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June 2, 2024

*Via Federal eRulemaking Portal at [www.regulations.gov](http://www.regulations.gov)  
Docket No. PTO-P-2022-0033*

*Attn:* Michael P. Tierney, Vice Chief Administrative Patent Judge, and Scott C. Moore, Acting Senior  
Lead Administrative Patent Judge

**Re: Request for Comments on Notice of Proposed Rulemaking for Setting and Adjusting Patent Fees  
During Fiscal Year 2025**

The PTAB Bar Association (“Association”) hereby respectfully responds to the request by the United States Patent and Trademark Office (the “Office”) for public comment on the proposed rule “Setting and Adjusting Patent Fees During Fiscal Year 2025,” (“Proposed Rule”) *available at* <https://www.federalregister.gov/documents/2024/04/03/2024-06250/setting-and-adjusting-patent-fees-during-fiscal-year-2025>, which outlines significant proposed changes to the fee schedule used by the Office.

The PTAB Bar Association is a voluntary bar association of over 700 members engaged in private and corporate practice and in government service. Members represent a broad spectrum of individuals, companies, and institutions involved in practice before the Patent Trial and Appeal Board (“PTAB” or “Board”) and in patent, administrative and appellate law more generally. Per its bylaws, the Association is dedicated to helping secure the just, speedy and inexpensive resolution of every PTAB proceeding. Accordingly, the Association strives to present a neutral perspective representing all parties with an interest in PTAB proceedings.

The Association provides the following comments on the Proposed Rule. Although the Association has endeavored to comment on several proposed fee increases that have a high likelihood of negatively affecting practice before the PTAB, to the extent any proposed rule is not specifically addressed below, such silence should not be construed as support for that proposed rule, nor construed as an indication that such proposed rule is noncontroversial.

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**I. PROPOSED FEE CHANGES FOR CONTINUING EXAMINATION PRACTICE**

“The USPTO's proposal would split the existing RCE fees into three parts—a fee for a first RCE, a higher fee for a second RCE, and a still higher fee for third and subsequent RCEs filed in a single patent application.” (89 Fed. Reg. at 23,247)

The Proposed Rule also creates a new additional fee that must be paid in order to file a continuing application, e.g., a continuation or a divisional, based on a number of years that have elapsed after the priority date.

**A. The Increased Request for Continued Examination Fees Will Drive More *Ex Parte* Appeals**

Over the past decade or so, the PTAB has admirably taken dramatic action to reduce the *ex parte* appeals backlog from a high of 26,570 in 2012, to just over 4,000 last year, while reducing the average pendency from almost 3 years to only 1 year. The Association applauds the PTAB’s efforts and has concerns that the Proposed Rule will reverse these trends.

The Proposed Rule sets forth financial projections for the effects of the fees that the Office represents are based in part on “[a]nticipated applicant behavior in response to fee changes,” as stated in the Notice of Proposed Rulemaking (89 Fed. Reg. at 23,229). The Notice, however, does not indicate that it takes into account cost to the agency of anticipated increases in the number of appeals (*id.* at 23,229-23,230), despite the fact that it anticipates that the new RCE fee structure will have the effect of, *inter alia*, “reducing RCE filings in favor of appeal” (*id.* at 23,247-23,248).

The proposed increase in RCE fees are 10% for the first RCE, 25% for the second RCE, and 80% for the 3<sup>rd</sup> and subsequent RCE. This makes the fee for the 3<sup>rd</sup> RCE 240% more expensive than the fee for the first RCE.

Table 1 outlines the proposed increases in RCE fees for undiscounted entities. The Proposed Rule would increase fees for small and micro entities by the same percentage.

	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Percent Increase</b>
1 <sup>st</sup> RCE	\$1,360	\$1,500	10%
2 <sup>nd</sup> RCE	\$2,000	\$2,500	25%
3 <sup>rd</sup> (and subsequent) RCEs	\$2,000	\$3,600	80%

TABLE 1 – RCE FEE INCREASES

The Notice of Proposed Rulemaking represents that an anticipated result of these changes to RCE fees is “reducing RCE filings in favor of appeal or reaching agreement with an examiner” (89 Fed. Reg. at 23,247). In accord with this representation, the proposed new fees appear designed to discourage follow-on RCEs and to strongly discourage third and subsequent RCEs.

