

**DEPARTMENT OF COMMERCE****Patent and Trademark Office****37 CFR Parts 1, 41, and 42**

[Docket No. PTO-C-2011-0008]

RIN 0651-AC54

**Setting and Adjusting Patent Fees****AGENCY:** United States Patent and Trademark Office, Department of Commerce.**ACTION:** Final rule.

**SUMMARY:** The United States Patent and Trademark Office (Office or USPTO) sets or adjusts patent fees in this rulemaking as authorized by the Leahy-Smith America Invents Act (Act or AIA). The fees will provide the Office with a sufficient amount of aggregate revenue to recover its aggregate cost of patent operations, while helping the Office implement a sustainable funding model, reduce the current patent application backlog, decrease patent application pendency, improve patent quality, and upgrade the Office's patent business information technology (IT) capability and infrastructure. The fees also will further key policy considerations. The Office also reduces fees for micro entities under section 10(b) of the Act by 75 percent in this rulemaking and extends the existing fee discount of 50 percent for small entities to additional fees in this rulemaking.

**DATES:** This rule is effective on March 19, 2013, except for amendments to § 1.18(a)(1), (b)(1), (c)(1), and (d)(1) (patent issue and publication fees); § 1.21(h)(1) (fee for recording a patent assignment electronically); § 1.482(a)(1)(i)(A), (a)(1)(ii)(A), and (a)(2)(i) (international application filing, processing and search fees); and § 1.445(a)(1)(i)(A), (a)(2)(i), (a)(3)(i), and (a)(4)(i) (international application transmittal and search fees), which will be effective on January 1, 2014.

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**SUPPLEMENTARY INFORMATION:** This rule was proposed in a notice of proposed rulemaking published at 77 FR 55028 (Sept. 6, 2012) (hereinafter NPRM).

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**I. Executive Summary***A. Purpose of This Action*

Section 10 of the Leahy-Smith America Invents Act authorizes the Director of the USPTO to set or adjust by rule any patent fee established, authorized, or charged under Title 35, United States Code (U.S.C.) for any services performed by, or materials furnished by, the Office. Section 10 prescribes that fees may be set or adjusted only to recover the aggregate estimated costs to the Office for processing, activities, services, and materials relating to patents, including administrative costs to the Office with respect to such patent operations. Section 10 authority includes flexibility to set individual fees in a way that furthers key policy considerations, while taking into account the cost of the respective services. *See* Section 10 of the Act, Public Law 112-29, 125 Stat. at 316-17. Section 10 also establishes certain procedural requirements for setting or adjusting fee regulations, such as public hearings and input from the Patent Public Advisory Committee and oversight by Congress.

The fee schedule in this final rule will recover the aggregate estimated costs of the Office while achieving strategic and operational goals, such as implementing a sustainable funding model, reducing the current patent application backlog, decreasing patent application pendency, improving patent quality, and upgrading the patent IT business capability and infrastructure.

The United States economy depends on high quality and timely patents to protect new ideas and investments for business and job growth. To reduce the backlog and decrease patent application pendency, the USPTO must examine significantly more patent applications than it receives each year for the next several years. Bringing the number of applications in the backlog down to a manageable level, while at the same time keeping pace with the new patent applications expected to be filed each year, requires the Office to collect more aggregate revenue than it estimates that it will collect at existing fee rates. The Office estimates that the additional aggregate revenue derived from this fee schedule will enable a decrease in total patent application pendency by 11.3 months during the five-year planning horizon (fiscal year (FY) 2013-FY 2017), thus permitting a patentee to obtain a patent sooner than he or she would have

under the status quo fee schedule. The additional revenue from this fee schedule also will recover the cost to begin building a three-month patent operating reserve. The Office estimates that the patent operating reserve will accumulate almost two months of patent operating expenses by the end of the five-year planning horizon (FY 2013-FY 2017) and will reach the three-month target in FY 2018, thereby continuing to build a sustainable funding model that will aid the Office in maintaining shorter pendency and an optimal patent application inventory.

Additionally, the fee schedule in this final rule will advance key policy considerations while taking into account the cost of individual services. For example, the rule includes multipart and staged fees for requests for continued examination (RCEs), appeals, and contested cases, all of which aim to increase patent prosecution options for applicants. Also, this rule includes a new 75 percent fee reduction for micro entities and expands the availability of the 50 percent fee reduction for small entities as required under section 10, providing small entities a discount on more than 25 patent fees that do not currently qualify for a small entity discount.

*B. Summary of Provisions Impacted by This Action*

This final rule sets or adjusts 351 patent fees—93 apply to large entities (any reference herein to “large entity” includes all entities other than small or micro entities), 94 to small entities, 93 to micro entities, and 71 are not entity-specific. Of the 93 large entity fees, 71 are adjusted, 18 are set at existing fee amounts, and 4 were first proposed in the preceding NPRM. Of the 94 small entity fees, 85 are adjusted, 5 are set at existing fee amounts, and 4 were first proposed in the NPRM. There are 93 new micro entity fees first proposed in the NPRM that are set at a reduction of 75 percent from the large entity fee amounts. Of the 71 fees that are not entity-specific, 9 are adjusted in this rule, and 62 are set at existing fee amounts.

In all, once effective, the routine fees to obtain a patent (i.e., filing, search, examination, publication, and issue fees) will decrease by at least 23 percent under this final rule relative to the current fee schedule. Also, despite increases in some fees, applicants who meet the new micro entity definition will pay less than the amount paid for small entity fees under the current fee schedule for 87 percent of the fees eligible for a discount under section 10(b). Additional information describing

the adjustments is included in *Part V. Individual Fee Rationale* section of Supplementary Information for this final rulemaking.

*C. Summary of Costs and Benefits of This Action*

The Office prepared a Regulatory Impact Analysis (RIA) to consider the costs and benefits of this final rule over a five-year period (FY 2013–FY 2017). In the RIA developed for the NPRM, the Office offered a discussion of monetized and qualitative costs that could be derived from the proposed patent fee schedule. The Office made several inferences using internal data and relevant academic literature. Upon further review of the proposed rulemaking and source materials, and consistent with OMB Circular A–4, Regulatory Analysis, as discussed further in the RIA, the USPTO no longer monetizes costs and benefits in the final rule or the RIA. Rather, this final rule for the purposes of regulatory review is considered to be a transfer payment from one group to another, and discussion of all costs and benefits is qualitative in nature. Thus, the RIA for this final rule outlines the transfer and assesses the qualitative benefits and costs that accrue to patent applicants, patent holders, and other patent stakeholders in the United States. The RIA includes a qualitative comparison of the final fee schedule to the current fee schedule (Baseline) and to three other alternatives considered. The RIA assesses the change in qualitative costs or benefits related to the changes in the final fee schedule using certain key indicators when comparing the Baseline. The RIA concludes that the patent fee schedule set forth in this final rule has the most significant net benefit among the alternatives considered. *See Table 1.* The complete RIA is available for review at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1).

TABLE 1—FINAL PATENT FEE SCHEDULE COSTS AND BENEFITS, CUMULATIVE FY 2013—FY 2017

Transfers	
Transfers .....	\$13,993 million
Qualitative Costs and Benefits	
<i>Costs:</i>	
Cost of patent operations	<i>Minimal</i>
Lost patent value from a decrease in patent applications.	<i>Minimal</i>
<i>Benefit:</i>	

TABLE 1—FINAL PATENT FEE SCHEDULE COSTS AND BENEFITS, CUMULATIVE FY 2013—FY 2017—Continued

Increase in private patent value from a decrease in pendency. <i>Fee Schedule Design Benefits.</i> (Significant, Moderate, Not Significant). <i>Decreased Uncertainty Effect.</i> (Significant, Moderate, Not Significant). <i>Net Benefit .....</i>	<i>Significant</i>  <i>Moderate</i>  <i>Significant</i>  <i>Significant</i>
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To assess the qualitative benefits of the final fee schedule, the Office considered how the value of a patent would increase under the final fee schedule, as well as benefits from improving the fee schedule design and benefits from decreased uncertainty. When patent application pendency decreases, a patentee holds the exclusive right to the invention sooner, which increases the private value of that patent. Because the outcomes of this final rule will decrease patent application pendency, the Office expects that the private patent value will increase considerably, relative to the Baseline. Likewise, the design of the final fee schedule offers benefits relating to the three policy factors considered for setting individual fees as described in *Part III* of this final rule, namely, *fostering innovation, facilitating effective administration of the patent system, and offering patent prosecution options to applicants.* By maintaining the current fee setting philosophy of keeping front-end fees below the cost of application processing and recovering revenue from back-end fees, the final fee schedule continues to *foster innovation* and ease access to the patent system. The final fee schedule also continues to offer incentives and disincentives to engage in certain activities that *facilitate effective administration of the patent system* and help reduce the amount of time it takes to have a patent application examined. For example, application size fees, extension of time fees, and excess claims fees remain in place to facilitate the prompt conclusion of prosecution of an application. The final fee schedule likewise includes multipart and staged fees for RCEs, appeals, and contested cases, all of which aim to *increase patent prosecution options for applicants.* The qualitative benefits of the fee schedule design include new options for applicants to reduce their front-end costs for some services (e.g., appeals) until they have more

information to determine the best prosecution option for their innovation. Lastly, shortening pendency reduces uncertainty regarding the claimed invention and scope of patent rights for patentees, competitors, and new entrants. Reducing uncertainty has a significant benefit in terms of clarity of patent rights, freedom to innovate, and the efficient operation of markets for technology.

To assess the qualitative costs of the final fee schedule, the Office assessed the costs of its patent operations. The Office's cost of patent operations varies depending on the number of incoming patent applications and the amount of resources available. As discussed in *Part IV. Fee Setting Methodology* (see Step 1), the cost of operations included in this final rule also reduced slightly from that estimated in the NPRM. *See Table 1.*

For FY 2013—FY 2015, the Office continues to project an annual increase in the number of serialized patent application filings, though the increases to some fees in the new fee structure may result in a slightly slower growth rate than that estimated under the Baseline. Nevertheless, the Office estimated that new patent application filings would return to the same annual growth rate anticipated in the absence of fee increases beginning in FY 2016. Overall, the demand for patent application services is generally inelastic (see *USPTO Section 10 Fee Setting—Description of Elasticity Estimates*, at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1)), and even with these slight decreases, the total number of patent applications filed is projected to grow year-after-year. The Office considered the cost associated with this slight reduction in patent applications filed as a reduction to the benefit of the increased patent value when assessing the overall net benefit of the final fee schedule. *See Table 1.*

Additional details describing the benefits and costs of the final fee schedule are available in the RIA at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1).

## II. Legal Framework

### *A. Leahy-Smith America Invents Act—Section 10*

The Leahy-Smith America Invents Act was enacted into law on September 16, 2011. *See* Public Law 112–29, 125 Stat. 284. Section 10(a) of the Act authorizes the Director of the Office to set or adjust by rule any patent fee established, authorized, or charged under Title 35, U.S.C. for any services performed by, or

materials furnished by, the Office. Fees under 35 U.S.C. may be set or adjusted only to recover the aggregate estimated cost to the Office for processing, activities, services, and materials related to patents, including administrative costs to the Office with respect to such patent operations. *See* 125 Stat. at 316. Provided that the fees in the aggregate achieve overall aggregate cost recovery, the Director may set individual fees under section 10 at, below, or above their respective cost. The Office's current fee structure includes statutory fees (set by Congress) that provide lower, below cost fees on the front end of the patent process (e.g., filing, searching, and examination fees), which are in turn balanced out by higher, above cost fees on the back end (i.e., issue and maintenance fees). This balance enables the Office to provide lower costs to enter the patent system, making it easier for inventors to pursue patents for their innovations, and these lower front-end fees are off-set by higher back-end fees. Congress set this balance when it established the existing statutory fee structure, and the Office continues to follow this model with the fee structure in this final rule, because a key policy consideration is to *foster innovation* by facilitating access to the patent system. Section 10(e) of the Act requires the Director to publish the final fee rule in the **Federal Register** and the Official Gazette of the Patent and Trademark Office at least 45 days before the final fees become effective. Section 10(i) terminates the Director's authority to prospectively set or adjust any fee under section 10(a) upon the expiration of the seven-year period that began on September 16, 2011.

#### B. Small Entity Fee Reduction

Section 10(b) of the AIA requires the Office to reduce by 50 percent the fees for small entities that are set or adjusted under section 10(a) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents.

#### C. Micro Entity Fee Reduction

Section 10(g) of the AIA amends Chapter 11 of Title 35, U.S.C. to add section 123 concerning micro entities. Section 10(b) of the Act requires the Office to reduce by 75 percent the fees for micro entities that are set or adjusted under Section 10(a) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents. In a separate rulemaking, pursuant to 35 U.S.C. 123, the Office implemented the micro entity provisions of the AIA. *See* 77 FR 75019 (Dec. 19, 2012).

#### D. Patent Public Advisory Committee Role

The Secretary of Commerce established the Patent Public Advisory Committee (PPAC) under the American Inventors Protection Act of 1999. 35 U.S.C. 5. The PPAC advises the Under Secretary of Commerce for Intellectual Property and Director of the USPTO on the management, policies, goals, performance, budget, and user fees of patent operations.

When adopting patent fees under section 10 of the Act, the Director must provide the PPAC with the proposed fees at least 45 days prior to publishing the proposed fees in the **Federal Register**. The PPAC then has at least 30 days within which to deliberate, consider, and comment on the proposal, as well as to hold public hearing(s) on the proposed fees. The PPAC must make a written report available to the public of the comments, advice, and recommendations of the committee regarding the proposed fees before the Office issues any final fees. The Office will consider and analyze any comments, advice, or recommendations received from the PPAC before finally setting or adjusting fees.

Consistent with this framework, on February 7, 2012, the Director notified the PPAC of the Office's intent to set or adjust patent fees and submitted a preliminary patent fee proposal with supporting materials. The preliminary patent fee proposal and associated materials are available at <http://www.uspto.gov/about/advisory/ppac/>. The PPAC held two public hearings: one in Alexandria, Virginia, on February 15, 2012, and another in Sunnyvale, California, on February 23, 2012. Transcripts of these hearings and comments submitted to the PPAC in writing are available for review at <http://www.uspto.gov/about/advisory/ppac/>.

The PPAC submitted a written report on September 24, 2012, setting forth in detail the comments, advice, and recommendations of the committee regarding the proposed fees. The report is available for review at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). The Office considered and analyzed the comments, advice, and recommendations received from the PPAC before publishing this final rule. The Office's response to the PPAC's report is available in the Discussion of Comments at Part VI of this rulemaking.

#### III. Rulemaking Goals and Strategies

Consistent with the Office's goals and obligations under the AIA, the overall strategy of this rulemaking is to ensure

that the fee schedule generates sufficient revenue to recover aggregate costs. Another strategy is to set individual fees to further key policy considerations while taking into account the cost of the particular service. As to the strategy of balancing aggregate revenue and aggregate cost, this rule will provide sufficient revenue for two significant USPTO goals: (1) Implement a sustainable funding model for operations; and (2) optimize patent timeliness and quality. As to the strategy of setting individual fees to further key policy considerations, the policy factors contemplated are: (1) *Fostering innovation*; (2) *facilitating effective administration of the patent system*; and (3) *offering patent prosecution options to applicants*.

These fee schedule goals and strategies are consistent with strategic goals and objectives detailed in the *USPTO 2010–2015 Strategic Plan* (Strategic Plan) that is available at [http://www.uspto.gov/about/stratplan/USPTO\\_2010–2015\\_Strategic\\_Plan.pdf](http://www.uspto.gov/about/stratplan/USPTO_2010–2015_Strategic_Plan.pdf), as amended by Appendix #1 of the FY 2013 President's Budget, available at <http://www.uspto.gov/about/stratplan/budget/fy13pbr.pdf> (collectively referred to herein as "Strategic Goals"). The Strategic Plan defines the USPTO's mission and long-term goals and presents the actions the Office will take to realize those goals. The significant actions the Office describes in the Strategic Plan that are specific to the goals of this rulemaking are implementing a sustainable funding model, reducing the patent application backlog, decreasing patent application pendency, improving patent quality, and upgrading the Office's patent IT business capability and infrastructure.

Likewise, the fee schedule goals and strategies also support the *Strategy for American Innovation*—an Administration initiative first released in September 2009, and updated in February 2011, that is available at <http://www.whitehouse.gov/innovation/strategy>. The *Strategy for American Innovation* recognizes innovation as the foundation of American economic growth and national competitiveness. Economic growth in advanced economies like the United States is driven by creating new and better ways of producing goods and services, a process that triggers new and productive investments, which is the cornerstone of economic growth. Achieving the *Strategy for American Innovation* depends, in part, on the USPTO's success in reducing the patent application backlog and in decreasing patent application pendency—both of which stall the delivery of innovative

goods and services to market and impede economic growth and the creation of high-paying jobs. This rule positions the USPTO to reduce the patent application backlog and decrease patent application pendency.

#### *A. Ensure the Overall Fee Schedule Generates Sufficient Revenue To Recover Aggregate Cost*

The first fee setting strategy is to ensure that the fee schedule generates sufficient aggregate revenue to recover the aggregate cost to maintain USPTO operations and accomplish USPTO strategic goals. Two overriding principles motivate the Office in this regard: (1) Operating with a more sustainable funding model than in the past to avoid disruptions caused by fluctuations in the economy; and (2) accomplishing strategic goals, including the imperatives of reducing the patent application backlog and decreasing patent application pendency. Each principle is discussed in greater detail below.

##### **1. Implement a Sustainable Funding Model for Operations**

As explained in the Strategic Plan, the Office's objective of implementing a sustainable funding model for operations will facilitate USPTO's long-term operational and financial planning and enable the Office to adapt to changes in the economy and in operational workload.

Since 1982, patent fees that generate most of the patent revenue (e.g., filing, search, examination, issue, and maintenance fees) have been set by statute, and the Office could adjust these fees only to reflect changes in the Consumer Price Index (CPI) for All Urban Consumers, as determined by the Secretary of Labor. Because these fees were set by statute, the USPTO could not realign or adjust them to quickly and effectively respond to market demand or changes in processing costs other than for the CPI. Over the years, these constraints led to funding variations and shortfalls. Section 10 of the AIA changed this fee adjustment model and authorized the USPTO to set or adjust patent fees within the regulatory process so that the Office will be better able to respond to its rapidly growing workload.

The Budgets (see FY 2013 and FY 2014 President's Budget Requests at <http://www.uspto.gov/about/stratplan/budget/index.jsp>) delineate the annual plans and prospective aggregate costs to execute the initiatives in the Strategic Plan. One of these costs is the growth of a three-month patent operating reserve to allow effective management of the

U.S. patent system and responsiveness to changes in the economy, unanticipated production workload, and revenue changes, while maintaining operations and effectuating long-term strategies. The Office evaluated the optimal size of the operating reserve by examining specific risk factors. There are two main factors that create a risk of volatility in patent operations—spending levels and revenue streams. After reviewing other organizations' operating reserves, the Office found that a fully fee-funded organization such as the USPTO should maintain a minimum of a three-month operating reserve. The fee schedule in this final rule will gradually build the three-month operating reserve. The USPTO will assess the patent operating reserve balance against its target balance annually and, at least every two years, will evaluate whether the target balance continues to be sufficient to provide the stability in funding needed by the Office. By implementing this fee schedule, the USPTO anticipates that the three-month patent operating reserve will be achieved in FY 2018.

The fees in this final rule will provide the USPTO with sufficient aggregate revenue to recover the aggregate cost to operate the Office while improving the patent system. During FY 2013, patent operations will cost \$2.479 billion after accounting for an offset to spending from other income of \$23 million and a withdrawal from the operating reserve of \$28 million. The final fee schedule should generate \$2.479 billion in aggregate revenue to offset these costs. Once the Office transitions to the fee levels set forth in this final rule, it estimates an additional \$11.5 billion in aggregate revenue will be generated from FY 2014 through FY 2017 to recover the total aggregate cost over the same time period—\$11.1 billion in operating costs and \$0.4 billion in a three-month operating reserve. (See Table 3 in *Part IV, Step 2* of this rule.)

Under the new fee structure, as in the past, the Office will continue to regularly review its operating budgets and long-range plans to ensure that the USPTO uses patent fees prudently.

##### **2. Optimize Patent Quality and Timeliness**

The Office developed the strategic goal of optimizing patent quality and timeliness in response to intellectual property (IP) community feedback, the *Strategy for American Innovation*, and in recognition that a sound, efficient, and effective IP system is essential for technological innovation and for patent holders to reap the benefits of patent protection.

In past years, a steady increase in incoming patent applications and insufficient patent examiner hiring due to multi-year funding shortfalls has led to a large patent application backlog and long patent application pendency. Decreasing pendency increases the private value of a patent because the faster a patent is granted, the more quickly the patent owner can commercialize the innovation. Shorter pendency also allows for earlier disclosure of the scope of the patent, which reduces uncertainty for the patentee, potential competitors, and additional innovators regarding patent rights and the validity of the patentee's claims.

To reduce the backlog and decrease patent application pendency, the USPTO must examine significantly more patent applications than it receives each year for the next several years. Bringing the applications in the backlog down to a manageable level, while at the same time keeping pace with the new patent applications expected to be filed each year, requires the Office to collect more aggregate revenue than it estimates that it will collect at existing fee rates. The Office needs this additional revenue to hire additional patent examiners, improve the patent business IT capability and infrastructure, and implement other programs to optimize the timeliness of patent examination. This final rule will result in an average first action patent application pendency of 10 months in FY 2016, an average total pendency of 20 months in FY 2017, and a reduced patent application backlog and inventory of approximately 335,000 patent applications by FY 2016. This would be a significant improvement over the 21.9 months and 32.4 months for average first action patent application pendency and average total pendency, respectively, at the end of FY 2012. Under this final rule, the patent application backlog is also expected to decrease significantly from the 608,300 applications in inventory as of the end of FY 2012.

In addition to timeliness of patent protection, the quality of application review is critical to ensure that the value of an issued patent is high. Quality issuance of patents provides certainty in the market and allows businesses and innovators to make informed and timely decisions on product and service development. Through this final rule, the Office will continue to improve patent quality through comprehensive training for new and experienced examiners, an expanded and enhanced ombudsman program to help resolve questions about

applications, improved hiring processes, and guidelines for examiners to address clarity issues in patent applications. The Office also will continue to encourage interviews between applicants and examiners to help clarify allowable subject matter early in the examination process and to encourage interviews later in prosecution to resolve outstanding issues. Lastly, the Office will continue to reengineer the examination process, and to monitor and measure examination using a comprehensive set of metrics that analyze the quality of the entire process.

In addition to direct improvements to patent quality and timeliness, the USPTO's development and implementation of the patent end-to-end processing system using the revenue generated from this fee structure will improve the efficiency of the patent system. The IT architecture and systems in place currently are obsolete and difficult to maintain, leaving the USPTO highly vulnerable to disruptions in patent operations. Additionally, the current IT systems require patent employees and external stakeholders to perform labor-intensive business processes manually, decreasing the efficiency of the patent system. This final rule provides the Office with sufficient revenue to modernize its IT systems so that the majority of applications are submitted, handled, and prosecuted electronically. Improved automation will benefit both the Office and innovation community.

#### *B. Set Individual Fees To Further Key Policy Considerations, While Taking Into Account the Costs of the Particular Service*

The second fee setting strategy is to set individual fees to further key policy considerations, while taking into account the cost of the associated service or activity. This fee schedule recovers the aggregate cost to the Office of operations, while also considering the individual cost of each service provided. This includes consideration that some applicants may use particular services in a more costly manner than other applicants (e.g., patent applications cost more to process when more claims are filed). The final fee schedule considers three key policy factors: (1) *Fostering innovation*; (2) *facilitating effective administration of the patent system*; and (3) *offering patent prosecution options to applicants*. The Office focused on these policy factors because each promotes particular aspects of the U.S. patent system. *Fostering innovation* is an important policy factor to ensure that access to the U.S. patent system is

without significant barriers to entry, and innovation is incentivized by granting inventors certain short-term exclusive rights to stimulate additional inventive activity. *Facilitating effective administration of the patent system* is important to influence efficient patent prosecution, resulting in compact prosecution and a decrease in the time it takes to obtain a patent. In addition, the Office recognizes that patent prosecution is not a one-size-fits-all process and therefore, where feasible, the Office endeavors to fulfill its third policy factor of *offering patent prosecution options to applicants*. Each of these policy factors is discussed in greater detail below.

#### 1. Fostering Innovation

To encourage innovators to take advantage of patent protection, the Office sets basic "front-end" fees (e.g., filing, search, and examination) below the actual cost of carrying out these activities. Likewise, consistent with the requirements in the Act, the Office provides fee reductions for small and micro entity innovators to facilitate access to the patent system. Setting front-end and small and micro entity fees below cost requires, however, that other fees be set above cost. To that end, the Office sets basic "back-end" fees (e.g., issue and maintenance) in excess of costs to recoup revenue not collected by front-end and small and micro entity fees. Charging higher back-end fees also fosters innovation and benefits the overall patent system. After a patent is granted, a patent owner is better positioned, as opposed to at the time of filing a patent application, to more closely assess the expected value of an invention, which is a consideration in determining whether to pay maintenance fees to keep the patent protecting the invention in force. Expiration of a patent makes the subject matter of the patent available in the public domain for subsequent commercialization. Determining the appropriate balance between front-end and back-end fees is a critical component of aligning the Office's costs and revenues.

#### 2. Facilitating Effective Administration of the Patent System

The fee structure in this final rule helps facilitate effective administration of the patent system by encouraging applicants or patent holders to engage in certain activities that facilitate an effective patent system. In particular, setting fees at the particular levels will: (1) Encourage the submission of applications or other actions that enable examiners to provide prompt, quality

interim and final decisions; (2) encourage the prompt conclusion of prosecution of an application, which results in pendency reduction, faster dissemination of information, and certainty in patented inventions; and (3) help recover the additional costs imposed by some applicants' more intensive use of certain services that strain the patent system than other applicants.

#### 3. Offering Patent Prosecution Options to Applicants

The final fee schedule provides applicants with flexible and cost-effective options for seeking patent protection. For example, the Office is setting multipart and staged fees for RCEs, appeals, and contested cases. The Office breaks the RCE fee into two parts. The fee for a first RCE is set more than 30 percent below cost to facilitate access to the service and in recognition that most applicants using RCEs only require one per application. The fee for a second and subsequent RCE is set only slightly below cost as an option for those who require multiple RCEs. Likewise, the staging of appeal fees allows applicants to pay less in situations when an application under appeal is either allowed or reopened rather than being forwarded to the Patent Trial and Appeal Board (PTAB). Finally, the establishment of multipart and staged fees for contested cases improves access to these proceedings while removing low quality patents from the patent system.

#### Summary of Rationale and Purpose of the Final Rule

The final patent fee schedule will produce aggregate revenues to recover the aggregate costs of the USPTO, including for its management of strategic goals, objectives, and initiatives in FY 2013 and beyond. Using the two Strategic Plan goals (implementing a sustainable funding model for operations and optimizing patent quality and timeliness) as a foundation, the final rule provides sufficient aggregate revenue to recover the aggregate cost of patent operations, including implementing a sustainable funding model, reducing the current patent application backlog, decreasing patent application pendency, improving patent quality, and upgrading the patent business IT capability and infrastructure. Additionally, in this final rule, the Office considered individual fees by evaluating its historical cost (where available) and considering the policy factors of *fostering innovation*, *facilitating effective administration of the patent system*, and *offering patent prosecution options to applicants*.

the patent system, and offering patent prosecution options to applicants.

#### IV. Fee Setting Methodology

As explained in the NPRM, there are three iterative and interrelated steps involved in developing the fees:

Step 1: Determine the prospective aggregate costs of patent operations over the five-year period, including the cost of implementing new initiatives to achieve strategic goals and objectives.

Step 2: Calculate the prospective revenue streams derived from the individual fee amounts (from Step 3) that will collectively recover the prospective aggregate cost over the five-year period.

Step 3: Set or adjust individual fee amounts to collectively (through executing Step 2) recover projected aggregate cost over the five-year period, while furthering key policy considerations.

A description of how the USPTO carries out these three steps is set forth in turn. Where key projections or inputs have changed since the NPRM, the Office explains the reasons underlying the revised estimates.

##### Step 1: Determine Prospective Aggregate Costs

Calculating aggregate costs is accomplished primarily through the routine USPTO budget planning and formulation process. The Budget is a five-year plan (that the Office prepares and updates annually) for carrying out base programs and implementing the strategic goals and objectives.

The first activity performed to determine prospective aggregate cost is to project the level of demand for patent products and services. Demand for products and services depends on many factors, including domestic and global economic activity. The USPTO also takes into account overseas patenting activities, policies and legislation, and known process efficiencies. Because examination costs are approximately 70 percent of the total patent operating cost, a primary production workload driver is the number of patent application filings (i.e., incoming work to the Office). The Office looks at indicators such as the expected growth in Real Gross Domestic Product (RGDP), the leading indicator to incoming patent applications, to estimate prospective workload. RGDP is reported by the Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)), and is forecasted each February by the Office of Management and Budget (OMB) ([www.omb.gov](http://www.omb.gov)) in the Economic and Budget Analyses section of the Analytical Perspectives, and each January by the Congressional

Budget Office (CBO) ([www.cbo.gov](http://www.cbo.gov)) in the Budget and Economic Outlook. A description of the Office's methodology for using RGDP can be found in the section of the annual budget entitled, "USPTO Fee Collection Estimates/Ranges." See annual budget available at <http://www.uspto.gov/about/stratplan/budget/index.jsp>. The expected change in the required production workload must then be compared to the current examination production capacity to determine any required staffing and operating cost (e.g., salaries, workload processing contracts, and printing) adjustments. The Office uses a patent application pendency model that estimates patent production output based on actual historical data and input assumptions, such as incoming patent applications, examiner attrition rates, and overtime hours. An overview of the model and a simulation tool is available at [http://www.uspto.gov/patents/stats/patent\\_pend\\_model.jsp](http://www.uspto.gov/patents/stats/patent_pend_model.jsp). Further information, including a more detailed description of inputs, outputs, and key data relationships, is available from the Office upon request.

The second activity is to calculate the aggregate costs to execute the requirements. In developing its annual budgets, the Office first looks at the cost of status quo operations (the base requirements). The base requirements (e.g., salaries for employees on-board) are adjusted for anticipated pay raises and inflationary increases for the periods FY 2013–FY 2017 (examples of the detailed calculations and assumptions for this adjustment to base are available in the annual Budgets). The Office then estimates the prospective cost for expected changes in production workload and new initiatives over the same period of time (refer to "Program Changes by Sub-Activity" sections of the Budget). The Office reduces cost estimates for completed initiatives and known cost savings expected over the same five-year horizon (see page 9 of the FY 2013 President's Budget). Finally, the Office estimates its three-month target operating reserve level based on this aggregate cost calculation for the year to determine if operating reserve adjustments are necessary.

The estimate for the FY 2013 aggregate costs contained in this final rule (\$2.479 billion) is \$125 million less than the estimate contained in the NPRM (\$2.604 billion). The Office lowered its aggregate cost estimate in response to public comments expressing a desire for the Office to achieve its goals over a longer timeframe and to incorporate additional efficiencies into operations. In some instances, the Office

was also able to use more recent data. The most significant factors affecting the reduction in aggregate costs include: (1) Decreasing the amount deposited into the operating reserve as well as extending the timeframe for reaching the target amount of the operating reserve, and (2) lengthening the timeframe for achieving pendency goals and optimal inventory levels, and accounting for other changes related to operational costs and efficiencies. Each is discussed in turn.

First, the Office decided to slow the growth of the operating reserve, as well as reduce the amount of fees deposited into the operating reserve during FY 2013, in response to public and PPAC comments. See response to PPAC Comment 6 and Public Comments 18 and 19. The Office is slowing the growth of the operating reserve due to a reduction in aggregate revenue, as explained in more detail in Step 2, below. In the NPRM, the Office estimated reaching a target operating reserve level of three months in FY 2017. In this final rule, the adjustments to aggregate revenue and fee amounts have slowed the pace for reaching the three month operating reserve target to beyond the five-year planning period (approximately FY 2018). (See PPAC Comments 6, 7, 11, 14, 16, and 23; and Public Comments 2, 18, 41, 42, 43, and 45 for additional information). When estimating aggregate costs for the NPRM, the Office planned to deposit \$73 million in the operating reserve in FY 2013. In the updated estimate of aggregate costs calculated for this final rule, the Office plans to use \$28 million of operating reserve funds in FY 2013. The net change of activity results in a decrease of aggregate costs associated with the operating reserve of \$101 million.

The Office is using funds from the operating reserve in FY 2013 due to two main components of aggregate cost—an increase in the cost of existing base requirements and the timing of implementing the fees included in the final rule. As discussed in more detail below, the Office experienced historically low examiner attrition rates (the rate at which examiners left the Office). This lower than planned attrition rate resulted in additional higher paid examiners on board during FY 2013, increasing the aggregate cost of base requirements of patent examination (existing examiners on board). Additionally, the Office will publish this final rule one month later than originally anticipated in the NPRM (April instead of March 2013). This later publication date reduces the amount of revenue originally estimated to be

collected during FY 2013. Further, the Office anticipates a “bubble” of fee payments paid at the current fee rates, prior to the effective date of the fees in this final rule. This “bubble” is typical in years with fee changes. Therefore, these situations require the Office to use the operating reserve in FY 2013, whereas in FY 2014 through FY 2017, the Office estimates it will deposit funds in the operating reserve.

Second, many public comments and the PPAC report strongly urged the Office to achieve the 10 month first action patent application pendency and the 20 month total patent application pendency goals more gradually than proposed, and to achieve a “soft landing” to reach the optimal patent application inventory and workforce levels at a slower rate than proposed. See PPAC Comment 7 and Public Comment 2. During FY 2012, the Office examined more patent applications than it initially anticipated, in part because of historically low attrition rates. In the NPRM, the Office anticipated an attrition of 5.8 percent in FY 2013, but in the final rule, the Office now anticipates an attrition rate of 4.0 percent in FY 2013 (the same attrition rate the Office experienced in FY 2012).

In response to comments and to capitalize on the historically low attrition rates, the Office is recalibrating its examination capacity during the five-year planning period of this final rule by reducing the number of examiners that are hired, increasing the amount of overtime allotted for production, and hiring more experienced examiners. Instead of planning to hire 1,500 patent examiners in FY 2013 (as the NPRM estimated), the Office now plans to hire 1,000 patent examiners in FY 2013. The Office also reevaluated its hiring plans in FY 2013 to include hiring more patent examiners with greater IP experience and knowledge, thus making this smaller number of hires more productive sooner than originally expected. This recalibration results in a

more costly examiner production capacity (because the more experienced hires are paid a higher salary) in the beginning (FY 2013 and FY 2014) of the five-year planning period when comparing the net operating requirements (see Table 3) per production unit (see Table 2) in the final rule to that in the NPRM. However, as the Office begins reaping the benefits of the overtime and hiring recalibration, the examiner production capacity begins to cost less in FY 2015, so that the total net operating cost per production unit over the five-year planning period is less in the final rule than in the NPRM. For example, in FY 2013, the net operating requirements per production unit are approximately \$4,200 in this final rule (\$2.507 billion divided by 596,200 production units) compared to approximately \$4,100 in the NPRM. In FY 2015, the net operating requirements per production unit are approximately \$4,020 in this final rule (\$2.779 billion divided by 691,300 production units) compared to approximately \$4,046 in the NPRM. This initial increase in aggregate cost is necessary to establish the examination capacity needed to achieve the “soft landing” referred to in the comments from the PPAC and the public.

The “soft landing” is evident when looking at the more gradual increase in production units over four years (596,200 in FY 2013 increasing to 698,500 in FY 2016) in this final rule (see Table 2) compared to the rapid increase in the NPRM over three years (620,600 in FY 2013 increasing to 694,200 in FY 2015). Also, maintaining fewer examiners on board throughout and at the end of the five-year planning horizon (7,800 in FY 2017 in the final rule compared to 8,200 in FY 2017 in the NPRM) permits the Office to use production overtime as a lever to arrive at the future “soft landing” when evaluating actual inputs impacting the production modeling (application filing

levels, examiner attrition rates, and production levels).

While the examination costs marginally increase in the early years due to the higher cost of base examination capacity (because the Office has greater expenses associated with having more examiners than initially projected from lower attrition rates and more experienced examiners), the Office has more than offset this increase by reducing patent operational costs in other areas such as deferring slightly some IT investment plans and leveraging operational efficiencies, consistent with public comments and a routine annual review and update of the patent operating and budget plans. See PPAC Comment 7 and Public Comment 2. In addition, in the time between the publication of the NPRM and the formulation of this final rule, additional information concerning key inputs to the patent application pendency model became available, so the Office revised certain projections as discussed below.

For example, after reviewing FY 2012 filing data and RGDP information available after the NPRM published (see Step 2: Calculate Prospective Aggregate Revenue), the Office lowered its estimates for the level of demand of patent products and services (application filing levels). In the NPRM, the Office projected a growth rate of 6.0 percent in FY 2013–FY 2014; 5.5 percent in FY 2015–FY 2016; and 5.0 percent in FY 2017. Based on actual filing data from FY 2012, the Office now believes that a projected growth rate of 5.0 percent for each of FY 2013–FY 2017 is appropriate in this final rule. This means that examiner production capacity and aggregate costs are reduced because somewhat fewer patent applications are projected to be filed, and the work associated with those applications is less, as compared to the NRPM projections.

Many of the key inputs affecting lower aggregate costs and revenue are summarized in Table 2.

TABLE 2—PATENT PRODUCTION WORKLOAD PROJECTIONS—FY 2013–FY 2017

Utility, Plant, and Reissue (UPR)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Applications* .....	558,900	586,800	616,200	647,000	679,300
Growth Rate** .....	5.0%	5.0%	5.0%	5.0%	5.0%
Production Units .....	596,200	655,200	691,300	698,500	641,300
End of Year Backlog .....	566,800	486,500	398,900	334,300	358,500
Examination Capacity ** .....	8,500	8,400	8,200	8,000	7,800
Performance Measures (UPR):					
Avg. First Action Pendency (Months) .....	18.0	15.8	12.9	10.5	10.0
Avg. Total Pendency (Months) .....	30.1	26.1	23.7	21.0	18.8

\* In this table, the patent application filing data includes requests for continued examination (RCEs).

\*\* In this table, demand for patent examination services, which is used to calculate aggregate cost, is not adjusted for price elasticity.

Overall, the Office estimates that during FY 2013, patent operations will cost \$2.530 billion, including \$1.761 billion for patent examination activities; \$340 million for IT systems, support, and infrastructure contributing to patent operations; \$58 million for activities related to patent appeals and the new AIA *inter partes* dispute actions; \$48 million for activities related to IP protection, policy, and enforcement;

and \$323 million for general support costs necessary for patent operations (e.g., rent, utilities, legal, financial, human resources, and other administrative services). In addition, the Office estimates collecting \$23 million in other income associated with reimbursable agreements (offsets to spending) and using \$28 million from the operating reserve during FY 2013 to sustain operations. Detailed

descriptions of operating requirements are located in the USPTO annual budgets (*see* <http://www.uspto.gov/about/stratplan/budget/index.jsp>). Table 2 above provides key underlying production workload projections and assumptions used to calculate aggregate cost. Table 3 presents the total budgetary requirements (prospective aggregate cost) for FY 2013 through FY 2017.

TABLE 3—ESTIMATED ANNUAL AGGREGATE COSTS AND FINAL FEE SCHEDULE AGGREGATE REVENUES

	(In millions)				
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Aggregate Cost Estimate:					
Planned Operating Requirements .....	\$2,530	\$2,739	\$2,802	\$2,852	\$2,815
Less Other Income * .....	(23)	(23)	(23)	(23)	(23)
Net Operating Requirements .....	2,507	2,716	2,779	2,829	2,792
Planned Deposit in Operating Reserve .....	(28)	90	92	98	117
Total Aggregate Cost Estimate .....	2,479	2,806	2,871	2,927	2,909
Aggregate Revenue Estimate ** .....	2,479	2,806	2,871	2,927	2,909
Cumulative Operating Reserve Balance.					
Target Operating Reserve .....	633	685	701	713	704
Operating Reserve Ending FY 2012 Balance \$112 .....	84	174	266	364	481
Over/(Under) Target Balance*** .....	(549)	(511)	(435)	(349)	(223)

\* The Office collects other income associated with reimbursable agreements (offsets to spending) and recoveries of funds obligated in prior years in the amount of approximately \$23 million each year.

\*\* The proposed fee schedule will generate less revenue compared to the FY 2013 President's Budget in an effort to slow the growth of the operating reserve over the next five years.

\*\*\* The Office estimates that it will meet the three-month operating reserve target in FY 2018.

#### Step 2: Calculate Prospective Aggregate Revenue

As described in Step 1, the USPTO's annual requirements-based budgets include the aggregate prospective cost of planned production, new initiatives, and an operating reserve planned for the Office to realize its strategic goals and objectives for the next five years. The aggregate prospective cost becomes the target aggregate revenue level that the new fee schedule must generate in a given year and over the five-year planning horizon. The estimate for the FY 2013 aggregate revenue contained in this final rule (\$2.479 billion) is \$125 million less than the estimate contained in the NPRM (\$2.604 billion). As discussed in more detail in Step 1, the Office has lowered its aggregate cost estimate in response to public comments expressing a desire for the Office to achieve its goals over a longer timeframe and to incorporate additional efficiencies into operations. This reduction in aggregate costs requires a corresponding reduction in aggregate revenue. The most significant factors affecting the reduction in aggregate revenues include: (1) Decreasing fee amounts (*see* PPAC Comments 6, 7, 11, 14, 16, and 23; and Public Comments 2, 18, 41, 42, 43, and 45 for additional information); (2) publishing this final

rule one month later than originally anticipated in the NPRM (April instead of March 2013) and thereby reducing the amount of revenue originally estimated to be collected during FY 2013; and (3) lengthening the timeframe for achieving pendency goals and optimal inventory levels (*see* Step 1, above for additional information). Following is a discussion of the methodology used to calculate aggregate revenue.

As explained in the NPRM, to calculate the aggregate revenue estimates, the Office first analyzes relevant factors and indicators to determine prospective fee workload volumes (e.g., number of applications and requests for services and products) for the five-year planning horizon. Economic activity is an important consideration when developing workload and revenue forecasts for the USPTO's products and services because economic conditions affect patenting activity, as most recently exhibited in the recession of 2009 when incoming workloads and renewal rates declined.

Major economic indicators include the overall condition of the U.S. and global economies, spending on research and development activities, and investments that lead to the commercialization of new products and services. The most relevant economic

indicator that the Office uses is the RGDP, which is the broadest measure of economic activity. RGDP growth is factored into estimates of patent application levels. RGDP is anticipated to grow approximately three percent for FY 2013 based on OMB and CBO estimates provided in February and January of 2012, respectively. CBO prepared updated economic guidance in August 2012, temporarily altering its projection methodology to reflect heightened uncertainty over fiscal policy conditions and concerns. The August 2012 CBO estimates envision various economic scenarios instead of a single point estimate as CBO typically prepared. Nonetheless, the Office made calculations based on CBO's August 2012 estimates and they had a negligible impact on forecasts of the Office's workloads given the +/- 5 percent outer bounds discussed below.

Economic indicators also provide insight into market conditions and the management of IP portfolios, which influence application processing requests and post-issuance decisions to maintain patent protection. When developing fee workload forecasts, the Office considers other influential factors including overseas activity, policies and legislation, process efficiencies, and anticipated applicant behavior.

