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June 3, 2024

The Hon. Vaishali Udupa  
Commissioner for Patents  
U.S. Patent and Trademark Office  
P.O. Box 1451

Alexandria, VA 22313-1451

Via online submission to: <https://www.regulations.gov/docket/PTO-P-2022-0033>

Re: Comments in response to the Notice of proposed Rulemaking on “Setting and Adjusting Patent Fees During Fiscal Year 2025,” 89 Fed. Reg. 23226, docket number PTO–P–2022–0033

Dear Commissioner Udupa:

As Chair of the American Bar Association Section of Intellectual Property Law (the “Section”), I am writing on behalf of the Section to provide comments in response to the U.S. Patent and Trademark Office’s (“Office”) request for comments on the Notice of Proposed Rulemaking on “Setting and Adjusting Patent Fees During Fiscal Year 2025” (the “NPRM”), 89 Fed. Reg. 23226 (April 3, 2024). The views expressed herein have not been reviewed or approved by the House of Delegates or the Board of Governors of the American Bar Association and, accordingly, should not be construed as representing the policy of the American Bar Association. These comments do not represent the policy or views of any government employee who is a member of the Section, its Council, or its Interest Groups.

Since 1894, the Section has advanced the development and improvement of intellectual property laws and their fair and just administration. As the forum for rich perspectives and balanced insight on the full spectrum of intellectual property law, the Section serves within the ABA as a highly respected voice within the intellectual property profession, before policy makers, and with the public. The Section membership includes attorneys who represent trademark owners, accused infringers, small corporations, universities, and research institutions across a wide range of industries.

The Section appreciates the Office’s efforts to ensure the agency has sufficient financial resources to provide effective patent system administration and examination that supports more reliable and durable patent rights. The Section comments on certain targeted fee adjustments are below, some of which appear to be ***directed to substantive policy setting, thus exceeding the scope of the USPTO’s authorization for setting fees***, such as the increases in fees without supporting data, most egregiously in the cases of ***continuing applications, terminal disclaimers, and patent term extensions***. (31 U.S.C. §9701, as discussed in *National Cable Television Ass’n v. United States*, 415 U.S. 336 (1974), rejecting “public policy” as a basis but noting the “value to the recipient” as the authorized basis for fee setting by agencies under 31 U.S.C. §9701).

## **Response to Certain Targeted Fee Adjustments:**

### **A. After Final Consideration Pilot Program 2.0**

The After Final Consideration Pilot Program 2.0 (“AFCP 2.0”) provides applicants and examiners with a useful procedure to address patentability issues that arise after a final rejection of claims. The USPTO implemented the pilot program with the objective of giving applicants the opportunity to interview an examiner to discuss narrowing claim amendments that may facilitate allowance.

The implementation of a ***fee without guarantee of an interview fails to provide applicants with a meaningful opportunity to understand the examiner’s position of the narrowed claim scope.*** Accordingly, we do not support the fee proposal.

If the USPTO determines that the pilot program has not met the office’s original objective of disposing of allowable applications where narrowing claim amendments reduce the number of pending applications, then the pilot program may have fulfilled its experimental purpose and be eliminated. Alternatively, a modest fee where the applicant receives an examiner interview to understand the examiner’s position on the amended claims may be appropriate.

### **B. Continuing Application Fees**

Continuing applications provide a high value mechanism for innovators to keep a potential patent application in process during the development stages of the invention. In general, we support a fee increase, but NOT one that is tied to arbitrary time limits. Rather, we would support a fee increase linked to a year-from-priority that is rationally demonstrated to an increased burden to the Office.

The implementation of an arbitrary early deadline (now proposed as five years) encourages applicants to file continuing applications before the original application has been allowed and to file multiple continuing applications concurrently. There will be substantial duplication of examiner effort if continuation applications must be filed, but which are too early to benefit from examination of the original application. The overall ***result is less efficient prosecution of*** continuation applications. Moreover, prosecuting multiple related applications simultaneously creates the potential for confusion and delay, especially in regard to the duty of disclosure under Rule 56. Lastly, the surcharge could lead to more appeals if applicants opt to continue to challenge rejections instead of pursuing rejected subject matter in a continuing application. Again, this does not meet the stated goals for promoting efficiency or driving innovation.

Furthermore, we disagree with the premise associated with the USPTO that the USPTO should “encourage more efficient filing and prosecution behavior[s].” First, this stated purpose is not the role of the USPTO. Second, an application pending for eight years is typically *easier* to examine: the examiner is familiar with the disclosure and the prior art.

We also disagree with the premise that the Office cannot balance resources as between “new” applications and continuing applications. This is a clearly defined aspect of pending applications and Examiners may be accommodated accordingly. As noted above, a continuing application should be more straightforward for an Examiner to review and analyze. Also, the Office makes a correlation to a continuing application and pendency. We agree that maintaining pendency is peculiar to certain industries, and therefore a rational fee increase appears warranted.

The choice of five and eight years, however, appears arbitrary and capricious, without coordination to cost of examination or any other processing basis. We would like the Office to create a single time-wise deadline from EBD that directly relates to efficiency.

### C. Design Application Fees

The imposition of additional fees not commensurate with fees to all forms of examination appears arbitrary to design applicants. Design patents are generally more straightforward to describe, much shorter in length, and easier to comprehend than utility and plant patents. As a result, their examination is often less complicated.