These fee increases will naturally increase the number of patent applications that are appealed to the Board. When an applicant receives a Final Rejection during prosecution, a major decision point for the applicant is

whether to file an RCE or to appeal. According to the fee proposal, at the moment “[a]pplicants typically file an RCE when they choose to continue prosecution before an examiner, rather than appeal a rejection or abandon the application” (89 Fed. Reg. at 23,247). The proposed fees significantly tip the scale towards appealing and away from RCEs.

This is particularly true because the Proposed Rule does not impose the same level of increases for fees related to appeals. The proposed increase in the *ex parte* appeal fees is about 5% for each of the notice of appeal fee, appeal forwarding fee, and oral hearing fee. Table 2 outlines changes to the primary fees for an *ex parte* appeal. Notably, the fee increases are far lower (as a percentage) than the proposed RCE fee increases.

	<b>Current Fee</b>	<b>Proposed Fee</b>	<b>Percent Increase</b>
Notice of Appeal	\$840	\$880	4.8%
Appeal Forwarding Fee	\$2,360	\$2,480	5.1%
Oral Hearing Fee	\$1,360	\$1,430	5.1%

TABLE 2 – APPEAL FEE INCREASES

As can be seen from this data, the Proposed Rule shifts the dynamic of the RCE-versus-appeal decision by making an appeal roughly the same cost as a 2<sup>nd</sup> RCE and making an appeal less expensive than a 3<sup>rd</sup> RCE, assuming an Oral Hearing is not requested.

Some members have conveyed that the observed discrepancy in fee increases suggests that the Office aims to encourage applicants to pursue *ex parte* appeals instead of RCEs. Our experience indicates that a substantial rise in *ex parte* appeal filings is likely, across entities of all sizes, as the escalating costs of engaging with the Examiner surpass those of obtaining a decision from the Board. Should the Examining Corps maintain its current rate of forwarding *ex parte* appeal cases to the Board, we project that the number of cases the Board will need to adjudicate will increase proportionally with the total number of appeal notices filed.

The Proposed Rule would also create new fees for continuation applications that escalate depending on the amount of time that has passed between the earliest priority date and the filing of the continuation. These fees are a significant structural change to existing continuation fees and will also likely lead to more *ex parte* appeals.

The continuation surcharges could deter a common practice of initially taking allowable claims and pursuing additional claims in a continuation application. As a result, Applicants will appeal more often to pursue more desirable claims in already-pending applications rather than trying to pursue more desirable claims in a continuation. This additional driver would be cumulative of the drive of increased appeals discussed above associated with RCE fee changes, potentially creating a snowball effect.

Therefore, it appears that the Proposed Rule would increase the number of applications that are appealed to the Board, perhaps significantly so. Yet, it is unclear whether the PTAB will revise its jurisprudence to account for the disincentive to file an RCE or continuing application. Indeed, some members noted that the Federal Circuit routinely dismisses *ex parte* appeals with the confidence of knowing that applicants can simply file another RCE and amend their way out of any prior art concerns. These members noted that the PTAB emphasizes the **broadest** prong under the broadest reasonable interpretation (“BRI”) standard knowing that the Office allows permissive amendments and the ability to file RCEs. These members conveyed that increasing RCE fees would require the use of the **reasonable** prong under the BRI standard. Yet, there are no institutional safeguards to manage this paradigm shift nor is there any jurisprudence that would assist the Office. In 2021, it was estimated that the Patent Office employed more than 250 administrative patent judges (“APJ”).<sup>1</sup> In 2023, the Office received 4,343 *ex parte* appeals per year with a one-year pendency. With the new fee increase, the Office could see increases that would require more APJs and resources not outlined in this Proposed Rule. As a result, these members have voiced that the ability to protect innovation would be restrained.

Some members have also voiced concerns that the continuation fee surcharges will have a pronounced effect on certain types of entities, particularly startup and small companies in terms of discouraging patent filings. Impact on such entities can significantly impact minorities, women, and veteran entrepreneurs seeking patent protection. Since these innovative companies may be often short on cash and looking for additional investment or an acquisition opportunity, they may often have development or funding periods extending well into the timespans giving rise to these proposed fees. Such entities that have pending continuation applications are, almost *per se*, more valuable and desirable. As a result of substantially raising the price of continuation applications, these companies may increasingly fall short of the funds needed to keep prosecution open, which makes them less desirable for investment or for a future acquisition.