The Office's methodology to estimate aggregate revenue was updated to consider two new elements related setting and adjusting fees using the new section 10 fee setting authority. The first includes adjustments to fee workload estimates as a result of changes in demand for services. In the past, fees that comprise a majority of the Office's aggregate revenue (e.g., filing, search, examination, issue, and maintenance) were adjusted based on minimal CPI increases. In this rule, the Office is both increasing and decreasing fees by amounts larger than it experienced with CPI increases in the past. Therefore, the Office considered impacts of applicant and patentee behavior in response to the fee changes. The second incorporates the new discount for micro entity applicants and patentees. The introduction of the new micro entity fees required the Office to estimate how many small entity applicants and patentees would pay fees at micro entity rates. Each of these elements is discussed in turn below.

#### Elasticity and Application Filing Levels

The economic indicators discussed previously correlate with patent application filings, which, with adjustments for elasticity, are a key driver of patent fees. As discussed previously, in the NPRM, the Office projected an application filing growth rate of 6.0 percent in FY 2013—FY 2014, 5.5 percent in FY 2015—FY 2016, and 5.0 percent in FY 2017. After reviewing actual FY 2012 filing data and other economic indicators discussed herein, the Office lowered its estimates for the level of demand of patent products and services (application filing levels). The Office now believes that a projected growth rate of 5.0 percent for each of FY 2013—FY 2017 is appropriate in this final rule.

The Office also considered how applicant behavior in response to fee (price) changes included in this final rule would impact the application filing demand referenced above. Anticipated applicant behavior in response to fee changes is measured using an economic principle known as elasticity which for the purpose of this action means how sensitive applicants and patentees are to fee amounts or price changes. If elasticity is low enough (i.e., demand is *inelastic*), when fees increase, patent activities will decrease only slightly in response thereto, and overall revenues will still increase. Conversely, if elasticity is high enough (i.e., demand is *elastic*), when fees increase, patenting activities will decrease significantly enough in response thereto such that overall revenues will decrease. When

developing fee forecasts, the Office accounts for how applicant behavior will change at different fee amounts projected for the various patent services. Additional detail about the Office's elasticity estimates is available in “*USPTO Section 10 Fee Setting—Description of Elasticity Estimates*,” at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). Some of the information on which the Office based its elasticity estimates are copyrighted materials and are available for inspection at the USPTO.

Using the information contained in the “Description of Elasticity Estimates” document, the Office estimated that 1.3 percent fewer new (serialized) applications than the number estimated to be filed in the absence of a fee increase would be filed during FY 2013 as patent filers adjusted to the new fees, specifically the increase in the total filing, search, and examination fees for most applicants. The Office further estimated that 2.7 percent fewer new patent applications would be filed during FY 2014, and 4.0 percent fewer new patent applications would be filed during FY 2015. However, the Office estimated that new (serialized) patent application filings would return to the same annual growth rate anticipated in the absence of a fee increase beginning in FY 2016. Overall, the demand for patent application services is generally inelastic, and even with these slight decreases, the total aggregate revenue received from patent applications filed is projected to grow year-after-year.

#### Micro Entity Applicants

The introduction of a new class of applicants, called micro entities, requires a change to aggregate revenue estimations, and the Office refined its workload and fee collection estimates to include this new applicant class. See 35 U.S.C. 123; *see also* Changes to Implement Micro Entity Status for Paying Patent Fees, 77 FR 75019 (Dec. 19, 2012). 35 U.S.C. 123, which sets forth the requirements that must be met in order for an applicant to claim the micro entity discount, provides two bases under which an applicant may establish micro entity status.

First, section 123(a) provides that the term “micro entity” means an applicant who makes a certification that the applicant: (1) Qualifies as a small entity as defined in 37 CFR 1.27; (2) has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or international applications for which the basic national fee under 35 U.S.C. 41(a)

was not paid (except for applications resulting from prior employment as defined in section 123(b)); (3) did not, in the calendar year preceding the calendar year in which the applicable fee is being paid, have a gross income exceeding three times the median household income for that preceding calendar year; and (4) has not assigned, granted, or conveyed, and is not under an obligation by contract or law to assign, grant, or convey, a license or other ownership interest in the application concerned to an entity that had a gross income exceeding the income limit described in (3).

Second, 35 U.S.C. 123(d) provides that a micro entity also shall include an applicant who certifies that: (1) The applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or (2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.

The Office revised the rules of practice in patent cases to implement these micro entity provisions of the Leahy-Smith America Invents Act in a separate rulemaking. *See* 77 FR 75019 (Dec. 19, 2012).

The Office estimates that when micro entity discounts on patent fees are available, 31 percent of small entity applications will be micro entity applications, under the criteria set forth in section 123(a) and (d). In making this estimate, the Office considered several factors, including historical data on patents granted. The Office began with patent grant data, because the best available biographic data on applicant type (e.g., independent inventor and domestic universities) comes from patent grant data in the Office's database. A series of computations led to the estimate that 31 percent of small entity applicants will be micro entities. The first set of computations estimated the number of persons who would qualify for micro entity status under Section 123(a). The Office began by estimating the number of individuals who were granted patents in FY 2011. There were 221,350 utility patents granted in FY 2011 as reported in the *FY 2011 USPTO Performance and Accountability Report (PAR)*. The PAR is available for review at <http://www.uspto.gov/about/stratplan/ar/2011/index.jsp>. The Office's Patent Technology Monitoring Team (PTMT) provides data showing the split between

domestic and foreign patent grants. (It should be noted that PTMT's data is based on the calendar year not the fiscal year.) PTMT's data is available at [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/all\\_tech.htm#PartA1\\_1b](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/all_tech.htm#PartA1_1b). From this data, the Office found that 5.0 percent of utility patents granted in FY 2011 were granted to individuals in the United States and 1.9 percent were granted to individuals from other countries. These figures refer to patents where the individuals were not listed in the USPTO database as associated with a company. These individuals would likely meet the criteria under section 123(a)(1) (small entity status). Using this information, the Office estimates that individuals in the United States received 11,068 utility patents (221,350 times 5.0 percent) in FY 2011, and that individuals from other countries received 4,206 utility patents (221,350 times 1.9 percent). In total, the Office estimates that 15,274 (11,068 plus 4,206) patents were granted to individuals in FY 2011.

Concerning the micro entity threshold in 35 U.S.C. 123(a)(2), the Office's Patent Application Locating and Monitoring (PALM) database reports that 62 percent of both foreign and domestic small entity applicants filed fewer than 5 applications in FY 2009. As stated above, an estimated 15,274 patent grants were to individuals both domestic (11,068) and foreign (4,206). Using this information, the Office estimates that 6,862 (11,068 times 62 percent) patents will be granted to domestic applicants who meet the thresholds for micro entity status set forth in sections 123(a)(1) and 123(a)(2), while 2,608 (4,206 times 62 percent) patents will be granted to foreign applicants who meet the same thresholds.

Concerning the income threshold in 35 U.S.C. 123(a)(3), the median household income for calendar year (CY) 2011 (the year most recently reported by the Bureau of the Census) was \$50,054. *See Income, Poverty, and Health Insurance Coverage in the United States: 2011, at 5 and 33 (Table A-1) (Sept. 2012) available at <http://www.census.gov/prod/2012pubs/p60-243.pdf>.* (The Office will indicate conspicuously on its Web site the median household income reported by the Bureau of the Census and the income level that is three times the median household income for the calendar year most recently reported.) Thus, the income level specified in 35 U.S.C. 1.29(a)(3) and (a)(4) (three times the median household income) is \$150,162.

The Internal Revenue Service (IRS) records show that in 2009 about 97 percent of individuals (as proxied by the total number of IRS form filings) reported adjusted gross income of less than \$200,000, and about 87 percent of individuals reported adjusted gross income of less than \$100,000. *See Table 1.1 at: <http://www.irs.gov/taxstats/indtaxstats/article/0,,id=96981,00.html>.* Using this information, the Office estimates that 6,656 (6,862 times 97 percent) of patents granted to individuals from the U.S. will be for individuals under the gross income threshold of the micro entity definition (\$150,162 for CY 2011). The Office uses 97 percent as the best available estimate of the maximum number of individuals who satisfy the income limit. Median household income and gross income levels are not readily available for the country of origin for all foreign individuals. Therefore, the Office conservatively estimates that all foreign individuals will satisfy the income requirements for micro entity fee reductions, and that income alone should not limit their eligibility. Using the best available data, as presented above, the Office estimates that the total number of individuals who meet the thresholds set forth in 35 U.S.C. 123(a)(1), (a)(2), and (a)(3) is 9,264 (6,656 from the United States and 2,608 foreign).

The 9,264 figure represents a reasonable approximation of the number of patents granted annually to persons who would qualify as micro entities under section 123(a). There is no data available to indicate how many persons would be excluded under section 123(a)(4) based upon an assignment, grant, or conveyance or an obligation to grant, assign, or convey to an entity with income exceeding the limit in section 123(a)(3). However, the Office's approach with the other components of section 123(a) is sufficiently conservative to mitigate the risks of not capturing this population. Likewise, while a small company could qualify as a micro entity under section 123(a), the above calculation of individuals represents a reasonable overall approximation because the estimate of affected individuals is sufficiently conservative.

Turning to 35 U.S.C. 123(d), the most recent data available on university patent grants is from CY 2008. Reviewing the data from CY 2001–CY 2008, the Office estimates that domestic universities account for approximately 1.9 percent of all patent grants. The Office is using this figure as a reasonable approximation for the number of micro entity applicants

expected under section 123(d), which covers applicants who are employed by universities or who have assigned their invention to a university. Applying this information to FY 2011, the Office estimates that universities received 4,206 (221,350 times 1.9 percent) of the patents granted in FY 2011. The data on university patent grants is available at: [http://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/asgn/table\\_1\\_2008.htm](http://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/asgn/table_1_2008.htm).

To combine 123(a) and 123(d), the Office adds the estimated number of patents granted that could meet the micro entity definition for individuals (9,264) and for university grants (4,206) to obtain a total of 13,470 patent grants. The Office divides 13,470 micro entity patents by the 43,827 small entity patents in FY 2011 (per the Office's PALM database) to calculate that approximately 31 percent of small entity patents will be micro entity patents. The Office expects a uniform distribution of micro entities across all application types. No data exists to suggest otherwise. Likewise, the Office applies the 31 percent estimate to both filings and grants because the Office expects a uniform distribution of micro entities among both applicants and patentees, and no data exists to suggest otherwise. Thus, the Office estimates that 31 percent of all small entity applicants will qualify as micro entity applicants.

In recent years, small entity applicants made up approximately 25 percent of utility filings and 20 percent of utility patent grants (per the PALM database). Given that utility filings are the largest category of application types, for forecasting purposes, the Office uses utility filing data as representative of the universe of patent application filings. Applying the 31 percent estimate for the number of micro entities, the Office estimates that micro entities will account for 7.8 percent (25 percent times 31 percent) of all filings, and 6.2 percent (20 percent times 31 percent) of all grants. The Office used these estimates (7.8 percent and 6.2 percent) to calculate the portion of fee workloads (e.g., number of application filings, patent issues, and maintenance fees paid) that should be multiplied by the new micro entity fee amounts to include in the estimate for aggregate revenue.

#### Aggregate Revenue Estimate Ranges

When calculating aggregate revenue, the USPTO prepares a high-to-low range of fee collection estimates that includes a +/- 5 percent outer bounds to account for: the inherent uncertainty, sensitivity, and volatility of predicting fluctuations in the economy and market environment; interpreting policy and

process efficiencies; and developing fee workload and fee collection estimates from assumptions. The Office used 5 percent because historically the Office's actual revenue collections have typically been within 5 percent of the projected revenue. Additional detail about the Office's aggregate revenue, including projected workloads by fee, is available in "USPTO Section 10 Fee Setting—Aggregate Revenue Estimates Alternative 1: Proposed Alternative—Set and Adjust Section 10 Fees" available at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp).

#### Summary

Patent fees are collected for patent-related services and products at different points in time within the patent application examination process and over the life of the pending patent application and granted patent. Approximately half of all patent fee collections are from issue and maintenance fees, which subsidize filing, search, and examination activities. Changes in application filing levels immediately impact current year fee collections, because fewer patent application filings means the Office collects fewer fees to devote to production-related costs, such as additional examining staff and overtime. The resulting reduction in production activities creates an out-year revenue impact because less production output in one year results in fewer issue and maintenance fee payments in future years.

The USPTO's five-year estimated aggregate patent fee revenue (see "Aggregate Revenue Estimate" in Table 3) is based on the number of patent applications it expects to receive for a given fiscal year, work it expects to process in a given fiscal year (an indicator for workload of patent issue fees), expected examination and process requests for the fiscal year, and the expected number of post-issuance decisions to maintain patent protection over that same fiscal year. Within the iterative process for estimating aggregate revenue, the Office adjusts individual fees up or down based on cost and policy decisions (see Step 3: Set Specific Fee Amounts), estimates the effective dates of new fee rates, and then multiplies the resulting fees by appropriate workload volumes to calculate a revenue estimate for each fee.

To calculate the aggregate revenue, the Office assumes that all new fee rates will be effective on April 1, 2013, except for the following fee changes which will be effective on January 1, 2014:

§ 1.18(a)(1), (b)(1), (c)(1), and (d)(1)

(patent issue and publication fees); § 1.21(h)(1) (fee for recording a patent assignment electronically); § 1.482(a)(1)(i)(A), (a)(1)(ii)(A), and (a)(2)(i) (international application filing, processing and search fees); and fees included in § 1.445(a)(1)(i)(A), (a)(2)(i), (a)(3)(i), and (a)(4)(i) (international application transmittal and search fees). Using these figures, the USPTO sums the individual fee revenue estimates, and the result is a total aggregate revenue estimate for a given year (see Table 3).

#### Step 3: Set Specific Fee Amounts

Once the Office finalizes the annual requirements and aggregate prospective costs for a given year during the budget formulation process, the Office sets specific fee amounts that, together, will derive the aggregate revenue required to recover the estimated aggregate prospective costs during that timeframe. Calculating individual fees is an iterative process that encompasses many variables. The historical cost estimates associated with individual fees is one variable that the USPTO considers to inform fee setting. The Office's Activity-Based Information (ABI) provides historical cost for an organization's activities and outputs by individual fee using the activity-based costing (ABC) methodology. ABC is commonly used for fee setting throughout the Federal Government. Additional information about the methodology, including the cost components related to respective fees, is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1) in the document titled "USPTO Section 10 Fee Setting—Activity-Based Information and Costing Methodology." The USPTO provides data for FY 2009—FY 2011 because the Office finds that reviewing the trend of ABI historical cost information is the most useful way to inform fee setting. The underlying ABI data are available for public inspection at the USPTO.

When the Office implements a new process or service, historical ABI data is typically not available. However, the Office will use the historical cost of a similar process or procedure as a starting point to calculate the cost of a new activity or service. For example, as described in the final rulemaking for supplemental examination, the Office used the ABI historical cost for *ex parte* reexamination procedures as a starting point for calculating the prospective cost to implement the new supplemental examination procedures. See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act

and To Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012).

In other cases, ABI historical cost information related to similar processes is not available, and the Office estimates cost by calculating the resources necessary to execute the new process. To do so, the Office estimates the amount of time (in hours) and necessary skill level to complete an activity. The USPTO then multiplies the estimated amount of time by the hourly wage(s) of the persons required at each skill level and adds the administrative and indirect cost rates (derived from ABI historical cost data) to this base cost estimate to calculate the full cost of the activity. One-time costs, such as IT, training, or facilities costs, are added to the full cost estimate to obtain the total cost of providing the new process or service. Lastly, the USPTO applies a rate of inflation to estimate the prospective unit cost. For example, the Office used this methodology to calculate the costs associated with the new *inter partes* and post-grant review processes. See Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012).

Besides using cost data as a point of reference for setting individual fee amounts, the USPTO also uses various policy factors discussed in *Part III: Rulemaking Goals and Strategies* to inform fee setting. Fees are set to allow the Office to recover its aggregate costs, while furthering key policy considerations. The following section describes the rationale for setting fee rates at specific amounts.

#### V. Individual Fee Rationale

The Office projects the aggregate revenue generated from the patent fees will recover the prospective aggregate cost of its patent operations. However, each individual fee is not necessarily set equal to the estimated cost of performing the activities related to the fee. Instead, as described in *Part III: Rulemaking Goals and Strategies*, some of the fees are set to balance several key policy factors: *fostering innovation, facilitating effective administration of the patent system, and offering patent prosecution options to applicants*. As also described in *Part III*, executing these policy factors in the patent fee schedule is consistent with the *Strategy for American Innovation* and the goals and objectives outlined in the Strategic Plan. Once the key policy factors are considered, fees are set at, above, or below individual cost recovery levels for the activity or service provided.

For the purpose of discussing the changes in this rule, the rationale for setting or adjusting individual fees are grouped into two major categories: (1) Fees where large entity amounts changed from the current amount by greater than plus or minus 5 percent and 10 dollars (described below in section (B)); and (2) fees where large entity amounts stayed the same or did *not* change by greater than plus or minus 5 percent and 10 dollars (described below in section (C)). The purpose of the categorization is to identify large fee changes for the reader and provide an individual fee rationale for such changes. The categorization is based on changes in large entity fee amounts because percentage changes for small entity fees that are in place today would be the same as the percentage change for the large entity, and the dollar change would be half of that of the large entity change. Therefore, there will never be an instance where the small entity fee change meets the greater than plus or minus 5 percent and 10 dollars criteria and a large entity fee change does not.

The “*USPTO Section 10 Fee Setting Table of Patent Fee Changes*” is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp) and the tables in *Part VI*. The table of patent fee changes presents the current fees for large and small entities and the final fees for large, small, and micro entities. The table also includes the dollar and percent changes between current fees and final fees for large entity fees only as well as the FY 2011, FY 2010, and FY 2009 unit costs. The Discussion of Specific Rules in this rulemaking contains a complete listing of fees that are set or adjusted in this patent fee schedule.

#### A. Discounts for Small and Micro Entity Applicants

The fees described below include discounts for small and micro entity

applicants as required by section 10. The current small entity discount scheme changes when fees are set in accordance with section 10. That is, section 10(a) provides that the USPTO can set or adjust “any fee established, authorized or charged under” Title 35, U.S.C., and section 10(b) of the Act provides that fees set or adjusted under section 10(a) authority for “filing, searching, examining, issuing, appealing, and maintaining patent applications and patents” will be reduced by 50 percent for small entities and 75 percent for micro entities. A small entity is defined in 35 U.S.C. 41(h)(1), and a micro entity is defined in 35 U.S.C. 123.

Currently, the small entity discount is only available for statutory fees provided under 35 U.S.C. 41(a), (b), and (d)(1). Section 10(b) extends the discount to some patent fees not contained in 35 U.S.C. 41(a), (b), and (d)(1). Thus, in this final rule, the Office applies the discount to a number of fees that currently do not receive the small entity discount. There is only one fee for which a small entity discount is currently offered that is ineligible for a small entity discount under the final fee schedule: the fee for a statutory disclaimer under 37 CFR 1.20(d). This fee is currently \$160 for a large entity and \$80 for a small entity. In this final rule, this fee is \$160 for all entities (i.e., large, small, and micro) because this particular fee does not fall under one of the six categories of patent fees set forth in section 10(b).

Additionally, the new contested case proceedings created under the Act (*inter partes* review, post-grant review, covered business method patent review, and derivation proceedings) are trial services, not appeals. As such, the fees for these services do not fall under any of the six categories under section 10(b), and therefore are not eligible for

discounts. Appeals before the PTAB involve contests to an examiner’s findings. The new trial services, however, determine whether a patent should have been granted. They involve discovery, including cross-examination of witnesses. Further, the AIA amends sections of Title 35 that specifically reference “appeals,” while separately discussing *inter partes* review, post-grant review, and derivation proceedings, highlighting that these new services are not appeals. See section 7 of the AIA (amending 35 U.S.C. 6).

#### B. Fees With Proposed Changes of Greater Than Plus or Minus 5 Percent and 10 Dollars

For those fees that change by greater than plus or minus 5 percent and 10 dollars, the individual fee rationale discussion is divided into four general subcategories: (1) Fees to be set at cost recovery; (2) fees to be set below cost recovery; (3) fees to be set above cost recovery; and (4) fees that are not set using cost data as an indicator. Table 4 contains a summary of the individual fees that are discussed in each of the subcategories referenced above.

For purposes of discussion within this section, where new micro entity fees are set, it is expected that an applicant or a patent holder would have paid the current small entity fee (or large entity in the event there is not a small entity fee), and dollar and percent changes are calculated from the current small entity fee amount (or large entity fee, where applicable).

It should be noted that the “Utility Search Fee” listed below does not meet the “change by greater than plus or minus 5 percent and 10 dollars” threshold, but is nonetheless included in the discussion for comparison of total filing, search, and examination fees—all three of which are due upon filing an application.

TABLE 4—PATENT FEE CHANGES  
[By greater than plus or minus 5 percent and 10 dollars]

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
<b>(1) Fees set at cost recovery:</b>				
Request for Prioritized Examination .....	\$4,800 (\$2,400) [N/A]	\$4,000 (\$2,000) [\$1,000]	-\$800 (-\$400) [-\$1,400]	-17% (-17%) [-58%]
<b>(2) Fees set below cost recovery:</b>				
Basic Filing Fee—Utility .....	\$390 (\$195)	\$280 (\$140)	-\$110 (-\$55) [-\$1,400]	-28% (-28%)

TABLE 4—PATENT FEE CHANGES—Continued  
[By greater than plus or minus 5 percent and 10 dollars]

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Utility Search Fee .....	[N/A] \$620 (\$310) [N/A] \$250 (\$125) [N/A] \$1,260 (\$630) [N/A] \$930 (\$465) [N/A] \$930 (\$465) [N/A] \$630 (\$315) [N/A]	[\$70] \$600 (\$300) [\$150] \$720 (\$360) [\$180] \$1,600 (\$800) [\$400] \$1,200 (\$600) [\$300] \$1,700 (\$850) [\$425] \$800 (\$400) [\$200]	[-\$125] -\$20 (-\$10) [-\$160] +\$470 (+\$235) [+\$55] +\$340 (+170) [-\$230] +\$270 (+\$135) [-\$165] +\$770 (+\$385) [-\$40] +\$170 (+\$85) [-\$115]	[- 64%] - 3% (- 3%) [- 52%] +188% (+188%) [+44%] +27% (+27%) [- 37%] +29% (+29%) [- 35%] +83% (+83%) [- 9%] +27% (+27%) [- 37%] - 100% (- 100%) [- 100%]
Utility Examination Fee .....				
<i>Total Basic Filing, Search, and Exam—Utility .....</i>				
First Request for Continued Examination (RCE) .....				
Second and Subsequent RCEs (NEW) .....				
Notice of Appeal .....				
Filing a Brief in Support of an Appeal in Application or <i>Ex Parte</i> Reexamination Proceeding .....	\$630 (\$315) [N/A]	\$0 (\$0) [\$0]	-\$630 (-\$315) [-\$315]	- 100% (- 100%) [- 100%]
Appeal Forwarding Fee for Appeal in Examination or <i>Ex Parte</i> Reexamination Proceeding or Filing a Brief in Support of an Appeal in <i>Inter Partes</i> Reexamination (NEW) .....	NEW	\$2,000 (\$1,000) [\$500]	+\$2,000 (+\$1,000) [+\$500]	N/A (N/A) [N/A]
<i>Total Appeal Fees (Paid before Examiner Answer) .....</i>	\$1,260 (\$630) [N/A]	\$800 (\$400) [\$200]	-\$460 (-\$230) [-\$430]	- 37% (- 37%) [- 68%]
<i>Total Appeal Fees (Paid after Examiner Answer) .....</i>	\$1,260 (\$630) [N/A]	\$2,800 (\$1,400) [\$700]	+\$1,540 (+\$770) [+\$70]	+122% (+122%) [+11%]
Ex Parte Reexamination .....	\$17,750 (N/A) [N/A]	\$12,000 (\$6,000) [\$3,000]	-\$5,750 (-\$11,750) [-\$14,750]	- 32% (- 66%) [- 83%]
Processing and Treating a Request for Supplemental Examination—Up to 20 Sheets .....	\$5,140 (N/A) [N/A]	\$4,400 (\$2,200) [\$1,100]	-\$740 (-\$2,940) [-\$4,040]	- 14% (- 57%) [- 79%]
Ex Parte Reexamination Ordered as a Result of a Supplemental Examination Proceeding .....	\$16,120 (N/A) [N/A]	\$12,100 (\$6,050) [\$3,025]	-\$4,020 (-\$10,070) [-\$13,095]	- 25% (- 62%) [- 81%]
<i>Total Supplemental Examination Fees .....</i>	\$21,260 (N/A) [N/A]	\$16,500 (\$8,250) [\$4,125]	-\$4,760 (-\$13,010) [-\$17,135]	- 22% (- 61%) [- 81%]
<i>Inter Partes Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is \$200) (NEW) .....</i>	NEW	\$9,000 (N/A) [N/A]	+\$9,000 (N/A) [N/A]	N/A (N/A) [N/A]
<i>Inter Partes Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is \$400) (NEW) .....</i>	NEW	\$14,000 (N/A) [N/A]	+\$14,000 (N/A) [N/A]	N/A (N/A) [N/A]
<i>Total Inter Partes Review Fees (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is \$600) .....</i>	\$27,200 (N/A) [N/A]	\$23,000 (N/A) [N/A]	-\$4,200 (N/A) [N/A]	- 15% (N/A) [N/A]
Post-Grant Review or Covered Business Method Patent Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is \$250) (NEW) .....	NEW	\$12,000 (N/A) [N/A]	+\$12,000 (N/A) [N/A]	N/A (N/A) [N/A]

TABLE 4—PATENT FEE CHANGES—Continued  
[By greater than plus or minus 5 percent and 10 dollars]

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Post-Grant Review or Covered Business Method Patent Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is \$550) (NEW) .....	NEW	\$18,000 (N/A) [N/A]	+\$18,000 (N/A) [N/A]	N/A (N/A) [N/A]
Total Post-Grant Review or Covered Business Method Patent Fees (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is \$800) .....	\$35,800 (N/A) [N/A]	\$30,000 (N/A) [N/A]	-\$5,800 (N/A) [N/A]	-16% (N/A) [N/A]

**(3) Fees set above cost recovery:**

Publication Fee for Early, Voluntary, or Normal Publication (Pre Grant Publication or PG Pub) .....	\$300 (N/A) [N/A]	\$0 (\$0) [\$0]	-\$300 (-\$300) [-\$300]	-100% (-100%) [-100%]
Utility Issue Fee .....	\$1,770 (\$885) [N/A]	\$960 (\$480) [\$240]	-\$810 (-\$405) [-\$645]	-46% (-46%) [-73%]
Combined Total—Pre-grant Publication and Issue Fee—Utility .....	\$2,070 (\$1,185) [N/A]	\$960 (\$480) [\$240]	-\$1,110 (-\$705) [-\$895]	-54% (-59%) [-77%]
Maintenance Fee Due at 3.5 Years (1st Stage) .....	\$1,150 (\$575) [N/A]	\$1,600 (\$800) [\$400]	+\$450 (+\$225) [-\$175]	+39% (+39%) [-30%]
Maintenance Fee Due at 7.5 Years (2nd Stage) .....	\$2,900 (\$1,450) [N/A]	\$3,600 (\$1,800) [\$900]	+\$700 (+\$350) [-\$550]	+24% (+24%) [-38%]
Maintenance Fee Due at 11.5 Years (3rd Stage) .....	\$4,810 (\$2,405) [N/A]	\$7,400 (\$3,700) [\$1,850]	+\$2,590 (+\$1,295) [-\$555]	+54% (+54%) [-23%]

**(4) Fees not set using cost data as an indicator:**

Extensions for Response within 1st Month .....	\$150 (\$75) [N/A]	\$200 (\$100) [\$50]	+\$50 (+\$25) [-\$25]	+33% (+33%) [-33%]
Extensions for Response within 2nd Month .....	\$570 (\$285) [N/A]	\$600 (\$300) [\$150]	+\$30 (+\$15) [-\$135]	+5% (+5%) [-47%]
Extensions for Response within 3rd Month .....	\$1,290 (\$645) [N/A]	\$1,400 (\$700) [\$350]	+\$110 (+\$55) [-\$295]	+9% (+9%) [-46%]
Extensions for Response within 4th Month .....	\$2,010 (\$1,005) [N/A]	\$2,200 (\$1,100) [\$550]	+\$190 (+\$95) [-\$455]	+9% (+9%) [-45%]
Extensions for Response within 5th Month .....	\$2,730 (\$1,365) [N/A]	\$3,000 (\$1,500) [\$750]	+\$270 (+\$135) [-\$615]	+10% (+10%) [-45%]
Utility Application Size Fee—For each Additional 50 Sheets that Exceed 100 Sheets .....	\$320 (\$160) [N/A]	\$400 (\$200) [\$100]	+\$80 (+\$40) [-\$60]	+25% (+25%) [-38%]
Independent Claims in Excess of 3 .....	\$250 (\$125) [N/A]	\$420 (\$210) [\$105]	+\$170 (+\$85) [-\$20]	+68% (+68%) [-16%]
Claims in Excess of 20 .....	\$62 (\$31) [N/A]	\$80 (\$40) [\$20]	+\$18 (+\$9) [-\$11]	+29% (+29%) [-35%]
Multiple Dependent Claim .....	\$460 (\$230) [N/A]	\$780 (\$390) [\$195]	+\$320 (+\$160) [-\$35]	+70% (+70%) [-15%]
Correct Inventorship After First Action on the Merits (NEW) .....	NEW	\$600 (\$300) [\$150]	+\$600 (+\$300) [+\$150]	N/A (N/A) [N/A]

TABLE 4—PATENT FEE CHANGES—Continued  
[By greater than plus or minus 5 percent and 10 dollars]

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Derivation Petition Fee .....	\$400 (N/A) [N/A]	\$400 N/A [N/A]	\$0 (N/A) [N/A]	0% (N/A) [N/A]
Assignments Submitted Electronically (NEW) .....	\$40 (N/A) [N/A]	\$0 (N/A) [N/A]	-\$40 (N/A) [N/A]	-100% (N/A) [N/A]
Assignments Not Submitted Electronically .....	\$40 (N/A) [N/A]	\$40 (N/A) [N/A]	\$0 (N/A) [N/A]	0% (N/A) [N/A]

(1) Fees to be set at Cost Recovery

The following fee is set at cost recovery. This fee supports the policy

factor of “*offering patent prosecution options to applicants*” by providing applicants with flexibilities in seeking patent protection. A discussion of the

rationale for the proposed change follows.

*Request for Prioritized Examination:*

TABLE 5—REQUEST FOR PRIORITIZED EXAMINATION FEE CHANGES

Fee information	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Request for Prioritized Examination .....	\$4,800 (\$2,400) [N/A]	\$4,000 (\$2,000) [\$1,000]	-\$800 (-\$400) [-\$1,400]	-17% (-17%) [-58%]

TABLE 6—REQUEST FOR PRIORITIZED EXAMINATION COST INFORMATION

Cost information	FY 2011
Cost calculation is available in the proposed rule published in the Federal Register Changes To Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures, 76 FR 6369 (Feb. 4, 2011). .....	\$4,000

A patent applicant may seek prioritized examination at the time of filing an original utility or plant application or a continuation application thereof or upon filing an RCE in compliance with 37 CFR 1.114. A single request for prioritized examination may be granted for an RCE in a plant or utility application. When in the prioritized examination track, an application will be accorded special status during prosecution until a final disposition is reached. The target for prioritized examination is to provide a final disposition within twelve months, on average, of prioritized status being granted. This prioritized examination procedure is part of an effort by the USPTO to *offer patent prosecution options to applicants* to provide applicants greater control over the timing of examination of their applications. The procedure thereby

enables applicants to have greater certainty in their patent rights sooner.

The AIA established the current large and small entity fees for prioritized examination, which the Office put in place in 2011. See Changes To Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures Under the Leahy-Smith America Invents Act, 76 FR 59050 (Sept. 23, 2011). The large entity fee is greater than the Office’s cost to process a single prioritized examination request to subsidize the fee revenue lost from providing small entity applicants a 50 percent discount from the large entity fee. The cost calculation for the prioritized examination fees is available in the proposed rule. See Changes To Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures, 76 FR 6369 (Feb. 4, 2011).

The higher large entity fee, coupled with the lower small entity fee, recovers the Office’s total cost for conducting all prioritized examinations.

Under section 10, micro entities are eligible to receive a 75 percent discount from the large entity fee for prioritized examination. Here, the Office sets the large entity fee at cost (\$4,000), instead of further increasing the fee to subsidize the new micro entity discount. The Office will recover this subsidy through other fees that are set above cost recovery, rather than through a separate, higher, large entity fee for prioritized examinations. The Office believes this system will *foster innovation* and allow for ease of entry into the patent system. Setting the large entity prioritized examination fee further above cost would contradict this policy factor and hinder fast patent protection for large entity applicants.

## (2) Fees To Be Set Below Cost Recovery

There are eight fees that the Office sets below cost recovery that meet the greater than plus or minus 5 percent and 10 dollars criteria. The policy factors relevant to setting fees below cost recovery are *fostering innovation* and *offering patent prosecution options to applicants*. Applying these policy factors to set fees below cost recovery

benefits the patent system by keeping the fees low and making patent filing and prosecution more available to applicants, thus *fostering innovation*. Although many fees are increased from current fee rates under this rule, the Office is not increasing “pre-grant” fees (e.g., filing, search, and examination) to avoid creating a barrier to entry as otherwise might have been created if fees were set to recover the full cost of

the activity. The fee schedule *offers patent prosecution options* to provide applicants flexible and cost-effective options for seeking and completing patent protection. This strategy provides multipart and staged fees for certain patent prosecution and contested case activities. A discussion of the rationale for each fee adjustment follows.

*Basic Filing, Search, and Examination—Utility:*

TABLE 7—BASIC FILING, SEARCH, AND EXAMINATION—UTILITY FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Basic Filing Fee—Utility .....	\$390 (\$195) [N/A]	\$280 (\$140) [\$70]	-\$110 (-\$55) [-\$125]	-28% (-28%) [-64%]
Utility Search Fee .....	\$620 (\$310) [N/A]	\$600 (\$300) [\$150]	-\$20 (-\$10) [-160]	-3% (-3%) [-52%]
Utility Examination Fee .....	\$250 (\$125) [N/A]	\$720 (\$360) [\$180]	+\$470 (+\$235) [+\$55]	+188% (+188%) [+\$44%]
Total Basic Filing, Search, and Exam—Utility .....	\$1,260 (\$630) [N/A]	\$1,600 (\$800) [\$400]	+\$340 (+170) [-\$230]	+27% (+27%) [-37%]

TABLE 8—BASIC FILING, SEARCH, AND EXAMINATION—UTILITY FEE HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011 \$/% of Total	FY 2010 \$/% of Total	FY 2009 \$/% of Total
Basic Filing Fee—Utility .....	\$234/6%	\$243/6%	\$241/7%
Utility Search Fee .....	\$1,521/43%	\$1,694/43%	\$1,520/41%
Utility Examination Fee .....	\$1,814/51%	\$1,969/51%	\$1,904/52%
<i>Total Unit Cost</i> .....	<i>\$3,569/100%</i>	<i>\$3,906/100%</i>	<i>\$3,665/100%</i>

A non-provisional application for a patent requires filing, search, and examination fees to be paid upon filing. Currently, the large entity basic filing, search, and examination fees for a utility patent recover slightly more than one-third of the average unit cost for processing, searching, and examining a patent application, while the fee for a small entity application recovers around 17 percent of the average unit cost. The Office subsidizes the below-price filing, search, and examination fees through higher “back-end” fees, for example,

above cost issue and maintenance fees. The Office maintains this “back-end” subsidy of “front-end” fees structure to achieve the policy goal of *fostering innovation*.

The current fee rates and respective costs associated with each stage of patent prosecution are out of alignment. For example, on average, 94 percent of the costs associated with filing, searching, and examining an application occur in the search and examination stages (see Table 8). Approximately half of those costs are estimated to occur in

the examination stage (see Table 8), but only 20 percent of the total filing, search, and examination fees are derived from the examination fee (see Table 9). To adjust this fee structure and help stabilize the USPTO funding model, the Office is increasing the total filing, search, and examination fees and realigning the fee rates to more closely track the cost pattern by stage of prosecution (i.e., filing, search, and examination), while keeping each stage below actual cost.

TABLE 9—UTILITY BASIC FILING, SEARCH, AND EXAMINATION—CURRENT, PROPOSED, AND FINAL FEE INFORMATION

Proposed fee information	Current \$/% of Total	Final \$/% of Total
Basic Filing Fee—Utility .....	\$390/31%	\$280/17%
Utility Search Fee .....	\$620/49%	\$600/38%
Utility Examination Fee .....	\$250/20%	\$720/45%
<i>Total Fees</i> .....	<i>\$1,260/100%</i>	<i>\$1,600/100%</i>

In this rule, the Office sets the combined total fee for filing, search, and examination at \$1,600. This adjustment keeps the cost of entering the patent system at or below cost for large, small, and new micro entity applicants—45 percent, 22 percent, and 11 percent of FY 2011 total cost, respectively. Likewise, the adjustment for filing, search, and examination fees continues to ensure that these initial fees remain a small part (10 percent) of the cost to apply for patent protection when compared to the average legal fees to file for a patent. The filing, search, and examination fees are also only 10 percent of the total fees paid for a patent through maintenance to full term (i.e., filing, search, examination, issue, and maintenance).

The overall increase in filing, search, and examination fees *facilitates effective administration of the patent system*, because it encourages applicants to submit only the most thoughtful and unambiguous applications, therefore facilitating examiners' ability to provide prompt, quality non-final and final actions. At the same time, the overall increase in filing, search, and examination fees helps to stabilize the Office's revenue stream by collecting more revenue when an application is filed from all patent applicants, instead of collecting revenue when a patent is later published or issued from only successful applicants. Also, while the Office increases application fees,

reducing the pre-grant publication and issue fees offsets these increases.

As discussed above, based on economic indicators, the Office projects a 5.0 percent growth rate in application filings for each year from FY 2013 to FY 2017. Additionally, the Office recognizes that some applicants may choose to reduce the number of applications filed in response to this increase in fees. Based on elasticity estimates, the Office anticipates that this impact will be relatively short-term, lasting for the first two and a half years after the fee increase. The Office estimated that applicants would file 1.3 percent fewer new (serialized) patent applications during FY 2013 than the number estimated to be filed in the absence of a fee increase (with new fee schedule implementation for half the fiscal year). The Office estimated that 2.7 percent fewer new patent applications would be filed during FY 2014 and 4.0 percent fewer new patent applications would be filed during FY 2015 in response to the fee adjustment. Despite this decrease in new patent applications filed when compared to the number filed absent the fee increase, the Office estimated that the overall number of patent applications filed would continue to grow each year, albeit at a lower growth rate in FY 2013 through FY 2015. The Office estimated that beginning in FY 2016, the growth in patent applications filed would return to the same levels anticipated in the

absence of a fee increase. To the extent that there is some impact on filings, the Office determined that the benefits of the fee changes outweigh the temporary cost of fewer patent filings. The additional revenue generated from the increase in fees provides sufficient resources to decrease pendency. The reduction in pendency is estimated to increase private patent value by shortening the time for an invention to be commercialized or otherwise obtain value from the exclusive right for the technology. Additional information about this estimate is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp), in a document entitled “*USPTO Section 10 Fee Setting—Description of Elasticity Estimates*.” The economic impact of this proposed adjustment is further considered in the cost and benefit analysis included in the *Regulatory Impact Analysis*, available at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp).

It should be noted that utility patent fees are referenced in this section to simplify the discussion of the fee rationale. However, the rationale also applies to the filing, search, and examination fee changes for design, plant, reissue, and PCT national stage fees as outlined in the “*USPTO Section 10 Fee Setting—Table of Patent Fee Changes*.”

*Request for Continued Examination (RCE)—First Request:*

TABLE 10—FIRST REQUEST FOR CONTINUED EXAMINATION (RCE) FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
First Request for Continued Examination (RCE) .....	\$930 (\$465) [N/A]	\$1,200 (\$600) [\$300]	+\$270 (+\$135) [−\$165]	+29% (+29%) [−35%]

TABLE 11—REQUEST FOR CONTINUED EXAMINATION (RCE) HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
Request for Continued Examination (RCE) .....			
Percentage of RCE cost compared to the cost to process a new application .....	\$2,070 60%	\$1,696 43%	\$1,881 51%

The historical unit cost information is calculated by subtracting the cost to complete a single application with no RCEs from the cost to complete a single application with one RCE. A description of the cost components is available for review in the “*Section 10 Fee Setting—Activity-Based Information and Costing Methodology*” document. It is reasonable to expect that the cost to the Office to complete a single RCE should be less than the cost to complete a new application because an RCE is continuing from work already performed on the original application. The Office's historical cost data demonstrates this, with the cost to process an RCE being, on average, half of the cost to prosecute a new application.

An applicant may file an RCE in an application that is under final rejection (i.e., prosecution is closed) by filing a

submission and paying a specified fee within the requisite time period. Applicants typically file an RCE when

they choose to continue to prosecute an application before the examiner, rather than appeal a rejection or abandon the

application. In FY 2011 and FY 2012, about 30 percent of applications filed were for RCEs. Generally, around 70 percent of RCE applications filed in a year are for first RCEs and the remaining 30 percent are for a second or subsequent RCE. Given this data, it is reasonable to expect that most outstanding issues are resolved with the first RCE.

In this final rule, the Office divides the fee for RCEs into two parts: (1) A lower fee for a first RCE; and (2) a second, higher fee for a second or subsequent RCE. The Office divided this RCE fee because, as stated before, 70 percent of RCEs are for the first RCE, which indicates that applicants need modest additional time to resolve the outstanding issues with the examiner. Multipart RCE fees demonstrate how the Office seeks to *facilitate effective administration of the patent system and offer patent prosecution options to applicants*.

The large entity fee for the first RCE is set approximately 36 percent below cost recovery at \$1,200 to advance innovation by easing the burden on an applicant needing to resolve outstanding items with an examiner. The USPTO calculated the large entity cost for an RCE at \$1,882 by averaging historical costs after estimating the incremental cost to complete a single application with one RCE compared to the cost to complete an application with no RCE. The RCE fee in the current fee structure is set at 74 percent of the total

fees for filing, search, and examination (\$930 divided by \$1,260). The fee relationship of a first RCE to total fees for filing, search, and examination set herein remains the same at 75 percent (\$1,200 divided by \$1,600).

When an applicant does not agree with a final rejection notice, the applicant has the option to file a notice of appeal as an alternative to filing an RCE. The fee to file a notice of appeal is also set below cost recovery and less than the fee set for the first, and second and subsequent RCEs (see appeal fee information in a following section). The USPTO chose this fee relationship to ensure all applicants have viable options to dispute a final rejection when they believe the examiner has erred. These *patent prosecution options* allow applicants to make critical decisions at multiple points in the patent prosecution process.

In addition to dividing the current RCE fee into two parts, the Office is piloting other ways to address RCEs. Specifically, the Office is operating two pilot programs that aim to avoid the need to file an RCE by permitting: (i) An Information Disclosure Statement to be submitted after payment of the issue fee; and (ii) further consideration of after final responses.

The first initiative, called Quick Path Information Disclosure Statement (QPIDS) Pilot, permits an applicant to file an IDS after a final rejection and gives the examiner time to consider whether prosecution should be

reopened. If the items of information in the IDS do not require prosecution to be reopened, the application will return to issue, thereby eliminating the need for applicants to file an RCE.

The second initiative, called the After Final Consideration Pilot (AFCP), authorizes a limited amount of non-production time for examiners to consider responses filed after a final rejection with the goal of achieving compact prosecution and increased collaboration between examiners and stakeholders. The Office believes these two pilot programs should reduce the need for RCEs and thereby enable applicants to secure a patent through a single application filing.

