June 3, 2024

Via Electronic Submission
The Honorable Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and Director
of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Re: Docket No. PTO-P-2022-0033, Setting and Adjusting Patent Fees During Fiscal Year 2025

Dear Director Vidal,

The Council for Innovation Promotion (C4IP) appreciates the opportunity to submit comments in response to the notice of proposed rulemaking issued on April 3, 2024, entitled *Setting and Adjusting Patent Fees During Fiscal Year 2025* (Docket No. PTO-P-2022-0033).

C4IP is a bipartisan coalition dedicated to promoting strong and effective intellectual property rights that drive innovation, boost economic competitiveness, and improve lives everywhere. Founded and chaired by former directors of the U.S. Patent and Trademark Office from previous Democratic and Republican administrations, our nonprofit organization aims to be a valued partner to those considering policies impacting America's IP system.

Rather than comment on each of the fee adjustments individually, C4IP writes to express concern that this rules package appears to represent a departure from the Office's historic practice of adjusting fees incrementally to reflect anticipated cost increases and Office priorities. While this rules package must necessarily account for the current rate of inflation and required reductions in small business and micro entity fees pursuant to the Unleashing American Innovators Act of 2022,[1] several parts of the Office's fees proposal include substantial fee increases and new fees that appear aimed at starkly changing applicant behavior rather than simply

[1] Pub. L. No. 117-328, Div. W, § 107.

reflecting Office priorities.[2] To the extent that these fee increases will strongly discourage patent applicants, or even prevent underresourced applicants, from taking advantage of patent prosecution options created by Congress, these proposed fee increases appear to operate more as substantive rules that undermine enacted laws.[3] Courts have held that the USPTO has no such substantive rulemaking authority, and even if it did, agency rulemaking cannot overrule or rewrite existing laws.[4]

These substantial fee increases, in turn, raise a number of policy concerns. First, the patent system is not well-suited to sudden policy changes. Patents, by their nature, are meant to create certainty in the marketplace of ideas for inventors to rely upon, for investors to invest against, and for competitors to have awareness of. The USPTO's lack of substantive rulemaking authority ensures that major policy changes go through Congress, which often entails rounds of hearings and public deliberation on bills in committee, culminating in the votes of both chambers and a Presidential signature. Practically speaking, major patent bills have typically taken several sessions of Congress to develop and pass. This process ensures that there is not just public notice but a substantial amount of time for input, consideration, and planning. This is a far cry from the Office effectively changing substantive rules over the period of a rulemaking cycle and then potentially changing them again with every new presidential administration or director. The patent system cannot provide the certainty for which it is built in the face of such frequent, disruptive change.

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[2] *See, e.g.*, Dennis Crouch, *USPTO Fees: Targeted Higher Fees to Push for Compact*, Patently-O (Apr. 3, 2024) ("These proposed fee changes, taken together, paint a clear picture of the USPTO's intent to shape applicant behavior through financial incentives. The office appears to be using fees as a tool to achieve what it could not accomplish through rule changes alone."), https://patentlyo.com/patent/2024/04/targeted-higher-compact.html; Courtenay Brinckerhoff, *USPTO Stands Behind Significant New Fees for 2025* (Apr. 3, 2024) (heading that reads "New Fees That Could Change Applicant Behavior"), https://www.foley.com/insights/publications/2024/04/uspto-stands-behind-significant-new-fees-for-2025/.

[3] *E.g.*, 35 U.S.C. § 120 (allowing later-filed applications to claim priority to earlier applications); § 121 (allowing the Director to require the patent applicant to divide his or her patent application into several applications); § 154(b) (allowing patent term to be adjusted due to USPTO delay); § 156 (allowing patent term to be adjusted due to other regulatory delay); § 253 (allowing for disclaimers).

[4] Merck & Co. v. Kessler, 80 F.3d 1543, 1549-1550 (Fed. Cir. 1996) ("The broadest of the PTO's rulemaking powers-- 35 U.S.C. § 6(a)--authorizes the Commissioner to promulgate regulations directed only to 'the conduct of proceedings in the [PTO]'; it does not grant the Commissioner the authority to issue substantive rules."); *see also* SAS Inst., Inc. v. Iancu, 584 U.S. 357, 363 (2018) ("Where a statute's language carries a plain meaning, the duty of an administrative agency is to follow its commands as written, not to supplant those commands with others it may prefer.").

