



June 3, 2024

**Comments in Docket No. PTO–P–2022–0033;  
Setting and Adjusting Patent Fees During Fiscal Year 2025**

The Alliance of U.S. Startups and Inventors for Jobs (“USIJ”) responds herein to the Notice of Proposed Rulemaking, dated April 3, 2024 (89 Fed. Reg. 23226) (“NPRM”) proposed by the U.S. Patent and Trademark Office (“PTO”) for setting and adjusting patent fees.

USIJ is a coalition of 23 companies – startups, entrepreneurs, inventors and investors – all of which depend on stable and reliable patent protection as a foundational prerequisite for making long term investments of capital and time commitments to high-risk businesses developing new technologies. USIJ was formed in 2012 to advocate for intellectual property rights. We are committed to promoting a strong intellectual property system that supports innovation, investment, and breakthrough technologies that change our world. Our mission is to ensure this system continues to thrive for the benefit of American startups and inventors, and most importantly, American leadership in science and technology. USIJ collaborates with several other associations that are similarly concerned with the declining availability of U.S. patents essential to protect our nation’s most important inventions that will define the future of technology and commerce.

USIJ supports the PTO’s goal in the NPRM to adjust fees to recover the Office’s rising aggregate costs in providing its critical services to patent stakeholders. This is particularly important in view of recent rising costs in the U.S. economy, the need to maintain an appropriately compensated competent examiner work force with reliable, state of the art IT infrastructure. USIJ is concerned, however, that some of the patent fees are proposed to be set contrary to the PTO’s rulemaking authority under the America Invents Act as amended (“AIA”), and without PTO obtaining clearance from the Office of Management and Budgets (“OMB”) under the Paperwork Reduction Act (“PRA”). These issues are discussed briefly below.

The NPRM asserts that the PTO's authority under Section 10 of the AIA "includes flexibility to set individual fees *in a way that furthers key policy factors*, while considering the cost of the respective services." NPRM at 23226. It lists the PTO's "four key fee setting policy factors: (1) promote innovation strategies; (2) align fees with the full costs of products and services; (3) facilitate effective administration of the U.S. patent system; and (4) offer application processing options." *Id.* The NPRM thus purport to assign to itself a breathtakingly broad substantive policy-setting authority to set fees "to *drive U.S. innovation, inclusive capitalism, and global competitiveness*. The USPTO's goal is to *drive innovation, entrepreneurship, and creativity* for the benefit of all Americans and people around the world." *Id.* (emphasis added). However, as laudable as such goals may be, Section 10 of the AIA only authorizes the PTO to act on factor (2) – "to align fees with the full costs of products and services," while recovering its aggregate costs – it provides no such plenary "policy-making" authority to the PTO through fee-setting. Setting such policies is the exclusive province of Congress and authority to encroach into Congress' domain cannot be "implied" – it must be expressly delegated to the agency in the statute, which it is not.

To the extent the PTO's *policy* goals to "promote innovation strategies," "facilitate effective administration of the U.S. patent system," or "offer application processing options" are sought by setting fees in order to *encourage or discourage a particular activity*, such fees are deemed a "tax," that only Congress can levy. The AIA allows the PTO only to set or adjust fees "so long as they *do no more* than reasonably compensate the Office for the services performed."<sup>1</sup> In setting fees not only to recover the aggregate costs but to "*further key policy*" goals of the PTO, the PTO seeks to "*do more*" than merely recover its aggregate costs – it seeks to implement through the fee structure *policies* which Congress did not intend, nor authorize. The legal aspects and legislative history of the PTO fee-setting authority in the AIA have been studied and detailed in Dr. Ron Katznelson's article attached hereto in Attachment A,<sup>2</sup> and which is incorporated in its entirety by this reference.

Examples of fees the NPRM proposes to set with little connection to the Office's costs but in order to "*encourage or discourage a particular activity*" include: (1) new fees in § 1.17(w) for presenting benefit claims in continuing applications that are earlier than 5 or 8 years than their filing date; (2) 25 to 100 percent increase in fees under § 1.16(h)

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<sup>1</sup> House Report 112–98, Part 1, (Jun. 1, 2011), p. 49.

<sup>2</sup> See Ron D. Katznelson, "The U.S. Patent Office's proposed fees under the America Invents Act – Part I: the scope of the Office's fee-setting authority," 85 *Patent, Trademark & Copyright Journal*, 206 (Dec. 7, 2012). At <https://works.bepress.com/rkatznelson/70/>

and (i), for filing, or later presenting at any other time, each independent claim in excess of three, as well as each claim in excess of 20 total claims; (3) fee increases by 200 to 470 percent for filing applications for patent term extensions under 35 U.S.C. 156; (4) up to 100 percent increase in fees for filing Request for Continued Examination (“RCE”) under § 1.114; up to 724 percent increase in new fees for filing terminal disclaimers under § 1.20(d). The PTO lacks the substantive authority to set these fees in that way because they would “taxes.”

### **The PTO’s effort to suppress filings of continuing applications is beyond its rulemaking authority**

As an example, consider the proposed new fees in § 1.17(w) for filing continuing applications with benefit claims of more than 5 years from the filing date. The NPRM all but admits that the new fees are intended to “discourage a particular activity” in order to *suppress* such filings. The NPRM (at 23238) explains that “continuation applications have tripled, from about 40,000 in FY 2010 to about 122,800 in FY 2022, and now represent about 34% of serialized filings. The volume and rapid increase of continuing applications negatively impacts the USPTO’s workload and docketing practices.”