Apart from these pilot programs, the USPTO is collaborating with the PPAC on an RCE outreach effort. The objective of this initiative is to identify the reasons why applicants file RCEs, identify any practices for avoiding unnecessary RCEs, and explore new programs or changes in current programs that could reduce the need for some RCEs. The Office recently issued a request for comments on RCE practice in the **Federal Register** (see 77 FR 72830 (Dec. 6, 2012)) as a part of this multi-step approach to address concerns with respect to RCE practice and engage in related efforts directed at reducing patent application pendency.

*Request for Continued Examination (RCE)—Second and Subsequent Request (New):*

TABLE 12—SECOND AND SUBSEQUENT REQUEST FOR CONTINUED EXAMINATION (RCE) FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Second and Subsequent Requests for Continued Examination (RCE) (NEW) .....	\$930 (\$465) [N/A]	\$1,700 (\$850) [\$425]	+\$770 (+\$385) [-\$40]	+83% (+83%) [- 9%]

TABLE 13—REQUEST FOR CONTINUED EXAMINATION (RCE) HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
Request for Continued Examination (RCE) .....	\$2,070	\$1,696	\$1,882
Percentage of RCE cost compared to the cost to process a new application .....	60%	43%	51%

The historical unit cost information is calculated by subtracting the cost to complete a single application with no RCEs from the cost to complete a single application with one RCE. A description of the cost components is available for review in the “*Section 10 Fee Setting—Activity-Based Information and Costing Methodology*” document. It is reasonable to expect that the cost to the Office to complete a single RCE should be less than the cost to complete a new application because an RCE is continuing from work already performed on the original application. The Office’s historical cost data demonstrates this, as the cost to process an RCE is on average, half of the cost to prosecute a new application.

As discussed previously, in this rule, the Office divides the fee for RCEs into

two parts: (1) A lower fee for a first RCE; and (2) a second, higher fee for a second

or subsequent RCE. Multipart RCE fees demonstrate how the Office seeks to

facilitate effective administration of the patent system and offer patent prosecution options to applicants. The Office divided this RCE fee because, as noted above, approximately 30 percent of RCEs are for a second or subsequent RCE, which indicates that most applicants generally need only one RCE to resolve outstanding issues with the examiner.

The Office sets the large entity fee for second and subsequent RCEs at \$1,700, which is about 10 percent below cost recovery. The USPTO calculated the large entity cost for an RCE at \$1,882 by averaging historical costs after estimating the incremental cost to complete a single application with one RCE compared to the cost to complete an application with no RCE.

The Office recognizes that an RCE may be less costly to examine than a

new continuing application in certain situations. However, the patent fee structure is designed such that the costs associated with the processing and examination of a new or continuing application are recovered by issue and maintenance fees, allowing for a fee significantly below cost recovery. To avoid setting higher issue and maintenance fees to offset the cost of processing second and subsequent RCEs, the fees for those RCEs are set closer to cost recovery. The Office determined that increasing the issue and/or maintenance fees to offset lower than cost recovery second and subsequent RCEs fees would cause the majority of filers (who do not seek more than one RCE) to subsidize services provided to the small minority of filers who seek two or more RCEs. The Office

does not believe such subsidization would be an optimal result.

As discussed earlier, when an applicant does not agree with a final rejection notice, the applicant has the option to file a notice of appeal, for which the fee is also set below cost recovery and less than the fee proposed for the first, and second and subsequent, RCEs (see appeal fee information in the following section). The USPTO chose this fee relationship to ensure that all applicants have viable options to dispute a final rejection when they believe the examiner has erred. These *patent prosecution options* allow applicants to make critical decisions at multiple points in the patent prosecution process.

*Appeal Fees (Partially New):*

TABLE 14—APPEAL FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Notice of Appeal .....	\$630 (\$315) [N/A]	\$800 (\$400) [\$200]	+\$170 (+\$85) [-\$115]	+27% (+27%) [-37%]
Filing a Brief in Support of an Appeal in Application or <i>Ex Parte</i> Reexamination Proceeding .....	\$630 (\$315) [N/A]	\$0 (\$0) [\$0]	-\$630 (-\$315) [-\$315]	-100% (-100%) [-100%]
Appeal Forwarding Fee for Appeal in Examination or <i>Ex Parte</i> Reexamination Proceeding or Filing a Brief in Support of an Appeal in <i>Inter Partes</i> Reexamination (NEW) .....	NEW	\$2,000 (\$1,000) [\$500]	N/A (N/A) [N/A]	N/A (N/A) [N/A]
<i>Total Appeal Fees</i> .....	\$1,260 (\$630) [N/A]	\$800 (\$400) [\$200]	-\$460 (-\$230) [-\$430]	-37% (-37%) [-68%]
<i>Total Appeal Fees</i> .....	\$1,260 (\$630) [N/A]	\$2,800 (\$1,400) [\$700]	+\$1,540 (+\$770) [+\$70]	+122% (+122%) [+11%]

TABLE 15—APPEAL FEE HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
Notice of Appeal to Patent Trial and Appeal Board (PTAB) .....	\$4,799	\$4,960	\$5,008

An applicant who disagrees with an examiner's final rejection may appeal to the PTAB by filing a notice of appeal and the required fee within the time period provided. An applicant likewise may file a notice of appeal after the applicant's claim(s) has/have been twice rejected, regardless of whether the

claim(s) has/have been finally rejected. Further, an applicant may file a notice of appeal after a first rejection in a continuing application if any of the claims in the parent application were previously rejected.

Within two months from the date of filing a notice of appeal, an appellant

must file a Brief. Then, the examiner must file an Examiner's Answer. After the Examiner's Answer is mailed, the appeal file is forwarded to the PTAB for review.

Currently, a large entity applicant pays \$630 to file a notice of appeal and another \$630 when filing a Brief—a total

of \$1,260. These current fees only recover approximately 25 percent of the Office's cost of an appeal. In this final rule, the Office increases appeal fees to reduce the gap between fees and cost. At the same time, the Office *offers patent prosecution options to applicants* and stages the appeal fees to recover additional cost at later points in time and thereby minimize the cost impacts on applicants associated with withdrawn final rejections.

In the NPRM, the Office proposed to set a \$1,000 notice of appeal fee and a \$0 fee when filing the brief. After evaluating comments received from the PPAC and the public, the Office is adjusting the notice of appeal fee down to \$800 and setting the \$0 fee when filing the brief. The Office recognizes that after some notices of appeal are filed, the matter is resolved, and there

is no need to take the ultimate step of forwarding the appeal to the PTAB for a decision. The Office further sets a \$2,000 fee to forward the appeal file—containing the appellant's Brief and the Examiner's Answer—to the PTAB for review. This fee is the same as the Office proposed in the NPRM. Under this fee structure, 28 percent of the fee would be paid at the time of notice of appeal, and the remaining 72 percent would be paid after the Examiner's Answer, but only if the appeal is forwarded to the PTAB. The Office estimates that less than 5 percent of applicants who receive final rejections will pay the full fee (\$2,800) required to forward an appeal to PTAB. This fee structure allows the appellant to reduce the amount invested in the appeal process until receiving the Examiner's Answer. In fact, when prosecution

issues are resolved after the notice of appeal and before forwarding an appeal to the PTAB, a large entity appellant would pay only \$800 to obtain an Examiner's Answer, 37 percent less than under the current fee structure.

Staging the appeal fees in this manner allows applicants to pay less in situations when an application is either allowed or reopened instead of being forwarded to the PTAB. This *patent prosecution option* allows applicants to make critical decisions at multiple points in the patent prosecution process. Also, just as the Office is exploring ways to minimize unnecessary RCE filings, the Office is likewise exploring other options, including pilot programs, in an effort to reduce the need to appeal to the PTAB.

*Ex Parte Reexamination:*

TABLE 16—EX PARTE REEXAMINATION FEE CHANGES

Fee Description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
<i>Ex Parte Reexamination</i> .....	\$17,750 (N/A) [N/A]	\$12,000 (\$6,000) [\$3,000]	-\$5,750 (-\$11,750) [-\$14,750]	-32% (-66%) [-83%]

TABLE 17—EX PARTE REEXAMINATION HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
<i>Ex Parte Reexamination</i> .....	\$19,626	\$16,648	\$17,162

TABLE 18—EX PARTE REEXAMINATION PROSPECTIVE COST INFORMATION

Prospective cost information	FY 2013
Supplemental Examination Fee Methodology for Final Rule (77 FR 48828 (Aug. 14, 2012)) available at <a href="http://www.uspto.gov/aia_implementation/supp_exam_fee_meth_fr.pdf">http://www.uspto.gov/aia_implementation/supp_exam_fee_meth_fr.pdf</a> . .....	\$17,750

Any person (including anonymously) may file a petition for the *ex parte* reexamination of a patent that has been issued. The Office initially determines if the petition presents “a substantial new question of patentability” as to the challenged claims. If such a new question has been presented, the Office will order an *ex parte* reexamination of the patent for the relevant claims.

After noting a disparity between the previous *ex parte* reexamination fee (\$2,520) and the cost of completing the proceeding (\$17,750), the Office increased the fee using its authority under 35 U.S.C. section 41(d). (See Changes To Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act

and To Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012)).

In the NPRM, the Office proposed setting the *ex parte* reexamination fee at \$15,000, which is 15 percent below the Office's cost of conducting the proceeding, and introduced new small and micro entity discounts for an *ex parte* reexamination (in accordance with section 10, third party requestors are not eligible for the micro entity discounts).

In this final rule, the Office further reduces the large entity fee for *ex parte* reexamination from \$15,000 (as proposed in the NPRM) to \$12,000, which is 32 percent below the Office's cost of conducting the proceeding. Setting the fee below cost permits easier access to the *ex parte* reexamination

process, which benefits the patent system and patent quality by removing low quality patents.

The *ex parte* reexamination fee is due at the time of filing, however, it is in essence a two-part fee. First, part of the *ex parte* reexamination fee helps to recover the costs for analyzing the request and drafting the decision whether to grant or deny *ex parte* reexamination. This is based on the fee set forth in 37 CFR 1.20(c)(7) for a denied request for *ex parte* reexamination (\$3,600, \$1,800 for a small entity, and \$900 for a micro entity patentee). Second, the remaining part of the fee helps to recover the costs for conducting *ex parte* reexamination if the request for *ex parte* reexamination is

granted. This is based on the *ex parte* reexamination fee set forth in 37 CFR 1.20(c)(1) less the fee set forth in 37 CFR 1.20(c)(7) for a denied request for ex

*parte* reexamination (\$12,000 less \$3,600 equals \$8,400 for a large entity; \$6,000 less \$1,800 equals \$4,200 for a small entity; and \$3,000 less \$900

equals \$2,100 for a micro entity patentee).

*Supplemental Examination:*

TABLE 19—SUPPLEMENTAL EXAMINATION FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Processing and Treating a Request for Supplemental Examination—Up to 20 Sheets .....	\$5,140 (N/A) [N/A]	\$4,400 (\$2,200) [\$1,100]	-\$740 (- \$2,940) [- \$4,040]	-14% (-57%) [-79%]
Ex Parte Reexamination Ordered as a Result of a Supplemental Examination Proceeding .....	\$16,120 (N/A) [N/A]	\$12,100 (\$6,050) [\$3,025]	-\$4,020 (- \$10,070) [- \$13,095]	-25% (-62%) [-81%]
<i>Total Supplemental Examination Fees</i> .....	<i>\$21,260 (N/A) [N/A]</i>	<i>\$16,500 (\$8,250) [\$4,125]</i>	<i>-\$4,760 (- \$13,010) [- \$17,135]</i>	<i>-22% (-61%) [-81%]</i>

TABLE 20—SUPPLEMENTAL EXAMINATION PROSPECTIVE COST INFORMATION

Prospective cost information	FY 2013
Supplemental Examination Fee Methodology for Final Rule (77 FR 48828 (Aug. 14, 2012)) available at <a href="http://www.uspto.gov/aia_implementation/supp_exam_fee_meth_fr.pdf">http://www.uspto.gov/aia_implementation/supp_exam_fee_meth_fr.pdf</a>	
Supplemental Examination Request* .....	\$5,180
Supplemental Examination Reexamination .....	16,120
<i>Total Supplemental Examination Costs</i> .....	21,300

\* In the final rule, the Office estimated its fiscal year 2013 cost for processing and treating a request for supplemental examination to be \$5,180. The Office also estimated that the document size fees will recover an average of \$40 per request for supplemental examination. Therefore, the Office added new § 1.20(k)(1) to set a fee of \$5,140 for processing and treating a request for supplemental examination (the estimated 2013 cost amount rounded to the nearest ten dollars minus \$40).

Supplemental examination is a new proceeding created by the AIA with an effective date of September 16, 2012 (see Changes To Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and To Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012)). A patent owner may request a supplemental examination of a patent by the Office to consider, reconsider, or correct information believed to be relevant to the patent. This proceeding will help the patent owner preempt inequitable conduct challenges to the patent. The need for this proceeding arises only after a patent owner recognizes that there is information that should have been brought to the attention of the Office to consider or reconsider during the application process, or information

submitted during the application process that needs to be corrected.

The current fees for the request for supplemental examination and the *ex parte* reexamination ordered as a result of a supplemental examination proceeding are \$5,140 and \$16,120, respectively, as set using the Office's authority under 35 U.S.C. 41(d).

In the NPRM, the Office proposed to adjust supplemental examination fees to 15 percent below cost at \$18,000 (\$4,400 for the request and \$13,600 for the reexamination). After updating the patent operating plans and corresponding aggregate costs in response to public comments, the Office determined that it could reduce the supplemental examination fee further while continuing to ensure that the aggregate revenue equals aggregate cost.

In this rule, the Office is reducing the fee for conducting an *ex parte* reexamination ordered as a result of a supplemental examination to \$12,100 and setting the total supplemental examination fees at \$16,500 (\$4,400 for the request and \$12,100 for the reexamination), which is 22 percent below the Office's cost for these services.

The Office believes these reduced fee amounts continue to be sufficient to encourage applicants to submit applications with all relevant information during initial examination, yet low enough to facilitate effective administration of the patent system by providing patentees with a procedure to immunize a patent from an inequitable conduct challenge.

*Inter Partes Review:*

TABLE 21—INTER PARTES REVIEW FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
<i>Inter Partes Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is \$200) (NEW) .....</i>	NEW	\$9,000 (N/A) [N/A]	N/A (N/A) [N/A]	N/A (N/A) [N/A]
<i>Inter Partes Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is \$400) (NEW) .....</i>	NEW	\$14,000 (N/A) [N/A]	N/A (N/A) [N/A]	N/A (N/A) [N/A]
<i>Total Inter Partes Review Fees (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is \$600) .....</i>		\$27,200 (N/A) [N/A]	\$23,000 (N/A) [N/A]	− \$4,200 (N/A) [N/A]
				− 15% (N/A) [N/A]

TABLE 22—INTER PARTES REVIEW PROSPECTIVE COST INFORMATION

Prospective cost information	FY 2013	
<i>Inter Partes Review Request—up to 20 claims .....</i>		
<i>Inter Partes Review Post Institution Fee—up to 15 claims .....</i>	\$10,500 16,700	> 20 = \$200 > 15 = \$400
<i>Total Inter Partes Review Costs .....</i>	27,200	N/A

*Inter partes* review is a new trial proceeding created by the AIA with an effective date of September 16, 2012 (see Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents 77 FR 48680 (Aug. 14, 2012)). *Inter partes* review allows the Office to review the patentability of one or more claims in a patent only on a ground that could be raised under 35 U.S.C. 102 or 103, and only on the basis of prior art consisting of patents or printed publications. The *inter partes* review process begins when a third party files a petition nine months after the grant of a patent. An *inter partes* review may be instituted upon a showing that there is a reasonable likelihood that the petitioner would prevail with respect to at least one claim challenged. If the review is instituted and not dismissed, the PTAB will issue a final determination within one year of institution. The period can be extended for good cause for up to six months from the date of one year after instituting the review.

In this final rule, the Office sets the *inter partes* review fees at a level below

the Office's cost recovery and improves the fee payment structure. The Office sets four separate fees for *inter partes* review, which a petitioner would pay upon filing a petition. The Office also chooses to return fees for post-institution services should a review not be instituted. Similarly, the Office establishes that fees paid for post-institution review of a large number of claims will be returned if the Office only institutes the review of a subset of the requested claims.

The USPTO sets the fee for an *inter partes* review petition at \$9,000 for up to 20 claims. This fee would not be returned or refunded to the petitioner even if the review is not instituted.

In addition, the USPTO sets a per claim fee of \$200 for each claim requested for review in excess of 20. This fee would not be returned or refunded to the petitioner if the review is not instituted or if the institution is limited to a subset of the requested claims.

The USPTO also sets the *inter partes* review post-institution fee at \$14,000 for a review of up to 15 claims. This fee would be returned to the petitioner if

the Office does not institute a review. Likewise, the Office sets a per claim fee of \$400 for review of each claim in excess of 15 during the post-institution trial. The entire post-institution fee would be returned to the petitioner if the Office does not institute a review. The entire excess claims fee would be returned if review of 15 or fewer claims is instituted. If the Office reviews more than 15 claims, but fewer than all of the requested claims, it would return part of the fee for each claim the Office did not review.

For example, under this final rule, if a party requests *inter partes* review of 52 claims, the petitioner would pay a single fee up front comprising two parts and totaling \$44,200. The first part is for determining whether to institute the review and would include the base fee (\$9,000) plus a fee of \$200 for each of the additional 32 claims (52 minus 20), which equates to an additional \$6,400 (\$9,000 plus \$6,400). The second part of the fee is for when the review is instituted and includes the base fee of \$14,000 plus a fee of \$400 for each of the additional 37 claims (52 minus 15),

which equates to an additional \$14,800 for a total post institution fee of \$28,800 (\$14,000 plus \$14,800). In addition, under this rule, if the petitioner seeks review of 52 claims, but the Office only institutes review of 40 claims, the Office would return \$4,800 (it did not institute review of the 41st through 52nd claim for which review was requested). Alternatively, if the review is not instituted at all, the portion of the fee covering the trial would be returned (i.e., the base post-institution fee of

\$14,000 as well as the \$14,800 for claims over 15, for a total of \$28,800).

The Office sets these two claim thresholds—one for petitions (up to 20 claims) and the other for the post-institution trials (up to 15 claims)—because it anticipates that it will not institute review of 25 percent of claims for which review is requested. The Office bases this approach on its analysis of the initial *inter partes* reexaminations filed after September 15, 2011, as well as the new opportunity for

patent owners to file a response to the petition before the Office determines whether and for which claims to institute review.

This approach also considers certain policy factors, such as *fostering innovation* by facilitating greater access to the *inter partes* review proceedings and thereby removing low quality patents from the patent system.

*Post-Grant Review or Covered Business Method Patent Review:*

TABLE 23—POST-GRANT REVIEW OR COVERED BUSINESS METHOD PATENT REVIEW FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Post-Grant Review or Covered Business Method Patent Review Request—Up to 20 Claims (Per Claim Fee for Each Claim in Excess of 20 is \$250) (NEW) .....	NEW	\$12,000 (N/A) [N/A]	N/A (N/A) [N/A]	N/A (N/A) [N/A]
Post-Grant Review or Covered Business Method Patent Review Post Institution Fee—Up to 15 Claims (Per Claim Fee for Each Claim in Excess of 15 is \$550) (NEW) .....	NEW	\$18,000 (N/A) [N/A]	N/A (N/A) [N/A]	N/A (N/A) [N/A]
<i>Total Post-Grant Review or Covered Business Method Patent Review Fees (For Current Fees, Per Claim Fee for Each Claim in Excess of 20 is \$800) .....</i>	\$35,800 (N/A) [N/A]	\$30,000 (N/A) [N/A]	-\$5,800 (N/A) [N/A]	-16% (N/A) [N/A]

TABLE 24—POST-GRANT REVIEW OR COVERED BUSINESS METHOD PATENT REVIEW PROSPECTIVE COST INFORMATION

Prospective cost information	FY 2013
The Total Post-Grant Review cost calculation of \$35,800 included in Changes to Implement <i>Inter Partes</i> Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012) is available for review at <a href="http://www.gpo.gov/fdsys/pkg/FR-2012-08-14/pdf/2012-17906.pdf">http://www.gpo.gov/fdsys/pkg/FR-2012-08-14/pdf/2012-17906.pdf</a> . The Office estimated that 50 hours of Judge time would be required during review and used this as the basis for estimating the cost for the Post-Grant Review. The IT-related costs are included in the Review Request portion of the fee.	
Description	Base cost
Post-Grant Review or Covered Business Method Patent Review Request—up to 20 claims .....	\$14,700
Post-Grant Review or Covered Business Method Patent Review Post Institution Fee—up to 15 claims .....	21,100
<i>Total Post-Grant Review Costs .....</i>	35,800
Per claim cost	N/A

Post-grant review is a new trial proceeding created by the AIA with an effective date of September 16, 2012 (see Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012)). Post-grant review allows the Office to review the patentability of one or more claims in a patent on any ground that could be raised under 35 U.S.C. 282(b)(2) and (b)(3) in effect on September 16, 2012. The post-grant review process begins

when a third party files a petition within nine months of the grant of a patent. A post-grant review may be instituted upon a showing that it is more likely than not that at least one challenged claim is unpatentable or that the petition raises an unsettled legal question that is important to other patents or patent applications. If the review is instituted and not dismissed, the PTAB will issue a final determination within one year of institution. This period can be extended for good cause for up to six months from

the date of one year after instituting the review.

In this final rule, the Office sets the post-grant review fee at a level below the Office's cost recovery and improves the fee payment structure. The Office sets four separate fees for post-grant review, which the petitioner would pay upon filing a petition for post-grant review. The Office also chooses to return fees for post-institution services if a review is not instituted. Similarly, the Office establishes that fees paid for a post-institution review of a large

number of claims will be returned if the Office only institutes the review of a subset of the requested claims. The same structure and fees apply for covered business method review.

The Office sets the fee for a post-grant review petition at \$12,000 for up to 20 claims. This fee would not be returned or refunded to the petitioner even if the review is not instituted by the Office.

In addition, the Office sets a per claim fee of \$250 for each claim in excess of 20. This fee would not be returned or refunded to the petitioner if the review is not instituted, or if the institution is limited to a subset of the requested claims.

The USPTO also sets a post-grant review post-institution fee at \$18,000 for post-institution review of up to 15 claims. This fee would be returned to the petitioner if the Office does not institute a review. Likewise, the Office sets a per claim fee of \$550 for review of each claim in excess of 15 during the post-institution review. The entire fee would be returned to the petitioner if the Office does not institute a review. The excess claims fees would be

returned if review of 15 or fewer claims is instituted. If the Office reviews more than 15 claims, but fewer than all of the requested claims, it would return part of the fee for each claim that was not instituted.

For example, under this final rule, a party seeking post-grant review of 52 claims would pay a single fee up front comprising two parts and totaling \$58,350. The first part is for determining whether to institute the review and would include the base fee (\$12,000) plus a fee of \$250 for each of the additional 32 claims (52 minus 20), which equates to an additional \$8,000 for a total review request fee of \$20,000 (\$12,000 plus \$8,000). The second part of the fee is for when the review is instituted and includes the base fee of \$18,000 plus a fee of \$550 for each of the additional 37 claims (52 minus 15), which equates to an additional \$20,350 for a total post institution fee of \$38,350 (\$18,000 plus \$20,350). In addition, under this rule, if the petitioner requests review of 52 claims, but the Office only institutes review of 40 claims, then the Office would return \$6,600 (it did not

institute review of the 41st through 52nd claims for which review was requested). Alternatively, if a review is not instituted at all, the Office would return \$38,350 (\$20,350 for claims over 15, as well as the base \$18,000 post-institution fee).

The Office sets two different claim thresholds—one for petition (up to 20 claims) and the other for the post-institution trials (up to 15 claims)—because it anticipates that it will not institute a review of 25 percent of claims for which review is requested. The Office bases this approach on its analysis of the initial *inter partes* reexaminations filed after September 15, 2011, as well as the new opportunity for patent owners to file a response to the petition before the Office determines whether and for which claims to institute review.

The approach also considers certain policy factors, such as *fostering innovation* through facilitating greater access to the post-grant review proceedings and thereby removes low quality patents from the patent system.

#### Pre Grant Publication (PGPub) Fee:

TABLE 25—PRE GRANT PUBLICATION (PGPUB) FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Publication Fee for Early, Voluntary, or Normal Publication .....	\$300	\$0	-\$300	-100%
Publication Fee for Republication .....	300	300	0	0%

TABLE 26—PRE GRANT PUBLICATION (PGPUB) HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
Publication Fee for Early, Voluntary, or Normal Publication .....	\$181	\$158	\$243

With certain exceptions, each nonprovisional utility and plant patent application is published 18 months from the earliest effective filing date. The fee for this pre-grant publication (PGPub) is paid only after a patent is granted. If a patent is never granted, the applicant does not pay the fee for PGPub. Once the Office determines that the invention claimed in a patent application is patentable, the Office sends a notice of allowance to the applicant, outlining the patent application publication fees due, along with the patent issue fee. The applicant must pay these publication and issue fees three months from the date of the notice of allowance to avoid abandoning the application.

Currently, the PGPub fee is set at \$300 and collects over one and a half times the cost to publish a patent application. The IP system benefits from publishing patent applications; disclosing information publicly stimulates research and development, as well as subsequent commercialization through further development or refinement of an invention. Therefore, a lower PGPub fee would benefit both applicants and innovators in the patent system.

Given that publishing a patent application 18 months after its earliest effective filing date benefits the IP system more than individual applicants, the Office reduces the PGPub fee to \$0. Reducing this fee also helps rebalance the fee structure and offsets the proposed increases to filing, search, and

examination fees (\$340 increase, less this \$300 decrease is a net \$40 increase—or 3 percent—to apply for a patent and publish the application). However, to allow the Office to recover sufficient revenue to pay for the projected cost of patent operations in FY 2013, the effective date of the proposed reduction to the PGPub fee is January 1, 2014.

The PGPub fee for republication of a patent application (1.18(d)(2)) is not adjusted, but is set at the existing rate of \$300. The Office keeps this fee at its existing rate for each patent application that must be published again after a first publication for \$0.

## (3) Fees To Be Set Above Cost Recovery

There are two fees that the Office sets above cost recovery that meet the greater than plus or minus 5 percent and 10 dollars criteria. The policy factor

relevant to setting fees above cost recovery is *fostering innovation*. Back-end fees work in concert with front-end fees. The above-cost, back-end fees allow the Office to recover the revenue required to subsidize the cost of entry

into the patent system and reduce the backlog of patent applications. A discussion of the rationale for each change follows.

*Issue Fees:*

TABLE 27—ISSUE FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Utility Issue Fee .....	+\$1,770 (+\$885) [N/A]	+\$960 (+\$480) [+\$240]	-\$810 (-\$405) [-\$645]	-46% (-46%) [-73%]

TABLE 28—ISSUE FEE HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011	FY 2010	FY 2009
Utility Issue Fee .....	\$257	\$231	\$224

Once the Office determines that the invention claimed in a patent application is patentable, the USPTO sends a notice of allowance to the applicant outlining the patent application publication and patent issue fees due. The applicant must pay the publication and issue fees three months from the date of the notice of allowance to avoid abandoning the application.

In setting fees due after completing prosecution at a level higher than cost, front-end fees can be maintained below cost, thereby *fostering innovation*. Currently, the large entity issue fee is set at \$1,770, which is seven times more than the cost of issuing a patent. This fee recovers revenue, but it also poses a challenge to applicants at the time of allowance. When the issue fee is due, patent owners possess less information about the value of their invention than they do a few years later. Lowering issue

fees will help inventors financially at a time when the marketability of their invention is less certain. Additionally, setting the PGPub fee at \$0 as discussed above, and recovering the combined cost of publishing and issuing an application through only the issue fee benefits small and micro entity innovators. The 50 percent discount for small entities and 75 percent discount for micro entities are not available for the publication fee, but are available for the issue fee. Thus, there are benefits to both the IP system and the applicant when the issue fees are set at an amount lower than the current fee amount, but still above cost recovery.

To both maintain the beneficial aspects of this back-end subsidy model and realign the balance of the fee structure, the Office decreases the large entity issue fee to \$960. This amount is about twice the cost of both publishing

an application (which is set below cost at \$0) and issuing a patent. This fee adjustment is over a 50 percent decrease from the amount currently paid for both the PGPub and issue fees together. The Office is adjusting the issue fee in two steps. First, the Office sets the issue fee at \$1,780 and makes available a 50 percent discount for small entities and a 75 percent discount for micro entities. Second, the Office decreases the large entity issue fee to \$960 effective January 1, 2014, and continues to make available discounts for small and micro entities.

It should be noted that only utility issue fees are referenced in this section to simplify the discussion of the fee rationale. However, the rationale is applicable to the issue fee changes for design, plant, and reissue fees as outlined in the “*USPTO Section 10 Fee Setting—Table of Patent Fee Changes*.”

*Maintenance Fees:*

TABLE 29—MAINTENANCE FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Maintenance Fee Due at 3.5 Years (1st Stage) .....	\$1,150 (\$575) [N/A]	\$1,600 (\$800) [\$400]	+\$450 (+\$225) [\$-175]	+39% (+39%) [-30%]
Maintenance Fee Due at 7.5 Years (2nd Stage) .....	\$2,900 (\$1,450) [N/A]	\$3,600 (\$1,800) [\$900]	+\$700 (+\$350) [-\$550]	+24% (+24%) [-38%]
Maintenance Fee Due at 11.5 Years (3rd Stage) .....	\$4,810 (\$2,405) [N/A]	\$7,400 (\$3,700) [\$1,850]	+\$2,590 (+\$1,295) [-\$555]	+54% (+54%) [-23%]

TABLE 30—MAINTENANCE FEE HISTORICAL COST INFORMATION

Historical unit cost information	FY 2011*	FY 2010	FY 2009
Maintenance Fee Due at 3.5 Years (1st Stage) .....	.....	\$1	\$2
Maintenance Fee Due at 7.5 Years (2nd Stage) .....	.....	1	2
Maintenance Fee Due at 11.5 Years (3rd Stage) .....	.....	1	2

\* Beginning in FY 2011, the Office determined that the maintenance fee activity was in support of the process application fees activity and its associated fees. Therefore, the Office reassigned these costs accordingly, and no longer estimates a unit cost for maintenance fee activities. Additional information about the methodology for determining the cost of performing the Office's activities, including the cost components related to respective fees, available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1) in the document titled "USPTO Section 10 Fee Setting—Activity-Based Information and Costing Methodology."

Maintenance fees must be paid at defined intervals—3.5 years, 7.5 years, and 11.5 years—after the Office grants a utility patent in order to keep the patent in force. Maintaining a patent costs the Office very little. However, maintenance fees benefit the Office and the patent system by generating revenue that permits the Office to keep front-end fees below cost and to subsidize the cost of prosecution for small and micro entity innovators.

Additionally, maintenance fees will be paid only by patent owners who believe the value of their patent is higher than the fees for renewing their patent rights. On this score, setting early maintenance fees lower than later maintenance fees mitigates uncertainty associated with the value of the patent. As the value becomes more certain over time, the maintenance fee increases because patent owners have more information about the commercial value of the patented invention and can more readily decide whether the benefit of a patent outweighs the cost of the fee.

Therefore, under a progressively higher maintenance fee schedule, a patent holder is positioned to perform an individual cost-benefit analysis to determine if the patent is at least as valuable as the maintenance fee payment. When the patent holder determines that the patent benefit

(value) outweighs the cost (maintenance fee), the holder will likely continue to maintain the patent. Conversely, when the patent holder determines that the benefit is less than the cost, the holder likely will not maintain the patent to full term. When the patent expires, the subject matter of the patent is no longer held with exclusive patent rights, and the public may utilize the invention and work to extend its innovation or commercialization. More information on the economic costs and benefits of patent renewal can be found in the rulemaking RIA, which is available for review at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp).

The Office increases the first, second, and third stage maintenance fees to \$1,600, \$3,600, and \$7,400, respectively. These increases are commensurate with the subsidies offered for prosecution of a patent application and align with the fee setting strategy of *fostering innovation* by setting front-end fees below cost. The increase also ensures that the USPTO has sufficient aggregate revenue to recover the aggregate cost of operations and implement goals and objectives.

**(4) Fees That Are Not Set Using Cost Data as an Indicator**

Fees in this category include those fees for which the USPTO does not

typically maintain historical cost information separate from that included in the average overall cost of activities during patent prosecution or did not refer to cost information for setting the particular fee. Instead, the Office evaluates the policy factors described in *Part III. Rulemaking Goals and Strategies*, above, to inform fee setting. Some of these fees are based on the size and complexity of an application and help the Office to *effectively administer the patent system* by encouraging applicants to engage in certain activities. Setting fees at particular levels can: (1) Encourage the submission of applications or other actions which lead to more efficient processing where examiners can provide, and applicants can receive, prompt, quality interim and final decisions; (2) encourage the prompt conclusion of prosecuting an application, resulting in pendency reduction and the faster dissemination of patented information; and (3) help recover costs for activities that strain the patent system.

There are six types of fees in this category. A discussion of the rationale for each proposed change follows.

*Extension of Time Fees:*

TABLE 31—EXTENSION OF TIME FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Extension for Response within 1st Month .....	\$150 (\$75) [N/A]	\$200 (\$100) [\$50]	+\$50 (+\$25) [−\$25]	+33% (+33%) [−33%]
Extension for Response within 2nd Month .....	\$570 (\$285) [N/A]	\$600 (\$300) [\$150]	+\$30 (+\$15) [−\$135]	+5% (+5%) [−47%]
Extension for Response within 3rd Month .....	\$1,290 (\$645) [N/A]	\$1,400 (\$700) [\$350]	+\$110 (+\$55) [−\$295]	+9% (+9%) [−46%]
Extension for Response within 4th Month .....	\$2,010 (\$1,005) [N/A]	\$2,200 (\$1,100) [\$550]	+\$190 (+\$95) [−\$455]	+9% (+9%) [−45%]

TABLE 31—EXTENSION OF TIME FEE CHANGES—Continued

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Extension for Response within 5th Month .....	\$2,730 (\$1,365) [N/A]	\$3,000 (\$1,500) [\$750]	+\$270 (+\$135) [- \$615]	+10% (+10%) [- 45%]

If an applicant must reply within a non-statutory or shortened statutory time period, the applicant can extend the reply time period by filing a petition for an extension of time and paying the requisite fee. Extensions of time may be

automatically authorized at the time an application is filed or requested as needed during prosecution. The USPTO increases these fees to facilitate an efficient and prompt conclusion of application processing, which benefits

the Office's compact prosecution initiatives and reduces patent application pendency.

*Application Size Fees:*

TABLE 32—APPLICATION SIZE FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Application Size Fee—For each Additional 50 Sheets that Exceed 100 Sheets .....	\$320 (\$160) [N/A]	\$400 (\$200) [\$100]	+\$80 (+\$40) [- \$60]	+25% (+25%) [- 38%]

Currently, the Office charges an additional fee for any application where the specification and drawings together exceed 100 sheets of paper. The application size fee applies for each additional 50 sheets of paper or fraction

thereof. The USPTO increases the application size fee to facilitate an efficient and compact application examination process, which benefits the applicant and the *effective administration of patent prosecution*.

Succinct applications facilitate faster examination with an expectation of fewer errors.

*Excess Claims:*

TABLE 33—EXCESS CLAIMS FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity	Large (small) [micro] entity
Independent Claims in Excess of 3 .....	\$250 (\$125) [N/A]	\$420 (\$210) [\$105]	+\$170 (+\$85) [- \$20]	+68% (+68%) [- 16%]
Claims in Excess of 20 .....	\$62 (\$31) [N/A]	\$80 (\$40) [\$20]	+\$18 (+\$9) [- \$11]	+29% (+29%) [- 35%]
Multiple Dependent Claim .....	\$460 (\$230) [N/A]	\$780 (\$390) [\$195]	+\$320 (+\$160) [- \$35]	+70% (+70%) [- 15%]

Currently, the Office charges a fee for filing, or later presenting at any other time, each independent claim in excess of 3, as well as each claim (whether dependent or independent) in excess of 20. In addition, any original application that is filed with, or amended to include, multiple dependent claims must pay the multiple dependent claim fee. Generally, a multiple dependent

claim is a dependent claim which refers back in the alternative to more than one preceding independent or dependent claim.

The patent fee structure has maintained excess claim fees since at least 1982, and the result has been that most applications now contain three or fewer independent claims and twenty or fewer total claims. Applicants who feel

they need more than this number of independent or total claims may continue to present them by paying the applicable excess claims fee. While the former excess claims fee amount encouraged most applicants to present three or fewer independent claims and twenty or fewer total claims, it was not sufficient to discourage some applicants from presenting a copious number of

claims for apparent tactical reasons, nor did the former excess claims fee reflect the excess burden associated with examining those claims. *See, e.g.*, Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612, 48659–60 (Aug. 14, 2012) (noting that the number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials in administrative proceedings). Thus, the Office is adopting excess

claims fee amounts that are aimed to permit applicants to include excess claims when necessary to obtain an appropriate scope of coverage for an invention, while deterring applicants from routinely presenting a copious number of claims merely for apparent tactical reasons.

In this final rule, the Office sets the fees for independent claims in excess of three to \$420, for claims in excess of 20 to \$80, and for multiple dependent claims to \$780. The Office also increased claim fees to facilitate an

efficient and compact application examination process, which benefits the applicant and the USPTO through more *effective administration of patent prosecution*. Filing applications with the most prudent number of unambiguous claims will enable prompt conclusion of application processing, because more succinct applications facilitate faster examination with an expectation of fewer errors.

*Correct Inventorship After First Action on the Merits (New):*

TABLE 34—CORRECT INVENTORSHIP AFTER FIRST ACTION ON THE MERITS FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Correct Inventorship After First Action on the Merits (NEW) .....	NEW	\$600 (\$300) [\$150]	N/A (N/A) [N/A]	N/A (N/A) [N/A]

It is necessary for the Office to know who the inventors are to prepare patent application publications, conduct examination under 35 U.S.C. 102 and 103, and prevent double patenting. Changes to inventorship (e.g., adding previously unnamed persons as inventors or removing persons previously named as inventors) cause additional work for the Office. For instance, the Office may need to repeat prior art searches and/or reconsider patentability under 35 U.S.C. 102 and 103, as well as reconsider the possibility of double patenting.

In the NPRM, the Office proposed a \$1,000 fee to correct inventorship after the first action on the merits. In this final rule, after carefully considering comments from the PPAC and the public, the Office sets the fee to correct inventorship after the first action on the merits at \$600, 40 percent less than the

\$1,000 proposed in the NPRM. The inventorship correction fee is set to encourage reasonable diligence and a bona fide effort to ascertain the actual inventorship as early as possible and to provide that information to the Office prior to examination. The fee also will help offset the costs incurred by the Office when there is a change in inventorship.

Additionally, in the NPRM, the Office proposed that the correction of inventorship fee be paid in all circumstances when inventors were added or deleted, because requiring the fee only to add inventors would encourage applicants to err in favor of naming too many persons as inventors, which would complicate the examination process (e.g., it could complicate double patenting searches). In this final rule, the Office is adding an exception when inventors are deleted

due to the cancellation of claims. This final rule requires a fee to accompany a request to correct or change the inventorship filed after an Office action on the merits, unless the request is accompanied by a statement that the request to correct or change the inventorship is due solely to the cancellation of claims in the application.

The Office appreciates that inventorship may change as the result of a restriction requirement by the Office. Where inventorship changes as a result of a restriction requirement, the applicant should file a request to correct inventorship promptly (prior to first action on the merits) to avoid this fee. Otherwise, the Office will incur the costs during examination related to the change in inventorship.

*Derivation Proceeding:*

TABLE 35—DERIVATION PROCEEDING FEE CHANGES

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Derivation petition fee .....	\$400 (N/A) [N/A]	\$400 (N/A) [N/A]	\$0 (N/A) [N/A]	0% (N/A) [N/A]

A derivation proceeding is a new trial proceeding conducted at the PTAB to determine whether an inventor named in an earlier application derived the

claimed invention from an inventor named in the petitioner's application, and whether the earlier application claiming such invention was

authorized. An applicant subject to the first-inventor-to-file provisions may file a petition to institute a derivation proceeding only within one year of the

first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention. The petition must be supported by

substantial evidence that the claimed invention was derived from an inventor named in the petitioner's application.

In this final rule, the Office sets the derivation petition fee at \$400. The

Office estimates the \$400 petition fee will recover the Office's cost to process a petition for derivation.

*Assignments Submitted Electronically Fee (New):*

TABLE 36—FEE CHANGES FOR ASSIGNMENTS SUBMITTED ELECTRONICALLY

Fee description	Current fees	Final fees	Dollar change	Percent change
	Large (small) [micro] entity			
Assignments Submitted Electronically (NEW) .....	\$40 (N/A) [N/A]	\$0 (N/A) [N/A]	-\$40 (N/A) [N/A]	-100% (N/A) [N/A]
Assignments Not Submitted Electronically (NEW) .....	\$40 (N/A) [N/A]	\$40 (N/A) [N/A]	\$0 (N/A) [N/A]	0% (N/A) [N/A]

Note: The current fee amount is \$40 for submitting an assignment to the Office, regardless of method of submission.

Ownership of a patent gives the patent owner the right to exclude others from making, using, offering for sale, selling, or importing into the U.S. the invention claimed in a patent. Patent law provides for the transfer or sale of a patent, or of an application for patent, by an instrument in writing (i.e., an assignment). When executing an assignment, the patent owner may assign (e.g., transfer) the total or a percentage of interest, rights, and title of a patent to an assignee. When there is a completed assignment, the assignee becomes the owner of the patent and has the same rights of the original patentee. The Office records assignments that it receives, and the recording serves as public notice of patent ownership.

Assignment records are an important part of the business cycle—markets operate most efficiently when buyers and sellers can locate one another. If assignment records are incomplete, the business and research and development cycles could be disrupted because buyers face difficulty finding sellers, and potential innovators may not have a thorough understanding of the marketplace they are considering entering. The Office recognizes that complete patent assignment data disseminated to the public provides certainty in the technology space and helps to *foster innovation*.

Therefore, more complete patent assignment records will produce a number of benefits for the public and IP stakeholders. The public will have a more comprehensive understanding of which entities hold and maintain U.S. patent rights. Patenting inventors and companies will better understand the competitive environment in which they

are operating, allowing them to better allocate their own research and development resources, more efficiently obtain licenses, and accurately value patent portfolios.

Currently, a patent owner must pay \$40 to record the assignment of patent rights. During FY 2012, over 90 percent of assignments were submitted electronically. This fee could be viewed as a barrier to those involved in patent and application assignments. Given that patent applications, patents, and the completeness of the patent record play an important role in the markets for innovation and the long-term health of the U.S. economy, the Office is setting two fees for recording an assignment. When an assignment is submitted using the Office's electronic system, the Office sets the fee at \$0. When an assignment is sent to the Office in a manner other than using the Office's electronic system, the Office sets the fee at the current amount of \$40. Providing *patent prosecution options for applicants* benefits a majority of owners who typically record assignments. In addition, the *patent prosecution options for applicants* benefit the overall IP system by reducing the financial barrier for recording patent ownership information and facilitating a more complete record of assigned applications and grants.

#### C. Fees With No Changes (or Changes of Less Than Plus or Minus 5 Percent and 10 Dollars)

The Office sets all other categories of fees not discussed above at existing fee rates or at slightly adjusted rates (i.e., less than plus or minus 5 percent and 10 dollars) rounded to the nearest ten dollars by applying standard arithmetic

rules. The resulting fee amounts will be convenient to patent users and permit the Office to set micro entity fees at whole dollar amounts when applying the fee reduction. These other fees, such as those related to disclosing patent information to the public (excluding the PGPub fee) and patent attorney/agent discipline fees, are already set at appropriate levels to achieve the Office's goals expressed in this rulemaking. A listing of all fees that are adjusted in this rule is included in the *Table of Patent Fee Changes* available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1).