#### **B. A Sudden Increase in *Ex Parte* Appeals Will Likely Have Consequences**

Taken together, these two primary fee changes, for RCEs and continuation applications, are likely to cause two new substantial waves of appeals. The first will happen shortly after the Proposed Rule is implemented as applicants appeal more often to avoid the increased RCE fees.

The second wave will also start quickly but reach a crescendo about a year to a year and a half later, as applicants begin appealing instead of filing continuation applications. The wave will grow as contributions from pending continuing applications move past the five or eight-year priority windows. Some members are concerned that under this significantly changed fee regime, *ex parte* appeals could be taken almost as a matter of course for continuing applications past the 5 to 8 year windows, especially with the PTA-favorable nature of a positive outcome at the Board. This would drive many more cases to the Board than it currently sees today.

The Association has concerns that these two major fee change areas will amplify each other and have a significant impact on pendency of appeals before the PTAB.

Increasing rates of appeals is not a major concern if the Office has sufficient resources to decide appeals at the increased rate within a reasonable time. To the extent that the Office does not or cannot acquire personnel needed to handle an increased appeal rate, the pendency for *ex parte* appeals would be expected

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<sup>1</sup> <https://www.nytimes.com/2021/03/01/us/politics/supreme-court-patent-judges.html> (“more than 250 administrative judges”); <https://argument2.oyez.org/2021/united-states-v-arthrex-inc> (“The Patent Trial and Appeal Board consists of...approximately 250 administrative patent judges”).

to grow significantly, reminiscent of past backlogs until sufficient resources have been acquired and are able to make inroads into the resulting new backlog. The Association has concerns that the Proposed Rule will erode or reverse the tremendous success the Office has made to reduce the appeals backlog of the recent past and to reduce the average appeal pendency.

In addition, the Association has concerns that the proposed fee increases will cause many applicants to simply abandon their cases or not file applications in the first place. The Office's own study on fee elasticity cited by the Proposed Rule indicates that the one major prosecution fee for which small entities behave differently than large entities is appeal fees. Thus, if RCE fees suddenly become more expensive than appeals, such entities may find themselves unable to afford increased RCE or continuation fees and will instead decide to abandon their applications, leading to a loss of further investment in the underlying innovation and stifling startup, small, and diverse companies.

### **C. Using Selective Fee Increases to Drive a Policy Position is Not a Valid Exercise of Fee Setting Authority**

Some of our committee members have expressed concern that the Proposed Rule seeks to use selective fee increases to effectuate a policy outcome rather than to recuperate actual costs. Under Section 10 of the AIA, “[w]hen fees are set, the aggregate revenue from the patent fees may only recover the aggregate estimated cost of the patent operations.” *Fee Setting and Adjusting*, USPTO, available at <https://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting>.

The current proposal has been perceived by some as resembling a renewed attempt by the Office to restrict the continuation application practice. However, should the Office seek to impose any such policy change, an increase to fees would not be an appropriate avenue. Such was the finding by the Federal Circuit in *Tafas v. Doll*,<sup>2</sup> which held that a limitation of continuations exceeds the Office's statutory rulemaking authority because it conflicts with 35 U.S.C. § 120.<sup>3</sup>

Some members have also questioned whether the Proposed Rules lack statutory authority and are in violation of the congressional framework. For example, the language in 35 U.S.C. § 41(a)(1)(A) provides filing fee provisions for a utility patent, a design patent, a plant patent, a provisional application for an original patent, a reissue of a patent, and an international PCT. Similar language can also be found in the subsections for 41(a)(3)(A) and 41(a)(4)(A). Notably, “original patent” is a single term used in these provisions to describe a group inclusive of both initial applications as well as any continuing applications. Such language is perceived by some to suggest that there would be a lack of statutory authority to further subdivide fees for specific subgroups (e.g., continuation applications) falling within the “original patent.”

There also appears to be some perception that the Proposed Rule may potentially violate rules that speak to the need for governmental agencies to justify fee increases by demonstrating that they are indeed necessary for cost recovery.

The Proposed Rule itself suggests that the goal is not to recover the aggregate estimated cost but rather to reduce RCEs and continuations. For example, the Proposed Rule states, “By reducing RCE filings in favor of appeal or reaching agreement with an examiner, the proposed higher fee for RCEs filed subsequent to the first RCE should help promote more compact prosecutions.” (89 Fed. Reg. at 23,247) (emphasis added).

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<sup>2</sup> *Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009).