Accordingly, the *proposed significant increase in application fees seems punitive with a perceivable purpose to discourage designers from seeking examination.*

### D. Excess Claims Fees

At the outset, we require that *any/all excess claims' fees be tied directly* to Examiner evaluation.

We appreciate that fee increases are needed so the USPTO may ensure a robust and reliable patent system.

The PTO has not provided any cost analysis or transparent reasons for these increases. One significant issue raised by our community is the absence of a cost analysis for the 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. If the PTO has other reasons for the increases, it should detail those with specificity, but it has not done so.

Sharp increases will have unintended consequences. Fee hikes of this magnitude will incentivize applicants to employ strategies to circumvent the excessive and exorbitant fees, leading to increased 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.

### E. Information Disclosure Statement Size Fees

The Section opposes fees for more references cited in an Information Disclosure Statement (“IDS”). Given the uncertainty in discerning references that meet the materiality standard for disclosure, patent owners and practitioners often err on the side of caution, citing an abundance of references to avoid negative consequences to their or their client’s intellectual property. Imposing additional fees on patent owners to account for this uncertainty, which remains outside of their control, is *unreasonably burdensome to patent applicants, absent some mitigating effort toward clarifying the materiality standard.*

### F. Patent Term Adjustment Fees

The Section opposes imposing a fee to correct for USPTO error in calculating patent term adjustment (“PTA”), as required under 35 U.S.C. §154(b). Although the USPTO notes the low rate at which it has increased fees for PTA review, the Section understands that the USPTO already benefits from a low percentage of applicants that use this service as well as efficiency of automated PTA calculations for most applications. The NPRM does *not clearly indicate the value*

*of the service provided to the recipient in the case where an applicant is charged with a fee for correcting USPTO error.*

#### **G. Patent Term Extension Fees**

The section opposes the patent term extension (“PTE”) fee increase because (1) the extreme increase appears directed at *setting substantive policy, which exceeds the scope of USPTO authorization*, and (2) *small and micro innovators should receive a discount*, particularly for a rate this extreme. First, relative to the reported FY2022 unit cost, the new rate is almost three-fold greater, in which the USPTO fee appears to be no longer collecting fees for a service provided, as authorized, but rather setting substantive policy, particularly as the USPTO notes that the target applicants are a particular class. Second, although the USPTO suggests that only large entities are positioned to receive PTE, the Section notes that (1) no data support this suggestion, (2) many small start-up and non-profit innovations benefit from PTE, and (3) even if this suggestion was accurate, then offering an entity size discount should not burden the USPTO.

#### **H. Request for Continued Examination Fees**

One primary concern regarding the proposed fee increase relates to a differentiation – based solely on fee burden – as between continuation practice and request for continued examination (“RCE”) practice. A heightened expense of an RCE may induce applicants to file a continuation application instead of a more-expensive RCE, with an unintended consequence of expense to the USPTO.

The USPTO has not provided any cost analysis or transparent reasons for the proposed RCE increase. We question the rationale behind RCE filings, which often simplify rather than complicate prosecution. *Costs associated with prosecution after an initial final rejection are relatively low. 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. The USPTO materials vaguely allude to incentivizing applicants to align with USPTO goals, but no careful analysis appears to justify an RCE fee increase.

We have concern, too, regarding a perception that multiple RCEs necessarily reflects dilatory applicant behavior. To the contrary, RCEs are a necessary tools, implemented by the Office, to advance prosecution for legitimate reasons. The RCE is an effective tool as between the Applicant and the Office to reach compromise toward efficient delivery of reliable patent rights – a stated goal of the USPTO. For example, when an examiner raises a new rejection in a final Office action, an RCE essentially is required to obtain consideration of amendments or evidence for overcoming the rejection. Additionally, an RCE may be required to obtain consideration of an information disclosure statement when relevant information is discovered after a final Office Action, when a certification cannot be made. Further, an RCE offers the Applicant an option after an appeal. Fees that discourage multiple RCEs may not always result in increased efficiency or address patent quality.

#### **I. Terminal Disclaimer Fees**

Terminal disclaimer fees should not be increased. The presence of a terminal disclaimer in an application is more akin to liens and other encumbrances recorded in the assignment system. They are clerical in nature, easy to submit and review, and the *costs associated with their submission and public access are also analogous to the assignment system*.

Moreover, the USPTO implemented terminal disclaimer practice during a period when a patent's statutory term was calculated from the grant date. With changes in patent term statute prompted by global patent harmonization, the patent term is now calculated from an application's earliest non-provisional filing date. Accordingly, absent delay by the USPTO in timely examining a particular application with resultant patent term adjustment, the equitable *need for preventing the time-wise extension of a patent term was statutorily eliminated* years ago.

Furthermore, a fee increase for terminal disclaimer submission will place an *unfair burden to filers with limited resources*. The fee increase will pressure filers to engage in more USPTO resource use favoring examination activities rather terminal disclaimer submission which abates examination.

#### **J. Unintentional Delay Fees**

The modest fee increase for fees associated with unintentional delay petitions in an amount of 5% seems appropriate given the costs for reviewing and acting on those petitions has also gone up proportionally. The other fee increases resulting in *a 43% increase appear punitive and arbitrary with an implicit purpose to discourage their submission*. Such a fee increase is inconsistent with the USPTO's role discouraging such submissions as the cost should be tied resources required to their resolution.

The Section commends the USPTO for its consideration of these issues and highly appreciates the opportunity to offer these comments.

Sincerely,



Steven P. Caltrider, Chair  
ABA Section of Intellectual Property Law