#### D. Overall Comparison of the Final Patent Fee Schedule to the Current Fees

Overall, once effective, the total amount of fees under this final rule added together to obtain a basic patent decreases when compared to the total fees paid for the same services under the current fee schedule. This decrease is substantial (23 percent) from application to issue (see Table 37). When additional processing options such as RCEs are included, the decrease becomes smaller after the first RCE (12 percent) and eventually begins increasing after a second RCE (5 percent) (see Tables 38 and 39). The staging of appeal fees in this rule offers similar decreases in the total fees paid when filing a notice of appeal. Under the final fee schedule, the total fees for both filing an appeal and to obtain a basic patent decrease from the current fee schedule (27 percent) (see Table 40). If the appeal is forwarded to the PTAB for a decision after the Examiner's Answer, then the total fees increase (17 percent) (see Table 40). Once an applicant has obtained a basic patent,

the cost to maintain it remains substantially the same through the second stage maintenance fee. However, at the third stage maintenance fee, once the patent holder has more information on the value of the patent, the total fees increase (24 percent) (see Table 41). This structure reflects the key policy considerations of *fostering innovation, facilitating effective administration of the patent system, and offering patent prosecution options to applicants*.

Additional details about each of these payment structures are outlined below. In this section, the Office assumes, for the purpose of comparison between the current and final fee schedule, that all fees are as of their stated effective dates in this final rule. For example, comparisons between the current and final issue and PGPub fees are based on the final fees as they will become effective beginning on January 1, 2014. Further, to simplify the comparison among fee schedules, the time value of money has not been estimated in the examples below.

#### 1. Routine Application Processing Fees and First RCE Fees Decrease

The total amount paid for routine fees to obtain a basic patent from application filing (i.e., filing, search, examination, publication, and issue) under the final fee structure will decrease compared to the current fee structure, as shown in Table 37. This overall decrease is possible because the decrease in pre-grant patent application publication and issue fees from \$2,070 to \$960 (a decrease of \$1,110) more than offsets the increase in large entity filing, search, and examination fees from \$1,260 to \$1,600 (an increase of \$340). The net effect is a \$770 (or 23 percent) decrease in total fees paid under the final fee structure when compared to the current fee structure. This *fosters innovation* by reducing the cost to obtain a basic patent.

TABLE 37—COMPARISON OF FINAL PATENT FEE SCHEDULE TO THE CURRENT PATENT FEES FROM FILING THROUGH ISSUE

Fee	Current	Final
Filing, Search, and Examination .....	\$1,260	\$1,600
Pre-Grant Publication and Issue .....	2,070	960
Total .....	3,330	2,560

When an application for a first RCE is submitted to complete prosecution, the total fees from application filing to obtain a basic patent continue to remain

less than would be paid under the current fee schedule. This overall decrease continues to be possible because of the decrease in pre-grant patent application publication and issue fees. The net effect of the final fee schedule, including a first RCE, is a \$500 (or 12 percent) decrease in total fees paid under the final fee structure when compared to the current fee structure, as shown in Table 38.

TABLE 38—COMPARISON OF THE FINAL PATENT FEES TO THE CURRENT PATENT FEES WITH ONE RCE

Fee	Current	Final
Filing, Search, and Examination .....	\$1,260	\$1,600
First RCE .....	930	1,200
Pre-Grant Publication and Issue .....	2,070	960
Total .....	4,260	3,760

When adding a second RCE to prosecution, the total fees increase slightly, by \$270 (or 5 percent), as shown in Table 39.

TABLE 39—COMPARISON OF THE FINAL PATENT FEES TO THE CURRENT PATENT FEES WITH TWO RCES

Fee	Current	Final
Filing, Search, and Examination .....	\$1,260	\$1,600
First RCE .....	930	1,200
Second and subsequent RCE .....	930	1,700
Pre-Grant Publication and Issue .....	2,070	960
Total .....	5,190	5,460

#### 2. Initial Appeals Fees Decrease

Instead of filing an RCE, an applicant may choose to file a notice of appeal. When adding the notice of appeal and the brief filing fees (allowing the applicant to receive the Examiner's Answer) to the fees to obtain a basic patent, the total fees from application filing decrease by \$1,230 (or 27 percent) from the current total fees. If the prosecution issues are not resolved prior to forwarding an appeal to the Board, the fees increase because the Office proposes to recover more of the appeals cost. In that instance, fees will increase by \$770 (or 17 percent) more than would be paid today for an appeal decision. However, under this final rule, the staging of fees allows the applicant to pay less than under the current fee schedule in situations where an application is either allowed or

prosecution is reopened before being forwarded to the Board.

TABLE 40—COMPARISON OF THE FINAL PATENT FEES AND CURRENT PATENT FEES, WITH AN APPEAL

Fee	Current	Final
Filing, Search, and Examination .....	\$1,260	\$1,600
Notice of Appeal and Filing a Brief .....	1,260	800
Pre-Grant Publication and Issue .....	2,070	960
Subtotal for Fees Paid Before Examiner's Answer .....	4,590	3,360
Appeal Forwarding Fee .....	NEW	2,000
Subtotal for Fees if Appeal is Forwarded to Board for Decision .....		
	4,590	5,360

#### 3. Maintenance Fees Increase

When a patent holder begins maintaining an issued patent, he or she will pay \$320 (7 percent) less than is paid under the current fee schedule from initial application filing through the first stage. To maintain the patent through second stage, a patent holder will pay \$380 (5 percent) more than is paid today under the current fee schedule. When a patent is maintained to full term, a patent holder will pay \$2,970 (24 percent) more than would be paid under the current fee schedule. The most significant maintenance fee increase occurs after holding a patent for 11.5 years, which is when a patent holder will be in a better position to determine whether the benefit (value) from the patent exceeds the cost (maintenance fee) to maintain the patent.

TABLE 41—COMPARISON OF THE FINAL PATENT FEE SCHEDULES TO THE CURRENT FEES, LIFE OF PATENT

Fee	Current	Final
Filing, Search, and Examination .....	\$1,260	\$1,600
Pre-Grant Publication and Issue .....	2,070	960
Total Through Issue ..	3,330	2,560
First Stage Maintenance—3.5 years .....	1,150	1,600
Cumulative Subtotal ..	4,480	4,160
Second Stage Maintenance—7.5 years .....	2,900	3,600
Cumulative Subtotal ..	7,380	7,760

**TABLE 41—COMPARISON OF THE FINAL PATENT FEE SCHEDULES TO THE CURRENT FEES, LIFE OF PATENT—Continued**

Fee	Current	Final
Third Stage Maintenance—11.5 years ....	4,810	7,400
Total Fees for Life of Patent .....	12,190	15,160

## VI. Discussion of Comments

### *A. Patent Public Advisory Committee Fee Setting Report*

Consistent with section 10(d) of the Leahy-Smith America Invents Act, the PPAC submitted a written report setting forth in detail the comments, advice, and recommendation of the committee regarding the proposed fees published in the NPRM on September 24, 2012. The report is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). The Office considered the PPAC's comments, advice, and recommendations on fees proposed in the NPRM before setting or adjusting fees in this final rule, as further discussed below.

#### General Fee Setting Considerations

#### General Fee Setting Approach

*PPAC Comment 1:* The PPAC commented overall that the fees included in the NPRM represent an improvement over the February 2012 Proposal. The PPAC also endorsed an increase in fees above the level set by the 15 percent surcharge effective in 2011, recognizing that the current level of receipts are insufficient to allow the Office to improve patent operations, provide the service patent applicants deserve, and make critical infrastructure improvements. The PPAC stated that it endorses the fees in general, though it also believes some fees are higher than expected for an initial fee setting effort.

*Response:* The USPTO appreciates the PPAC's endorsement of the Office's plan to set fees to meet its aggregate costs, including costs for implementing key strategic initiatives, such as to decrease patent application pendency and reduce the patent application backlog, to improve the quality of patent examination, and to update patent information technology systems that benefit both the Office and applicants. It is important for the Office to reduce the patent application backlog so that the Office can maintain an optimal patent application inventory that provides applicants with 10 months first action pendency and 20 months total pendency. These pendency goals were

developed in consultation with patent stakeholders when the Office established the Strategic Plan. To meet its aggregate costs, the Office requires additional funds (2 percent increase in total aggregate revenue) beyond the amount provided by the 15 percent surcharge. With the increased fees, the Office will not only reduce the amount of time it takes to examine a patent application, but also create a sustainable funding model for the Office. Prior to AIA section 10 fee setting authority, the Office was authorized to adjust certain statutory fees only to reflect changes in the CPI for All Urban Consumers, and that limited authority did not allow the USPTO to recover increased processing costs or adjust to changes in demand for services related to those fees. The Office responds to the PPAC's comments on the amounts of particular fees in the sections below.

#### Behavioral Incentives

*PPAC Comment 2:* The PPAC advised that while some use of fees to encourage or discourage behavior may be appropriate, significant use of this ability to set fees at high levels to discourage actions is not recommended because it is not clear that the USPTO will always take into consideration the factors driving applicant behavior, and because those factors may be at cross-purposes with particular desires of the USPTO. The PPAC also commented that fee structures that depart from strict cost recovery can engender either beneficial or perverse incentives to all actors within our patent system.

*Response:* The Office fully and carefully considered factors incentivizing both applicant and Office behavior in setting the final patent fees. In doing so, the Office conducted considerable outreach to stakeholders, and made numerous changes from its February 2012 proposal as a result of input from stakeholders. The Office carefully explained its rationale and motivation in the NPRM for each fee that the Office proposed to change by more than 5 percent and more than ten dollars.

Additionally, as further explained in the RIA, the Office considered and rejected a cost recovery fee structure because the Office determined that a strict, fee-by-fee based cost recovery fee structure would fail to foster innovation in accordance with the Office's fee setting strategy. The Office found that using a strict cost recovery model would greatly increase barriers to entry into the patent system because filing, search, and examination fees would increase significantly, resulting in a loss of private patent value due to a decrease in

the number of patent applications filed. Simultaneously, maintenance fees would be set significantly lower and patent holders would maintain their patents longer, reducing incentives to release patents of minimal value into the public domain for others to use for follow-on invention. The Office determined that it will better effectuate its mission of fostering innovation by setting fees to recover costs in the aggregate while incentivizing compact patent prosecution. Where the Office deviated from cost recovery for a particular fee, it has fully considered the behavioral effects of such departures.

*PPAC Comment 3:* The PPAC commented that the Office should ensure that applicants are not saddled with the cost of internal operational inefficiencies, as that may reduce the Office's incentives to improve its efficiency.

*Response:* The Office created the final fee structure in order to set fees at optimal levels to improve the Office's services and to enhance operational efficiency. The Office also continuously reviews its own internal processes and behaviors to improve operational inefficiencies. These regular reviews of internal operations and behaviors were institutionalized as a priority. For example, the Office established a Patent Process Reengineering Team (Team) in June 2010 to review and evaluate pre-examination, examination, and post-examination processes. The Team delivered redesigned and streamlined processes—with recommendations for improvements—to USPTO senior leadership and the Patents End-To-End (PE2E) software engineering team. Specifically, the Team produced more than 250 individual process improvement recommendations in the areas of: Increased electronic application filing and management, processing standardization and consistency (with both domestic and international standards), accurate and easy measurement of core metrics, examination quality, customer satisfaction, and reduced risk exposure. Where the best tool for improvement included information technology, the Office incorporated the recommendations for improved processes into the PE2E program development plan.

The Office already implemented many of the Team's recommendations. For example, the Office gained efficiency in the terminal disclaimer process, resulting in pendency reduction for over 40,000 applications by an average of 30 days. Also, the USPTO improved internal operations and Office behavior through the First

Action Interview Pilot Program, which benefits applicants by advancing the prosecution of applications and enhancing the interactions between the applicant and examiner early in the process to facilitate a more compact prosecution.

The Office will continue to evaluate all AIA and patent operational procedures and make efficiency improvements accordingly. In addition, the AIA requires the Office to consult with the PPAC annually to determine if any fees set using section 10(a) should be reduced. After such consultation, the Office may reduce fees. *See* AIA section 10(c). In the future, the Office will work with the PPAC to determine if any improvements in operational efficiency warrant a reduction in fees set or adjusted in this rulemaking.

#### Fee Setting Elasticity

*PPAC Comment 4:* The PPAC commented that the proposed system of slightly raising filing, search, and examination fees while lowering the issue and publication fees, is sensible. The PPAC also comment that the balance of fees distributed between the front-end and back-end continues to be preserved so that the reduced front-end fees encourage applicants to enter the patent system. The PPAC nevertheless advised that raising pre-issue fees like filing, search, and examination may still (at the margins) discourage some otherwise meritorious patent filings. Based on its discussions with applicants, including large corporations and small and start-up entities, the PPAC anticipated some decrease in the demand for patent filings. The PPAC advised that increases in fees will strain some patenting budgets and commented that it continues to be concerned that fee changes will have a greater impact on filing and payment of maintenance fees than projected. The PPAC recognized that generating adequate funds is essential, yet advised that it must be balanced with the public policy of ensuring access to intellectual property coverage.

*Response:* The Office appreciates the PPAC's support for this overall structure for fees. Although the Office shares the PPAC's concern about any impact of increased filing, search, and examination fees on the number of prospective patent applications filed, the Office's elasticity analysis indicates that the potential impact is small and that filings will likely continue to grow over the next five years, even if at a somewhat lesser rate than if there were no fee increases. Further, to the extent there is some impact on filings, the Office believes that the benefits of the

fee changes outweigh the temporary cost of fewer patent filings. The additional revenue generated from the increase in fees will provide sufficient resources for the Office to reduce the backlog and decrease pendency. The decrease in pendency is estimated to increase private patent value by shortening the time for an invention to be commercialized or otherwise obtain value from the exclusive right for the technology.

The Office also notes that filing, search, and examination fees are increased, and issue and publication fees are decreased in this final rule. As explained in detail in this rulemaking and the RIA, the filing, search, examination, publication and issue fees, once effective and taken together, are reduced by at least 23 percent for all successful applicants (with a much greater reduction for small and micro entity applicants), and this reduction may allow applicants on limited budgets to file and prosecute more patent applications under the new fee structure. Therefore, an applicant who expects a high likelihood of an application being issued may be more likely to file a patent application under the new fee schedule.

As discussed above, based on economic indicators, the Office expects a 5.0 percent annual growth rate in filings for FY 2013 through FY 2017. Based on elasticity computations, the Office conservatively believes that the growth rate in application filings may be somewhat lower (compared to the rate of growth in the absence of a fee increase) in the first few years under this final rule. Along with this rulemaking and the RIA, the Office provided an estimate of elasticity to address whether and how applicants might be sensitive to price (fee) changes, and included an estimate of the impact on application filing levels. *See* "USPTO Section 10 Fee Setting—Description of Elasticity Estimates" available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). The Office conservatively estimated that, initially, the fees under the final rule would cause a small decrease in the demand for patenting activity due to the fee adjustments (a 1.3 percent decrease in FY 2013, a 2.7 percent decrease in FY 2014, and a 4.0 percent decrease in FY 2015–FY 2017). Even with these short term decreases at the margin, the Office still expects to receive an increasing number of new (serialized) application filings during later years. The Office has projected that it will take in sufficient revenue, despite the elasticity of some fees, to recover aggregate costs under the final fee schedule.

*PPAC Comment 5:* In reviewing the Office's experience with "Track 1," the PPAC noted that fewer applicants participated in that program than originally anticipated. The PPAC cautioned that the Track 1 experience seems relevant to the new programs under the AIA, and that the Office's elasticity assumptions may be overly optimistic.

*Response:* Track 1 created a new and optional expedited examination service for certain applicants who were willing to pay an extra fee. The Office considered the effects of the Track 1 fee levels on applicants' use of that service in its analysis of the fees in this rulemaking. The Track 1 program experience is only of limited usefulness when considering elasticity of fees in this final rule. Unlike core application services, the Track 1 service is optional for applicants. The Track 1 fee level was set by Section 11(h) of the AIA and implemented by a rule that reflected that statutory provision. Ordinarily for elasticity estimates about a service, there would need to be some change in price and some observation about demand in the face of that price change. With only one data point so far (the initial fee set by the AIA), it is difficult to extrapolate meaningful elasticity estimates from the Track 1 program to date.

#### Operating Reserve

*PPAC Comment 6:* The PPAC agreed that the creation of an operating reserve is a sound business practice to allow for continuity of service and the ability to complete long-term plans more effectively and efficiently. The PPAC also commented that three months seems to be a good size for the reserve. The PPAC, nevertheless, expressed concern that access to spend all generated funds, as a part of the annual appropriations process, is not assured under the AIA. The PPAC recommended that the Office continue to grow the operating reserve gradually, while also allowing for a longer period to monitor Congressional support.

*Response:* The Office agrees with the PPAC that having an operating reserve is a sound and needed business practice. The Government Accountability Office's (GAO's) review of the USPTO's fee setting process (reported to the Chairman of the Committee on Appropriations) also substantiated the need for maintaining an operating reserve. The GAO found that it "is consistent with our previous reporting that an operating reserve is important for fee-funded programs to match fee collections to average program costs over time and because

program costs do not necessarily decline with a drop in fee collections.” (See New User Fee Design Presents Opportunities to Build on Transparency and Communication Success, GAO-12-514R (Apr. 25, 2012) available at <http://www.gao.gov/products/GAO-12-514R>.) An operating reserve promotes confidence in the United States IP system by providing a mechanism to absorb and respond to temporary changes in the economy and USPTO’s operating and financial environments. Without an operating reserve, agencies can be unnecessarily thrown into short-term cash flow stress like that which the USPTO experienced in FY 2009 due to the economic recession and in FY 2010 due to the delay in the authorization of spending authority for the fees collected from patent applicants during the rebound from FY 2009.

An operating reserve consists of funds already available for the USPTO to spend. Congress has already appropriated the money in USPTO’s operating reserve, and therefore no additional appropriation is required for USPTO to use the operating reserve. Thus, the operating reserve is available to ameliorate the short-term problem of under-collection in a given year.

The Office also agrees with the PPAC that it is prudent to grow this three-month operating reserve in a gradual manner. The fee structure in this final rule seeks to achieve that prudent growth by extending the period of growth by another year (to FY 2018), as compared to the timeframe proposed in the September NPRM (FY 2017). This extension of the time period for growing the operating reserve is the result of reducing fee amounts in the final rule in response to comments from the PPAC and the public and is consistent with the number of patent examiners the Office plans to hire in FY 2013 to achieve a “soft landing” with respect to the patent application inventory and workforce level as discussed further in the response to PPAC Comment 7.

Finally, as to whether the USPTO will be able to spend all funds collected in excess of the USPTO’s specified annual overall appropriation amount, Section 22 of the AIA provides that such collections are deposited in a new Patent and Trademark Fee Reserve Fund (created by the AIA) that is available to the USPTO subject to procedures provided in appropriations acts. In any given year, if the USPTO collects fees beyond the specified annual overall appropriated amount, those fees will be deposited into the Patent and Trademark Fee Reserve Fund. In fiscal year 2012 (the first full year after AIA), the USPTO appropriations bill included

procedures permitting it to spend fees deposited in the Patent and Trademark Fee Reserve Fund. The Office has no reason to believe the same will not hold true for fiscal year 2013 and beyond. The Office will continue to work closely with Congress to ensure full access to fees paid by patent applicants and patentees, consistent with the AIA.

#### Pendency Goals

*PPAC Comment 7:* The PPAC commented that it supports decreasing pendency, and stated that while the proposed decreased pendency times are laudable, there is nothing magical about the pendency timeframes (i.e., 10 months first action pendency and 20 months total pendency). For future years, the PPAC advised that it will be important to reach a properly balanced inventory level of patent applications pending at the Office that is appropriate for the workforce level. The inventory should be low enough to achieve desired decreased pendency and high enough to accommodate potential fluctuations in application filings, retention of examiners, and changes in RCE filings stemming from the programs being instituted by the USPTO. The PPAC refers to this desired end state as a “soft landing.”

*Response:* Optimizing patent quality and timely issuance of patents provides greater legal certainty. The longer it takes to review a patent application, the longer it takes for the benefit of the IP protection to accrue. Failure to complete the examination in a timely manner creates uncertainty regarding the scope and timing of any IP rights. This not only impacts patent applicants, but it also has a negative impact on other innovators and businesses in that field that are awaiting the outcome of the pending application.

As the IP environment becomes increasingly global, applicants are increasing their foreign patent application filings in multiple countries. Obtaining a first action about 10 months from filing provides patent applicants with important information about the status of their application so that they can determine whether to file in other countries before the expiration of the 12-month date to maintain priority. This leads to more strategic patent application filings and reduces user resources spent on unnecessary filings in patent offices worldwide.

The USPTO worked closely with stakeholders and responded to their concerns in establishing the targets of 10 months first action pendency and 20 months total pendency in the Strategic Plan. The PPAC gave its support to these pendency timeframes in their

2009 Annual Report, which commended then Secretary of Commerce Gary Locke and Under Secretary and Director David Kappos for their efforts to reduce first action pendency to ten months. PPAC likewise indicated in its report that the PPAC would like to work with the Office and the innovation community to reduce overall pendency to twenty months as the ultimate goal with reasonable intermediate targets and timelines.

The Office has a long-term plan to reduce the patent application backlog to a steady-state of about 350,000 unexamined applications, and to decrease first action patent application pendency to 10 months and total patent application pendency to 20 months. The Office agrees with the PPAC regarding the need for a “soft landing” when planning for these goals in the out years. The Office is very aware that as the patent application backlog and pendency drop, it is important to ensure that the Office reaches the right balance of application inventory and staff size. The Office has considered the PPAC’s comment and reevaluated its long-term plan, recognizing the substantial progress and efficiencies made to date and taking into account historically low attrition rates, higher production levels, and the need to ensure that continued backlog progress does not result in inventory levels decreasing to a point where there is inadequate work on hand for some employees. Thus, as an initial measure, the Office is reducing the number of patent examiners it plans to hire in FY 2013 from 1,500 to 1,000. This change substantially reduces the risk of excessively low inventory, yet also increases the possibility that it will take longer to reach the ideal inventory and pendency levels. Under this approach, patent production modeling indicates conservatively that the reduction in hiring may cause ideal inventory levels to occur in FY 2016 and patent application pendency targets for first action and total by FY 2016 and FY 2017, respectively. In response to comments and in an abundance of caution, the Office is thus changing the timeframe in which it estimates it will reach its ideal patent application inventory target to FY 2016, first action patent application pendency target to FY 2016, and the total patent application pendency target to FY 2017. The Office recognizes that this adjustment keeps the Office on track for meeting its goals while further avoiding any risk of excessively low inventory.

*PPAC Comment 8:* The PPAC noted that a pendency timeframe of 10 months to first action and 20 months total pendency may result in applicants and

examiners not being aware of some prior art at the time of the first office action on the merits. As a result, the PPAC stated that the Office might incorrectly issue a patent.

*Response:* Prior to 2000, the Office did not routinely publish pending patent applications, and instead only publicly disclosed pending applications under special circumstances. Since 2000, the Office has generally published applications 18 months from their earliest effective filing date. *See* 35 U.S.C. 122(b).

As noted in the response to the PPAC Comment 7, the first action pendency and total pendency goals at 10 months and 20 months, respectively, were developed in consultation with patent stakeholders when the Office established the Strategic Plan. The Office appreciates that a pendency goal of 10 months to first action may result in some prior art (in the form of other applications) being published after issuing the first Office action in a particular application. However, prior to the adoption of 18-month publication in 2000, the Office examined applications knowing that the full range of potential prior art might not yet be available. And with the adoption of 18-month publication, the only way the Office could avoid examining an application before all applicable prior art had been published would be to delay examination until after eighteen months from the priority date of any potentially relevant application and/or revise 35 U.S.C. 122(b) to eliminate the exceptions to 18-month publication. These are not feasible options.

Moreover, the risk of missing relevant prior art is lessened because many applications are published in fewer than 18 months because the 18-month publication deadline is computed from the earliest filed application, and many applications are outgrowths of an earlier filed application. Because there is general support from the Office's stakeholders on both decreasing pendency generally and the 10 month goal specifically, notwithstanding a limited risk of some prior art not being known publicly, the Office has thus decided to maintain 10 months as the targeted date of a first Office action.

#### Individual Fee Categories

##### Prioritized Examination

*PPAC Comment 9:* The PPAC commented that the Office's efforts to make the Track 1 option more accessible to applicants by lowering the fee is an encouraging step, but advises that the Office should closely monitor demand for Track 1 applications and offer

additional downward fee adjustments to determine the optimal fee rate and improve access to this service.

*Response:* The Office will continue to monitor the demand for the Track 1 prioritized examination program to see if the demand increases with the decrease in the fee. At the same time, the Office will continue to monitor the pendency associated with the traditional examination path to ensure that any potential changes in the demand for the Track 1 prioritized examination program do not impact the pendency for the traditional examination path. The fee for the prioritized examination program is intended to closely recover the cost of the program so as not to impact the level of examination resources of the traditional "track."

##### Request for Continued Examination (RCE)

*PPAC Comment 10:* The PPAC expressed a variety of operational concerns about the way the Office perceives and handles RCEs as part of the patent prosecution process. The PPAC advised that: (i) There are incentives on both sides to file RCEs (applicants continue to need to achieve allowance, examiners get further (albeit reduced) counts for RCE prosecution, and the pendency of RCEs is not included in the traditional pendency numbers); and (ii) the increasing backlog of RCEs generates further patent term adjustments for a large number of applicants. The PPAC recommended that the Office consider these factors as it considers any proposed increase in RCE fees. These concerns also underlie the PPAC's comment that RCE fees set too high may disincentivize the Office to improve its efficiency. The PPAC recommended that a small increase in the fee for an RCE might be appropriate, but the fee should align more closely with the Office's associated costs and the fee should be less than the fees for new or continuing applications. The PPAC further recommended that the higher fee for second and subsequent RCEs should be reduced because these RCEs are easier and cheaper to examine and any number of continuations may be filed at the same cost per continuation. The PPAC finally recommended that the USPTO should continue to find ways to reduce applicants' need for RCEs, rather than increase fees for filing an RCE.

*Response:* The Office appreciates the PPAC's comments about the operational aspects of RCEs, and looks forward to continuing to work with the PPAC on potential operational improvements. In setting the proposed fee levels, the

Office determined that approximately 70 percent of applicants that file an RCE file only one RCE. The first RCE fee (\$1,200 for large entities) was set at a level lower than both the average historic cost of performing the services associated with an RCE (\$1,882) and the fee for filing a continuing application (\$1,600 for large entities), as well as much lower than the average historic cost of services associated with examining a new patent application (\$3,713). Because the Office set the fee for the first RCE below the cost to process it, the Office must recoup that cost elsewhere. Since most applicants resolve their issues with the first RCE, the Office determined that applicants that file more than one RCE are using the patent system more extensively than those who file zero or only one RCE. Therefore, the Office determined that the cost to review applications with two or more RCEs should not be subsidized with other back-end fees to the same extent as applications with a first RCE, newly filed applications, or other continuing applications. Nevertheless, the fee set for the second and subsequent RCE (\$1,700 for large entities) is still lower than the average historic cost of the Office processing an RCE (\$1,882), thus retaining the Office's incentives to work toward additional examination efficiencies, consistent with the PPAC's comments.

Regarding the relationship between RCEs and continuing applications, the Office did not include a second, higher fee for second and subsequent continuing applications because RCEs and continuing applications are not completely interchangeable. The Office increased the fee for second and subsequent RCEs (\$1,700 for large entities) to recover the cost associated with processing more than one RCE and to keep the fee sufficiently close to the filing, search, and examination fee for a continuing application (\$1,600 for large entities). The Office determined that the fee differential between a continuing application and a second and subsequent RCE (\$100) would likely not be a significant factor in an applicant's choice between a second or subsequent RCE and a continuing application, and instead the differing characteristics in the two types of continuing applications would be the overriding factor in whether the applicant files an RCE or a continuing application. Moreover, RCEs are not subject to excess claims or excess page fees. Thus, RCEs may cost less than continuations in many instances.

While an RCE may be less costly to examine than a new continuing application in certain situations, the

patent fee structure is designed such that the costs associated with the processing and examination of a new or continuing application are also recovered by issue and maintenance fees, allowing for lower than cost recovery continuing application fee amounts. The Office continued this subsidization design with the fee for a first RCE. In fact, the fee for a first RCE (\$1,200 for large entities) is set at 75 percent (\$1,200 divided by \$1,600) of the total fees for filing, search, and examination set herein. This fee relationship is the same as exists in the current fee structure because an RCE fee is 74 percent of the total fees for filing, search, and examination (\$930 divided by \$1,260). To avoid charging higher issue and maintenance fees to offset the cost of processing second and subsequent RCEs, the fees for those RCEs are instead set closer to cost recovery. Increasing the issue and/or maintenance fees to offset lower than cost recovery second and subsequent RCEs would cause the majority of filers (who do not seek more than one RCE) to subsidize services provided to the small minority of filers who seek two or more RCEs. The Office does not believe such subsidization would be an optimal result.

The Office understands the PPAC's operational point that a higher inventory and longer pendency of RCEs could generate additional PTA. The Office notes that the RCE fees set in this rule will generate the revenue necessary to reduce inventory and pendency levels overall so as to potentially reduce the amount of PTA earned.

Regarding the variety of operational concerns that centered on examination practices associated with second office actions and final rejections, second office actions in current practice are not automatically made final. In an instance where the examiner introduces a new ground of rejection that is neither necessitated by applicant's amendment of the claims nor based on information submitted in an information disclosure statement filed during the period set forth in 37 CFR 1.97(c) with the fee set forth in 37 CFR 1.17(p), another non final action is appropriate. If the applicant receives a final action that they believe to be premature, the question should be raised to the examiner and/or supervisory patent examiner (SPE) while the application is still pending before the primary examiner. The issue of whether a final rejection is premature is not sufficient grounds for appeal, or basis of complaint before the Patent Trial and Appeal Board. It is rather reviewable by petition under 37 CFR 1.181.

Additionally, the applicant has the option to request an interview with the examiner, consistent with MPEP 713, and to request a review of identified matters on appeal in an appeal conference prior to the filing of an appeal brief.

Regarding pendency calculations, the Office presents multiple application pendency numbers on the Patent Dashboard in the USPTO Data Visualization Center at <http://www.uspto.gov/dashboards/patents/main.dashxml>. There, the Office publishes traditional total pendency both with and without RCEs, as well as the pendency for RCEs alone. The Office also publishes the backlog for RCEs. The Office presents data on the growth in RCE filings, the inventory of RCEs, and the pendency associated with RCEs. The USPTO is continuing efforts to reduce the number of situations in which applicants might be required to file RCEs to address the existing backlog of pending unexamined RCEs. The USPTO initiated two new pilot programs—the AFCP and the QPIDS Pilots—as a means to reduce RCE filings (see [http://www.uspto.gov/patents/init\\_events/index.jsp](http://www.uspto.gov/patents/init_events/index.jsp)). While it is still too early to predict the effectiveness of these programs, short-term analysis has shown that each pilot is already having a positive impact on reducing the need to file a RCE.

In addition to these on-going efforts, the USPTO is continuing training efforts to emphasize compact prosecution practices such as interview training. The USPTO is also collaborating with the PPAC on an RCE outreach effort. The objective of this initiative is to identify reasons for filing RCEs, identify practices for avoiding unnecessary RCEs, and explore new programs or changes in current programs that could reduce the need for RCEs. As a part of this effort, the Office recently issued a request for comments on RCE practice in the *Federal Register* (see 77 FR 72830 (Dec. 6, 2012)). This multi-step approach to address stakeholder concerns with respect to RCE practice is directed at reducing patent application pendency, including the impact of RCEs on such pendency.

#### Appeals

*PPAC Comment 11:* The PPAC commented that the Office's elimination of the fee for the submission of a brief is a positive step forward. The PPAC otherwise commented that appeal fees in general are too high given that some applicants must file an appeal due to examination problems. The PPAC also commented that a Notice of Appeal is frequently utilized as an extension of

time and that the Office should set the fee to recognize this usage. The PPAC also commented that in some instances applicants are forced to pay extensions of time or file a notice of appeal due to slow Office treatment of an after final submission. The PPAC recommended lowering the Notice of Appeal fee to around its current post-surcharge amount (for example \$750), and charging the increased amount for forwarding the brief to the Board.

*Response:* The Office appreciates the PPAC's support for eliminating the fee for submitting an appeal brief. Also, the Office is implementing the PPAC's recommendation for lowering the Notice of Appeal fee in this final rule. The Office is lowering the fee for a Notice of Appeal to \$800 (large entity) from the \$1,000 (large entity) proposed in the NPrM and the Office will leave the fee for forwarding an appeal to the PTAB at the originally proposed \$2,000 (large entity). Given the high cost to the Office of the appeals process, the fee adjustments are necessary to decrease the gap between cost of the appeal service and fee in order to improve the financial sustainability of the Office. As appeals are sometimes necessary due to differences of opinion between an applicant and the examiner, the Office has coupled the higher fees with a new staged fee structure to ease the cost impact on applicants when prosecution is reopened following submission of the appeal brief. The Office estimates that about two-thirds of applicants who appeal final rejections will pay only the \$800 (large entity) notice of appeal fee, which is less than would be paid in the same situation under the current fee structure (\$1,260 for large entities). The Office likewise estimates that only one-third of applicants who appeal final rejections will pay the additional \$2,000 appeal forwarding fee, which, in total with the notice of appeal fees (\$800 plus \$2,000 equals \$2,800), is 43 percent less than the average historical cost of providing appeal services (\$4,922). The Office recognizes that total fees to receive an appeal decision from the PTAB will more than double. However, the Office estimates that less than 5 percent of applicants who receive final rejections will be paying both the notice of appeal and the appeal forwarding fee.

Regarding appeals being filed due to examination problems, in the appeals decided on their merits by the PTAB, over 65 percent result in affirmance of at least some of the rejected claims (see [http://www.uspto.gov/ip/boards/bpai/stats/receipts/fy2012\\_sep\\_e.jsp](http://www.uspto.gov/ip/boards/bpai/stats/receipts/fy2012_sep_e.jsp)). This data demonstrates that the PTAB is affirming a larger percentage of rejected claims than it reverses. The Office

believes that the affirmance rate would be much lower if there were significant problems with the examination process.

Likewise, Office data shows there is not a large problem with the timely treatment of an after final submission. During FY 2012, after final amendments were acted upon by the Office in an average of 8.8 days, and only 4.6 percent took over four weeks to be addressed. In fact, 60 percent of after final amendments were addressed within one week. Also, if an applicant files a response to a final rejection within two months of the date of the final rejection, the shortened statutory period will expire at three months from the date of the final rejection or on the date the advisory action is mailed, whichever is later, thus minimizing the need for any extensions.

**PPAC Comment 12:** The PPAC recommended that the Office enhance its provisions for resolution of problems in the examination of applications. For example, the PPAC recommended that the Office permit real-time applicant participation in pre-appeal brief conferences or a more robust ombudsman or SPE review of cases.

**Response:** The internal processes for conducting both pre-appeal and appeal conferences are undergoing an in-depth internal review. The Office is currently evaluating process improvement recommendations. In the meantime, the current process addresses some of the comments raised by the PPAC. For example, a Technology Center-designated conferee, a SPE, and the examiner participate in pre-appeal or appeal conferences to review the applicant's remarks and the examiner's rejections. In addition, when the Patents Ombudsman Program receives an inquiry from an applicant/attorney/agent regarding a legitimate problem in the prosecution of an application, an Ombudsman Representative in the Technology Center (TC) handling that application will request that the SPE review the application with particular attention on the issue raised. As appropriate, a Quality Assurance Specialist (QAS) in that TC also might get involved at the request of the SPE. Once the SPE has reviewed the application, he/she will close the loop directly with the applicant/attorney/agent who initiated the inquiry.

#### Ex Parte Reexamination

**PPAC Comment 13:** The PPAC noted that the fee for an *ex parte* reexamination increased significantly, from \$2,520 to \$17,750, and was proposed to be reduced to \$15,000 in the NRPM. The PPAC questioned why the Office did not see the disparity

between costs and fees for *ex parte* reexamination earlier, and work with Congress to correct the disparity.

**Response:** The *ex parte* reexamination fees were adjusted on a cost recovery basis in the supplemental examination final rule using authority in 35 U.S.C. 41(d) because fees for this new AIA service were required to be in place one year from the AIA's enactment (September 16, 2012), and because the Office would not finish with the section 10 rulemaking by that date. (See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 FR at 48831 and 48851). Given that supplemental examination and *ex parte* reexamination are such closely related services, the Office elected to adjust the fee for filing a request for *ex parte* reexamination and to set a fee for petitions filed in *ex parte* and *inter partes* reexamination proceedings to more accurately reflect the cost of these processes when it set the fees for supplemental examination. The Office has been aware of the disparity between its costs for conducting *ex parte* reexamination and the former *ex parte* reexamination fee for a number of years. The Office, however, wanted to ensure that this disparity was not unique to one or a few fiscal years before moving to adjust reexamination fees. Accordingly, the Office did not seek to adjust the *ex parte* reexamination fees earlier.

**PPAC Comment 14:** The PPAC questioned why *ex parte* reexamination has a high cost when it is a procedure with minimal processes (for example, it involves no testimony and no interaction with third parties). The PPAC noted that the cost [fee] for reviewing the petition (\$1,800) is higher than the proposed fee for the entire initial examination (\$1,600) and commented that the costs related to all aspects of the *ex parte* reexamination process seem high. The PPAC recommended that there should be ways to provide for more straight forward decision-making and streamline the review process to lower costs.

**Response:** Petitions in reexamination proceedings generally involve issues of greater complexity and greater number of issues than other patent-related petitions. See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 FR at 48837. As a result, these proceedings are more expensive on average for the Office to administer. Nonetheless, after updating the patent operating plans and corresponding aggregate costs in response to public

comments, the Office determined it could reduce the *ex parte* reexamination fee while continuing to ensure that the aggregate revenue equals aggregate cost. In this final rule, the Office is reducing the fee for *ex parte* reexamination (proposed at a total of \$15,000 for large entities) to \$12,000 (large entity), which is 32 percent below the Office's cost for these services. The Office also notes that this rulemaking applies small and micro entity reductions to the *ex parte* reexamination fee, resulting in discounts of 50 percent for small entities and 75 percent for micro entity patentees.

**PPAC Comment 15:** The PPAC advised that the Office should construct a more streamlined, pay-as-you-go approach to reexamination. The PPAC recommended that the Office break the *ex parte* reexamination fee into two parts: (1) Petition; and (2) reexamination. If nonpayment for reexamination following the grant of a petition is a concern, the PPAC recommended several methods to ensure that the Office receives payment.

**Response:** The *ex parte* reexamination fee is in essence a two-part fee: (1) Part of the *ex parte* reexamination fee helps to recover the costs for analyzing the request and drafting the decision whether to grant or deny *ex parte* reexamination; this is based on the fee set forth in 37 CFR 1.20(c)(7) for a denied request for *ex parte* reexamination (\$3,600, \$1,800 for a small entity, and \$900 for a micro entity patentee); and (2) the remaining part of the fee helps to recover the costs for conducting *ex parte* reexamination if the request for *ex parte* reexamination is granted; this is based on the *ex parte* reexamination fee set forth in 37 CFR 1.20(c)(1) less the fee set forth in 37 CFR 1.20(c)(7) for a denied request for *ex parte* reexamination (\$12,000 less \$3,600 or \$8,400 for a large entity; \$6,000 less \$1,800 or \$4,200 for a small entity; and \$3,000 less \$900 or \$2,100 for a micro entity patentee). Rather than adopt a pay-as-you-go approach in *ex parte* reexamination, the Office adopted a process of charging the total fee up front and then refunding the balance of the fee if the request for *ex parte* reexamination is denied. This approach avoids the delays and complications of collecting a separate fee for conducting *ex parte* reexamination if the request for *ex parte* reexamination is granted.

While PPAC's other payment collection suggestions may be valid, the Office's historical approach of collecting the full fee in advance, and issuing refunds as needed, completely avoids the delays and risks related to nonpayment of fees following the grant of a request for *ex*

*parte* reexamination and helps ensure efficient processing of an *ex parte* reexamination.

#### Supplemental Examination

**PPAC Comment 16:** The PPAC commented that the fees for supplemental examinations are too high. The PPAC questioned the Office's underlying cost assumptions, suggesting that the basis of the estimate should have been limited to patentee-initiated reexaminations, not all *ex parte* reexaminations. The PPAC recommended that the Office publish estimates of historic costs for patentee-initiated reexaminations for comparison purposes.

**Response:** The supplemental examination fees were set on a cost recovery basis in the final rule to implement supplemental examination. See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012). The supplemental examination final rule adopted fees for supplemental examination as follows: (1) \$5,140 for processing and treating a request for supplemental examination; (2) \$16,120 for conducting *ex parte* reexamination ordered as a result of a supplemental examination; (3) \$170 for each non-patent document between 21 and 50 pages in length; and (4) \$280 for each additional 50-page increment or a fraction thereof, per document. See *id.* at 48831 and 48851. The cost calculations relating to the supplemental examination final rule were published by the Office ("Cost Calculations for Supplemental Examination and Reexamination") at [http://www.uspto.gov/aia\\_implementation/patents.jsp#heading-9](http://www.uspto.gov/aia_implementation/patents.jsp#heading-9). The Office does not separately track the time taken by the examiners to process and analyze patentee-initiated *ex parte* reexaminations versus third party-requested *ex parte* reexaminations. The Office determined via consultation with the Central Reexamination Unit (CRU) managers that the examiner time required for patentee-initiated requests and third party-requested *ex parte* reexaminations is about the same, and thus the costs to the Office for either type of request for *ex parte* reexamination are about the same. See page 13 of "Cost Calculations for Supplemental Examination and Reexamination".

The NPRM proposed to adjust supplemental examination fees to reduce, below full cost recovery, both the fee for processing and treating a

request for supplemental examination and the fee for conducting *ex parte* reexamination ordered as a result of a supplemental examination, in total by 16 percent. After updating the patent operating plans and corresponding aggregate costs in response to public comments, the Office determined it could reduce the supplemental examination fee further while continuing to ensure that the aggregate revenue equals aggregate cost. In this final rule, the Office is reducing the large entity fee for conducting *ex parte* reexamination ordered as a result of a supplemental examination (proposed at \$13,600) to \$12,100. Therefore, this final rule sets the total fees for supplemental examination at \$16,500 (\$4,400 for processing and treating a request for supplemental examination plus the \$12,100, excluding any applicable document size fees), which is 23 percent below the Office's cost for these services. Any reductions beyond this level would require increases to other fee(s) to ensure the overall fee structure provides cost recovery in the aggregate. This rulemaking also sets forth small (50 percent) and micro entity (75 percent) reductions to all of the supplemental examination fees.

**PPAC Comment 17:** The PPAC recommended that a pay-per-reference system for each reference over twelve submitted in a supplemental examination request would be more effective than the currently proposed maximum reference rule. The PPAC also recommended that the Office should permit a patentee one supplemental examination request per issued patent, regardless of the number of references submitted.

**Response:** The procedures governing the supplemental examination process provided for in the AIA were adopted in the supplemental examination final rule. See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012). As explained in that rule, the Office placed a limit on the number of items of information that may be submitted with a request for supplemental examination because the Office must conclude a supplemental examination within three months of the date on which the request for supplemental examination is filed. The Office set the limit at twelve items of information because ninety-three percent of the requests for *ex parte* reexamination filed in FY 2011 included twelve or fewer documents. See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act

and to Revise Reexamination Fees, 77 FR at 48830. This rulemaking addresses only the fee for supplemental examination (reducing it by 23 percent and adding a small entity discount of 50 percent and a micro entity discount of 75 percent), and does not propose to change the requirements for a request for supplemental examination, such as the number of items of information that may be included in a request for supplemental examination.