<sup>3</sup> *Id.* at 1348 (“[W]e find that Final Rule 78 conflicts with 35 U.S.C. § 120 and is thus invalid.”), 1350 (“Final Rule 78 governs the availability of continuation and continuation-in-part applications.”) (footnote omitted).

This statement is inconsistent with a goal of recovering costs. To illustrate one example, as explained in the paragraph below, the proposed fee for first RCEs are *below* cost.

Under this proposal to trifurcate the RCE fee structure, the undiscounted fee for a first RCE would be more than 50% below cost, and the undiscounted fee for a second RCE would be just above cost. The undiscounted fee for third and subsequent RCEs would be enough above cost that a third RCE from an applicant with no entity status discount, combined with the fees for filing the first two RCEs, would cover agency costs for treating all three RCEs. (*id* at 23,247) (emphasis added)

But if filing a third RCE is necessary to recover the costs of all three RCEs, intentionally *reducing* the number of RCEs in favor of appeals will not recover any costs at all.

Therefore, the Proposed Rule on its face expresses a preference for a fee increase to achieve a policy outcome that will actually *increase* costs rather than recover them. Some members have conveyed great concern that this is not a valid exercise of fee-setting authority pursuant to the AIA.

## **II. PROPOSED FEE CHANGES FOR AIA TRIALS**

The proposed fee changes also substantially increase filing fees for requests for *Inter Partes* Review (IPR) and Post-Grant Review (PGR), and create for the first time fees for requests for Director Review in IPR and PGR cases.

### **A. IPR And PGR Filing Fees**

“The USPTO proposes increasing existing fees for AIA trial proceedings by 25%.” (89 Fed. Reg. at 23,252)

Some PTAB Bar Association members noted that the new fees are now more than double what the Office originally charged after Congress enacted the AIA. But members generally were not opposed to the increase in light of the Office’s representation that the actual cost of those proceedings is still higher than the proposed fees. However, it would be informative to understand the data that supports this representation regarding the costs. Currently there is no discussion of the proposed small and micro entity fees for AIA trials. Several members want to be reassured that the Office will not be adding a new fee for small and micro entities, but understand that a statutory change is likely required to do so.

### **B. Director Review Fees**

“The USPTO proposes to charge a new fee in AIA trial proceedings under part 42 to parties requesting Director Review of the PTAB’s: (1) decision whether to institute a trial; (2) final written decision; or (3) decision granting a request for rehearing from either the Board’s decision whether to institute trial or the Board’s final written decision. The proposed fee is set at the same rate as a petition to the Chief Judge in *ex parte* appeals and is designed to partially recover the USPTO’s costs for conducting Director Reviews.” (89 Fed. Reg. at 23,252)

For the proposed \$440 fee to request Director Review, our members generally opposed this new fee. Director Review is a new procedure created under a recent decision by the United States Supreme Court (*see* 89 Fed. Reg. at 23,252). No fee has previously been charged for requesting Director Review. Our members generally view the Director Review process as a tool for ensuring consistency across cases and for the Director to set policy. Several members felt that private parties should not be required to pay additional fees to obtain consistent results, nor should they be required to pay for the Director to set policy. And because Director Review is an alternative to seeking rehearing, some members felt that its cost should align with the cost for requesting rehearing, which is \$0. Indeed, other than the initial filing fees, there

generally are not and have never been any fees charged for taking any actions authorized under the IPR and PGR rules. The proposed new fee for Director Review would appear to be the first. The NPRM represents that “[t]he proposed fee is set at the same rate as a petition to the Chief Judge in *ex parte* appeals and is designed to partially recover the USPTO’s costs for conducting Director Reviews” (89 Fed. Reg. at 23,252), but such fees for particular actions authorized by the IPR or PGR rules have generally not been charged as a historical matter in such cases.

If the Office intends for the fee to disincentivize non-meritorious Director Review requests and plans to adopt it despite the above concerns, several members suggested that the Office refund the fee if the Director grants review. Meritorious requests would therefore be free on a net basis, while denied requests would cost \$440.

### III. CONCLUSION

The Association and its members are committed to improving all aspects of PTAB practice, and we look forward to continuing to work with the Director and the Office to improve PTAB procedures. We appreciate this opportunity to provide feedback on this important issue, and hope that these comments aid in the development of guidelines and/or regulations.

Submitted on behalf of the PTAB Bar Association, by:



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Monica Grewal, President