Second, the USPTO only recently obtained authority delegated from Congress to set its own fees. This authority is set to expire in 2026. To keep this authority, the Office will need to seek an extension from Congress -- and soon. Demonstrating that the fee authority has been used prudently will be a key component to obtaining renewal, which is far from guaranteed. After the fee authority was granted to the USPTO in the Leahy-Smith America Invents Act of 2011, the law set the fee authority to expire in 2018.[5] That authority did, in fact, expire before it was ultimately renewed by Congress -- but again for a limited time, another eight years.[6] This lapse occurred despite considerable efforts from the Office to work with Congress on an extension,[7] reminiscent of the original hard-fought battles to obtain the fee-setting authority in the first place.[8] But to date, Congress has shown a reluctance to trust the USPTO with having this authority permanently.

Dramatic, controversial fee increases also run the risk of the Office losing its fee-setting authority altogether, or at the very least, only getting it renewed for another relatively short period of time. The perpetual possibility of having the fee-setting authority lapse hurts the Office's ability to engage in long-term planning. But even worse would be to lose this authority, risking a return to the time when the USPTO could not easily raise fees in the face of rising costs or have enough reserves to weather economic downturns. The inability to adjust fees also prevented regular improvements in IT, the hiring of enough examiners to meet demand, and having resources for adequate training, among other things. [9] The USPTO and the innovation community at large will be harmed if this fee-setting authority does not become permanent.

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[5] Pub. L. No. 112-29, § 10.
[6] SUCCESS Act, Pub. L. 115-273, § 4 (2018).
[7] *See, e.g.*, *Oversight of the U.S Patent and Trademark Office Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary*, 114th Cong. (2016) (written testimony of Michelle K. Lee, Undersecretary of Commerce for Intellectual Property and Director) ("Since the enactment of the AIA, USPTO's fee setting authority has allowed the agency to more efficiently set user fees to recoup its operational costs. *We look forward to working with the Committee to ensure that the USPTO maintains this authority.*") (emphasis added), https://www.uspto.gov/about-us/news-updates/statement-michelle-k-lee-house-committee-judiciary.
[8] *See Oversight of the U.S Patent and Trademark Office Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary*, 112th Cong. (2011) (written testimony of David J. Kappos, Undersecretary of Commerce for Intellectual Property and Director) [hereinafter, "Kappos 2011 Testimony"] (reiterating the Administration's request for a 15% surcharge on patent fees prior to the Director having fee-setting authority through the AIA), https://www.commerce.gov/sites/default/files/media/files/2015/kappos012511.pdf.
[9] *Id.* (noting that as a result of not having stable funding, the USPTO was "restricting examiner overtime, delaying critical IT projects, and slowing down hiring"); Gene Quinn, *U.S. Patent Office Pays More in Taxes Than General Electric*, IPWatchdog (June 22, 2011), https://ipwatchdog.com/2011/06/22/u-s-patent-office-pays-more-taxes-than-general-electric/id=17806/.

In addition, any perception that the Office is collecting excessive funds opens the door to Congress thinking that those funds might be better spent elsewhere. Even though the Office has matched its projected future aggregate costs to its aggregate proposed fee increases, as it must under the AIA,[10] individual fees that are strongly divorced from the actual costs of the underlying service feed the impression that the USPTO has extra money coming in. In the current budget climate, this appearance could lead to the unfortunate reality of the USPTO losing control over its user fees, marking a return to USPTO user fees being diverted to other, unrelated parts of the government. This catastrophic state of affairs starved the USPTO of the resources needed to maintain a state-of-the-art examination system, especially impacting upgrades to the USPTO's IT systems.[11] It took years of concerted effort by the entire community of USPTO stakeholders to petition for change.[12] The USPTO should not risk reopening the door to Congressional interest in siphoning off USPTO user fees by proposing (much less adopting) fee increases that are significantly disproportionate to actual cost.

In light of these concerns, we hope the USPTO will consider the many public comments that have already been critical of earlier versions of this proposal (which has largely remained the same) and consider a more moderate, incremental approach to raising fees and adding new ones. Doing so will help the innovation community better engage in its own long-term planning and help ensure that all participants, but especially those who lack funds, can take advantage of the full range of flexibilities for patent prosecution provided under the law.

C4IP again thanks the USPTO for the opportunity to comment on this proposal and stands ready to provide any further input that may be requested.

Sincerely,

Frank Cullen
Executive Director
Council for Innovation Promotion (C4IP)

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[10] Pub. L. No. 112-29, § 10(a)(2).
[11] Kappos 2011 Testimony.
[12] Marla Grossman, *Short Term Pain for Long Term Gain: Why Congress Should Stop Diverting U.S. Patent and Trademark Office User Fees*, American Constitution Society Issue Brief (June 2011), https://www.acslaw.org/wp-content/uploads/2018/04/Grossman_PTO_Fees_0.pdf.