**PPAC Comment 18:** The PPAC commented that many in the applicant community view supplemental examination as akin to reviews of information disclosure statements (IDSs) after a final rejection. With that usage in mind, the PPAC recommended that the fees for supplemental examination be reduced to levels similar to original examination fees.

**Response:** The Office determined that the supplemental examination process is more analogous to an *ex parte* reexamination process than a review of an IDS after a final rejection. In both supplemental examination and *ex parte* reexamination, the Office must determine whether a substantial new question of patentability is raised in the request within three months of the filing date of the request. Supplemental examination, however, is further enhanced to involve the review of information in addition to the patents and printed publications provided for in *ex parte* reexamination practice. Therefore, in the supplemental examination final rule, the Office based its estimate of the cost of supplemental examination proceedings on its costs for *ex parte* reexamination proceedings.

#### Inter Partes Review, Post-Grant Review, and Covered Business Methods Review

**PPAC Comment 19:** The PPAC commented that the new *inter partes* review, post-grant review, and covered business method review request and institution fees are the right balance between cost recovery and incentive for use. The PPAC supported the Office's decision to set these fees at the proposed rates, even though the PPAC received several public comments suggesting that high fees would lessen the use of these proceedings to remove improperly granted patents from the patent system. The PPAC commented that it supports the USPTO's decision to break the fee into two parts, but advises the Office to consider a more granular pay-as-you-go approach.

**Response:** The Office appreciates the PPAC's support for the *inter partes* review, post-grant review, and covered business method review fee rates. The AIA requires that the Office establish

fees for *inter partes* review, post-grant review, and covered business method review to be paid by the person requesting the review. The fees paid by the person requesting the review are to be set considering the aggregate costs of the review. The statutory framework requires the full fee to be paid in advance and refunds issued as needed. Therefore, the Office is not instituting a pay-as-you-go fee structure for these services.

**PPAC Comment 20:** The PPAC commented that the Office has resisted calls for more structured and automatic discovery in the *inter partes* review, post-grant review, and covered business method review proceedings and that this will be the most significant driver of costs for these contested cases. The PPAC recommended that the Office work to streamline the structure of proceedings.

**Response:** The Office's final rules for *inter partes* review, post-grant review, and covered business method review affirmatively embrace the calls for more structured and automatic discovery by providing for mandatory initial disclosures, default cross-examination times, a model order regarding e-discovery, and guidelines for cross-examination. See Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012). Additionally, the final rules provide that the parties to a contested case may agree to discovery amongst themselves as a way of streamlining the structure and conduct of the proceeding. The Office will be monitoring these new services and will consider feedback from the user community on how the services are being implemented and whether any improvements can be made to these procedures.

#### Maintenance Fees

**PPAC Comment 21:** The PPAC commented that it generally supports the maintenance fee scheme proposed in the NPRM and that individual fees are reasonable because patentees should have a better sense of the value of the intellectual property as time progresses after patent grant. However, the PPAC questioned the fee increase proposed for the third stage maintenance fee. The PPAC advised that the increase to the third stage maintenance fee may have a greater adverse effect on demand (and therefore revenue) than the Office projected. Given the AIA's requirement to review fees at least annually, the PPAC recommended that the Office closely monitor the effects of the third

stage maintenance fee increase and make adjustments to the fee level as needed.

**Response:** The Office appreciates PPAC's general support for the maintenance fee changes, and agrees with the need for continuous future monitoring. The Office will work with the PPAC to review available data on maintenance fee payments on a regular basis, and will be prepared to make adjustments to the fee levels as needed. The Office recognizes the PPAC's concern with the third stage maintenance fee in particular and will continue to monitor whether there is any adverse effect on demand due to the increase in that fee. The Office has closely considered this potential effect in its aggregate revenue calculation and analysis of elasticity associated with paying maintenance fees. The Office notes that the third stage maintenance fee is assessed when the patent holder should have maximum information about the value of the patent and can best make an informed decision about whether the value of that patent justifies the amount of the fee when considering the expected future income from the protection. Further, the increase in the third stage maintenance fee allows the Office to provide a fee structure where earlier fees, paid when the patentee has much less information about the value of the patent, can be reduced, so as to reduce the barriers to filing a patent application. By contrast, lowering the third stage maintenance fee would necessitate raising an earlier stage fee in order to remain at overall cost recovery.

#### Excess Claims

**PPAC Comment 22:** The PPAC commented that the increase in excess claim fees is unwarranted due to the relative ease with which excess claims can be searched by examiners, the necessity of more claims of varying scope in today's legal environment, and the fact that other patent offices allow applicants to take advantage of multiple dependent claims. The PPAC recommends that the fees be reduced from the rates proposed in the NPRM.

**Response:** The Office realizes that excess claims can be useful to inventors in today's legal environment, but points out that excess claiming is a burden to the patent system and the Office. Excess claiming slows the examination process and increases patent application pendency, without contributing materially to the Office's goal of *fostering innovation*. The Office therefore concluded that an increase in fees for excess claims will benefit the patent system and the Office.

Moreover, the patent fee structure has had a fee for "excess claims" (i.e., independent claims in excess of three and total claims in excess of twenty) since at least 1982, and the result is that most applications now contain three or fewer independent claims and twenty or fewer total claims. Applicants who feel they need more than this number of independent or total claims may continue to present them by paying the applicable excess claims fee. While the former excess claims fee amount encouraged most applicants to present three or fewer independent claims and twenty or fewer total claims, it was not sufficient to discourage some applicants from presenting a copious number of claims for apparent tactical reasons, and nor did the fees reflect the excess burden associated with examining those claims. See, e.g., Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 48612, 48659–60 (Aug. 14, 2012) (noting that the number of claims often impacts the complexity of the request and increases the demands placed on the deciding officials in administrative proceedings). Thus, the Office is adopting excess claims fee amounts designed to permit applicants to include excess claims when necessary to obtain an appropriate scope of coverage for an invention, but to deter applicants from routinely presenting a copious number of claims merely for tactical reasons.

Finally, while U.S. practice does not permit a multiple dependent claim to depend from another multiple dependent claim (35 U.S.C. 112(e)), this does not impact the applicable excess claims fee as a multiple dependent claim or any claim depending therefrom is considered a separate dependent claim for purposes of computing the required excess claims fee. See 35 U.S.C. 41(a)(2)(B).

#### Oath and Declaration Fees and Correct Inventorship

**PPAC Comment 23:** The PPAC applauded the Office's elimination of the fee for filing an oath or declaration, first proposed in February 2012. The PPAC also stated that the \$1,000 fee to correct inventorship is unwarranted, commenting that a fee for changing inventorship stemming from a restriction requirement or amendments to the claims does not seem appropriate and that enlargement of inventorship (which might require a further search) is what matters. The PPAC recommended that the Office charge a fee only to correct inventorship that adds an inventor after the first Office action.

**Response:** Changes to inventorship (e.g., adding previously unnamed persons as inventors or removing persons previously named as inventors) after examination has started can cause additional work for the Office. This additional work is necessary regardless of whether the change to the inventorship is the correction of an error in naming inventors, or is due to changes to the claims resulting from an amendment during examination. The inventorship correction fee also is necessary to encourage a bona fide effort to ascertain the actual inventorship as early as possible and to provide that information to the Office prior to examination. However, after carefully considering comments from the PPAC and the public, the Office is reducing the change of inventorship fee in this final rule to \$600 (large entity) from the \$1,000 (large entity) fee proposed in the NPRM. After this reduction, the revenue generated by this fee will continue to offset the costs incurred by the Office when there is a change in inventorship. Additionally, the Office proposed for this fee to be paid when inventors are added or deleted, because requiring the fee only to add inventors will encourage applicants to err in favor of naming too many persons as inventors, which would complicate the examination process (e.g., it could complicate double patenting searches). After further consideration of the PPAC report and other public comments, in this final rule, the Office is requiring a fee to accompany a request to correct or change the inventorship filed after the Office action on the merits, unless the request is accompanied by a statement that the request to correct or change the inventorship is due solely to the cancelation of claims in the application.

#### B. Public Comments in Response to the Notice of Proposed Rulemaking

The Office received 28 written submissions in response to the proposed rulemaking from intellectual property organizations, not-for-profit or academic or research institutions, law firms, and individuals. The summaries of comments and the Office's responses to the written comments follow.

##### General Fee Setting Considerations

##### General Fee Setting Approach

**Comment 1:** Several commenters expressed support for the Office's overall fee setting approach, including the goals for implementing a sustainable funding model and optimizing patent timeliness (i.e., first action pendency of 10 months and total pendency of 20 months) and quality. Specifically, one

commenter stated that the fee changes are a step in the right direction. Another commenter supported the Office's efforts to reduce the patent application and appeal backlog and commended the Office's success to date. Noting that extended patent application pendency hinders progress and weakens the motivation to invent, one of the commenters stated that the proposed fees will benefit the USPTO and help expedite the application process for those seeking a patent, thereby advancing technology.

**Response:** The USPTO appreciates the endorsement from the commenters and is committed to achieving the goals developed in consultation with the stakeholder community as set forth in the Strategic Plan. The fee schedule in this final rule provides the Office with a sufficient amount of aggregate revenue to recover the aggregate cost of patent operations while implementing key strategic initiatives, such as decreasing patent application pendency, reducing the patent application backlog, improving the quality of patent examination, and updating patent information technology systems. The decrease in pendency, reduction in the backlog, and improvement in patent information technology systems will speed the delivery of innovative goods and services to market and facilitate economic growth and the creation of jobs. Likewise, improving the quality of patent examination strengthens the U.S. patent system.

**Comment 2:** A commenter stated that the patent application pendency targets of first action pendency of 10 months by FY 2015 and total pendency of 20 months by FY 2016 reflect appropriate long-term goals for the Office. The commenter further stated that applicants will benefit from the early indication of the likely scope of patent coverage and the speedier issuance of a patent, which can allow them to more confidently invest in the commercialization of (or obtain financing for) their innovations. The commenter suggested that competitors of the patentee also will benefit by knowing where they may safely target their commercial activities and investments. The commenter continued to support the pendency goals by explaining that patent applicants need an indication of their prospects for receiving a patent in time for them to consider whether and where to file outside the United States. The commenter explained that under the Paris Convention for the Protection of Industrial Property, applicants have only one year in which to file and claim the priority of their first filing—for

applicants who did not first file a provisional application or other priority application—and that receiving a first action at 10 months will allow them to decide whether to file abroad and to take steps to achieve such filings. The commenter stated strong support for the 10 months first action pendency and 20 months total pendency goals and welcomed the proposed lengthening of the timeframes for achieving the goals. The commenter further stated that the Office should not need to change the 10 and 20 month patent application pendency goals in order to provide a "soft landing" (in reference to the PPAC Fee Setting Report). Instead, the commenter suggested that the Office has many other tools (e.g., increasing/decreasing overtime, monitoring filing activity, or adjusting hiring) at its disposal to calibrate the throughput in specific art areas and is confident that the Office can reasonably achieve both the pendency goals and a "soft landing."

**Response:** The Office appreciates the feedback and endorsement for the 10 and 20 pendency month goals, which were developed in consultation with the stakeholder community when the Office established the Strategic Plan. As part of the Office's planning for achieving these goals and a "soft landing" for the optimal patent application inventory level, the Office has recalibrated its short-term plans to take into consideration comments from the public as well as new information, such as higher examiner production levels, historically low attrition rates, and the substantial progress the Office has already achieved to date. Consistent with plans to manage a "soft landing" and avoid an excessively low inventory, the Office has changed the timeframe in which it estimates it will reach its ideal pendency goals to FY 2016 and FY 2017 for first action pendency and total pendency, respectively, but with the recognition that the USPTO may well be within 1 to 2 months of its goal (or that it may fully reach it) in FY 2015 and FY 2016, respectively.

**Comment 3:** One commenter questioned why the Office incorporated the cost of a photocopy at \$.25 per page and the cost of a black and white copy of a patent at \$3.00 into its fee setting process under the AIA, given that the Office's costs for providing these services has not changed in years.

**Response:** The Office included the fees associated with a photocopy (\$.25 per page) and a black and white copy of a patent (\$3.00) into the patent fee schedule. The Office is setting the fees at the existing fee rates because the Office's data in support of the unit cost

for these services is not current. Therefore, the Office determined it was best to set the fees at existing rates until such time that it assesses more current information.

*Comment 4:* A commenter questioned the need for a \$200 electronic filing incentive.

*Response:* Section 10(h) of the Leahy-Smith America Inventors Act (AIA) provides for the establishment of a \$400 (\$200 for small entity) fee for any patent application filed by mail, rather than via the Office's electronic filing system (EFS-Web). The overriding purpose for this fee is to encourage applicants to file electronically, which facilitates more effective administration of the patent system. The Office began collecting the electronic filing incentive fee on November 15, 2011, and does not have the authority to change the fee established by the AIA. Once the fee is collected by the USPTO, it must be deposited in the United States Department of the Treasury and is not available to the USPTO for spending.

*Comment 5:* A commenter suggested that the Office's continued reliance on a fee schedule that is heavily dependent on post-allowance fees is flawed and continues to put the Agency in an unstable financial position. A commenter argued that the optimal fee schedule should consider the incentives and social welfare of patent applicants and society as well as the USPTO's need for financial sustainability. The commenter proposed that the Office consider further increasing filing, search, and examination fees to better align these fees with the costs of these services and to decrease the Office's reliance on post-allowance fees. Further, the commenter stated that being overly dependent on post-allowance fees that only materialize if the Office decides to grant patent applications creates an incentive for the Office to grant an unnecessarily large number of patents and potentially invalid patents. The commenter cited a forthcoming academic study that supports this theory.

*Response:* As noted in this rulemaking, Congress and the USPTO have long promoted a fee structure that fosters innovation by removing barriers to entry into the patent system through lower front-end fees (set well below cost) and higher back-end fees. The lower front-end fees facilitate entry into the patent system, and in so doing, encourage the disclosure of information on new inventions and ideas to the public. Higher back-end fees not only help to recoup costs incurred at the front-end of the process, but also foster innovation by encouraging patent

holders to assess the costs and benefits of maintaining their patent at various points over the 20 year term of the patent (i.e., 3.5 years, 7.5 years, and 11.5 years) when maintenance fees are due. This helps to ensure that low value patents are released back into the public domain for subsequent commercialization. The Office carefully considered many factors discussed in this final rule to determine that the increases to filing, search, and examination fees are adequate to secure the needed aggregate revenue to recover examination costs while continuing to foster innovation.

The Office has conducted extensive short- and long-term analyses of historical costs using the Office's activity-based cost data, budget execution data, allowance rates, strategic and operational goals, and elasticity estimates to mitigate risks to its financial stability. These analyses revealed that the vast majority of the USPTO's past financial stressors were the result of unforeseeable circumstances that were typically short-term in nature (e.g., receiving an authorized spending level lower than that requested of Congress, proposed surcharges or fee rate increases that were not enacted, unanticipated dips in revenue due to broader economic conditions, etc.). These kinds of pressures were generally felt within a given fiscal year, and were best addressed through fiscal year spending adjustments. Attempting to mitigate these pressures by increasing allowance rates would have done nothing to alleviate such short-term concerns, because the maintenance fees would not have been collected until years later. The operating reserve presented in this final rule better establishes a sustainable funding model to respond to these types of short-term circumstances.

Moreover, the Office's fee schedule and financial positions are not the drivers of patent examination practice. While there is a direct correlation between the number of patents granted and future maintenance fee collections, patent examiners make independent patentability determinations in accordance with statutory requirements by comparing the prior art to the claimed invention as a whole, without regard to budgetary pressures of the USPTO. Furthermore, the training patent examiners receive is not varied depending on the Office's fee structure or financial status.

Lastly, with regard to the "forthcoming academic study," the commenters acknowledged that they "cannot absolutely conclude \* \* \* that the Office's fee structure has truly

caused an increase in granting behavior." The Office also points out that there is no data or policy basis to support the argument that examination practices are the result of the Office's fee structure or financial position.

*Comment 6:* A commenter suggested that while a financially constrained USPTO could increase fees in an effort to cover its expenses, the duration of the fee setting process limits the ability of the Office to immediately augment its revenue through fee increases. Thus, the commenter suggested that the Office may turn to granting patents in an effort to increase fee collections, even with fee setting authority.

*Response:* The Office does not and will not grant more patents as a financial tool to increase fee collections. As discussed in Comment 5, above, the statutory requirements governing patent examination do not permit such a strategy. In addition, the Office considered the timeline for setting and adjusting fees under the AIA in its financial plans. In the event the Office finds itself unexpectedly financially constrained, the Office will adjust spending accordingly and use the operating reserve if needed to manage through the timeframe required to adjust fees.

*Comment 7:* A commenter suggested that the Office divert maintenance fees to a special fund which would be limited to subsidizing the filing, search, and examination costs for small and micro inventors.

*Response:* The Office does not have the legal authority to create a special fund in which to deposit maintenance fees. However, under the fee structure included in this final rule, maintenance fees paid by large, small, and micro entity inventors (patentees) will be used in part to subsidize the filing, search, and examination costs for all applicants including small and micro entity inventors.

*Comment 8:* A commenter suggested that the Office should reduce the proposed fee levels. The commenter noted that as proposed in the NPRM, routine patent fees through issue decrease by 22 percent. The commenter added however, that when factoring in the total fees paid through third stage maintenance, total fees paid increase by 26.3 percent in FY 2013 and 20.9 percent in FY 2014 when the issue fee decrease becomes effective. The commenter further encouraged the Office to accelerate the effective dates of several fees, including the issue fee estimated in the NPRM to take effect on January 1, 2014.

*Response:* The commenter is correct in stating that, once effective, the

routine patent fees through issue for a large entity proposed in the NPRM decreased by 22 percent (decreases by 23 percent in this final rule), whereas in FY 2014, when coupled with the three maintenance fees, the total fees increased by 26 percent (increases by 24 percent in this final rule). This is consistent with the policy factor of fostering innovation, which guided decisions for setting the proposed fee levels. That is, the Office proposed to set front-end fees below cost and set back-end fees above cost to recoup the front-end subsidy. A front-end subsidy encourages patent application filings and the disclosure of new technology to foster innovation.

When setting the effective date for fee changes, the USPTO takes various factors into consideration, including the number of patent applications it expects to receive and the amount of work it expects to process (e.g., an indicator for workload of patent issue fees). This enables the USPTO to calculate the aggregate revenue for each fiscal year. To allow the Office to recover sufficient revenue to pay for the projected costs for FY 2013, the effective date of the proposed reduction to the issue fee and a few other fees has been set at January 1, 2014. Accelerating this effective date would put the Office at risk of collecting insufficient revenue in FY 2013 to meet its operating expenses.

Finally, based on the current timeline for examining and issuing a patent, the delayed implementation date for the reduction in the issue and publication fees (January 1, 2014) generally aligns with the timing of the increase in filing, search, and examination fees so that patent applicants paying the current (lower) filing, search, and examination fees prior to FY 2013 will continue to pay the current (higher) issue and publication fees. On the other hand, successful patent applicants benefiting from the reduced issue and publication fees in FY 2014 will be more likely to have paid the increased filing, search, and examination fees effective shortly after the publication of this final rule.

**Comment 9:** A commenter noted that the Office's goal of "fostering innovation" fails to take into account the externalities that marginal (i.e., low value) patents impose on producing companies, other innovators, and the public, which over time contribute to the failure of the disclosure function by lowering the quality of patents.

**Response:** The USPTO is committed to optimizing the quality of the patents it issues, as well as the timeliness. As noted in the Strategic Plan, the Office has taken numerous actions to measure and improve quality. Through

collaboration with the PPAC, and with participation from the entire patent community, the USPTO developed a comprehensive set of metrics that are used to monitor patent quality from start to finish. These quality metrics are reported to stakeholders on a monthly basis via the performance dashboard on the USPTO's Web site (*see the Patent Dashboard in the USPTO Data Visualization Center available at <http://www.uspto.gov/dashboards/patents/main.dashxml>.*)

In addition, one of the policy factors contemplated in USPTO fee setting is to foster innovation by providing fee levels that encourage, not discourage, innovation. Economic evidence has shown that patents are one important means by which innovators can profit from their research and development efforts, and the patent filing decision normally comes at the beginning of the innovation process, when uncertainty over commercial viability is highest. The fee setting approach adopted by the Office allows for more experimentation earlier in the process by innovators, while also recognizing that other fees charged later in the process (i.e., issue and maintenance fees) will require the innovator to make decisions about the economic value of continuing with the patenting process. In this way, and through the added investment that the USPTO fee structure will allow the Office to make in improving quality and timeliness of examination, the system will minimize the sort of marginal patents mentioned as a concern in the comment.

Relatedly, disclosure, both in quality and in the timeliness of arrival, is also improved by the new fee structure, since the innovation community will receive better information, earlier in time. Finally, increased maintenance fees, as set in this final rule, should help to mitigate the externalities created by marginal patents. If the patents are truly of a low-value, patent holders will elect not to maintain them for as long, thus making them available in the public domain sooner than they might have been under a lower maintenance fee schedule.

**Comment 10:** A commenter is concerned that shifting fees to be higher at the front-end and lower at the back-end will ultimately discourage some applicants from filing otherwise worthy patent applications, and will impede the dissemination and publication of potentially useful inventions, removing them from public discourse. The commenter suggested reducing filing, search, and examination fees and/or shifting a higher proportion of the fees to the back end.

**Response:** While the filing, search, and examination fees in the final fee schedule increase, once effective, the total basic fees for obtaining a patent (i.e., filing, search, examination, publication, and issue) decrease by 23 percent. As discussed in the Office's response to PPAC Comment 4, the Office shares the commenters concern about the impact of increased filing, search, and examination fees on the number of prospective patent applications filed. However, the Office's elasticity analysis indicates that the potential impact is small and that filings will continue to grow over the next five years, even if at a somewhat lesser rate for the first few years. Additionally, while some applicants may choose not to file low value patent applications due to the increased combined filing, search, and examination fees, there are other means by which an applicant may disclose his or her invention (e.g., manufacturing the product). Therefore, when combined with the above mentioned elasticity analysis, the Office expects that the impact to public disclosure will not be significant. Further, to the extent there is some impact on filings, the Office has determined that the benefits of the fee changes outweigh the temporary cost of fewer patent filings. The additional revenue generated from the increase in fees provides sufficient resources to decrease patent application pendency. The reduction in patent application pendency is estimated to increase private patent value by shortening the time for an invention to be commercialized or otherwise obtain value from the exclusive right for the technology. Given this overall benefit to the patent system taken as a whole, the Office is setting and adjusting the total filing, search, and examination fees (\$1,600 for a large entity) as proposed in the NPRM.

**Comment 11:** A commenter commended the Office for its willingness to be flexible in the application of its new fee setting authority. The commenter also urged the Office to keep the overarching goal of patent quality in the forefront of the discussion with the pendency and fiscal goals. The commenter further stated that the user community remains open to supporting reasonably justified fee increases and procedural changes that are aimed at producing high quality, valid, and enforceable patents.

**Response:** The USPTO appreciates the commenter's support for its exercise of fee setting authority. The USPTO's first strategic goal is to optimize patent quality and timeliness. To fulfill this goal, the Office established a set of

strategic objectives to decrease patent application pendency and reduce the patent application backlog, as well as to measure and improve patent quality. Over the past several years, the Office has made significant progress on a set of initiatives that aim to improve patent quality. In collaboration with the patent examiners' union, the Office has developed a new work credit system that gives examiners more time to review the merits of patent applications before making their decisions. The Office also implemented new performance standards that place a greater emphasis on examiners interacting with applicants earlier in the process in order to clarify claims and enhance the quality of patent reviews. At the same time, the Office is committed to building a highly-skilled and capable examining corps, implementing improved hiring practices with a focus on recruiting experienced IP professionals, and providing comprehensive training to both new and experienced examiners.

As the Office implements these and other quality initiatives it is ensuring accountability and tracking progress by initiating 21st century analysis, measurement, and tracking of patent quality. Indeed, the Office developed a comprehensive set of metrics that are used to monitor quality from start to finish. These quality metrics are reported to stakeholders on a monthly basis via the performance dashboard on the USPTO's Web site. *See* <http://www.uspto.gov/dashboards/patents/main.dashxml>.

*Comment 12:* The Office received several comments about the patent application pendency goals and the relationship to the availability of prior art. One commenter suggested that the USPTO's goal to reduce first action pendency to 10 months may have the unintended consequences of increasing the uncertainty of the patenting process and potentially reducing the quality of patents, given that there may be "hidden" prior art since patent applications are not published until 18 months after the filing date. The commenter recommended that either the first action pendency goal be relaxed to 20 months, or that the USPTO allow applicants to postpone paying search and examination fees for up to 18 months. Another commenter disagreed with this idea asserting that the statement in the PPAC Fee Setting Report regarding the possibility that there may be prior art that is unknown to both an applicant and the Office under the patent application pendency goals of 10 and 20 months is not persuasive. The commenter further

explained that while it is true that claims may be allowed that could later be found unpatentable based on subsequently published prior art, the situation has existed for years and patent applicants and the public have enhanced mechanisms to bring such prior art to bear on such claims.

*Response:* The Office agrees with the second commenter's approach to pendency goals and prior art. As noted in the Office's response to PPAC Comment 8, the Office recognizes that some prior art may not be available to the Office before the first Office action on the merits; however, the Office has general support from stakeholders for pursuing a 10 month first action pendency and believes that the risk is mitigated because many patent applications are published in fewer than 18 months. The 18-month publication deadline is computed from the earliest filed application, and many applications are outgrowths of an earlier filed application, which increases the probability that the prior art was already published. Regarding the suggestion to postpone paying search and examination fees for up to 18 months, "staging" of fee payments is an idea that the Office may explore in the future. Given the significant change in the revenue stream for a fee structure modification of this magnitude, the Office believes it is better to first achieve greater financial stability through a sufficient operating reserve and then solicit feedback and ideas from the public via a formal request for comments regarding staged fees. Moreover, the realignment of the individual fees for filing, search, and examination to their respective costs in this final rule prepares the Office to entertain a future staged fee schedule if it was a structure the Office and its stakeholders determined was viable.

*Comment 13:* A commenter questioned the Office's conclusion that application filings will increase as a result of the proposed changes, especially for small entities. Another commenter suggested that the increased patent fees will discourage independent inventors from filing applications and maintaining patents.

*Response:* Under the final patent fee structure, large and small entities will pay increased filing fees (i.e., fees for filing, search, and examination). This is counter-balanced in that most successful applicants, regardless of entity status and once effective, will pay less in fees (23 percent for large entities) through the issuance of their patent under the new fee structure. Additionally, the micro entity discount will become available with the new fee

structure, mitigating costs significantly for a subset of small entities. However, the Office recognizes that the increased filing fees for large and small entities may discourage some applicants from filing applications. The Office accounted for this impact through the analysis of elasticity. Using publicly available data, the Office incorporated elasticity estimates into its projections and forecasts. The data used does not permit the Office to disaggregate elasticity effects by entity size (e.g., large, small, or micro). The increase in filing fees to large and small entities is expected to reduce moderately the anticipated growth rate of future patent application filings in the short term, but it is not expected to cause a decline in the total number of new (serialized) application filings. The Office expects that filing levels, including for micro entities, will return to the same levels anticipated (across all entity sizes) in the absence of a fee increase by FY 2016. This analysis is described in detail in the supplemental document on elasticity available at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp).

*Comment 14:* One commenter believed that higher fees should be accompanied with good or better published patent content. The commenter suggested that the Office use fees to maintain its current high quality of patent data, specifically text accuracy.

*Response:* Providing high quality patent data and information is a priority for the USPTO. The new patent fee structure is designed to ensure that the USPTO generates sufficient revenue to recover its aggregate costs, including those costs associated with the Office's multi-year effort to improve its patent IT systems. Through the PE2E modernization effort, the USPTO will improve both the efficiency and effectiveness of its patent IT systems and business processes, while at the same time continue providing high quality patent information to the public.

The PE2E system seeks to improve the USPTO's image-to-text conversion capabilities. To do so, the USPTO plans to engage a number of solutions moving forward that will further enhance the Office's character recognition capabilities and the accuracy of the converted text. In addition to better enabling the Office to convert documents to text, PE2E is exploring ways to receive text directly from the applicant, with a focus on solutions that will both minimize the burden on USPTO's stakeholders and improve the quality of text received by the Office.

**Comment 15:** A commenter believes that the increased fees would have a negative impact on many businesses. The commenter stated that some companies may have to use research and development money to cover the cost of patent fee increases. The commenter claimed that this diversion of resources would inhibit innovation and job creation in America's technology sector. Additionally, the commenter noted that the proposed fees increase the total cost of filing, prosecuting, and maintaining patents, and that the Office already increased most of its fees by 15 percent in 2011 and then again in October 2012. The commenter recommended that the fees for filing, prosecuting, and maintaining a patent be held constant at the current level and extra claims fees also remain constant until the CPI justifies another increase.

**Response:** The Office analyzed the costs and benefits of this final fee schedule and three alternative fee schedules in comparison to the Baseline (status quo or current fee schedule) in the RIA. See [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp). The Office determined that it must increase fees to meet its aggregate costs while implementing key strategic initiatives, including costs to reduce patent application pendency and the backlog, to improve the quality of patent examination, and to update patent information technology systems that benefit both the Office and the applicant. The Office understands that innovation is critical for economic growth and national competitiveness because it brings new goods and services to market. The Office weighed the cost of increasing fees against the benefit of reducing the patent application backlog so that the Office can provide applicants with 10 months first action pendency and 20 months total pendency. The Office also recognizes that there may be a reduction to the growth of new application filings; however, the Office has also determined that the benefits of the fee changes outweigh the temporary cost of slower growth in patent filings. The fee structure set forth in this final rule thus encourages innovation and facilitates job creation.

To meet its aggregate costs, the Office requires additional funds (2 percent increase in total aggregate revenue) beyond the amount provided by the 15 percent surcharge. The additional revenue generated from the increase in fees provides sufficient resources to decrease patent application pendency, and the reduction in pendency is estimated to increase private patent

value by shortening the time for an invention to be commercialized or otherwise obtain value from the exclusive right for the technology.

**Comment 16:** One commenter suggested that the Office retrain administrative staff to become operational staff (i.e., patent examiners) in order to clear the backlog and to reduce overhead.

**Response:** For patent examiner positions, the USPTO recruits engineers, chemists, microbiologists, physicists, and biologists that have successfully completed all requirements for an undergraduate or higher degree at an accredited college or university. In addition, for some disciplines, the USPTO specifies a minimum number of hours of required course content. For candidates seeking employment above entry level, the Office requires professional experience in an appropriate field, graduate education in the field, and/or law school.

The USPTO's administrative personnel generally have educational backgrounds that do not qualify them to fulfill patent examiner positions, e.g., accounting, economics, statistics, etc. Moreover, it is impossible to run an agency without personnel who perform human resources, information technology and other administrative functions necessary to the operation of the Office. Finally, administrative personnel meeting the patent examiner requirements have applied and become examiners in the past and may continue to apply for vacant patent examiner positions.

The Office anticipates that the new fee schedule will provide sufficient revenue to hire the optimal number of patent examiners needed to reduce the patent application backlog and decrease patent application pendency. Further, the Office will continue to seek cost savings and greater efficiency from its entire staff, including administrative personnel.

**Comment 17:** A commenter suggested that the Office's cost estimate of \$1,860 for a patent search is too high, at least in part, because of inefficient operations.

**Response:** The Office provides the historical costs of the major patent fees, including the methodology used to determine the cost of the fees in a supplemental document entitled, "USPTO Section 10 Fee Setting—Activity-Based Information and Costing Methodology" available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). This document shows the search fee costs associated with the examination of a patent application for FY 2009 (\$1,520), FY

2010 (\$1,694) and FY 2011 (\$1,521) in addition to further detail on the activity costs and the fee calculations.

In 2009, the USPTO's cost management program was recognized as a federal best practice in an independent review, and the Office continues to use these best practices to calculate the cost data that has informed the fee setting process. In addition to using sound cost accounting practices, the Office continues to regularly review its annual requirements-based operating budgets and long-range plans to ensure that the Office operates efficiently. Further, the AIA includes a mandate for the Director of the USPTO to annually consult with the PPAC on the "advisability of reducing any fees" (see section 10(c)). This annual consultation will be informed by both cost accounting data and any efficiency gains the Office realizes while providing patent services.

#### Operating Reserve

**Comment 18:** The Office received several comments about building the three-month operating reserve too quickly. One of the commenters stated that contributing 3 percent to 7 percent of collected fees each year builds the operating reserve too quickly at a high cost to current applicants who face budget constraints. Similarly, another commenter stated that since applicants are already paying higher fees in order to help meet the USPTO's other goals, the operating reserve should be built more gradually to avoid current applicants carrying too much of the burden. A commenter further stated that carefully building and managing a three-month operating reserve is a reasonable fiscal goal and that the commenter appreciated the balanced approach of the modification in the NPRM from the February 2012 proposal, specifically lengthening the target date for achieving full-funding by two years. However, the commenter also stated that a \$200 million increase planned for the operating reserve in FY 2014 in the NPRM is too aggressive and suggested a more appropriate goal would be to permit the operating reserve to achieve the three-month goal over six years. Finally, another commenter further suggested that the plan for building the operating reserve is too quick and establishing a longer timeframe would permit the USPTO to lower the fees for post-grant proceedings, making these prosecution options more accessible to small businesses and non-profit entities.

**Response:** The Office welcomes support for its financial sustainability and operating reserve goals. As noted in the response to PPAC Comment 6, the

Office extended the growth period of the three-month operating reserve by one year (to FY 2018) compared to the timeframe proposed in the NPRM. The Office believes that this timeframe achieves a reasonable balance between growth that is gradual enough to limit the burden on applicants and rapid enough to reach the target reserve and provide necessary financial stability in a reasonable timeframe. Additionally, in this final rule, the Office sets fees for two proceedings at lower amounts than were proposed in the NPRM. These fee reductions are for *ex parte* reexamination (from \$15,000 to \$12,000) and reexamination ordered as a part of supplemental examination (from \$13,600 to \$12,100).

**Comment 19:** A commenter expressed concerns that building the operating reserve so quickly could make it a convenient target for congressional confiscation of fees, and another commenter suggested that the USPTO consider delaying build-up of its operating reserve until such time that any potential fee diversion by the Congress is prohibited. A different commenter suggested that the Office should take every precaution to ensure the fees paid by users are not vulnerable to sequestration or diversion and, if either becomes a reality, the Office should immediately stop building the operating reserve until a mechanism can be found to protect the funds.

**Response:** As noted in the response to PPAC Comment 6, the AIA mitigates the issue of fee diversion by stipulating that USPTO's excess collections are to be deposited into the new Patent and Trademark Fee Reserve Fund rather than into the general Treasury, and are available for USPTO purposes as provided for in the Office's annual appropriations bill. The Office will continue to work closely with Congress to ensure full access to fees paid by patent applicants and patentees, consistent with the AIA. In addition, as previously mentioned, the Office has slowed the growth of the operating reserve.

**Comment 20:** A commenter noted that there may be several potential surges in fee activity during the course of implementing the AIA, which would likely lead to "bubbles" of fee payments that could be used as a source of funds for building the operating reserve.

**Response:** The Office anticipates "bubbles" of fee payments in advance of this new fee schedule taking effect, similar to the surge in collections experienced in late FY 2011 after the passage of the AIA and the implementation of the 15 percent surcharge in FY 2012. Unlike the

"bubble" at the end of FY 2011, however, the "bubbles" that the Office anticipates for FY 2013 as a result of this final rule and for FY 2014 relating to implementation of those fees set to take effect on January 1, 2014, will be experienced within the respective fiscal years. These anomalies ("bubbles") are considered in the Office's projected FY 2013 and FY 2014 aggregate revenue collections, including the estimated operating reserve levels.

#### Small, Micro, and Independent Inventor Matters

**Comment 21:** The Office received several comments about the impact of fees on small entities and the provision of small and micro entity discounts. One commenter questioned whether the USPTO is providing micro entities with a 75 percent discount. Several commenters expressed support for small and micro entity fees, and some welcomed any further fee reductions, with one commenter proposing that the discount for small entities should be increased to one-third of large entity fee rates instead of one-half. A commenter stated that it is inconsistent to allow small entities (and micro entities) to file applications with reduced filing fees but not allow reduced reexamination fees. One commenter expressed general support for the fee proposal, particularly for the manner in which the rule allocates fees based on an applicant's ability to pay (e.g., large entities pay more) and the front-end/back-end subsidy structure. Lastly, one commenter recommended that the USPTO set aside a small fraction of large entity fee collections for outreach to small businesses.

**Response:** Congress authorized micro entity fee reductions and an enhanced list of small entity fee reductions to permit greater access to the patent system by these entities. Section 10(b) of the AIA states that the "fees set or adjusted under subsection (a)" for the specified patent services "shall be reduced by 50 percent with respect to the application of such fees to any small entity that qualifies for reduced fees under section 41(h)(1) of title 35, United States Code." (Pub. L. 112-29, section 10). Therefore, the Office has no legal authority to change the size of the discount for small entities from 50 percent. Section 10(g) of the AIA further reduced the fee burden for some small entities by adding section 123 to chapter 11 of title 35 to define a new micro entity class of applicants. Section 10(b) of the AIA further states that "fees set or adjusted under subsection (a)" for the specified patent services "shall be reduced by 75 percent with respect to

the application of such fees to any micro entity as defined in section 123."

Under the authority of section 10(b) of the AIA, the Office sets small and micro entity fee rates for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents; these rates amount to a 50 percent reduction for small entities and a 75 percent reduction for micro entities. Fee reductions for reexamination services are included under the authority of section 10(b). In this final rule, the Office sets or adjusts 351 patent fees, including 94 small entity fees set at a reduction of 50 percent and 93 micro entity fees set at a reduction of 75 percent from the large entity fee amounts.

The USPTO continues to work with companies, legal associations, inventor organizations and others to provide inventors and small businesses with contacts, information and assistance. The Office supports several programs to help both small businesses and independent inventors, including the Small Business Education Campaign and pro bono programs. More information on these programs and others designed to support small businesses is available at <http://www.uspto.gov/smallbusiness/about/> and also <http://www.uspto.gov/inventors/proseprobono/index.jsp>.

The AIA directs the USPTO to work with intellectual property law associations across the country to establish pro bono programs for financially under-resourced inventors and small businesses. A pilot program in Minnesota was launched in June 2010 to provide legal services to help such individuals and businesses obtain solid patent protection. Another pro bono pilot program was launched in Denver during FY 2012. More regional pro bono programs are planned for 2013. Outreach to small businesses and independent inventors is included in the Office's annual patent operating budget, so a portion of all fees collected contributes to this outreach effort.

**Comment 22:** Several commenters suggested that discounts to small and micro entities should be extended to *inter partes* reviews, post-grant reviews, and covered business method patent reviews, with one of the commenters asserting that if the fees are too high, small and micro entities will be driven out of the market in favor of large corporations. One of the commenters disagreed with the USPTO's interpretation of section 10(b) of the AIA, and argued that neither the text of section 10(b) nor any other provision of the AIA limits the USPTO from offering reduced fees or lowering fees for

services not enumerated in that section. The commenter stated that, even if the USPTO's interpretation is correct, the Director has broad authority to lower fees for the administrative trials to allow greater access for entities such as small businesses and non-profits that may otherwise not be able to participate. Other commenters suggested providing non-profit organizations similar or greater discounts on post-grant review and *inter partes* review fees, with one commenter suggesting these proceedings would be prohibitively expensive for non-profit organizations. Another commenter applauded the Office's work to reduce certain fees (from those set under the Office's section 41(d)(2) authority), especially the *ex parte* reexamination fees for small and micro entities. However, the commenter expressed concern that the proposed fees would create a disincentive for some third parties (e.g., public interest groups) to challenge patents, and urged the Office to provide reduced fees for small and micro entities, specifically for not-for-profit organizations.

**Response:** The express authority of section 10(b) refers to fees for supplemental examination, reexamination, and petition, but not to administrative trials like *inter partes* review, post-grant review, and covered business methods review. Further, because the administrative trials are new services for which the Office has no historical cost basis, setting these fees too far below their prospective cost is risky. The Office designed the new procedures around Congressional intent for the AIA. In many cases, these services are an alternative to even more expensive litigation. Further, many of these services, including post-grant review and *inter partes* review, provide for refunds if the Office does not elect to institute a proceeding, which could significantly lower the cost.

The Office's authority to set fees is coupled with the requirement that aggregate patent revenue must recover the aggregate cost of patent operations. As the Office collects and analyzes more data about the cost of patent operations for these new services, the Office will continually reassess the fairness and adequacy of the fee schedule to both achieve the needed aggregate revenue and remain aligned with the Office's strategic and operational goals and policy priorities—including fostering innovation.

In addition, the Office also established staged fees for appeals and RCEs, which aim to reduce the upfront cost of patent services for all entities, but especially those eligible for a fee

reduction. Finally, the pendency gains that the Office aims to realize as a result of the additional revenue will be beneficial to all entities—including not-for-profit entities and public interest groups, as demonstrated by the positive net benefit presented in the RIA. (See the RIA at [http://www.uspto.gov/aia\\_implementation/fees.jsp](http://www.uspto.gov/aia_implementation/fees.jsp)). Although non-patent holders will not accrue monetary benefits from the reduction in pendency, the rest of society stands to gain other benefits (e.g., decreased uncertainty) as described in the RIA.

**Comment 23:** A commenter stated that the criteria to qualify for micro entity status are too restrictive, specifically the limitation on the number of prior patent applications due to prior employment situations and the income requirements. The commenter suggested eliminating the limit related to not being named on more than four previously filed patent applications and raising the income requirement to four or five times the median household income.

**Response:** The AIA established the criteria under which an applicant may qualify for micro entity status (see 35 U.S.C. 123). This final rule sets fee levels, which in applicable instances include micro entity discounts as set forth in section 10(b) of the AIA. This final rule does not alter the eligibility requirements set forth in the law. In a separate final rule, the Office set forth rules of practice pertaining to how an applicant can qualify for micro entity discounts. See Changes to Implement Micro Entity Status for Paying Patent Fees, 77 FR 75019 (Dec. 19, 2012). 35 U.S.C. 123(a)(2) has a criterion for micro entity status that requires the applicant “has not been named as an inventor on more than 4 previously filed patent applications, other than applications filed in another country, provisional applications under section 111(b), or international applications filed under the treaty defined in section 351(a) for which the basic national fee under section 41(a) was not paid.” 35 U.S.C. 123(b) states that “[a]n applicant is not considered to be named on a previously filed application for purposes of subsection (a)(2) if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment.” 35 U.S.C. 123(a)(3) states that a micro entity is one who “did not \* \* \* have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986, exceeding 3 times the median household income for that preceding calendar year.” The Office does not have the authority to eliminate the previously filed application limit or

expand the income level because both are set by statute. However, the law does not apply to applications filed due to prior employment situations if the applicant has assigned, or is under an obligation by contract or law to assign, all ownership rights in the application as the result of the applicant's previous employment.

**Comment 24:** A commenter asked the Office to estimate how much it would cost a small or micro entity to claim eligibility for these discounts.

**Response:** The AIA established the bases under which an applicant may establish micro entity status (see 35 U.S.C. 123). While this final rule sets fee levels, it does not establish the procedural requirements for asserting small or micro entity status. To pay reduced patent fees as a small entity, the entity must merely assert small entity status using the same procedures in place today. Specifically, a small entity may make this assertion by either checking a box on the transmittal form, “Applicant claims small entity status,” or by paying the small entity fee exactly. In a separate rulemaking (see Changes to Implement Micro Entity Status for Paying Patent Fees, 77 FR 75019 (Dec. 19, 2012)), the Office set out the procedures pertaining to claiming micro entity status. These procedures are designed to align with, to the extent feasible, the corresponding small entity procedures. A micro entity must certify in writing that he or she meets the criteria delineated in the AIA. In both cases, the burden to establish small or micro entity status is nominal (making an assertion or submitting a certification).

