, because clinics evaluate financial need before agreeing to provide clients with pro bono counsel.

## Intent-to-Use (ITU) Fees

A number of public comments suggested that it seemed anomalous to propose a higher fee for Amendments to Allege Use (AAU) ($200) than Statements of Use (SOU) ($150).

There was also public concern that the proposed fee increases for the fourth and fifth extensions of time to file an SOU may unfairly disadvantage new businesses and small filers, who often need more time to begin commercial operations.

###### TPAC Recommendations

We recognize the need to increase these fees overall to generate adequate revenue and to help subsidize lower initial filing fees, permitting small filers to defer some fees until the viability of their enterprise is proven.

* + **AAUs/SOUs**: We recommend, however, that the fee for an AAU should be less than for an SOU. That would better align incentives for efficiency, because fewer resources are required to process an AAU in the course of examination, as compared to reviewing an SOU after examination is otherwise complete. This is borne out by the reported unit costs, which are $118 for an AAU and $241 for an SOU.

We therefore suggest that the AAU fee be set at $150, and the SOU fee at $200.

* + **Extensions:** We also recommend against increased fees for the fourth and fifth extensions of time to file an SOU. The stated rationale for the increase is that the pendency of these applications potentially blocks later-filed applications and makes clearance more difficult for other users. But this reasoning is just as valid for a first extension as for a fifth, and these interests were presumably balanced when it was originally decided what extensions would be allowed and for how long.

We believe that additional extensions are often needed for legitimate reasons, including by filers in highly regulated industries where timelines to launch a product may be long, and by start-up entities and small users who may need more time to assemble the resources for launching a product or service. We also note that unit costs for processing these filings are very low. We recommend that this fee be maintained at current levels.

## Maintenance Filing Fees

The proposal includes increases to fees for Renewals (§ 9), Declarations of Use (§ 8 and § 71), and Declarations of Incontestability (§ 15).

Many public comments expressed concern that the recommended increases would be punitive, and found them disproportionate to costs. Some also said that these increases may discourage maintenance filings, especially by small or under-resourced registrants.

###### TPAC Recommendations

* + **In General:** We understand that these fees are set above unit costs to subsidize initial application fees. We nonetheless think the concerns about discouraging maintenance filings are warranted. For example, we note that the fee for filing a Section 8 Declaration has the highest percentage increase, and it was substantially increased in 2020 as well. Registrants with limited resources might decide to forego such an expense even though they would prefer to keep the registration in force.

As the USPTO has observed, recent data reflects a diminishing rate of maintenance filings in relation to applications. We are concerned that a further increase of these fees may accelerate that trend, creating challenges for all users. If more registrations are abandoned for budgetary reasons, it will be more likely that the marks will still be in use, increasing the need for common law investigations and raising clearance costs.

We recommend that the USPTO reconsider whether the proposed increases are essential to overall financial viability, or can responsibly be moderated or omitted.

* + **Maintenance of §66A or §44 Registrations:** Notwithstanding our overall recommendation, above, we do believe that increasing maintenance fees is justified for registrations issued based on §66A or §44 applications. Owners of these registrations have not been required to prove use prior to registration. They are more likely to describe an excessive list of goods and services, to offer suspect specimens and declarations, and to require auditing. Consequently, they should bear a higher cost burden for post- registration filings than registrants who have already proven use to perfect their registration.

We therefore support the fee increase for Section 71 filings. We also suggest that the USPTO consider whether fee increases for other maintenance filings could be increased only for §66A and §44 registrants, though we recognize that any such increases may implicate many factors, including compliance with international treaty obligations.

## Fees for Letters of Protest and Petitions

The proposed fee increase for filing a letter of protest received the most public comment of any of the fee proposals, with a substantial majority objecting to what is perceived as a dramatic five- fold increase (from the current $50 fee to $250). Many commenters urged that letters of protest, when properly prepared, add value to the examination process because they can provide information that examiners may not otherwise discover, such as information about generic or descriptive terms of art in specific industries.

The proposed increases for petitions generated few public comments, primarily expressing concern about the fairness of requiring a filer to bear the cost when the petition is needed due to inadvertence (in the case of petitions to revive) or USPTO error (in the case of petitions to the Director).

###### TPAC Recommendations:

* + **Letters Of Protest**: We recommend the USPTO consider a more modest increase of this fee to no more than $150. We believe that an increase is justified to recover at least a portion of processing costs, and to deter frivolous filings. But some subsidization is justified to recognize the value that meritorious letters add to the examination process, and to provide members of the public with a cost-effective means of bringing information to the attention of the USPTO.

We recognize that unit costs for processing letters of protest are substantial, but we believe they may decrease over time as users and examiners become more familiar with the framework enacted by the Trademark Modernization Act. A $100 or $150 fee would double or triple the current fee and would provide some amount of cost recovery.

* + **Petitions To Revive:** We believe this increase is appropriate. While it is substantial as a percentage, it is justified to incentivize diligence by applicants in avoiding abandonment. We are not unsympathetic to the plight of filers who inadvertently abandon, but that is

why the USPTO relaxed the standard for filing a petition to revive some years ago. It seems fair that the filer should bear the costs so incurred.

* + **Petitions To the Director:** We believe this increase is appropriate. The USPTO usually waives this fee when the petition seeks to correct an error made by the USPTO, and we encourage the continuation of that practice. Otherwise, recovery of a substantial portion of processing costs is justified.

**Attachments**

##### [Letter from Director Vidal to TPAC May 8, 2023](https://www.uspto.gov/sites/default/files/documents/Letter-from-Director-to-TPAC-May-2023.pdf)

##### [USPTO Executive Summary of Fee Proposal](https://www.uspto.gov/sites/default/files/documents/Trademark-Fee-Proposal-Executive-Summary-PH2023.pptx)

##### [USPTO Table of Trademark Fees Current-Proposed-Unit Cost](https://www.uspto.gov/sites/default/files/documents/Trademark-Fees-Current-Proposed-Unit-Cost-PH2023.xlsx)