That assertion that the increase in continuing applications “negatively impacts the USPTO’s workload and docketing practices” is a non-sequitur – *every* application “impacts the USPTO’s workload.” But *every* application also comes with fees for filing, search, examination, excess claims, application size, etc., which the PTO *must* use to acquire the commensurate examination resources to manage its workload. In fact, continuing applications normally involve *less* examiner work than on original parent applications, because much of the prior art search has already been done on the common patent disclosure and common claim terms have been previously examined.

The PTO also failed to consider the effects of its rules and practice on applicants’ objective necessity for filing applications years after the priority dates. For example, divisional applications are continuing applications filed to claim subject matter that had been disclosed in a parent application but was subject to an examiner restriction requirement. Often, the timing for introducing such divisional claims is not under the applicant’s control and may involve years:

1. 37 C.F.R. §1.142(b) provides that restricted claims to the invention or inventions not elected, if not canceled, are subject “*to reinstatement in the event the requirement for restriction is withdrawn or overruled,*” which only the examiner can cause; 37 C.F.R. §1.143 provides that the applicant may traverse the requirement for restriction but provisionally elect “one invention for prosecution, which invention shall be the one elected *in the event the*

*requirement becomes final*” – a finality that *only the examiner* may provide; 37 C.F.R. §1.144 provides that after such final determination, the applicant “may petition the Director to review the requirement” and that the “*petition may be deferred until after final action on or allowance of claims to the invention elected*, but must be filed not later than appeal.” Of course, it is often premature to petition given the following PTO practice:

2. The MPEP in § 809 provides that “linking claims must be examined with, and thus are considered part of, the invention elected. When all claims directed to the elected invention are allowable, should any linking claim be allowable, *the restriction requirement between the linked inventions must be withdrawn*. Any claim(s) directed to the nonelected invention(s), previously withdrawn from consideration, which depends from or requires all the limitations of the allowable linking claim *must be rejoined* and will be fully examined for patentability. Moreover, MPEP § 821.04 requires the examiner to *reconsider* “the propriety of a restriction requirement ... when all the claims directed to the elected invention are *in condition for allowance*, and the nonelected invention(s) should be considered for *rejoinder*.” It would make no sense to file a divisional application on such previously-restricted claims before the resolution required by MPEP §§ 809 and 821.04.
3. These rules of practice clearly suggest that mere issuance of a restriction requirement *may be insufficient and premature* for divisional claiming in a subsequent divisional application and that the applicant must defer such filing. Divisional claims are best filed when the prosecution of the elected claims in the parent application is *substantially complete*, giving the applicant an indication of allowable subject matter and the scope of the claims that will issue in the parent application, more precisely establishing the contours of unclaimed subject matter that should be claimed in a divisional application.

The PTO often restricts applications to more than two inventions, at which point the applicant may be required to prosecute a chain of divisionals in order to protect all inventions disclosed in the parent application. Indeed, the Federal Circuit recognizes the legitimacy of such “end-of-prosecution” divisional claiming practice. It said: “Given one’s entitlement to claim an invention in various ways, and the PTO’s practice of limiting its examination of an application to only one of what it considers to be several inventions, it cannot, without more, be an abuse of the system to file divisional applications on various aspects that the PTO has considered to be separate and distinct from each other. *That is so even when one defers the filing of a divisional application until just before the issuance of the parent application*. Such action is

expressly allowed by statute. 35 U.S.C. § 121.” *Symbol Techs., Inc. v. Lemelson Medical, Educ. & Res. Found.*, LP, 422 F.3d 1378, 1385 (Fed. Cir. 2005) (emphasis added; citation omitted)

The PTO’s proposal to penalize applicants with up to \$3,500 additional fees on top of the current \$2,000 front-end fees at filing is clearly designed to suppress filing of continuing applications. The resulting effective filing fee of \$5,500 for non-discounted entities would be 275 % greater than current fee. That *factor* would be the same for all entity sizes. According to PTO’s own price elasticity estimates, the price elasticity of application filing fees for any entity size is 0.16.<sup>3</sup> This means that the suppression of filing such continuing applications can be estimated by  $0.16 \times 275\% = 44\%$ . Although the data for startups and microcap companies is not as readily available, it is undoubtedly correct that for this cohort, will be particularly devastating. These are companies that have limited capital available for protecting their intellectual property and there must constantly navigate the trade-offs between the loss of IP v. the increasing cost of patent protection.

**The PTO failed to obtain OMB’s PRA clearance for this proposed rule**

**[3 paragraphs to be added]**

Respectfully submitted,

/s/ Robert P. Taylor for USIJ

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Alliance of U.S. Startups and Inventors for Jobs (“USIJ”)

By Robert P. Taylor, USIJ General Counsel

cc: Chris Israel

Earl Bright

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<sup>3</sup> See “[USPTO Section 10 Fee Setting— Description of Elasticity Estimates.](#)” (July 2019). Appendix to “*USPTO Setting and Adjusting Patent Fees during Fiscal Year 2020.*”