**Comment 25:** A commenter questioned the Office's assumption that all foreign individuals will qualify for micro entity fee reductions.

**Response:** The Office does not assume that all foreign patent applicants will qualify for micro entity discounts. The introduction of micro entities required the Office to refine its fee payment workload and fee collection estimates. The Office estimated the size of the micro entity population by making certain calculations about how many applicants would likely qualify under each of the criteria set forth in the law (see sections 123(a) and (d)) using the best available data. In making these estimates, the Office considered several factors, including historical data on patents granted. The Office began with patent grant data, because the best available biographic data on applicant type (e.g., independent inventor and domestic universities) comes from patent grant data in the Office's database.

As noted previously, individuals (not companies or organizations) accounted for a very small portion of utility patent grantees in FY 2011. Only 5.0 percent (11,068) of granted patents went to individuals in the U.S., and 1.9 percent (4,206) of granted patents went to individuals from other countries. Designation as an individual is based on being listed in the USPTO database without being associated with a company. By the Office's own records, in FY 2011, individuals from other countries received 4,206 utility patents. The Office's Patent Application Locating and Monitoring (PALM) database reports that 62 percent of both foreign and domestic small entity applicants filed fewer than 5 applications in FY 2009. The Office combined these statistics to estimate that only 2,608 (62 percent of 4,206) of foreign individuals would meet the joint standard of being an individual and having filed fewer than five applications. Then, the Office concluded that about 97 percent of American households fall under the maximum income threshold for micro entity eligibility. Given that household income in the United States is greater than that of most foreign countries, it is reasonable to project that all foreign applicants applying as individuals who meet the other standards for micro entity eligibility are not likely to be disqualified on income alone. All foreign patent applicants will have to specifically qualify by the requirements set forth in 35 U.S.C. 123 in order to be eligible for the micro entity discount.

*Comment 26:* A commenter stated that proposals for the reduction of certain Patent Cooperation Treaty (PCT) fees aimed at making the international patent system more accessible to small and micro entities are generally welcomed, provided that such reductions are affordable for the Office and that the administration of such fee reductions is manageable and proportionate.

*Response:* The Office remains committed to making the patent system more accessible to small and micro entities both domestically and abroad. Given the Office's mandate to ensure that aggregate revenue recovers aggregate cost, the Office conducted the necessary analysis to conclude that providing fee reductions for certain PCT services is both affordable and consistent with the Office's goals. The Office does not anticipate a large administrative burden for its own operations or those of other Receiving Offices. The Office will continue to work with its international partners to balance support for small and micro

entities with the effective administration of global patent systems. For example, in response to concerns raised by one of the Office's international counterparts, the Office is setting the effective date for the international phase fees established in § 1.445 and § 1.482 in this final rule as (including small and micro entity discounts) January 1, 2014, to provide sufficient time between publication of the final rule and the fee effective date to allow consequential changes to be made to international forms, procedures, and associated systems.

*Comment 27:* A commenter stated that the means for claiming fee reductions on PCT services as a small entity must be easy to understand and operate by people of any nationality or residence, both for the applicant/agent and for the receiving Offices handling the international application. The commenter added that if a form is to be used, it would be preferable to allow an agent making a filing to check a box on behalf of the applicants without requiring further signatures from each one.

*Response:* In response to the comments suggesting that the fee reductions should be simple to understand and operate, the final rule amends section 1.27(c)(3) to allow small entity status to be established in international applications by payment of the exact amount of the small entity transmittal fee set forth in § 1.445(a)(1) or by payment of the small entity search fee set forth in § 1.445(a)(2) to a Receiving Office other than the United States Receiving Office in the exact amount established for that Receiving Office under PCT Rule 16. Small entity status can additionally be established by written assertion as previously provided for in section 1.27(c)(1). With regard to establishment of micro entity status, the Office will make available a form for use in certifying an applicant's entitlement to micro entity status.

*Comment 28:* A commenter suggested that it is not practical for a Receiving Office to verify whether the claim for micro or small entity status is valid in an international application filed under the PCT. The commenter suggested that the Office should make clear what will happen if the United States International Searching Authority has reason to question an assertion of small or micro entity status made in an international application filed with a foreign Receiving Office.

*Response:* The Office will generally not question applicant's assertion to small entity status. (See, e.g., 37 CFR 1.27(f) and MPEP 509.03 (VIII))

"Normally, the Office will not question

a claim to status as a small entity.") Similarly, the Office plans to generally rely on applicant's certification of micro entity status and will ordinarily not require any additional documents from the applicant concerning the applicant's entitlement to claim micro entity status. However, any attempt to fraudulently establish status as a micro or small entity shall be considered fraud practiced or attempted on the Office. See, e.g., section 1.27(h).

*Comment 29:* One commenter suggested that at least six months would be needed from notice of the final requirements of the system to properly implement instructions, forms, and systems for the execution of payment of small and micro entity fees and establishing small or micro entity status in international applications for which the Office acts as a Receiving Office, International Searching Authority, or International Preliminary Examining Authority.

*Response:* In response to this comment, the Office is setting the effective date for the international phase fees established in § 1.445 and § 1.482 in this final rule (including small and micro entity discounts) as January 1, 2014, in order to provide for sufficient implementation time.

*Comment 30:* A commenter suggested that the proposed fee schedule saddled large entities with more than a fair share of the fee burden, at least for maintenance fees. The commenter urged the Director of the USPTO to use his discretion (granted in 35 U.S.C. 123(e)) to eliminate the 75 percent micro entity discount for maintenance fees.

*Response:* The Office aims to *foster innovation* for all entities, and fee reductions are one of the tools that the Office uses to achieve this policy. Fee reductions are established by the AIA at Section 10(b), and the Office does not have the authority to eliminate the reductions set by the AIA. Also, maintenance fees are a critical component of the USPTO's funding stream given the Office's policy of setting front-end fees below cost and back-end fees above cost. (See the Office's response to PPAC Comment 21 for more information.)

Additionally, the fee burden to large entities for micro entity maintenance fees is not very large, especially because: (1) Micro entities must first qualify as small entities; and (2) the projected population of micro entities is small. As noted in this final rule, the Office estimates that 31 percent of small entity applications will be micro entity applications (see *Part IV. Fee Setting Methodology*). Small entities are already a relatively small portion of patent

applicants—approximately 25 percent over the past five years (see Table 53)—so the population of micro entity applicants is expected to be less than 10 percent (25 percent of 31 percent equals 7.75 percent), and the population of micro entity maintenance fee payers would be even smaller. Further, the dollar differential between small and micro entities over all three stages of maintenance fee payments is just over \$3,000. (The total of maintenance fee payments through the third stage is \$6,300 for small entities compared to \$3,150 for micro entities.)

#### Legal Considerations

*Comment 31:* One commenter stated that there was not adequate time for the public to submit comments in response to the fee proposal. Another commenter requested additional time to prepare comments on the fee proposal.

*Response:* The Office reasonably believes 60 days was sufficient time for public comment. The Office notes that it first set forth a fee proposal on February 7, 2012, and then it held two public hearings in collaboration with the PPAC. Additionally, the PPAC collected written comments in response to the February 2012 fee proposal, which the Office reviewed and made available for public review. Finally, the Office provided a 60-day period for written comments following publication of the NPRM, in addition to the PPAC public hearings and earlier comment period and numerous roadshows across the country to provide the public an opportunity to receive further information and to ask questions of the Office concerning the fee proposal.

*Comment 32:* A commenter stated that the Office must consider the Independent Offices Appropriations Act (IOAA), 31 U.S.C. 9701, both explicitly and *in pari materia*, in setting fees. The commenter asserts that the IOAA applies and that the USPTO's fees amount to taxes insofar as the fees are based on anything other than the IOAA and cost to the USPTO associated with the individual service.

*Response:* The IOAA is a general government-wide user fee statute adopted in 1951. It is a permissive statute and intended for agencies to use in fee setting where Congress has not provided more specific fee setting authority. Where statutes independent of the IOAA provide specific statutory authority for user fees, those statutes control based on the terms of their own coverage and limitations. *See Bunge Corp. v. U.S.*, 5 Cl. Ct. 511, 515–16 (1984), *aff'd mem.*, 765 F.2d 162 (Fed. Cir. 1985) (“The IOAA was intended to serve an interstitial function, providing

fee setting authority where Congress has not otherwise authorized the agency to collect fees \* \* \*. It would be inconsistent with this purpose to hold that the IOAA applies where an agency acts pursuant to a different, more specific grant of fee setting authority.”) Here, the USPTO has separate and specific fee setting authority provided by Section 10 of the AIA. Given the specific fee setting authority Congress provided to the USPTO in Section 10 of the AIA, the USPTO does not need to use the IOAA for this fee setting.

Finally, the IOAA and section 10 cannot be read in *pari materia*, contrary to the commenter's suggestion. The IOAA has several significant limitations that apply to fee setting under the terms of that statute, including some limitations to require that each fee be set to recover the cost of the corresponding service. Section 10 does not impose these limitations and is fundamentally different than the IOAA. Specifically, whereas the IOAA requires that each individual fee be set for cost recovery, section 10 does not compel cost recovery on an individual fee basis, but rather explicitly permits fees to be set to recover “aggregate estimated costs” of the patent operations. In addition, while the IOAA assigns fees to the general treasury, section 10 fees are kept by the USPTO.

*Comment 33:* A commenter stated that the proposed fees exceed the authority of the AIA. Specifically, the commenter states that the AIA provides no authority for allowing the USPTO to set or adjust fees on any basis other than cost of the service provided. For example, the commenter posits that the USPTO may not set individual fees above cost based on policy reasons. The commenter also states that the Office's authority is limited to making adjustments that are supported by cost data while retaining a reasonable semblance of the relative levels of existing fees.

*Response:* The commenter's suggestions are contrary to the plain language of the AIA. The AIA permits individual patent fees to be set or adjusted to encourage or discourage particular services, so long as the aggregate revenues for all patent fees match the aggregate costs of the patent operation. The comment would read into the AIA limitations that do not exist and that are inconsistent with the AIA.

*Comment 34:* A commenter noted that the agency must comply with the Administrative Procedure Act, 5 U.S.C. 500, *et seq.* in setting Section 10 fees.

*Response:* The Office agrees that the Office must comply with the rulemaking

requirements of the Administrative Procedures Act in setting Section 10 fees. As demonstrated in this section and in this rulemaking as a whole, the USPTO has complied with these requirements.

#### Individual Fees

##### Prioritized Examination Fee

*Comment 35:* A commenter suggested that the proposed reduced fee for Prioritized Examination is still too high, and recommended that the USPTO lower this fee to \$2,000 to encourage participation in the program.

*Response:* In this final rule, the Office is lowering the fee for prioritized examination from \$4,800 to \$4,000. The Office aims to increase access to prioritized examination while ensuring that the large entity fee remains at cost recovery. Currently, USPTO cost data does not support the suggested \$2,000 fee. The Office's cost calculation for prioritized examinations is available in the proposed rule published in the **Federal Register**. (See Changes To Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures, 76 FR 59050 (Sept. 23, 2011)). As noted in the Office's response to PPAC Comment 9, the Office will continue to monitor participation in the prioritized examination program to assess whether demand increases with a decrease in the fee, and whether there is any adverse impact on pendency of applications in the traditional examination “track.”

#### Basic Filing, Search, and Examination Fees

*Comment 36:* One commenter asserted that the Office understates the cost of filing a patent application. In particular, the commenter believes that the NPRM misled the public to believe that a fee which actually goes up by 27 percent appears to go down by 62 percent. The commenter suggested that filing fees are confusing because fees “due on filing” include filing, search, and examination fees, instead of solely the “filing” fee.

*Response:* The NPRM states that the basic filing fee for utility applications decreases by 28 percent for large entities. The utility search fee decreases by 3 percent for large entities, and the utility examination fee increases by 188 percent for large entities when compared to the current patent fee schedule. The net result of the changes to these three components is a 27 percent increase (\$340) in the total filing, search, and examination fees for large entity utility applications. *See*

Setting and Adjusting Patent Fees, 77 FR 55028 (Sept. 6, 2012), specifically Table 4 at 55039 and Table 9 at 55043–55044.

The USPTO separated the single fee paid at filing into filing, search, and examination components as part of the 21st Century Strategic Plan that was submitted to the Congress in 2003. The result was to create a more optimal alignment of fees with services, and provide the applicant with more information about the services being received. However, throughout the proposed rule and this final rule, the Office refers to the three fees collectively as the basic “front-end” fees and clearly states that the total of all three fees is due at filing.

#### Request for Continued Examination (RCE) Fees

*Comment 37:* Several commenters expressed concerns about the increase in RCE fees and operational issues surrounding patent examination and RCEs. Several comments expressed support for the Office’s continued efforts to reduce the number of RCEs, but suggested that even more work is needed. One commenter appreciated the reduction of the first RCE fee in the NPRM from the February 2012 proposal to the PPAC, but noted that the second and subsequent RCE fee continues to be nearly double the fee currently in place. The commenter further noted that the moderated fee continues to be high when compared to the costs to examine a case from scratch or to examine a continuation. Several commenters cited issues with examining practices as a reason for increased RCE filings, including improper final rejections, inexperienced examiners, and an examiner’s failure to effectively engage with an applicant. The commenter believed that a punitive subsequent RCE fee will not resolve the issue of applicants filing multiple RCEs. One commenter suggested that, given the number of new examiners hired, the RCE fee should be incrementally increased once the overall experience level of the examining corps increases and quality examination is ensured.

*Response:* The Office carefully considered the decisions to differentiate between fees for filing a first RCE and filing second or subsequent RCEs and whether to increase the RCE fee above its current level. As noted in the final rule, those considerations included historical cost information, historical RCE filing trends, aggregate revenue needs, and patent examination practices (by the Office and applicants). *See* response to PPAC Comment 10.

On the issue of the overall experience level of the examining corps, the Office took into account the average grade level of the patent examining corps when calculating costs. The Office will continue to monitor the quality of examination through its quality metrics that are published on the USPTO Data Visualization Center at <http://www.uspto.gov/dashboards/patents/main.dashxml>.

*Comment 38:* Some commenters expressed concerns about the way the Office docket RCEs. Two commenters suggested that the Office consider docketing RCEs like other amended cases (i.e., the same scheduling as responses to office actions) to advance rather than delay prosecution. Alternatively, one commenter suggested the Office could use the amended case docket for those applicants who pay the higher fee for an RCE and continue placement on the continuing new case docket for those applicants who pay the current RCE fee amount.

*Response:* As a result of the recent Count System Initiative changes, RCEs are being reprioritized within their current docket category based upon their effective filing date, which will move older RCEs ahead for action sooner than other cases in the same category.

*Comment 39:* A commenter stated that the decision to accept an amendment after final rejection is often at the examiner’s discretion and, therefore, so is the need for an RCE. The commenter suggested that: (1) Examination practices be standardized so that all examiners will accept an amendment without an RCE if an amended claim is found to be patentable; and (2) the AFCP be formally adopted. Another commenter suggested that the Office create a new procedure for a “single review RCE” or a “one more action” procedure with a lower fee than is currently charged for an RCE. The commenter envisioned this procedure as an opportunity for an examiner, in exchange for some portion of a count, to consider art the examiner has newly identified or for an applicant to put claims in condition for appeal. The commenter further explained that an examiner could update the search following an agreement after final on potentially allowable subject matter, all without requiring a full RCE with a delayed track and multiple actions. The commenter further suggested that the application should be maintained on the amended case docket (response to office action scheduling), or an even faster docket, and treated as an amendment after final with some count benefit to the examiner. The commenter

recognized the similarity of this procedure to some of the ongoing efforts of the Office (specifically the AFCP), but suggested this procedure would be available as a matter of right and with a lower fee than a current RCE (but higher than the pilot program, which does not currently require payment of additional fees to the Office).

*Response:* In response to this public comment, the Office reviewed data on applications having an after final reply followed by an RCE filing. The data shows that more than 50 percent of all RCEs are filed with no prior submission after final (i.e., no amendment that attempts to place the application in condition for allowance). It is noted that the AFCP should have the effect of motivating more applicants to file after final replies for additional consideration. After a final rejection is made by the examiner, the applicant must do one of three things to avoid abandonment: (1) File a reply that places the application in condition for allowance; (2) file a notice of appeal; or (3) file an RCE in compliance with 37 CFR 1.114. The data suggests that many applicants elect option (3) over option (1). Absent a timely filed after final amendment that permits issuance of a patent (i.e., an amendment that leaves no pending claim subject to a rejection) the application must be regarded as abandoned, unless a notice of appeal or RCE is timely filed. In situations when an after final amendment may make some but not all claims allowable, the current procedures provide a check box (number 6) on the Advisory Action form that allows an examiner to indicate that a claim(s) amended after final would be allowable if submitted in a separate, timely filed amendment canceling the non-allowable claim(s). A copy of the current Advisory Action form is found on page 700–88 of the MPEP, Eighth Edition, Revision 9. With regard to the “single review RCE” or “one more action” concepts, such suggestions are outside the scope of this rulemaking, but to the extent that these suggestions can be implemented consistent with 35 U.S.C. 132 and 133, they will be given consideration.

*Comment 40:* One commenter stated that it is important for the Office to deal with the “hidden” RCE backlog because “one gets what one measures.” The commenter suggested that the pendency goals should be established taking into account RCEs (e.g., X months from filing to final disposition of RCEs, and Y months for traditional total pendency including RCEs), which would establish a clear focus on the backlog of RCEs and would keep the user community fully apprised of the Office’s progress in

bringing that backlog under control. The commenter suggested that these goals should be tracked and reported side-by-side with the 10- and 20-month traditional pendency goals.

**Response:** The Office presents multiple application pendency numbers on the Patent Dashboard in the USPTO Data Visualization Center available at <http://www.uspto.gov/dashboards/patents/main.dashxml>. There, the Office publishes traditional total pendency both with and without RCEs, as well as the pendency for RCEs alone. The Office also publishes the backlog for RCEs. The Office further presents data on the growth in RCE filings, the inventory of RCEs, and the pendency associated with RCEs. *See response to PPAC Comment 10 for additional information about the Office's efforts to respond to issues concerning RCEs, including the backlog.*

#### Appeal Fees

**Comment 41:** Two commenters stated that the total for appeal fees (\$3,000) is too high given the percentage of reversals on appeals (50 percent per one commenter and 80 percent or more per the other commenter). The commenters stated that the proposed two-part fee structure should be further realigned so that the initial fee is lower and the final fee due after receipt of the examiner's answer is the largest component of the appeal fees. Further, one of the commenters explained that many appeals are terminated prior to the applicant filing an appeal brief so the single fee for the notice of appeal (\$1,000) is excessive, and it should be eliminated or greatly reduced. The commenter also questioned the proposed \$1,000 fee due upon filing a Notice of Appeal, stating that a number of appeals are pursued due to inexperienced examiners and/or poor rejection quality and that the fee increase might discourage meritorious appeals.

**Response:** In this final rule, the Office is implementing the recommendation to reduce the proposed appeal fees so that meritorious appeals are not discouraged. This final rule lowers the fee for a Notice of Appeal to \$800 (large entity) from the \$1,000 (large entity) proposed in the NPRM. This is much lower than the current \$1,260 (large entity) fee for the combined services of filing a Notice of Appeal and filing an appeal brief because the fee for filing an appeal brief is eliminated under the new structure. The fee for forwarding an appeal to the PTAB remains the same as proposed in the NPRM (\$2,000 for large entities). Many applicants will pay less under the new structure because the forwarding fee will only apply to those that forward

an appeal to the PTAB, which is estimated to be about 5 percent of applicants who receive a final rejection. However, the Office notes that these fees are set 43 percent below the cost of providing these services (\$4,922 average historical cost). Therefore, decreasing the gap between the total cost incurred and the total fees charged is critical to recovering costs in the aggregate for the appeals process. For more information, please refer to the response to PPAC Comments 11 and 12.

The Office recognizes that applicants may in some cases need to appeal an examiner's decision and welcomes suggestions on improving the process. As noted in the response to PPAC Comment 11, the Office's data shows that in appeals decided on their merits by the PTAB, over 65 percent result in affirmance of at least some of the rejected claims (*see* [http://www.uspto.gov/ip/boards/bpai/stats/receipts/fy2012\\_sep\\_e.jsp](http://www.uspto.gov/ip/boards/bpai/stats/receipts/fy2012_sep_e.jsp)).

#### Ex Parte Reexamination Fees

**Comment 42:** Several commenters stated that the \$15,000 fee for *ex parte* reexamination is too high. One of the commenters proposed that *ex parte* reexaminations applied for by the owner of the patent and *ex parte* reexaminations ordered as a result of a supplemental examination should both not exceed \$2,900. (A \$2,900 fee is approximately 15 percent above the fee for *ex parte* reexaminations that was effective prior to September 16, 2012, the effective date of the final rule. *See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees*, 77 FR 48828 (Aug. 14, 2012)). The commenter further suggested that a patent owner is paying maintenance fees, which should subsidize the cost of owner-initiated *ex parte* reexaminations.

**Response:** To achieve sufficient cost recovery while meeting the rulemaking goal to facilitate effective administration of the patent system, and given the long-term disparity between the fee and the cost, the Office must increase the reexamination fee. An analysis of the Office's *ex parte* reexamination costs revealed that the previous \$2,520 *ex parte* reexamination fee did not recover the Office's costs for that service. In fact, the Office's costs are approximately seven times the amount of the previous fee (\$2,520) for an *ex parte* reexamination, which demonstrates that minor increases (10–15 percent) to the previous fee would also be insufficient. However, in response to comments from the PPAC and the public, the Office is

reducing the fee for *ex parte* reexamination (proposed at a total of \$15,000 for large entities) to \$12,000 (large entity) in this final rule, which is 32 percent below the Office's cost for these services.

The Office appreciates the suggestion that maintenance fees (which are paid for by the patent owner) subsidize reduced fees for *ex parte* reexaminations applied for by the patent owner. The fees in this final rule must overall be set, nevertheless, so that total aggregate revenue equals the total aggregate cost of patent operations. The fee structure sets many fees below the cost of processing and recovers the lost revenue from back-end fees such as maintenance fees, which are set above cost. If the Office were to reduce the fee for *ex parte* reexaminations, the Office would need to increase other fees to offset the lost revenue. In this final rule, the Office decided to set the *ex parte* reexamination fee so that the additional costs for this service are borne not by all patent holders (through the payment of maintenance fees as a commenter suggested), but instead only by those patent owners who require *ex parte* reexaminations. An applicant is not required to use the *ex parte* reexamination process. Finally, in this final rule, the Office sets reduced fee rates for small entity (\$6,000) and micro entity patentees (\$3,000) that require an *ex parte* reexamination to permit greater access to the *ex parte* reexamination process.

**Comment 43:** Several commenters questioned the Office's cost basis for the reexamination fee. Some questioned why the *ex parte* reexamination fee was not more closely aligned with other patent services like a full initial examination, prioritized examination, or prosecuting an *ex parte* patent application. One of the commenters argued that a reexamination is generally more focused and limited than a full initial examination and questioned why the cost for *ex parte* reexamination is more than four times the cost for an initial search and examination. The commenter suggested that either the Office is using costing assumptions that are much too cautious, or the Office should apply its focus to reigning in the cost of *ex parte* reexamination. One of the commenters stated that the Office's cost for prosecuting an *ex parte* patent application is only \$3,569, and said that this makes the \$15,000 proposed fee for an *ex parte* reexamination excessive. Another commenter suggested that *ex parte* reexamination is more closely related to prioritized examination given the expedited nature of the service and

the need for one or more examiner interviews.

**Response:** As stated in the response to PPAC Comment 14, requests for *ex parte* reexamination generally contain issues that are more complex than may be present in a typical patent application. As to the comparison of *ex parte* reexamination with prioritized examinations, applications under prioritized examination are required, in addition to including payment of the \$4,000 fee (large entity) set in this rule, to contain no more than 4 independent claims, and no more than 30 total claims, in order to maintain prioritized status. In contrast, in *ex parte* reexamination practice, there is no limit on the number of patent claims that may be requested to be reexamined. Furthermore, applications under prioritized examination receive, on average, a final disposition within twelve months of prioritized status being granted. However, in *ex parte* reexamination practice, the Office must make a determination whether the request raises a substantial new question of patentability within three months after the filing date of each request.

Nonetheless, after updating the patent operating plans and corresponding aggregate cost estimates in response to public comments, the Office determined it can reduce the *ex parte* reexamination fee further. In this final rule, the Office is reducing the fee for *ex parte* reexamination from \$15,000 to \$12,000 (large entity). The Office also notes that this rulemaking applies small and micro entity reductions to the *ex parte* reexamination fee, resulting in discounts of 50 percent for small entities and 75 percent for micro entity patentees.

**Comment 44:** A commenter suggested that the *ex parte* reexamination fee should be deferred until reexamination is ordered, so as to reduce the initial costs on patent owners. Another commenter suggested that it would be appropriate to apply a two-stage fee for the *ex parte* reexamination fee.

**Response:** As explained in greater detail in the response to PPAC Comment 15, the Office elected not to adopt a pay-as-you-go approach to the *ex parte* reexamination fee, even though it is essentially a two-part fee, to ensure fee payment and completion of the reexamination in a timely manner.

#### Supplemental Examination Fees

**Comment 45:** Two commenters questioned the rationale that setting a high fee for supplemental examination would encourage applicants to submit all relevant information during initial

examination. One commenter believed that the magnitude of the supplemental examination fee is inconsistent with the congressional intent in creating this process, which the commenter believes was to allow a patentee, without limitation, to bring to the USPTO's attention information relevant to the patent. The commenter felt that the USPTO's stated reason for setting the supplemental examination fee above cost is inconsistent with the policy objective of securing a complete, high-quality, and expeditious initial examination of a patent application. Instead, the commenter stated that making supplemental examination more accessible—not less—encourages expeditious initial examination by serving as a back-up plan, allowing applicants to submit pertinent information later, thereby reducing the tendency to “over disclose” at the front-end of the process. The other commenter suggested that patentees will use supplemental examination properly and efficiently and that the fee should be lowered to promote greater access to the procedure.

**Response:** In the final rule to implement supplemental examination, the supplemental examination fees initially were set on a cost recovery basis, as required by 35 U.S.C. 41(d). See Changes to Implement the Supplemental Examination Provisions of the Leahy-Smith America Invents Act and to Revise Reexamination Fees, 77 FR 48828 (Aug. 14, 2012). The supplemental examination final rule set a fee of \$5,140 for processing and treating a request for supplemental examination, and a fee of \$16,120 for conducting *ex parte* reexamination ordered as a result of a supplemental examination, resulting in a total fee of \$21,260 (excluding any applicable document size fees). The cost calculations relating to the supplemental examination final rule were published by the Office (“Cost Calculations for Supplemental Examination and Reexamination”) on its Web site at [http://www.uspto.gov/aia\\_implementation/patents.jsp#heading-9](http://www.uspto.gov/aia_implementation/patents.jsp#heading-9).

In response to stakeholder feedback, and after updating and carefully reviewing the aggregate cost and aggregate revenue of patent operations, the Office determined that it could reduce these fees in this final rule to \$4,400 and \$12,100, respectively, resulting in a total fee of \$16,500 (excluding any applicable document size fees), which is 23 percent below the Office's costs for providing these services. In addition, the Office set reduced fee rates in this final rule for

small (\$8,250) and micro (\$4,125) entities to permit greater access to the supplemental examination process.

Per the requirements of section 10 of the AIA, the fees in this final rule are structured so that total aggregate revenue equals the total aggregate cost of patent operations. The fee structure sets many fees below cost and recovers the lost revenue from other fees, which are set above cost. As such, if the Office were to further reduce the fee for supplemental examination, the Office would have to increase other fees to offset the lost revenue. The Office determined not to further subsidize the cost of this service, as it would require the entire patent applicant community to bear the cost of services utilized by a limited number of patentees.

**Comment 46:** A commenter questioned whether the supplemental examination fee proposed by USPTO is justified, and suggested that supplemental examination fees should be no more than those charged for filing (\$280) and searching (\$600) reissue applications, since the USPTO's expenses for these processes should be similar. As such, the commenter suggested that the large entity supplemental examination fee be no more than \$880. Another commenter questioned the Office's rationale for setting supplemental examination fees at \$18,000, given that a patentee requesting supplemental examination is required to provide a separate explanation of the relevance and manner of applying each item of information to each claim of the patent. The commenter stated that this fee stands in contrast to the average historical cost of less than \$4,000 incurred by the Office where it independently conducts a complete search and examination. Another commenter suggested a total fee of \$3,120 (the total fees for examining and issuing a reissue application) for conducting an *ex parte* reexamination following supplemental examination.

**Response:** The supplemental examination process is more analogous to the *ex parte* reexamination process than to a reissue proceeding. In both supplemental examination and *ex parte* reexamination, the requester provides a separate explanation of the relevance and manner of applying each item of information to each claim of the patent, and the Office must determine whether a substantial new question of patentability is raised in the request within three months of the filing date of the request. Further, supplemental examination is enhanced beyond *ex parte* reexamination to involve information beyond the patents and

printed publications and beyond issues of anticipation and obviousness provided for in *ex parte* reexamination practice. Therefore, the Office based its estimate of the cost of supplemental examination proceedings on its costs for *ex parte* reexamination proceedings (\$17,750), making adjustments as needed. *See* responses to Comments 42 and 45 for more information about how the Office set the fee for supplemental examination under 35 U.S.C. 41(d).

**Comment 47:** A commenter suggested that “staging” the fees for supplemental examination would be preferable to charging the fees for the supplemental examination request and *ex parte* reexamination if ordered initially and then refunding the fee for reexamination when it is not ordered.

**Response:** The Office has not adopted a pay-as-you-go approach, because that approach introduces risks related to nonpayment of fees and procedural delays related to collecting a separate fee after the Office grants a request for *ex parte* reexamination. *See* the Office’s response to PPAC Comment 17 for more information.

**Comment 48:** A commenter noted that a fee structure that permitted a patent owner to secure Office consideration, reconsideration, or correction of all desired items of information in one supplemental examination would be more reasonable than the current fee structure where a patent owner can secure Office review of only up to 12 items of information in a single supplemental examination request and must pursue additional supplemental examinations for additional items of information. The commenter recommended that the Office set an additional fee for each item of information over 12.

**Response:** The supplemental examination procedure was designed to enable patent owners to present items of information for consideration, reconsideration, or correction. The Office is required to conduct and conclude supplemental examination within three months after a request is filed. In order to meet this timeframe, the Office is setting a limit of twelve items of information that a patent owner may submit to the Office in each request. The purpose of this limit is to strike a balance between the needs of the patent owner and the ability of the Office to timely conclude the proceeding. There is, however, no limit to the number of issues that these twelve items of information can raise, or to the number of separate requests for supplemental examination of the same patent that a patent owner can file at any time.

Even though the basis for most inequitable conduct allegations is typically far fewer than ten items of information, the Office raised the limit to 12 items of information in response to the public’s comments. A review of *ex parte* reexamination requests filed in FY 2011 revealed that the requester relied on twelve or fewer documents in at least 93 percent of the requests. In addition, the Office is mindful of the time necessary for examiners to analyze the items of information submitted, particularly since the items are not limited to patents and printed publications, and since each item may raise multiple issues. Accordingly, the supplemental examination final rule limited the number of items of information to 12 to establish a procedure that not only is practical, but also enables an examiner to fully, comprehensively, and timely analyze all submitted items of information and issues to accurately determine whether there is a substantial new question of patentability.

**Comment 49:** Some commenters questioned the Office’s cost basis for the reexamination fee. One commenter questioned whether the Office based its prospective cost determination on the historical costs of all *ex parte* and *inter partes* reexaminations instead of only patentee-initiated reexaminations, which are the closest corollaries to supplemental examination.

**Response:** As noted in the Office’s response to PPAC Comment 16, the Office does not separately track the time taken by examiners to process and analyze patentee-initiated *ex parte* reexaminations versus third party-requested *ex parte* reexaminations. The Office will continually monitor the actual costs associated with reexamination proceedings as this information becomes available and use it to inform future fee setting efforts.

#### *Inter Partes Review, Post-Grant Review, Covered Business Method Patent Review Fees*

**Comment 50:** Several commenters noted that post-grant review and *inter partes* review are new proceedings that are based on prospective costs (rather than historical costs). Specifically, one commenter suggested that the Office may have been too cautious in its estimates of prospective costs for post-grant review and *inter partes* review. The commenters recommended that the Office reevaluate the cost calculations for these proceedings as information from actual proceedings becomes available and adjust the fees once the true cost is known by experience.

**Response:** The Office recognizes that the stated costs for the post-grant review and *inter partes* review proceedings are based on prospective costs informed by the Office’s managerial cost accounting data rather than historical costs. (See the Office’s methodology to determine the cost of patent services in a supplemental document entitled, “USPTO Section 10 Fee Setting—Activity-Based Information and Costing Methodology” available on the USPTO Web site at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1).) As information on the actual cost of these proceedings becomes available, the Office will revisit the costs and fees for these proceedings, as suggested by the commenters, to ensure the respective fees are set at the appropriate levels.

**Comment 51:** A commenter suggested that the post-grant review and *inter partes* review proceedings are overly complex and should require only three major submissions to the Board—the initial petition, the patent owner’s response, and the petitioner’s responsive comments. The commenter stated this type of a proceeding would establish a more streamlined and efficient set of rules that would produce significantly lower costs and fees for petitioners.

**Response:** The AIA requires the Office to establish a procedure that involves more submissions than suggested by the commenter. For instance, 35 U.S.C. 313 provides that “the patent owner shall have the right to file a preliminary response to the petition.” Also 35 U.S.C. 316(a) and 326(a) require the Office to establish procedures to permit the parties to submit supplemental information and allow the patent owner to amend the claims. Therefore, the USPTO cannot adopt the commenter’s suggestion.

**Comment 52:** A commenter supported the Office’s decision in post-grant and *inter partes* review proceedings to split the fees into a fee for the initial petition and a fee for proceeding after grant of a petition. Several commenters suggested that the Office should establish fees for other milestones, or “stage” the payment of separate fees, during these proceedings, such as at the request for an oral hearing and for a rehearing, thereby further reducing front-end costs and matching fees commensurate with the Office’s work. One commenter suggested that the lack of this staging was a “missed opportunity.” Several commenters also supported additional fees during the proceedings for late-filed and additional motions, especially motions for supplemental discovery, because these actions could pose costs

on both the Office and the opposing party.

**Response:** The AIA requires that the Office establish fees for *inter partes* review, post-grant review, and covered business method review to be paid by the person requesting the review. The fees paid by the person requesting the review are to be set considering the aggregate costs of the review. A “pay-as-you-go” approach would require patent owners to pay for some of the costs associated with the review, which is inconsistent with the statutory framework. In addition, if petitioners were required to pay for costs associated with additional submissions by patent owners, this could encourage patent owners to file additional submissions merely to increase costs for the petitioner.

**Comment 53:** A commenter suggested that the Office consider increased fees for late filed motions to amend (e.g., after patent owner response), unless there is a new rejection, because such motions inject uncertainty and greater cost into the proceedings.

**Response:** In prescribing the administrative trial final rules, the Office considered the effect of the regulations on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings. Those rules provide that late motions to amend may only be authorized when there is a good cause showing or a joint request of the petitioner and the patent owner to materially advance a settlement. Therefore, late motions to amend that impact the Office’s ability to timely complete proceedings would be rare. Moreover, charging for late motions would require patent owners to pay for some of the costs associated with the reviews, which is inconsistent with the statutory framework.

**Comment 54:** A commenter expressed support for the reduction in *inter partes* review fees from the fees set under 35 U.S.C. 41(d)(2). Another commenter expressed concern that many small businesses and non-profits will not have the financial capital to pay large upfront fees for administrative trial proceedings under the proposed fee structure. As a result, they will turn to the classic district court litigation option (at a projected cost between \$500,000 and \$3.9 million per party) because of the ability to spread-out fees, even though that option is overall more expensive and less efficient. Because Congress intended the administrative trial proceedings to be a less expensive alternative to litigation, the commenter recommended that the USPTO change

the structure of these fees to provide an option that distributes the fees over time throughout the course of the proceedings. Additionally, the commenter suggested that the proper benchmark for these fees is not merely a lower cost than litigation, but rather is a fee structure accessible to all.

**Response:** The Office appreciates the commenter’s support for the fee reductions made in this final rule as compared to fees previously set for the administrative trials under 35 U.S.C. 41(d). In this final rule, as proposed in the September NPRM, the Office sets the fees for *inter partes* review and post-grant review below cost recovery at what amounts to a 15 percent discount from the fees originally set under section 41(d)(2) authority.

Regarding the distribution of fees throughout an administrative trial proceeding, the AIA requires that the fees for *inter partes* review and post-grant review be paid at the time of filing the petition. See 35 U.S.C. 312(a)(1) and 322(a)(1). Adopting a “spread-out” fee system as suggested by the commenter would be contrary to the statute and congressional intent. Further, administrative trials before the Office will be conducted faster than district court litigation that on the average take a few years because, in the absence of good cause, the Office is required to issue the final determination in the review no later than one year after institution. See 35 U.S.C. 316(a)(11) and 326(a)(11). Therefore, the benefit of distributing the fees over such a short time period would not be significant. Finally, in a “spread-out” fee system, the petitioner could cause unnecessary delays through late payment or failure to pay required fees.

**Comment 55:** A commenter stated that the proposed fees for administrative trial proceedings (e.g., *inter partes* review, post-grant review, and the transitional program for covered business patents) are too high for small businesses and non-profits. The commenter argued that the high fees for these proceedings would make them inaccessible to many stakeholders. The commenter therefore recommended that the USPTO revise the fee schedule to ensure accessibility to all stakeholders. Lower fees, the commenter argued, would better satisfy Congress’s intent that proceedings be broadly accessible and the goal of creating a healthier, more efficient patent system.

**Response:** As noted in the Office’s response to Public Comment 22, the administrative trials are new services for which the Office has no historical cost basis. Setting the fees for these often complex and potentially costly services

too far below their prospective costs is risky. In addition, the scope of section 10(b) of the AIA does not include the administrative trial services, which means that the Office cannot set small and micro entity fees for these services. The reduced fees in this final rule attempt to make these proceedings more accessible while recognizing the need to facilitate effective administration of the patent system. The Office will continually revisit the fees for these services to determine the right balance between the fee and the cost.

**Comment 56:** A commenter argued that the fees for challenging each claim in excess of 20 in administrative trial proceedings are too high for small businesses and non-profits, and noted that the proposed fee structure would also create harmful incentives for patent applicants by rewarding applications containing numerous claims. The commenter gave the example that, for a post-grant review on a patent with 200 claims, the petition fees alone would amount to \$174,000 and the petitioner must also incur additional costs relating to discovery. The commenter expressed concern that these high fees and the claim-based fee structure would make the new post-grant proceedings inaccessible for small businesses and non-profit organizations.

**Response:** As previously discussed, the Office does not have statutory authority to provide a small or micro entity discount on fees for administrative trials. Additionally, in the Office’s experience with administrative trials in the first few months after they became available, petitioners are not challenging an excessively large number of claims. The Office received a total of 80 petitions from September 16, 2012, through November 30, 2012, and only 23 petitions challenged more than 20 claims (29 percent, 23 out of 80). The highest number of excess claims challenged thus far was 58 claims, which is far from the 200 claims discussed in the commenter’s example. In the petitions that challenge 20 claims or less, the average number of challenged claims was 11 claims, which is well below the 20 claims permitted without excess claims fees.

The current experience in the number of challenged claims in *inter partes* review and covered business review is entirely consistent with historical data for reexaminations, i.e., that large number of claims are not often challenged even where one fee covers all claims challenged. (See Response to Comment 238 in Trial Final Rule, 77 FR 48612, 48668 (Aug. 14, 2012)). Moreover, a party need not challenge all

claims in a patent, such as when only certain claims are alleged to be infringed by the party challenging the patent. Finally, the fee charged is to recover the total extra cost to the Office to review the larger number of claims, and given the balanced nature of the fee structure, if this fee did not recover costs, other fees would have to be increased.

**Comment 57:** A commenter expressed concern that while there are \$600 and \$800 fees per excess claims in *inter partes* review and post-grant review respectively, the fee is only \$80 for claims in excess of 20 in a patent application. Therefore, the commenter argued that this would create an incentive for applicants to file applications with large numbers of patent claims in order to make it inaccessible for small businesses and non-profit organizations to challenge their patent through the new administrative trial procedures. By shutting out small businesses and non-profit organizations as third party challengers, the commenter asserted that the fee structure would have a negative effect on patent quality and innovation.

**Response:** To date, the percentage of patents being challenged is very small. Through November 2012, the Office received a total of 80 petitions for review. In contrast, the Office issues more than 10,000 patents per month. Adding one claim in each of the patents would cost orders of magnitude more than paying for review of an additional claim given the large difference in the number of reviews relative to the number of patents. Furthermore, the review fees are set considering the total cost of conducting the proceedings. Setting the fees further below cost would require other patent applicants, namely innovators, to subsidize patent challengers since the aggregate cost of the Office must be recovered. The AIA requires that the fees for *inter partes* review and post-grant review be paid by the person requesting the review at the time of filing the petition. *See, e.g.*, 35 U.S.C. 311 and 312(a)(1). Finally, as previously discussed, the Office does not have statutory authority to provide a small or micro entity discount on fees for *inter partes* review and post-grant review.

**Comment 58:** One commenter criticized the fee structure as subsidizing the prosecution of invalid patents. Because the costs of review are borne by the challenger, even when the patent is shown to be invalid, the commenter argued that the challenger pays the full price for performing a public service to remedy a problem created by the patent applicant and the

Office. The commenter suggested that the Office establish a fee-shifting regime for *inter partes* reviews, post-grant reviews, and covered business method patent reviews to address this free rider problem. Specifically, the commenter argues, if a patent is invalidated, the patent owner should be required to abandon the patent, commit to reimburse the challenger, or pay the costs and fees associated with the challenger's petition. In this way, the fee schedule would create the right incentives for applicants to undertake due diligence for the technology they claim to have invented.

**Response:** The AIA requires that the fees for *inter partes* review and post-grant review be paid by the person requesting the review at the time of filing the petition. *See, e.g.*, 35 U.S.C. 311 and 312(a)(1). This final rule to reset those fees under the new authority in section 10 of the AIA does not provide for changing the entity paying the fee but rather the amount paid by the entity requesting review. Adopting a system as suggested by the commenter would be inconsistent with the statute and congressional intent.

#### Maintenance Fees

**Comment 59:** A commenter expressed support for reasonable subsidization of selected patent-related services with income from maintenance fees, but suggested that the Office revisit its decision to impose such large maintenance fee increases. The commenter suggested that companies will have to counterbalance the maintenance fee increases with a decrease in application filings, which may have an unintended impact on USPTO operations.

**Response:** The Office's proposed fee structure is designed to generate enough aggregate revenue to recover the aggregate cost of patent operations and support American innovation with low entry fees and a mechanism to release information into the public domain once a patent holder deems the value of their innovation is lower than the fees needed to maintain protection. The USPTO has carefully considered the effect of each of the fee changes in this final rule on the demand for the Office's services through an elasticity analysis and other reviews as described above. As discussed in response to PPAC Comment 21, the Office will continually monitoring fees after this initial fee setting effort.

**Comment 60:** A commenter questioned the Office's rationale for increasing the three maintenance fees at different rates. The commenter suggested that the USPTO reconsider

these increases and provide a practical fee schedule with a clearer, more specific rationalization.

**Response:** Keeping front-end fees below cost necessitates an increase in post-issuance fees. The Office selected a staged increase in maintenance fees, so that patent holders will pay higher maintenance fees later in the life of their patents, at a time when they can make more informed decisions regarding their patents' value in the marketplace.

#### Excess Claims Fees

**Comment 61:** A commenter suggested that the Office's excess claims fees are illogical and too high. The commenter also questioned the rationale for thresholds of 20 total claims and three independent claims.

**Response:** The fee difference between total claims in excess of twenty and independent claims in excess of three is based on the fact that an independent claim requires a completely separate prior art patentability determination. This requires more examination effort than required for a dependent claim, because the dependent claim is allowable over the prior art given that the claim from which it depends is allowable over the prior art. For example, if an applicant cancels 3 independent claims and presents 17 new independent claims, to cover 17 dependent claims that were previously allowed and are now rewritten in independent form, the applicant will receive 20 completely separate prior art patentability determinations (17 for the current independent claims and three for the independent claims previously presented and now canceled). Thus, requiring an applicant in this situation to pay for 14 independent claims in excess of three is reasonable. An applicant can avoid this situation by drafting claims in a chain from the broadest to which the applicant feels he/she is entitled to the narrowest the applicant is willing to accept, rather than drafting a set of dependent claims which all depend from an independent claim. To avoid excess claims fees, the applicant could also have canceled the original 3 independent claims, redrafted only 3 of the 17 dependent claims in independent form, and changed the dependency of the remaining 14 claims. Also, after calculating the aggregate cost of patent operations as compared to the aggregate revenue generated from the patent fee schedule contained in this final rule, the Office determined that the excess claims fees will remain at the rate proposed so that other fees do not need to be increased to generate additional aggregate revenue to cover the aggregate cost of patent operations.

*Comment 62:* A commenter stated that the 70 percent increase in the excess independent claim fees does not reflect the realities of prosecution practices and should be reduced. The commenter further suggested that most unrelated independent claims would be removed from the application through restrictions, leaving a closely related set of claims that would pose little additional burden to examiners. A second commenter stated that the increase in the excess independent claim fees does not reflect the realities of using a variety of claim types and scope during patent prosecution and should be reduced. The commenter explained that in technologies where multiple restriction requirements are often imposed, using high fees to prevent the filing of all claims necessary for a complete restriction requirement can effectively deprive applicants of the safe harbor for restricted claim groups under 35 U.S.C. 121.

*Response:* As set forth in MPEP 804, claims that are unrelated (e.g., unconnected in design, operation, and effect) are generally subject to restriction. Because independent claims in most applications are at least related, restriction requirements are usually based on a determination by the examiner that the claims are distinct. Therefore, the commenter's observation offers little relief from the burden imposed by excessive independent claims. The deterrent effect that 35 U.S.C. 41 has provided against excess claims has been insufficient in the past. In view of the increasing rate of application filings and an increasing long term trend of more applications containing an excessive number of claims, the Office stated in 1998 that "the problem with applications containing an excessive number of claims is now reaching a critical stage." See Changes to Implement the Patent Business Goals, Advance Notice of Proposed Rulemaking, 63 FR 53497, 53507 (Oct. 5, 1998). In addition to helping the Office meet its policy goals of reducing application processing time, application pendency, and examination burden, the increase in excess claims fees is also justified because fees paid by applicants filing a large number of claims will be more commensurate with the resources the Office must expend examining the large number of claims. For a detailed explanation on this topic, see the Office's response to PPAC Comment 12.

*Comment 63:* A commenter stated that the proposed fee increase for excess claims from \$250 to \$420 is excessive. The commenter also suggested that the number of independent claims that may

be presented without incurring a fee is too low, given that more than three independent claims are often necessary to effectively cover the varying aspects of a single invention. Another commenter noted that the Office does not provide historic costs for consideration of claims and it is not clear why a fourth independent claim would cost \$420 to examine.

*Response:* The Office realizes that excess claiming can be strategically useful to inventors in today's legal environment, but notes that excess claiming can be a significant burden to the patent system and the Office. The Office set the excess claims fees after carefully considering its policy goals of reducing application processing time, application pendency, and examination burden, and after considering how the increase in excess claims fees will allow the Office to recover the resources it must expend examining large numbers of claims. For a detailed explanation on this topic, see the Office's response to PPAC Comment 22.

#### Correct Inventorship Fee

*Comment 64:* Several commenters suggested that the \$1,000 fee for correcting inventorship after issuance of a first action on the merits is not appropriate in all cases. Two commenters noted that where claims are limited by amendments or restrictions during examination, inventors are commonly removed. Three commenters suggested that the fee would be more appropriate when an inventor is added to an application after the first action, but all expressed continued support for the fee's elimination or reduction. Another commenter stated that an applicant may need to remove inventors after the Office requires a restriction of claims. The commenter stated that applicants are often able to make these changes using Application Data Sheets, thereby removing the Office's expense in updating records. In these and related cases, the commenter suggested that the Office consider eliminating the fee or having a reduced fee where the applicant in good faith could not have anticipated such a requirement or could not have taken alternative action (e.g., correction via the Application Data Sheet).

*Response:* After considering the comments submitted about the correct inventorship fee, the Office is reducing the fee to \$600 (large entity rate) from the \$1,000 fee proposed in the NPRM. Also, the Office has decided not to assess this fee if an applicant submits a statement that the request to correct or change the inventorship is due solely to the cancellation of claims in the

application. See fee rationale at *Part V. Individual Fee Rationale* for more background information about this fee. For further explanation about why this fee will be charged in the various circumstances identified above by commenters, see the Office's response to PPAC Comment 23.

#### Assignment Fees

*Comment 65:* A commenter recommended that the USPTO either (1) provide an automated assignment recordation framework by linking the Electronic Filing System (EFS-Web) and the Electronic Patent Assignment System (EPAS), or (2) authorize the transfer of a patent from the inventor to the original applicant without the recordation of an assignment.

*Response:* 37 CFR 1.46(b)(1) provides that for assignee-applicants, evidence of the assignment or obligation to assign should be recorded in the Office "no later than the date the issue fee is paid in the application." Accordingly, assignment recordation is not a prerequisite for the transfer of rights in an application from an inventor to an assignee. With regard to linking EFS-Web and EPAS, the Office has already instituted a process that allows the Office to transfer data from one system to the other for the limited purpose of facilitating the filing of "assignment statements" in patent applications. An "assignment statement" is an assignment that contains the information and statements of an oath or declaration. As explained in the AIA Inventor's Oath or Declaration Quick Reference Guide, the patent application must first be filed via EFS-Web. Then, preferably on the same day the application was filed via EFS-Web, the assignment-statement should be recorded in EPAS. There is a box in EPAS that the applicant must check in order to notify the Office that the assignment statement is being used as the inventor's oath or declaration. The Office will then place a copy of the assignment statement into the application file. The Guide is available at [http://www.uspto.gov/aia\\_implementation/inventors-oath-or-declaration-quick-reference-guide.pdf](http://www.uspto.gov/aia_implementation/inventors-oath-or-declaration-quick-reference-guide.pdf).

#### VII. Discussion of Specific Rules

In this section the Office provides tables of all fees set or adjusted in the final rule. To permit the reader to crosswalk the fee changes contained in this final rule with individual fee amounts contained in the Office's fee schedule (see <http://www.uspto.gov/web/offices/ac/qs/ope/fee100512.htm>), Tables 42 through 52 contain a distinct row for each individual grouping of fee

codes (i.e., large, small, and micro entity). Therefore, when multiple types of fees are contained within the same CFR section (e.g., application size fees at 1.16(s)), the Office lists each type of fee and its associated fee code separately (e.g., utility, design, plant, reissue, and provisional application size fees). Thus, where appropriate, the CFR sections are repeated for each of the respected fee codes in the tables.

When rules are added or modified for reasons other than fee amount changes, the Office provides explanatory language after the respective table summarizing the fee amount changes (i.e., § 1.17 fees for correction of inventorship).

Title 37 of the Code of Federal Regulations, Parts 1, 41, and 42 are amended to read as follows:

*Section 1.16:* Sections 1.16(a) through (s) are amended to set forth the

application filing, excess claims, search, examination, and application size fees for patent applications filed as authorized under section 10 of the Act. This section would no longer distinguish between applications filed before or after December 8, 2004, because section 11 of the AIA no longer makes the distinction. The changes to the fee amounts indicated in § 1.16 are shown in Table 42.

TABLE 42

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.16(a) .....	1011/2011/3011	Basic Filing Fee—Utility .....	390	195	280	140	70
1.16(a) .....	4011	Basic Filing Fee—Utility (electronic filing for small entities).	N/A	98	N/A	70	N/A
1.16(b) .....	1012/2012/3012	Basic Filing Fee—Design .....	250	125	180	90	45
1.16(b) .....	1017/2017/3017	Basic Filing Fee—Design (CPA)	250	125	180	90	45
1.16(c) .....	1013/2013/3013	Basic Filing Fee—Plant .....	250	125	180	90	45
1.16(d) .....	1005/2005/3005	Provisional Application Filing Fee.	250	125	260	130	65
1.16(e) .....	1014/2014/3014	Basic Filing Fee—Reissue .....	390	195	280	140	70
1.16(e) .....	1019/2019/3019	Basic Filing Fee—Reissue (CPA).	390	195	280	140	70
1.16(f) .....	1051/2051/3051	Surcharge—Late Filing Fee, Search Fee, Examination Fee or Oath or Declaration.	130	65	140	70	35
1.16(g) .....	1052/2052/3052	Surcharge—Late Provisional Filing Fee or Cover Sheet.	50	25	60	30	15
1.16(h) .....	1201/2201/3201	Independent Claims in Excess of Three.	250	125	420	210	105
1.16(h) .....	1204/2204/3204	Reissue Independent Claims in Excess of Three.	250	125	420	210	105
1.16(i) .....	1202/2202/3202	Claims in Excess of 20 .....	62	31	80	40	20
1.16(i) .....	1205/2205/3205	Reissue Claims in Excess of 20	62	31	80	40	20
1.16(j) .....	1203/2203/3203	Multiple Dependent Claim .....	460	230	780	390	195
1.16(k) .....	1111/2111/3111	Utility Search Fee .....	620	310	600	300	150
1.16(l) .....	1112/2112/3112	Design Search Fee .....	120	60	120	60	30
1.16(m) .....	1113/2113/3113	Plant Search Fee .....	380	190	380	190	95
1.16(n) .....	1114/2114/3114	Reissue Search Fee .....	620	310	600	300	150
1.16(o) .....	1311/2311/3311	Utility Examination Fee .....	250	125	720	360	180
1.16(p) .....	1312/2312/3312	Design Examination Fee .....	160	80	460	230	115
1.16(q) .....	1313/2313/3313	Plant Examination Fee .....	200	100	580	290	145
1.16(r) .....	1314/2314/3314	Reissue Examination Fee .....	760	380	2,160	1,080	540
1.16(s) .....	1081/2081/3081	Utility Application Size Fee—For Each Additional 50 Sheets That Exceeds 100 Sheets.	320	160	400	200	100
1.16(s) .....	1082/2082/3082	Design Application Size Fee—For Each Additional 50 Sheets That Exceeds 100 Sheets.	320	160	400	200	100
1.16(s) .....	1083/2083/3083	Plant Application Size Fee—For Each Additional 50 Sheets That Exceeds 100 Sheets.	320	160	400	200	100
1.16(s) .....	1084/2084/3084	Reissue Application Size Fee—For Each Additional 50 Sheets That Exceeds 100 Sheets.	320	160	400	200	100
1.16(s) .....	1085/2085/3085	Provisional Application Size Fee—For Each Additional 50 Sheets That Exceeds 100 Sheets.	320	160	400	200	100

*Section 1.17:* Sections 1.17(a)(1) through (a)(5), (c), (e) through (i), (k) through (m), and (p) through (t) are

amended and (d) and (e)(2) are added to set forth the application processing fees as authorized under section 10 of the

Act. The changes to the fee amounts indicated in § 1.17 are shown in Table 43.

TABLE 43

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.17(a)(1) .....	1251/2251/3251	Extension for Response Within First Month.	150	75	200	100	50
1.17(a)(2) .....	1252/2252/3252	Extension for Response Within Second Month.	570	285	600	300	150
1.17(a)(3) .....	1253/2253/3253	Extension for Response Within Third Month.	1,290	645	1,400	700	350
1.17(a)(4) .....	1254/2254/3254	Extension for Response Within Fourth Month.	2,010	1,005	2,200	1,100	550
1.17(a)(5) .....	1255/2255/3255	Extension for Response Within Fifth Month.	2,730	1,365	3,000	1,500	750
1.17(c) .....	1817/2817/3817	Request for Prioritized Examination.	4,800	2,400	4,000	2,000	1,000
1.17(d) .....	NEW	Correct Inventorship After First Action on Merits.	N/A	N/A	600	300	150
1.17(e)(1) .....	1801/2801/3801	Request for Continued Examination (RCE) (1st request) (see 37 CFR 1.114).	930	465	1,200	600	300
1.17(e)(2) .....	NEW	Request for Continued Examination (RCE) (2nd and subsequent request).	N/A	N/A	1,700	850	425
1.17(f) .....	1462/2462/3462	Petitions Requiring the Petition Fee Set Forth in 37 CFR 1.17(f) (Group I).	400	N/A	400	200	100
1.17(g) .....	1463/2463/3463	Petitions Requiring the Petition Fee Set Forth in 37 CFR 1.17(g) (Group II).	200	N/A	200	100	50
1.17(h) .....	1464/2464/3464	Petitions Requiring the Petition Fee Set Forth in 37 CFR 1.17(h) (Group III).	130	N/A	140	70	35
1.17(i)(1) .....	1053/2053/3053	Non-English Specification .....	130	N/A	140	70	35
1.17(i)(2) .....	1808	Other Publication Processing Fee.	130	N/A	130	N/A	N/A
1.17(i)(2) .....	1803	Request for Voluntary Publication or Republication.	130	N/A	130	N/A	N/A
1.17(k) .....	1802	Request for Expedited Examination of a Design Application.	900	N/A	900	450	225
1.17(l) .....	1452/2452/3452	Petition to Revive Unavoidably Abandoned Application.	630	315	640	320	160
1.17(m) .....	1453/2453/3453	Petition to Revive Unintentionally Abandoned Application.	1,890	945	1,900	950	475
1.17(p) .....	1806/2806/3806	Submission of an Information Disclosure Statement.	180	N/A	180	90	45
1.17(q) .....	1807	Processing Fee for Provisional Applications.	50	N/A	50	N/A	N/A
1.17(r) .....	1809/2809/3809	Filing a Submission After Final Rejection (see 37 CFR 1.129(a)).	810	405	840	420	210
1.17(s) .....	1810/2810/3810	For Each Additional Invention to be Examined (see 37 CFR 1.129(b)).	810	405	840	420	210
1.17(t) .....	1454/2454/3454	Acceptance of an Unintentionally Delayed Claim for Priority, or for Filing a Request for the Restoration of the Right of Priority.	1,410	N/A	1,420	710	355

*Correction of Inventorship:* The Office sets the fee to correct inventorship after the first action on the merits at \$600 to encourage reasonable diligence and a bona fide effort to ascertain the actual

inventorship as early as possible and to provide that information to the Office prior to examination. As discussed in *Part V. Individual Fee Rationale*, the fee will not be required when inventors are

deleted and the request to correct or change inventorship is accompanied by a statement that the request to correct or change the inventorship is due solely to

the cancellation of claims in the application.

Section 1.17(d) is added, as follows: For correction of inventorship in an application after the first action on the merits:

By a micro entity (§ 1.29) .....	\$150.00
By a small entity (§ 1.27(a)) ....	300.00
By other than a small or micro entity .....	600.00

*Request for Continued Examination (RCE):* As discussed in *Part V. Individual Fee Rationale*, section of this final rule, the Office divides the fee for RCEs into two parts: (1) A lower fee for

a first RCE; and (2) a second, higher fee for a second or subsequent RCE.

Section 1.17(e) is amended as follows: To request continued examination pursuant to § 1.114:

(1) For filing a first request for continued examination pursuant to § 1.114 in an application:

By a micro entity (§ 1.29) .....	\$300.00
By a small entity (§ 1.27(a)) ....	600.00
By other than a small or micro entity .....	1,200.00

(2) For filing a second or subsequent request for continued examination pursuant to § 1.114 in an application:

By a micro entity (§ 1.29) .....	\$425.00
By a small entity (§ 1.27(a)) ....	850.00
By other than a small or micro entity .....	1,700.00

*Section 1.18: Sections 1.18(a) through (f) are amended to set forth the patent issue fees as authorized under section 10 of the Act. This section now distinguishes between issue and publication fees paid before or after January 1, 2014. The changes to the fee amounts indicated in § 1.18 are shown in Table 44.*

TABLE 44

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.18(a)(1) .....	1501/2501/3501	Utility Issue Fee, paid on or after January 1, 2014.	1,770	885	960	480	240
1.18(a)(1) .....	1511/2511/3511	Reissue Issue Fee, paid on or after January 1, 2014.	1,770	885	960	480	240
1.18(a)(2) .....	1501/2501/3501	Utility Issue Fee, paid before January 1, 2014.	1,770	885	1,780	890	445
1.18(a)(2) .....	1511/2511/3511	Reissue Issue Fee, paid before January 1, 2014.	1,770	885	960	480	240
1.18(b)(1) .....	1502/2502/3502	Design Issue Fee, paid on or after January 1, 2014.	1,010	505	560	280	140
1.18(b)(2) .....	1502/2502/3502	Design Issue Fee, paid before January 1, 2014.	1,010	505	1,020	510	255
1.18(c)(1) .....	1503/2503/3503	Plant Issue Fee, paid on or after January 1, 2014.	1,390	695	760	380	190
1.18(c)(2) .....	1503/2503/3503	Plant Issue Fee, paid before January 1, 2014.	1,390	695	1,400	700	350
1.18(d)(1) .....	1504	Publication Fee for Early, Voluntary, or Normal Publication, paid on or after January 1, 2014.	300	N/A	0	N/A	N/A
1.18(d)(2) .....	1504	Publication Fee for Early, Voluntary, or Normal Publication, paid before January 1, 2014.	300	N/A	300	N/A	N/A
1.18(d)(3) .....	1505	Publication Fee for Republication.	300	N/A	300	N/A	N/A
1.18(e) .....	1455	Filing an Application for Patent Term Adjustment.	200	N/A	200	N/A	N/A
1.18(f) .....	1456	Request for Reinstatement of Term Reduced.	400	N/A	400	N/A	N/A

*Publication Fees:* As discussed in *Part V. Individual Fee Rationale*, the Office is not adjusting fee for republication of a patent application (1.18(d)(2)). The Office keeps this fee at its existing rate for each patent application that must be published again after a first publication for \$0.

Section 1.18 is amended by revising paragraph (d) to include:

(1) Publication fee on or after January 1, 2014 .....	\$0.00
(2) Publication fee before January 1, 2014 .....	300.00
(3) Republication fee (§ 1.221(a)) .....	300.00

*Section 1.19: Sections 1.19(a) through (g) are amended to set forth the patent document supply fees as authorized under section 10 of the Act. The changes to the fee amounts indicated in § 1.19 are shown in Table 45.*

TABLE 45

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.19(a)(1) .....	8001	Printed Copy of Patent w/o Color, Delivery by USPS, USPTO Box, or Electronic Means.	3	N/A	3	N/A	N/A
1.19(a)(2) .....	8003	Printed Copy of Plant Patent in Color.	15	N/A	15	N/A	N/A
1.19(a)(3) .....	8004	Color Copy of Patent (other than plant patent) or SIR Containing a Color Drawing.	25	N/A	25	N/A	N/A
1.19(a)(1) .....	8005	Patent Application Publication (PAP)	3	N/A	3	N/A	N/A
1.19(b)(1)(i)(A) ..	8007	Copy of Patent Application as Filed	20	N/A	20	N/A	N/A
1.19(b)(1)(i)(B) ..	8008	Copy of Patent-Related File Wrapper and Contents of 400 or Fewer Pages, if Provided on Paper.	200	N/A	200	N/A	N/A
1.19(b)(1)(i)(C) ..	8009	Additional Fee for Each Additional 100 Pages of Patent-Related File Wrapper and (Paper) Contents, or Portion Thereof.	40	N/A	40	N/A	N/A
1.19(b)(1)(i)(D) ..	8010	Individual Application Documents, Other Than Application as Filed, per Document.	25	N/A	25	N/A	N/A
1.19(b)(1)(ii)(A)	8007	Copy of Patent Application as Filed	20	N/A	20	N/A	N/A
1.19(b)(1)(ii)(B)	8011	Copy of Patent-Related File Wrapper and Contents if Provided Electronically or on a Physical Electronic Medium as Specified in 1.19(b)(1)(ii).	55	N/A	55	N/A	N/A
1.19(b)(1)(ii)(C)	8012	Additional Fee for Each Continuing Physical Electronic Medium in Single Order of 1.19(b)(1)(ii)(B).	15	N/A	15	N/A	N/A
1.19(b)(1)(iii)(A)	8007	Copy of Patent Application as Filed	20	N/A	20	N/A	N/A
1.19(b)(1)(iii)(B)	8011	Copy of Patent-Related File Wrapper and Contents if Provided Electronically or on a Physical Electronic Medium.	55	N/A	55	N/A	N/A
1.19(b)(2)(i)(A) ..	8041	Copy of Patent-Related File Wrapper Contents That Were Submitted and Are Stored on Compact Disk or Other Electronic Form (e.g., compact disks stored in artifact folder), Other Than as Available in 1.19(b)(1); First Physical Electronic Medium in a Single Order.	55	N/A	55	N/A	N/A
1.19(b)(2)(i)(B) ..	8042	Additional Fee for Each Continuing Copy of Patent-Related File Wrapper Contents as Specified in 1.19(b)(2)(i)(A).	15	N/A	15	N/A	N/A
1.19(b)(2)(ii) .....	8043	Copy of Patent-Related File Wrapper Contents That Were Submitted and are Stored on Compact Disk, or Other Electronic Form, Other Than as Available in 1.19(b)(1); If Provided Electronically Other Than on a Physical Electronic Medium, per Order.	55	N/A	55	N/A	N/A
1.19(b)(3) .....	8013	Copy of Office Records, Except Copies of Applications as Filed.	25	N/A	25	N/A	N/A
1.19(b)(4) .....	8014	For Assignment Records, Abstract of Title and Certification, per Patent.	25	N/A	25	N/A	N/A
1.19(c) .....	8904	Library Service .....	50	N/A	50	N/A	N/A
1.19(d) .....	8015	List of U.S. Patents and SIRs in Subclass.	3	N/A	3	N/A	N/A
1.19(e) .....	8016	Uncertified Statement re Status of Maintenance Fee Payments.	10	N/A	10	N/A	N/A
1.19(f) .....	8017	Copy of Non-U.S. Document .....	25	N/A	25	N/A	N/A

TABLE 45—Continued

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.19(g) .....	8050	Petitions for Documents In Form Other Than That Provided By This Part, or In Form Other Than That Generally Provided by Director, to be Decided in Accordance With Merits.	AT COST	N/A	AT COST	N/A	N/A

*Section 1.20:* Sections 1.20(a) through (k) are amended to set forth the reexamination fees, disclaimer fees,

maintenance fees, and supplemental examination fees as authorized under section 10 of the Act. The changes to the

fee amounts indicated in § 1.20 are shown in Table 46.

TABLE 46

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.20(a) .....	1811	Certificate of Correction .....	100	N/A	100	N/A	N/A
1.20(b) .....	1816	Processing Fee for Correcting Inventorship in a Patent.	130	N/A	130	N/A	N/A
1.20(c)(1) .....	1812	Request for <i>Ex Parte</i> Reexamination.	17,750	N/A	12,000	6,000	3,000
1.20(c)(3) .....	1821/2821/3821	Reexamination Independent Claims in Excess of Three and also in Excess of the Number of Such Claims in the Patent Under Reexamination.	250	125	420	210	105
1.20(c)(4) .....	1822/2822/3822	Reexamination Claims in Excess of 20 and Also in Excess of the Number of Claims in the Patent Under Reexamination.	62	31	80	40	20
1.20(c)(6) .....	1824	Filing a Petition in a Reexamination Proceeding, Except for Those Specifically Enumerated in §§ 1.550(i) and 1.937(d).	1,930	N/A	1,940	970	485
1.20(c)(7) .....	1812	For a Refused Request for <i>Ex parte</i> Reexamination Under § 1.510 (included in the request for <i>ex parte</i> reexamination fee at 1.20(c)(1)).	830	N/A	3,600	1,800	900
1.20(d) .....	1814/2814	Statutory Disclaimer, Including Terminal Disclaimer.	160	80	160	N/A	N/A
1.20(e) .....	1551/2551/3551	Maintenance Fee Due at 3.5 Years.	1,150	575	1,600	800	400
1.20(f) .....	1552/2552/3552	Maintenance Fee Due at 7.5 Years.	2,900	1,450	3,600	1,800	900
1.20(g) .....	1553/2553/3553	Maintenance Fee Due at 11.5 Years.	4,810	2,405	7,400	3,700	1,850
1.20(h) .....	1554/2554/3554	Maintenance Fee Surcharge—3.5 Years—Late Payment Within 6 Months.	150	75	160	80	40
1.20(h) .....	1555/2555/3555	Maintenance Fee Surcharge—7.5 Years—Late Payment Within 6 Months.	150	75	160	80	40
1.20(h) .....	1556/2556/3556	Maintenance Fee Surcharge—11.5 Years—Late Payment Within 6 Months.	150	75	160	80	40
1.20(i)(1) .....	1557/2557/3557	Maintenance Fee Surcharge After Expiration—Late Payment is Unavoidable.	700	N/A	700	350	175
1.20(i)(2) .....	1558/2558/3558	Maintenance Fee Surcharge After Expiration—Late Payment is Unintentional.	1,640	N/A	1,640	820	410

TABLE 46—Continued

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.20(j)(1) .....	1457	Extension of Term of Patent ....	1,120	N/A	1,120	N/A	N/A
1.20(j)(2) .....	1458	Initial Application for Interim Extension (see 37 CFR 1.790).	420	N/A	420	N/A	N/A
1.20(j)(3) .....	1459	Subsequent Application for Interim Extension (see 37 CFR 1.790).	220	N/A	220	N/A	N/A
1.20(k)(1) .....	1826	Processing and Treating a Request for Supplemental Examination.	5,140	N/A	4,400	2,200	1,100
1.20(k)(2) .....	1827	Ex Parte Reexamination Ordered as a Result of a Supplemental Examination Proceeding.	16,120	N/A	12,100	6,050	3,025
1.20(k)(3)(i) .....	1828	For Processing and Treating, in a Supplemental Examination Proceeding, a Non-Patent Document Over 20 Sheets in Length, per Document Between 21–50 Pages.	170	N/A	180	90	45
1.20(k)(3)(ii) .....	1829	For Processing and Treating, in a Supplemental Examination Proceeding, a Non-Patent Document Over 20 Sheets in Length, per Document for Each Additional 50 Sheets or Fraction Thereof.	280	N/A	280	140	70

**Section 1.21:** Sections 1.21(a)(1), (a)(2), (a)(4), (a)(5), (a)(7), (a)(8), (a)(9), (a)(10), (e), (g) through (k), and (n) are amended to set forth miscellaneous fees and charges as authorized under section 10 of the Act. This section includes a fee related to the enrollment of registered patent attorneys and agents (see § 1.21(a)(7)), the collection of which has been stayed since 2009. See

[www.uspto.gov/ip/boards/oed/practitioner/agents/forregisteredpractitioners.jsp](http://www.uspto.gov/ip/boards/oed/practitioner/agents/forregisteredpractitioners.jsp). In the calculations for this rulemaking, the Office has assumed that it will not collect these fees. The Office also has published a separate Notice of Proposed Rulemaking in the **Federal Register**, Changes to Representation of Others Before the United States Patent and

Trademark Office, 77 FR 64190 (Oct. 18, 2012), in which it has proposed to remove these fees entirely. Although that rulemaking may remove the fee entirely, it will not affect this rulemaking since the Office has assumed in this rulemaking that it will not collect the fee. The changes to the fee amounts indicated in § 1.21 are shown in Table 47.

TABLE 47

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.21(a)(1)(i) .....	9001	Application Fee (non-refundable) ....	40	N/A	40	N/A	N/A
1.21(a)(1)(ii)(A) ....	9010	For Test Administration by Commercial Entity.	200	N/A	200	N/A	N/A
1.21(a)(1)(ii)(B) ....	9011	For Test Administration by the USPTO.	450	N/A	450	N/A	N/A
1.21(a)(2) .....	9003	Registration to Practice or Grant of Limited Recognition under § 11.9(b) or (c).	100	N/A	100	N/A	N/A
1.21(a)(2) .....	9025	Registration to Practice for Change of Practitioner Type.	100	N/A	100	N/A	N/A
1.21(a)(4) .....	9005	Certificate of Good Standing as an Attorney or Agent.	10	N/A	10	N/A	N/A
1.21(a)(4)(i) .....	9006	Certificate of Good Standing as an Attorney or Agent, Suitable for Framing.	20	N/A	20	N/A	N/A
1.21(a)(5)(i) .....	9012	Review of Decision by the Director of Enrollment and Discipline under § 11.2(c).	130	N/A	130	N/A	N/A
1.21(a)(5)(ii) .....	9013	Review of Decision of the Director of Enrollment and Discipline under § 11.2(d).	130	N/A	130	N/A	N/A

TABLE 47—Continued

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.21(a)(7)(i) .....	9015	Annual Fee for Registered Attorney or Agent in Active Status.	118	N/A	120	N/A	N/A
1.21(a)(7)(ii) .....	9016	Annual Fee for Registered Attorney or Agent in Voluntary Inactive Status.	25	N/A	25	N/A	N/A
1.21(a)(7)(iii) .....	9017	Requesting Restoration to Active Status from Voluntary Inactive Status.	50	N/A	50	N/A	N/A
1.21(a)(7)(iv) .....	9018	Balance of Annual Fee Due upon Restoration to Active Status from Voluntary Inactive Status.	93	N/A	100	N/A	N/A
1.21(a)(8) .....	9019	Annual Fee for Individual Granted Limited Recognition.	118	N/A	120	N/A	N/A
1.21(a)(9)(i) .....	9020	Delinquency Fee for Annual Fee .....	50	N/A	50	N/A	N/A
1.21(a)(9)(ii) .....	9004	Reinstatement to Practice .....	100	N/A	100	N/A	N/A
1.21(a)(10) .....	9014	Application Fee for Person Disciplined, Convicted of a Felony or Certain Misdemeanors under § 11.7(h).	1,600	N/A	1,600	N/A	N/A
1.21(e) .....	8020	International Type Search Report .....	40	N/A	40	N/A	N/A
1.21(g) .....	8902	Self-Service Copy Charge, per Page	0.25	N/A	0.25	N/A	N/A
1.21(h)(1) .....	NEW	Recording Each Patent Assignment, Agreement or Other Paper, per Property if Submitted Electronically.	N/A	N/A	0	N/A	N/A
1.21(h)(2) .....	8021	Recording Each Patent Assignment, Agreement or Other Paper, per Property if not Submitted Electronically.	40	N/A	40	N/A	N/A
1.21(i) .....	8022	Publication in Official Gazette .....	25	N/A	25	N/A	N/A
1.21(j) .....	8023	Labor Charges for Services, per Hour or Fraction Thereof.	40	N/A	40	N/A	N/A
1.21(k) .....	8024	Unspecified Other Services, Excluding Labor.	AT COST	N/A	AT COST	N/A	N/A
1.21(k) .....	9024	Unspecified Other Services, Excluding Labor.	AT COST	N/A	AT COST	N/A	N/A
1.21(n) .....	8026	Handling Fee for Incomplete or Improper Application.	130	N/A	130	N/A	N/A

Section 1.21 is amended by revising paragraph (h) as follows: For recording each assignment, agreement, or other paper relating to the property in a patent or application, per property:

If submitted electronically, on or after January 1, 2014 ..... \$0.00  
If not submitted electronically ..... 40.00

*Section 1.27:* Section 1.27(c)(3) is amended to provide that the payment of the exact amount of the small entity transmittal fee set forth in § 1.445(a)(1) or the small entity international search fee set forth in § 1.445(a)(2) to a Receiving Office other than the United States Receiving Office in the exact amount established for that Receiving Office pursuant to PCT Rule 16 will also be treated as a written assertion of entitlement to small entity status. This

change applies the national practice of permitting an applicant to obtain small entity status by payment of certain national fees in the small entity amount to international applications.

Section 1.27 is amended to include the following language at paragraph (c)(3):

Assertion by payment of the small entity basic filing, basic transmittal, basic national fee, or international search fee. The payment, by any party, of the exact amount of one of the small entity basic filing fees set forth in § 1.16(a), 1.16(b), 1.16(c), 1.16(d), 1.16(e), the small entity transmittal fee set forth in § 1.445(a)(1), the small entity international search fee set forth in § 1.445(a)(2) to a Receiving Office other than the United States Receiving Office

in the exact amount established for that Receiving Office pursuant to PCT Rule 16, or the small entity basic national fee set forth in § 1.492(a), will be treated as a written assertion of entitlement to small entity status even if the type of basic filing, basic transmittal, or basic national fee is inadvertently selected in error.

\* \* \* \* \*

*Section 1.445:* Sections 1.445(a)(1)(i), and (a)(2) through (a)(4) are amended to set forth the international application transmittal and search fees as authorized under section 10 of the Act. This section now distinguishes between issue and publication fees paid before or after January 1, 2014. The changes to the fee amounts indicated in § 1.445 are shown in Table 48.

TABLE 48

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars) Effective Jan. 1, 2014		
			Large	Small	Large	Small	Micro
1.445(a)(1)(i)(A) and (B).	1601	PCT International Stage Transmittal Fee.	240	N/A	240	120	60
1.445(a)(2)(i) and (ii).	1602	PCT International Stage Search Fee—Regardless of Whether There is a Corresponding Application (see 35 U.S.C. 361(d) and PCT Rule 16).	2,080	N/A	2,080	1,040	520
1.445(a)(3)(i) and (ii).	1604	PCT International Stage Supplemental Search Fee When Required, per Additional Invention.	2,080	N/A	2,080	1,040	520
1.445(a)(4)(i) and (ii).	1621	Transmitting Application to International Bureau to Act as Receiving Office.	240	N/A	240	120	60

*Correction of Inventorship:* Section 1.48 is amended to add a new paragraph that will require the fee set in § 1.17(d) when inventors are deleted, except for when the request to correct or change inventorship is accompanied by a statement that the request to correct or change the inventorship is due solely to the cancellation of claims in the application.

Section 1.48 is amended by adding the following language at paragraph (c):

Any request to correct or change the inventorship under paragraph (a) of this section filed after the Office action on the merits has been given or mailed in the application must also be accompanied by the fee set forth in § 1.17(d), unless the request is accompanied by a statement that the request to correct or change the inventorship is due solely to the cancellation of claims in the application.

*Section 1.482:* Sections 1.482(a)(1) and (a)(2) are amended to set forth the international application preliminary examination fees as authorized under section 10 of the Act. This section now distinguishes between issue and publication fees paid before or after January 1, 2014. The changes to the fee amounts indicated in § 1.482 are shown in Table 49.

TABLE 49

CFR Section	Fee code	Description	Current fees (dollars)		Final Fees (dollars) Effective Jan. 1 2014		
			Large	Small	Large	Small	Micro
1.482(a)(1)(i) (A) and (B).	1605	PCT International Stage Preliminary Examination Fee—U.S. was the ISA .....	600	N/A	600	300	150
1.482(a)(1)(ii) (A) and (B).	1606	PCT International Stage Preliminary Examination Fee—U.S. was not the ISA .....	750	N/A	760	380	190
1.482(a)(2) (i) and (ii).	1607	PCT International Stage Supplemental Examination Fee per Additional Invention.	600	N/A	600	300	150

*Section 1.492:* The fee amounts in § 1.492(a), (b)(1) through (b)(4), (c)(1), (c)(2), (d) through (f), (h), (i) and (j) are amended to set forth the basic national,

excess claims, search, examination, and application size fees for international patent applications entering the national stage as authorized under section 10 of

the Act. The changes to the fee amounts indicated in § 1.492 are shown in Table 50.

TABLE 50

CFR Section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.492(a) .....	1631/2631	Basic PCT National Stage Fee .....	390	195	280	140	70
1.492(b)(1) .....	1640/2640	PCT National Stage Search Fee—U.S. was the ISA or IPEA and All Claims Satisfy PCT Article 33(1)–(4).	0	0	0	0	0
1.492(b)(2) .....	1641/2641	PCT National Stage Search Fee—U.S. was the ISA.	120	60	120	60	30

TABLE 50—Continued

CFR Section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
1.492(b)(3) .....	1642/2642	PCT National Stage Search Fee—Search Report Prepared and Provided to USPTO.	500	250	480	240	120
1.492(b)(4) .....	1632/2632	PCT National Stage Search Fee—All Other Situations.	630	315	600	300	150
1.492(c)(1) .....	1643/2643	PCT National Stage Examination Fee—U.S. was the ISA or IPEA and All Claims Satisfy PCT Article 33(1)–(4).	0	0	0	0	0
1.492(c)(2) .....	1633/2633	National Stage Examination Fee—All Other Situations.	250	125	720	360	180
1.492(d) .....	1614/2614	PCT National Stage Claims—Extra Independent (over three).	250	125	420	210	105
1.492(e) .....	1615/2615	PCT National Stage Claims—Extra Total (over 20).	62	31	80	40	20
1.492(f) .....	1616/2616	PCT National Stage Claims—Multiple Dependent.	460	230	780	390	195
1.492(h) .....	1617/2617	Search Fee, Examination Fee or Oath or Declaration After Thirty Months From Priority Date.	130	65	140	70	35
1.492(i) .....	1618/2618	English Translation After Thirty Months From Priority Date.	130	N/A	140	70	35
1.492(j) .....	1681/2681	PCT National Stage Application Size Fee—for Each Additional 50 Sheets that Exceeds 100 Sheets.	320	160	400	200	100

*Section 41.20:* Sections 41.20(a) and (b) are amended to set forth the appeal

fees as authorized under section 10 of the Act. The changes to the fee amounts

indicated in § 41.20 are shown in Table 51.

TABLE 51

CFR Section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
41.20(a) .....	1405	Petitions to the Chief Administrative Patent Judge under 37 CFR 41.3.	400	N/A	400	N/A	N/A
41.20(b)(1) .....	1401/2401	Notice of Appeal .....	630	315	800	400	200
41.20(b)(2)(i) .....	1402/2402	Filing a Brief in Support of an Appeal in an Application or <i>Ex Parte</i> Reexamination Proceeding.	630	315	0	0	0
41.20(b)(2)(ii) .....	NEW	Filing a Brief in Support of an Appeal in an <i>Inter Partes</i> Reexamination Proceeding.	N/A	N/A	2,000	1,000	500
41.20(b)(3) .....	1403/2403	Request for Oral Hearing .....	1,260	630	1,300	650	325
41.20(b)(4) .....	NEW	Forwarding an Appeal in an Application or <i>Ex Parte</i> Reexamination Proceeding to the Board.	N/A	N/A	2,000	1,000	500

*Appeal Fees:* As discussed in *Part V. Individual Fee Rationale*, the Office is adjusting the fee structure for appeal fees to recognize that after some notices of appeal are filed, the matter is resolved, and there is no need to take the ultimate step of forwarding the appeal to the PTAB for a decision. The Office is setting a new fee to forward an

appeal in an application or *ex parte* reexamination proceeding to the PTAB for review.

Section 41.20(b) is amended by adding a new paragraph (4).

Section 41.37: Section 41.37 is amended by revising paragraphs (a) and (b).

Section 41.45: Section 41.45.

*Section 42.15:* Sections 42.15(a) through (d) are amended to set forth the *inter partes* review and post-grant review or covered business method patent review of patent fees as authorized under section 10 of the Act. The changes to the fee amounts indicated in § 42.15 are shown in Table 52.

TABLE 52

CFR section	Fee code	Description	Current fees (dollars)		Final fees (dollars)		
			Large	Small	Large	Small	Micro
42.15(a)(1) .....	1406	<i>Inter Partes</i> Review Request Fee—Up to 20 Claims.	27,200	N/A	9,000	N/A	N/A
42.15(a)(2) .....	NEW	<i>Inter Partes</i> Review Post-Institution Fee—Up to 15 Claims.	N/A	N/A	14,000	N/A	N/A
42.15(a)(3) .....	1407	In Addition to the <i>Inter Partes</i> Review Request Fee, for Requesting Review of Each Claim in Excess of 20.	600	N/A	200	N/A	N/A
42.15(a)(4) .....	NEW	In addition to the <i>Inter Partes</i> Post-Institution Fee, for Requesting Review of Each Claim in Excess of 15.	N/A	N/A	400	N/A	N/A
42.15(b)(1) .....	1408	Post-Grant or Covered Business Method Patent Review Request Fee—Up to 20 Claims.	35,800	N/A	12,000	N/A	N/A
42.15(b)(2) .....	NEW	Post-Grant or Covered Business Method Patent Review Post-Institution Fee—Up to 15 Claims.	N/A	N/A	18,000	N/A	N/A
42.15(b)(3) .....	1409	In Addition to the Post-Grant or Covered Business Method Patent Review Request Fee, for Requesting Review of Each Claim in Excess of 20.	800	N/A	250	N/A	N/A
42.15(b)(4) .....	NEW	In Addition to the Post-Grant or Covered Business Method Patent Review Post-Institution Fee, for Requesting Review of Each Claim in Excess of 15.	N/A	N/A	550	N/A	N/A
42.15(c)(1) .....	XXXX	Derivation Petition .....	400	N/A	400	N/A	N/A
42.15(d) .....	1411	Request to Make a Settlement Agreement Available.	400	N/A	400	N/A	N/A

**Section 42.15:** Section 42.15 is added.

### VIII. Rulemaking Considerations

#### A. Regulatory Flexibility Act

The USPTO publishes this Final Regulatory Flexibility Analysis (FRFA) as required by the Regulatory Flexibility Act (RFA) (5 U.S.C. 601, *et seq.*) to examine the impact of the Office's rule to implement the fee setting provisions of the Leahy-Smith America Invents Act (Pub. L. 112-29, 125 Stat. 284) (the Act) on small entities.

Under the RFA, whenever an agency is required by 5 U.S.C. 553 (or any other law) to publish a notice of proposed rulemaking (NPRM), the agency must prepare a FRFA, unless the agency certifies under 5 U.S.C. 605(b) that the rule, if implemented, will not have a significant economic impact on a substantial number of small entities. *See* 5 U.S.C. 604, 605. The Office published an Initial Regulatory Flexibility Analysis (IRFA), along with the NPRM, on September 6, 2012 (77 FR 55028). The Office received no comments from the public directly applicable to the IRFA, as stated below in Item 2.

#### 1. A Statement of the Need for, and Objectives of, the Rule

The objective of the rule is to implement the fee setting provisions of section 10 of the Act by setting or adjusting patent fees to recover the aggregate cost of patent operations, including administrative costs, while facilitating effective administration of the U.S. patent system. The Act strengthened the patent system by affording the USPTO the “resources it requires to clear the still sizeable backlog of patent applications and move forward to deliver to all American inventors the first rate service they deserve.” H.R. Rep. No. 112-98(I), at 163 (2011). In setting fees under the Act, the Office seeks to secure a sufficient amount of aggregate revenue to recover the aggregate cost of patent operations, including for achieving strategic and operational goals, such as reducing the current patent application backlog, decreasing patent application pendency, improving patent quality, upgrading patent business IT capability and infrastructure, and implementing a sustainable funding model. As part of these efforts, the Office will use a portion of the patent fees to fund a patent operating reserve, a step toward achieving the Office's financial

sustainability goals. In addition, the Office includes multipart and staged fees for requests for continued examination and appeals, both of which aim to foster innovation and increase prosecution options. Additional information on the Office's strategic goals may be found in the Strategic Plan, available at [http://www.uspto.gov/about/stratplan/USPTO\\_2010-2015\\_Strategic\\_Plan.pdf](http://www.uspto.gov/about/stratplan/USPTO_2010-2015_Strategic_Plan.pdf). Additional information on the Office's goals and operating requirements may be found in the annual budgets, available at <http://www.uspto.gov/about/stratplan/budget/fy13pbr.pdf>. The legal basis for the rule is section 10 of the Act.

#### 2. A Statement of the Significant Issues Raised by the Public Comments in Response to the Initial Regulatory Flexibility Analysis, a Statement of the Assessment of the Agency of Such Issues, and a Statement of Any Changes Made in the Proposed Rule as a Result of Such Comments

The Office did not receive any public comments in response to the IRFA. The Office received comments about fees in general as well as particular fees, including comments about the applicability of certain fees to small entities. Overall, the comments expressed support for the discounts to

small entities. However, some comments questioned why the discounts could not be larger or applicable to additional fees, and other comments requested that the requirements to qualify as a small or micro entity be relaxed. The Office responded to these comments with additional explanations of the statutory requirements that do not permit the Office to make such changes. Details of those comments are discussed and analyzed above in *Part VI. Discussion of Comments*.

### 3. The Response of the Agency to Any Comments Filed by the Chief Counsel for Advocacy of the Small Business Administration in Response to the Proposed Rule, and a Detailed Statement of Any Change Made to the Proposed Rule in the Final Rule as a Result of the Comments

The Office did not receive any comments filed by the Chief Counsel for Advocacy of the Small Business Administration in response to the proposed rule.

### 4. A Description of and an Estimate of the Number of Small Entities to Which the Rule Will Apply or an Explanation of Why No Such Estimate Is Available

#### SBA Size Standard

The Small Business Act (SBA) size standards applicable to most analyses conducted to comply with the RFA are set forth in 13 CFR 121.201. These regulations generally define small businesses as those with less than a specified maximum number of employees or less than a specified level of annual receipts for the entity's industrial sector or North American Industry Classification System (NAICS) code. As provided by the RFA, and after consulting with the SBA, the Office formally adopted an alternate size standard for the purpose of conducting an analysis or making a certification under the RFA for patent-related regulations. *See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR 67109 (Nov. 20, 2006), 1313 Off. Gaz. Pat. Office 60 (Dec. 12, 2006). The Office's alternate small business size standard consists of the SBA's previously established size standard for entities entitled to pay reduced patent fees. *See* 13 CFR 121.802.

Unlike the SBA's generally applicable small business size standards, the size standard for the USPTO is not industry-specific. The Office's definition of a small business concern for RFA purposes is a business or other concern

that: (1) Meets the SBA's definition of a "business concern or concern" set forth in 13 CFR 121.105; and (2) meets the size standards set forth in 13 CFR 121.802 for the purpose of paying reduced patent fees, namely, an entity: (a) Whose number of employees, including affiliates, does not exceed 500 persons; and (b) which has not assigned, granted, conveyed, or licensed (and is under no obligation to do so) any rights in the invention to any person who made it and could not be classified as an independent inventor, or to any concern that would not qualify as a nonprofit organization or a small business concern under this definition. *See Business Size Standard for Purposes of United States Patent and Trademark Office Regulatory Flexibility Analysis for Patent-Related Regulations*, 71 FR 67109 (Nov. 20, 2006), 1313 Off. Gaz. Pat. Office at 63 (Dec. 12, 2006).

If a patent applicant self-identifies on a patent application as qualifying as a small entity for reduced patent fees under the Office's alternative size standard, the Office captures this data in the Patent Application Location and Monitoring (PALM) database system, which tracks information on each patent application submitted to the Office.

#### Small Entities Affected by This Rule

#### Small Entity Defined

The Act provides that fees set or adjusted under section 10(a) "for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced by 50 percent" with respect to the application of such fees to any "small entity" (as defined in 37 CFR 1.27) that qualifies for reduced fees under 35 U.S.C. 41(h)(1). 125 Stat. at 316–17. 35 U.S.C. 41(h)(1), in turn, provides that certain patent fees "shall be reduced by 50 percent" for a small business concern as defined by section 3 of the SBA, and to any independent inventor or nonprofit organization as defined in regulations described by the Director.

#### Micro Entity Defined

Section 10(g) of the Act creates a new category of entity called a "micro entity." 35 U.S.C. 123; *see also* 125 Stat. at 318–19. Section 10(b) of the Act provides that the fees set or adjusted under section 10(a) "for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents shall be reduced \* \* \* by 75 percent with respect to the application of such fees to any micro entity as defined by [new 35 U.S.C.] 123." 125 Stat. at 315–17.

35 U.S.C. 123(a) defines a "micro entity" as an applicant who certifies that the applicant: (1) Qualifies as a small entity as defined in 37 CFR 1.27; (2) has not been named as an inventor on more than four previously filed patent applications, other than applications filed in another country, provisional applications under 35 U.S.C. 111(b), or Patent Cooperation Treaty (PCT) applications for which the basic national fee under 35 U.S.C. 41(a) was not paid; (3) did not, in the calendar year preceding the calendar year in which the applicable fee is being paid, have a gross income, as defined in section 61(a) of the Internal Revenue Code of 1986 (26 U.S.C. 61(a)), exceeding three times the median household income for that preceding calendar year, as most recently reported by the Bureau of the Census; and (4) has not assigned, granted, conveyed, and is not under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the application concerned to an entity exceeding the income limit set forth in (3) above. *See* 125 Stat. at 318.

35 U.S.C. 123(d) also defines a "micro entity" as an applicant who certifies that: (1) The applicant's employer, from which the applicant obtains the majority of the applicant's income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a)); or (2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education.

#### Estimate of Number of Small Entities Affected

The changes in the rule apply to any entity, including a small or micro entity, that pays any patent fee set forth in the final rule. The reduced fee rates (50 percent for small entities and 75 percent for micro entities) apply to any small entity asserting small entity status and to any micro entity certifying micro entity status for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents.

The Office reviews historical data to estimate the percentages of application filings asserting small entity status. Table 53 presents a summary of such small entity filings by type of application (utility, reissue, plant, design) over the last five years.

TABLE 53—NUMBER OF PATENT APPLICATIONS FILED IN LAST FIVE YEARS \*

	FY 2012**	FY 2011	FY 2010	FY 2009	FY 2008	Average
Utility:						
All .....	530,915	504,089	479,332	458,901	466,258	488,014
Small .....	132,198	126,878	122,329	113,244	116,891	122,367
% Small .....	24.9	25.2	25.5	24.7	25.1	25.1
Reissue:						
All .....	1,212	1,139	1,138	1,035	1,080	1,125
Small .....	278	265	235	237	258	255
% Small .....	22.9	23.3	20.7	22.9	23.9	22.0
Plant:						
All .....	1,181	1,106	1,013	988	1,331	1,123
Small .....	576	574	472	429	480	506
% Small .....	48.8	51.9	46.6	43.4	36.1	45.1
Design:						
All .....	32,258	30,270	28,577	25,575	28,217	28,975
Small .....	15,806	14,699	15,133	14,591	14,373	14,921
% Small .....	49	48.6	53.0	57.1	50.9	48.66
Total:						
All .....	565,566	536,604	510,060	486,499	496,886	519,236
Small .....	148,858	142,416	138,169	128,501	132,002	138,049
% Small .....	26.3	26.5	27.1	26.4	26.6	26.6

\* The patent application filing data in this table includes RCEs.

\*\* FY 2012 application data are preliminary and will be finalized in the FY 2013 Performance and Accountability Report (PAR).

Because the percentage of small entity filings varies widely between application types, the Office has averaged the small entity filing rates over the past five years for those application types to estimate future filing rates by small and micro entities. Those average rates appear in the last column of Table 53, above. As discussed previously in this Final Rule, the Office estimates that the number of patent applications filed will increase annually (despite fee increases), and the Office estimates that small entity filing rates also will continue to grow for the next five years.

The Office forecasts the number of projected patent applications (i.e., workload) for the next five years using a combination of historical data, economic analysis, and subject matter expertise. The Office estimates that UPR patent application filings would grow by 5.0 percent each year beginning in FY 2013 and continuing through FY 2017. The Office forecasts design patent applications independently of UPR applications because they exhibit different behavior. The Office previously estimated that design patent application filings would grow by 2.0 percent each year beginning in FY 2013 and continuing through FY 2017. These filing estimates, however, were established prior to an analysis of elasticity based on fee adjustments. The FY 2013 President's Budget (page 36, "USPTO Fee Collection Estimates/Ranges") further describes the Office's workload forecasting methodology, which involves reviewing economic

factors and other relevant indicators about the intellectual property environment. Exhibit 12 of the Budget presents additional performance goals and measurement data, including the forecasted patent application filing growth rate as described above.

Using the estimated filings for the next five years, the average historic rates of small entity filings, and the Office's elasticity estimates, Table 54 presents the Office's estimates of the number of patent application filings by all applicants, including small entities, over the next five fiscal years by application type. As stated in *Part V. Individual Fee Rationale* of this final rule, and taking into account elasticity, the Office estimated that applicants would file 1.3 percent fewer new (serialized) patent applications during FY 2013 than the number estimated to be filed in the absence of a fee increase (with new fee schedule implementation for half the fiscal year). The Office further estimated that 2.7 percent fewer new patent applications would be filed during FY 2014, and 4.0 percent fewer new patent applications would be filed in FY 2015, in response to the fee adjustment. Beginning in FY 2016, the Office estimated that the growth in new patent applications filed would return to the same levels anticipated in the absence of a fee increase. The Office's estimate of the number of patent application filings by small entities represents an upper bound. Some entities may file more than one application in a given year.

The Office has undertaken an elasticity analysis to examine how fee

adjustments may impact small entities, and in particular, whether increases in fees would result in some such entities not submitting applications. Elasticity measures how sensitive patent applicants and patentees are to fee amounts or changes. If elasticity is low enough (demand is *inelastic*), then fee increases will not reduce patenting activity enough to negatively impact overall revenues. If elasticity is high enough (demand is *elastic*), then increasing fees will decrease patenting activity enough to decrease revenue. The Office analyzes elasticity at the overall filing level across all patent applicants regardless of entity size. Additional information about elasticity estimates is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1) in the document entitled "USPTO Section 10 Fee Setting—Description of Elasticity Estimates." Table 54 reflects estimates for total numbers of applicants, including the portion of small entity applicants. These estimates include reductions in the application growth rate (as described in the previous paragraph) based on the estimated elasticity effect included in Table 2 of the aforementioned *Description of Elasticity Estimates* document. This estimated elasticity effect is multiplied by the estimated number of patent applications in the absence of a fee increase to obtain the estimates in Table 54. See the appendix on elasticity for additional detail on the Office's elasticity estimates and methodology.

TABLE 54—ESTIMATED NUMBERS OF PATENT APPLICATIONS IN FY 2013–FY 2017

	FY 2012 (current)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Utility:						
All .....	530,915	548,307	566,524	585,187	614,503	645,285
Small .....	132,198	94,668	98,430	102,776	107,926	113,333
Reissue:						
All .....	1,212	685	679	673	693	714
Small .....	278	109	108	107	110	113
Plant:						
All .....	1,181	1,034	1,025	1,015	1,025	1,035
Small .....	576	371	368	364	368	371
Design:						
All .....	32,258	31,994	31,910	31,810	32,446	33,095
Small .....	15,806	11,038	11,009	10,974	11,194	11,418
Total:						
All .....	565,566	582,020	600,138	618,685	648,667	680,129
	148,858	106,186	109,915	114,221	119,598	125,235

5. A Description of the Projected Reporting, Recordkeeping and Other Compliance Requirements of the Rule, Including an Estimate of the Classes of Small Entities Which Will Be Subject to the Requirement and Type of Professional Skills Necessary for Preparation of the Report or Record

This rule will not change the burden of existing reporting and recordkeeping requirements for payment of fees. The current requirements for small entities will continue to apply to small entities. The process to assess whether an entity can claim micro entity status requires the same skill currently required to assess whether an entity can claim small entity status. The projected reporting and recordkeeping requirements for an entity to certify eligibility for micro entity fee reductions are minimal (namely, a brief certification). These minimal requirements will not require any professional skills beyond those required to file and prosecute an application. Therefore, the professional skills necessary to file and prosecute an application through issue and maintenance remain unchanged under this rule. This rule only sets or adjusts patent fees and does not set procedures for asserting small or micro entity status, as previously discussed.

The full fee schedule (see Part VII. *Discussion of Specific Rules*) is set forth in the final rule. The fee schedule sets or adjusts 351 patent fees. This fee schedule includes 94 fees for which there are small entity fee reductions, and 93 fees for which there are micro entity fee reductions. One fee, Statutory Disclaimer (37 CFR 1.20(d)), was formerly eligible for a small entity fee reduction, but is no longer eligible for such a reduction under section 10(b) of the Act. Similarly, Basic Filing Fee—Utility (37 CFR 1.16(a)(1), electronic

filings for small entities), is set expressly for small entities in section 10(h) of the Act, and there is no corresponding large or micro entity fee.

Commensurate with changes to large entity fees, small entities will pay more than they do currently for 47 percent of the fees currently eligible for the 50 percent fee reduction. However, more fees are reduced for small entities under the Act. As a result, they will pay less than they do currently for 44 percent of the fees eligible for the 50 percent reduction (5 percent of the fees stay the same and the balance are newly set fees). Additionally, micro entities are eligible for fee reductions of 75 percent. Compared to what they would have paid as small entities under the current fee schedule, micro entities will pay less for 87 percent of the fees eligible for reduction.

6. A Description of the Steps the Agency Has Taken to Minimize the Significant Economic Impact on Small Entities Consistent With the Stated Objectives of Applicable Statutes, Including a Statement of the Factual, Policy, and Legal Reasons for Selecting the Alternative Adopted in the Final Rule and Why Each One of the Other Significant Alternatives to the Rule Considered by the Agency Which Affect the Impact on Small Entities Was Rejected

The USPTO considered several alternative approaches to the rule, discussed below, including retaining current fees, full cost recovery of fees, an across-the-board adjustment to fees, and the proposal submitted to the PPAC on February 7, 2012. The discussion begins with a description of the fee schedule adopted in this rule and then addresses each alternative considered in turn.

i. Alternative 1: Patent Fee Schedule in the Final Rule—Set and Adjust Section 10 Fees

The USPTO chose the patent fee schedule in this final rule because it will enable the Office to achieve its goals effectively and efficiently without unduly burdening small entities, erecting barriers to entry, or stifling incentives to innovate. The alternative selected here achieves the aggregate revenue needed for the Office to offset aggregate costs, and is therefore beneficial to all entities that seek patent protection. Also, the alternative selected here offers small entities a 50 percent fee reduction and micro entities a 75 percent fee reduction. As discussed in Item 5 above, the final patent fee schedule includes a total of 94 reduced fees for small entities and 93 reduced fees for micro entities. Compared to the current patent fee schedule, small entities will see 41 small entity fees decrease and micro entities will see 81 fees decrease (when compared to the rate they would have paid as a small entity under the current fee schedule).

Given the three-month operating reserve target estimated to be achieved after the five-year planning period of FY 2013–FY 2017 (in FY 2018) under this selected alternative, small and micro entities will pay some higher fees than under some of the other alternatives considered. However, the fees are not as high as those initially proposed to PPAC (Alternative 4), which achieved the three-month target operating reserve in FY 2016. Instead, in the adopted alternative, the Office decided to slow the growth of the operating reserve and lower key fee amounts in response to comments and feedback the PPAC received from IP stakeholders and other interested members of the public during

and following the PPAC fee setting hearings.

The selected alternative secures the Office's required revenue to meet its aggregate costs, while meeting the strategic goals of a patent application pendency decrease and patent application backlog reduction that will benefit all applicants, especially small and micro entities. Pendency is one of the most important factors in an analysis of patent fee proposal alternatives. Decreasing patent application pendency increases the private value of patents because patents are granted sooner, thus allowing patent holders to more quickly commercialize their innovations. Reducing pendency may also allow for earlier disclosure of the scope of protection, which reduces uncertainty regarding the scope of patent rights and validity of claims for patentees, competitors, and new entrants. All patent applicants should benefit from the decreased pendency that will be realized under the selected alternative. While some of the other alternatives discussed make progress toward the pendency decrease (and related backlog reduction) goal, the selected alternative is the only one that does so in a way that does not pose undue costs on patent applicants and holders while still achieving the Office's other strategic goals.

The selected alternative is also uniquely responsive to stakeholder feedback in ways the other alternatives are not, including multipart and staged fees for requests for continued examination, appeals, and several of the new trial proceedings, including *inter partes* review and post-grant review. These inclusions in the selected alternative aim to *foster innovation and increase patent prosecution options for applicants* and patent holders, as discussed in the *Part V. Individual Fee Rationale* section of Supplementary Information in this final rule. Two examples illustrate how the selected fee structure is responsive to stakeholder feedback. First, the Office sets two fees for RCEs. The fee for an initial RCE is set below cost; the fees for a second and any subsequent RCEs are set above the amount of the first RCE, estimated to be slightly below cost recovery. A lower first RCE fee continues to allow for use of this option, when necessary; only the more intensive use of this process via a second or subsequent RCE, which impacts compact prosecution, requires higher fees. Second, the Office stages the payment of the appeal fees to recover additional cost at later points in time and thereby minimize the cost impacts on applicants associated with withdrawn final rejections. The Office

sets (1) a \$800 notice of appeal fee, (2) a \$0 fee when filing the brief, and (3) a \$2,000 fee when forwarding the appeal file—containing the appellant's Brief and the Examiner's Answer—to the PTAB for review. This reduction from the fees proposed in the NPRM recognizes stakeholder feedback about the appeal fees being too high and the total cost of the appeal process was too front-end focused. The approach aims to: Provide *patent prosecution options for applicants* and appellants, stabilize the fee structure by recovering cost at the points in time where appeals cost is the most significant, and seek ways to minimize the cost impact on applicants associated with withdrawn rejections.

When estimating aggregate revenue, the Office assumed that the fees in this rule would become effective by April 1, 2013, except for issue, pre-grant publication, international stage Patent Cooperation Treaty fees, and assignment fee changes which become effective January 1, 2014. The final patent fee schedule, as compared to existing fees (labeled Alternative 1—Final Patent Fee Schedule—Set and Adjust Section 10 Fees) is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1), in the document entitled “*USPTO Section 10 Fee Setting—FRFA Tables*.” Fee changes for small and micro entities are included in the tables. For the purpose of calculating the dollar and percent fee change, fees for micro entities are compared to current fees for small entities. For the comparison between final patent fees and current fees, as noted above, the “current fees” column displays the fees that were effective as of October 5, 2012.

#### ii. Other Alternatives Considered

In addition to the fee schedule set forth in Alternative 1, above, the Office considered several other alternative approaches.

##### a. Alternative 2: Fee Cost Recovery

The USPTO considered setting most individual large entity fees at the cost of performing the activities related to the particular service, while implementing the small and micro entity fee reductions for eligible fees. Fees that are not typically set using cost data as an indicator were set at current rates. Under this alternative, maintenance fees would be set at a level sufficient to ensure that the Office would be able to recover the cost of mandatory expenses and offset the revenue loss from small and micro entity discounts (approximately half of the current maintenance fee rates). Additional information about the methodology for

determining the cost of performing the activities, including the cost components related to respective fees, is available for review at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1) in the document titled “*USPTO Section 10 Fee Setting—Activity-Based Information and Costing Methodology*.”

It is common practice in the Federal Government to set a particular fee at a level to recover the cost of that service. In OMB Circular A-25: *User Charges*, the OMB states that user charges (fees) should be sufficient to recover the full cost to the Federal Government of providing the particular service, resource, or good, when the Government is acting in its capacity as sovereign. However, the Office projected a significant revenue shortfall under this alternative, defeating the goals of this rulemaking.

First, this alternative would not provide sufficient funds to offset the required fee reductions for small and micro entities. Even after adjusting maintenance fees upward, aggregate revenue would suffer considerably. In response, it would be necessary for the Office to reduce operating costs (i.e., examination capacity (hiring), IT system upgrades, and various other initiatives), the loss of which would negatively impact the Office's ability to meet the financial, strategic, and policy goals of this rulemaking.

Moreover, this alternative presents significant barriers to seeking patent protection, because front-end fees would increase significantly for all applicants, even with small and micro entity fee reductions. The high costs of entry into the patent system could lead to a significant decrease in the incentives to invest in innovative activities among all entities, and especially for small and micro entities. Likewise, there would be no improvements in fee design, such as the multipart RCE fees or staging the appeal fees included in Alternative 1.

In sum, this alternative is inadequate to accomplish the goals and strategies as stated in *Part III* of this rulemaking and so the Office has not adopted it.

The fee schedule for Alternative 2: Fee Cost Recovery is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1), in the document entitled “*USPTO Section 10 Fee Setting—FRFA Tables*.” Fee changes for small and micro entities are included in the tables. For the purpose of calculating the dollar and percent fee change, fees for micro entities are compared to current fees for small entities. For the comparison between final patent fees and current fees, as

noted above, the “current fees” column displays the fees that were effective as of October 5, 2012.

**b. Alternative 3: Across-the-Board Adjustment**

In some past years, and as became effective on October 5, 2012, (see CPI Adjustment of Patent Fees for Fiscal Year 2013, 77 FR 54360 (Sept. 5, 2012)), the USPTO used its authority to adjust statutory fees annually according to changes in the CPI, which is a commonly used measure of inflation. Building on this prior approach, Alternative 3 would set fees by applying a 6.7 percent, multi-year, across-the-board inflationary increase to the baseline (status quo) beginning in FY 2013. The 6.7 percent represents the estimated cumulative inflationary adjustment from FY 2013 through FY 2016. The Office selected this time period to represent the fiscal year in which the fees would be effective through the fiscal year in which the operating reserve will approach the target level. As estimated by the CBO at the time the NPRM published, projected inflationary rates by fiscal year are: 1.4 percent in FY 2013, 1.5 percent in FY 2014, 1.6 percent in FY 2015, and 2.0 percent in FY 2016. (The rates listed are consistent with the analysis presented in the NPRM. The CBO has since updated its rates.) Each percentage rate for a given year applies to the following year, e.g., a 1.4 percent increase for FY 2013 is applied to FY 2014. These rates are multiplied together to account for the compounding effect occurring from year-to-year, the rounded result is 6.7 percent. When estimating aggregate revenue, the Office estimated that most fees under this alternative would become effective by April 1, 2013.

Under this alternative, the Office would not collect enough revenue to achieve both of the strategic goals identified in *Part III. Rulemaking Goals and Strategies* within the timeframes identified in the Budget. This alternative would implement the small and micro entity fee reductions for eligible fees, but would also retain the same fee relationships and subsidization policies as the status quo (baseline) alternative. There would be no improvements in fee design, such as the multipart RCE fees or staging the appeal fees included in Alternative 1. Further, the Office projects that the aggregate revenue generated from this alternative would be sufficient to recover the aggregate cost of steady state patent operations, but would not go far enough to meet both of the Office’s strategic goals to improve the timeliness of patent processing (through reducing patent

applications in backlog and pendency) and to implement a sustainable funding model for operations (by establishing a three-month patent operating reserve). It is important for the Office to balance accomplishing both goals together so that once it achieves the pendency goals, it has sufficient resources to maintain them. Alternative 3 builds the three-month patent operating reserve during the five-year planning period, but does not generate sufficient aggregate revenue to also achieve the patent application pendency goals by FY 2016 and FY 2017. In fact, the revenue generated by Alternative 3 during FY 2013 is not only insufficient to hire 1,000 patent examiners (like Alternatives 1 and 4), but also uses \$55 million of the operating reserve to pay for the 1,500 patent examiners hired in FY 2012 and maintain steady state operations. In sum, this alternative is inadequate to accomplish the goals and strategies as stated in *Part III. Rulemaking Goals and Strategies* of this rulemaking and so the Office has not adopted it.

The fee schedule for Alternative 3: Across-the-Board Adjustment is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1), in the document entitled “*USPTO Section 10 Fee Setting—FRFA Tables*.” Fee changes for small and micro entities are included in the tables. For the purpose of calculating the dollar and percent fee change, fees for micro entities are compared to current fees for small entities. For the comparison between proposed fees and current fees, the “current fees” column displays the fees that were effective as of October 5, 2012 (which includes the 2012 CPI increase).

**c. Alternative 4: Initial Proposal to the PPAC**

The fee structure initially delivered to the PPAC on February 7, 2012, and published during the public hearings in February 2012, which is consistent with the FY 2013 President’s Budget, would achieve the USPTO’s strategic goals and objectives, including reducing backlog and pendency.

This alternative is nearly the same as the selected alternative (Alternative 1). As described in *Part V. Individual Fee Rationale* of this rule, some fees would be set to achieve cost recovery for specific patent-related services, while many others would be set either below or above cost. For example, like alternatives 1 and 3, the Office, under this alternative would subsidize front-end fees set below cost (e.g., file, search, and examination) by setting back-end fees (e.g., issue and maintenance) above

cost to enable a low cost of entry into the patent system. In some cases, fee rates would be set at a level during patent prosecution so that an applicant pays certain fees at a point in time relative to the amount of information available to make a decision about proceeding. Specifically, fees would be set low during prosecution when there is less certainty about the value of an applicant’s invention, then begin to rise gradually starting at issue and continuing through maintenance fees at different stages of the patent lifecycle (e.g., 3.5, 7.5, and 11.5 years) when a patent holder has greater certainty in the value of the invention. This structure also considers the relationship among individual fees and the cost of operational processes, including some targeted adjustments to fees where the gap between cost and current fees is greatest.

The fee schedule for this alternative would achieve higher revenue than each of the other alternatives considered. It would permit the Office to fund the operating reserve at a rapid pace, reaching its three-month target level in FY 2016. When estimating aggregate revenue, the Office estimated that fees under this alternative would become effective by April 1, 2013.

However, during the PPAC hearings and comment period, stakeholders raised concerns about the rate of growth associated with the operating reserve. While most of the Office’s stakeholders agree with the need for an operating reserve, many raised concerns about the need to reach the target so quickly. Stakeholders opined that such a rate of growth would impose too great of a burden on the patent user community. Many were also concerned that the fee rates associated with achieving the operating reserve target so quickly would be too high. Although this alternative would meet the Office’s revenue goals, the Office ultimately rejected this alternative because it would have a greater economic impact on all entities (including small and micro entities) than the selected alternative. A modified version of this alternative (with a number of lower fees) became the selected alternative (Alternative 1).

The fee schedule for Alternative 4: Initial Proposal to PPAC is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1), in the document entitled “*USPTO Section 10 Fee Setting—FRFA Tables*.” Fee changes for small and micro entities are included in the tables. For the purpose of calculation the dollar and percent fee change, fees for micro entities are compared to current fees for

small entities. For the comparison between proposed fees and current fees, the “current fees” column displays the fees that were effective as of October 5, 2012 (which includes the 2012 CPI increase).

**d. Alternative 5: Retain Current Fees (Status Quo)**

The Office considered a no-action alternative. This alternative would retain the status quo, meaning that the Office would not expand the range of fees eligible for a small entity discount (50 percent), nor would it go a step further and provide micro entities with the 75 percent fee reduction that Congress provided in section 10 of the Act. This approach would not provide sufficient aggregate revenue to accomplish all of the Office’s goals as set forth in *Part III. Rulemaking Goals and Strategies* of this rule or the Strategic Plan, including hiring the examiners needed to decrease the backlog of patent applications, meeting patent application pendency goals, improving patent quality, advancing IT initiatives, and achieving sustainable funding.

The status quo alternative would be detrimental to micro entities, because the final rule includes a 75 percent fee reduction for micro entities that will result in those applicants paying less under the final patent fee schedule than they would under the status quo. Moreover, small entities generally would be harmed because fewer small entity discounts would be available.

The status quo approach would result in inadequate funding for effective patent operations. It also would result in increased patent application pendency levels and patent application backlog. It further would prevent the USPTO from meeting the goals in its Strategic Plan that are designed to achieve greater efficiency and improve patent quality. These results would negatively impact small entities just as they would negatively impact all other patent applicants. While the Office would continue to operate and make some progress toward its goals, the progress would be much slower, and in some cases, initial improvements would be eradicated in the out-years (e.g., patent application pendency and the patent application backlog would increase in the out-years as the Office fails to increase examination capacity to keep pace with incoming applications). Likewise, IT improvement activities would continue, but at a slower rate due to funding limitations.

**iii. Alternative Approaches**

In the IRFA, the USPTO also considered four other approaches specified by the RFA, namely: (1) Establishing different compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) clarifying, consolidating, or simplifying compliance and reporting requirements under the rule for small entities; (3) using performance rather than design standards; and (4) exempting small entities from coverage of the rule, or any part thereof. 5 U.S.C. 603(c). The USPTO discusses each of these specified approaches below, and describes how the final rule adopts these approaches.

**Differing Requirements**

As discussed above, the changes in this rulemaking establish differing requirements for small and micro entities that take into account the reduced resources available to them. Specifically, micro entities would pay a 75 percent reduction in patent fees under the final patent fee schedule.

For non-micro small entities, this final rule would not only retain the existing 50 percent patent fee reduction but also expand the availability of such small entity fee reductions to 26 patent fees that currently are not eligible for small entity reductions. The increased availability of fee reductions for both small and micro entities arises from the fact that section 10(b) of the Act provides that reductions apply to all fees for “filing, searching, examining, issuing, appealing, and maintaining patent applications and patents.” Prior to the AIA, small entity fee reductions applied only to fees set under 35 U.S.C. 41(a) and 41(b). By increasing the scope of fees eligible for reductions, the AIA allows the USPTO to do more to ease burdens and reduce the entry barriers for small and micro entities to take part in the patent system.

This rulemaking sets fee levels but does not set or alter procedural requirements for asserting small or micro entity status. To pay reduced patent fees, small entities must merely assert small entity status. The small entity may make this assertion by either checking a box on the transmittal form, “Applicant claims small entity status,” or by paying the small entity fee exactly. The Office established (in a separate rulemaking) that a micro entity submit a form certifying micro entity status. See Changes to Implement Micro Entity Status for Paying Patent Fees, 77 FR 75019 (Dec. 19, 2012). The instant final rule does not change any reporting

requirements for any small entity. For both small and micro entities, the burden to establish their status is nominal (making an assertion or submitting a certification), and the benefit of the fee reductions (50 percent for small entities and 75 percent for micro entities) is significant.

This final rule makes the best use of differing requirements for small and micro entities. It also makes the best use of the redesigned fee structure, as discussed further below.

**Clarification, Consolidation, or Simplification of Requirements**

The final rule clarifies, consolidates, and simplifies the current compliance requirements. These changes incorporate certain options to stage fees (break fees into multiple parts), so that applicants can space out the payment of fees and make decisions about some fees at later stages in the application process when they have more information. Applicants also can receive partial refunds when some parts of a service prove not to be needed.

For example, the Office establishes in this final rule that appeal fees be spread out across different stages of the appeal process so that an applicant can pay a smaller fee to initiate the appeal, and then not pay for the bulk of the appeal fee until, if, and when the appeal is forwarded to the PTAB after the Examiner’s Answer is filed. Thus, if a small or micro entity initiates an appeal, but the appeal does not go forward because the examiner withdraws the rejection, the small entity will pay less for the appeal process than under the current fee structure (where the bulk of the appeal fees would be paid up front even if the appeal does not go forward). Additionally, the Office sets fees for the administrative trials (*inter partes* review, post-grant review, and covered business method review) before the PTAB to be paid in multiple parts. With *inter partes* review, for instance, the Office would return fees for post-institution services should a petition not be instituted. Similarly, the Office establishes that fees paid for post-institution review of a large number of claims be returned if the Office only institutes the review of a subset of the requested claims. These options for staging and splitting fees into multiple parts will benefit small and micro entities, who will be able to spread out their payments of fees, and in some instances potentially receive refunds of fees where only a portion of a particular service is ultimately provided. See Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program

for Covered Business Method Patents, 77 FR 48680 (Aug. 14, 2012).

This final rule makes the best use of this alternative approach.

#### Performance Standards

Performance standards do not apply to the final rule.

#### Exemption for Small Entities

The final rule includes a new 75 percent reduction in fees for micro entities, and an expansion of the 50 percent reduction in fees for small entities. The Office considered exempting small and micro entities from paying patent fees, but determined that the USPTO would lack statutory authority for this approach. Section 10(b) of the Act provides that “fees set or adjusted under subsection (a) for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents *shall* be reduced by 50 percent [for small entities] and *shall* be reduced by 75 percent [for micro entities].” (Emphasis added). Neither the AIA nor any other statute authorizes the USPTO to simply exempt small or micro entities, as a class of applicants, from paying patent fees.

#### B. Executive Order 12866 (Regulatory Planning and Review)

This rulemaking has been determined to be economically significant for purposes of Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007). The Office has developed an RIA as required for rulemakings deemed to be economically significant. The complete RIA is available at [http://www.uspto.gov/aia\\_implementation/fees.jsp#heading-1](http://www.uspto.gov/aia_implementation/fees.jsp#heading-1). The Office received the following comments related to Executive Order 12866.

*Comment 1:* A commenter noted that the agency must comply with Executive Order 12866 in setting section 10 fees. The commenter also noted that Executive Order 12866 requires the Office to consider other causes and solutions to the problem before issuing regulations.

*Response:* As demonstrated in this section and the rulemaking as a whole, the USPTO has complied with the mandates of Executive Order 12866. Consistent with the directives in Executive Order 12866, the Office concurs and has both reviewed other causes (including a statutory fee structure that prevented the Office from realigning or adjusting fees to quickly and effectively respond to market demand or changes in processing costs)

and analyzed alternative solutions (including alternative fee structures and leaving the fees unchanged). The Office also has provided extensive opportunities for public input into the fee setting process like the PPAC public hearings and public comment period and the roadshows conducted in September 2012, before issuing this final rule.

#### C. Executive Order 13563 (Improving Regulation and Regulatory Review)

In order to comply with Executive Order 13563, the Office has, to the extent feasible and applicable: (1) Made a reasoned determination that the benefits justify the costs of the rule; (2) tailored the rule to impose the least burden on society consistent with obtaining the regulatory objectives; (3) selected a regulatory approach that maximizes net benefits; (4) specified performance objectives; (5) identified and assessed available alternatives; (6) involved the public in an open exchange of information and perspectives among experts in relevant disciplines, affected stakeholders in the private sector, and the public as a whole, and provided on-line access to the rulemaking docket; (7) attempted to promote coordination, simplification, and harmonization across Government agencies and identified goals designed to promote innovation; (8) considered approaches that reduce burdens and maintain flexibility and freedom of choice for the public; and (9) ensured the objectivity of scientific and technological information and processes.

#### D. Executive Order 13132 (Federalism)

This rulemaking does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

#### E. Congressional Review Act

Under the Congressional Review Act provisions of the Small Business Regulatory Enforcement Fairness Act of 1996 (5 U.S.C. 801–808), the United States Patent and Trademark Office has submitted a report containing this final rule and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the Government Accountability Office.

#### F. Unfunded Mandates Reform Act of 1995

The changes in this final rule do not involve a Federal intergovernmental mandate that will result in the expenditure by state, local, and tribal

governments, in the aggregate, of 100 million dollars (as adjusted) or more in any one year, or a Federal private sector mandate that will result in the expenditure by the private sector of 100 million dollars (as adjusted) or more in any one year, and will not significantly or uniquely affect small governments. Therefore, no actions are necessary under the provisions of the Unfunded Mandates Reform Act of 1995. See 2 U.S.C. 1501–1571.

#### G. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501–3549) requires the USPTO to consider the impact of paperwork and other information collection burdens imposed on the public. This final rule involves information collection requirements that are subject to review by the OMB under the PRA. The collection of information involved in this notice was submitted to OMB with the proposed rulemaking as a new information collection request and was preapproved under OMB control number 0651–0072. The information collection will be available at the OMB’s Information Collection Review Web site at: [www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain).

#### 1. Summary

This final rule will collect two fees not specifically delineated in an existing information collection request (listed in Table (A) below) and will amend the fees in several current information collections previously approved by OMB (listed in Table (B) below). The Office is consolidating these fee burdens into this collection to allow fee burden adjustments to be requested through a single fee information collection package entitled “America Invents Act Section 10 Patent Fee Adjustments.” This new, consolidated collection will result in the unavoidable double counting of certain fees for a short period of time. The Office will update the fee burden inventory in existing information collections to correct the double counting by submitting non-substantive change requests in each of the currently existing information collection requests (in Table (B) below) with the appropriate fee adjustments. Nothing associated with either this rulemaking or this information collection request alters the existing non-fee burden of any response to any information collection. However, because a change in some fees will change the aggregate demand for certain services, the total number of responses for some information collections will change, which in turn will change the total number of burden hours (defined

as the estimated time burden of a collection multiplied by the total responses) and respondent cost burden (burden hours multiplied by the respondent cost per hour) for some collections. These changes are detailed in the supporting statement for this information collection, and the Office will update the existing information collections to account for this change when submitting the non-substantive change requests described above.

As explained in *Part V. Individual Fee Rationale*, the USPTO adjusted several fees in response to public comment. The notice of appeal fee for large entities has been reduced from \$1,000 to \$800 and accordingly reduced for small entities from \$500 to \$400, and for micro entities from \$250 to \$200. The *ex parte* reexamination fee has been reduced

from \$15,000 to \$12,000 for large entities, with corresponding reductions to \$6,000 for small entities and \$3,000 for micro entities. The fee for reexaminations ordered as part of supplemental examination has been reduced from \$13,600 to \$12,100 for large entities and to \$6,050 for small entities and \$3,025 for micro entities. Finally, the correct inventorship fee has been reduced from \$1,000 to \$600 for large entities, and correspondingly \$300 for small entities and \$150 for micro entities. Although the fee for the correct inventorship service has been reduced, the circumstances in which the fee is paid have also been narrowed such that the fee need not be paid if the request to correct or change inventorship is accompanied by a statement that the request is due solely to the cancelation

of claims in the application. Accordingly, the Office now expects to receive 188 responses (i.e., payments of the fee) from large entities, 43 from small entities, and 19 from micro entities. Additionally, the Office has revised the expected number of responses to several information collections based on revised and decreased projections of demand for various services. Because of these revised expected responses, as explained in the Paperwork Reduction Act Supporting Statement for this rulemaking, both the hour cost burden and the non-hour cost burden have decreased from the NPRM to the Final Rule.

**(A) Fees Included in This New Information Collection Request**

Fee	Amount (large entity)	Amount (small entity)	Amount (micro entity)	Regulation
Correct Inventorship after First Action on the Merits ..... Petitions to Chief APJ Under 37 CFR 41.3 .....	\$600.00 400.00	\$300.00 400.00	\$150.00 400.00	37 CFR 1.17(d). 37 CFR 41.3.

**(B) Existing & Pending Collections Amended Under the Rulemaking**

- (1) 0651-0012 Admittance to Practice and Roster of Registered Patent Attorneys and Agents Admitted to Practice Before the USPTO
- (2) 0651-0016 Rules for Patent Maintenance Fees
- (3) 0651-0020 Patent Term Extension
- (4) 0651-0021 Patent Cooperation Treaty
- (5) 0651-0027 Recording Assignments
- (6) 0651-0031 Patent Processing (Updating)
- (7) 0651-0032 Initial Patent Applications
- (8) 0651-0033 Post Allowance and Refiling
- (9) 0651-0036 Statutory Invention Registration
- (10) 0651-0059 Certain Patent Petitions Requiring a Fee
- (11) 0651-0063 Board of Patent Appeals and Interferences (BPAI) Actions
- (12) 0651-0064 Patent Reexaminations and Supplemental Examinations
- (13) 0651-0069 Patent Review and Derivation Proceedings
- (14) 0651-00xx Matters Related to Patent Appeals

**2. Data**

Section 10 of the Act authorizes the Director of the USPTO to set or adjust all patent fees established, authorized, or charged under Title 35, U.S. Code. Agency fees associated with information collections are considered to be part of the burden of the collection of

information. The data associated with this information collection request is summarized below and provided in additional detail in the supporting statement for this information collection request, available through the Information Collection Review Web site ([www.reginfo.gov/public/do/PRAMain](http://www.reginfo.gov/public/do/PRAMain)).

Section 10 also provides for the creation of a “micro entity status.” The information collection associated with micro entity status was addressed in a separate proposed rulemaking and a separate PRA analysis. See 77 FR 75019 (Dec. 19, 2012).

**Needs and Uses:** The Agency is authorized to collect these fees by Section 10 of the Act. The public uses this information collection to pay their required fees and communicate with the Office regarding their applications and patents. The Agency uses these fees to process respondents’ applications and patents, to process applicants’ requests for various procedures in application and post-grant patent processing, and to provide all associated services of the Office.

**OMB Number:** 0651-0072.

**Title:** America Invents Act Section 10 Patent Fee Adjustments.

**Form Numbers:** None.

**Type of Review:** New Collection.

**Likely Respondents/Affected Public:** Individuals or households, businesses or other for-profit institutions, not-for-profit institutions, farms, Federal Government, and state, local, or tribal governments.

**A. Estimates for All Fees, Including Both Information Added in This Collection and Information in Existing and Pending Collections**

**Estimated Number of Respondents for All Fees:** 5,470,718 responses per year.

**Estimated Time per Response for All Fees:** Except as noted below for the two fees added to this collection, this information collection will not result in any change in any time per response.

**Estimated Total Annual (Hour) Respondent Cost Burden for All Fees:** Except as noted below for the two fees added to this collection, this information collection will not result in any change in any information requirements associated with fees set or amended by this rulemaking. Other than the two fees added to this collection, the only change in the total annual (hour) respondent cost burden results from the change in responses, which is a result of two factors. First, because the change in a fee for a particular service may cause a change in demand for that service, the total number of respondents for each service might change, altering the total annual (hour) respondent cost burden for fees covered under approved collections. This change has been fully detailed in the supporting statement and its appendices. Second, response numbers of current inventories have been updated to reflect the Office’s most recent estimates.

**Estimated Total Annual (Non-Hour) Respondent Cost Burden for All Fees:** \$2,727,479,226. The USPTO estimates

that the total fees associated with this collection, representing all fees collected across the full panoply of patent processing services provided by the Office, will be approximately \$2,727,479,150 per year. (This number is different than the total revenue cited elsewhere in this rule because PRA estimates have been calculated by taking an average over three years of estimated responses and because not every fee adjusted in this rulemaking constitutes a burden under the PRA (e.g., self-service copying fees).) The amount of these fees is a \$492,783,887 change from the fee amounts currently in the USPTO PRA inventory. Of this, \$409,263,158 directly results from this rulemaking and \$83,520,729 results from non-rulemaking factors. Additionally, the USPTO estimates that \$76 in postage costs will be associated with the items added in this collection. Because the postage costs for items in existing collections have not been altered by this rulemaking, they are not part of the burden of this rulemaking.

**B. Estimates for Fees Not Specifically Delineated in an Existing Information Collection Request (a Subset of All Fees in Part A. Above)**

*Estimated Number of Respondents for Information Added in This Collection:* 412 responses per year.

*Estimated Time per Response for Information Added in This Collection:* The USPTO estimates that it will take the public between 2 and 4 hours to gather the necessary information, prepare the appropriate form or other documents, and submit the information to the USPTO.

*Estimated Total Annual Respondent Burden Hours for Information Added in This Collection:* 1,148 hours per year.

*Estimated Total Annual (Hour) Respondent Cost Burden for Information Added in This Collection:* \$425,908 per year.

*Estimated Annual (Non-Hour) Respondent Cost Burden for Information Added in This Collection:* \$193,426 per year. Of this amount, \$128,550 directly results from this rulemaking, \$64,800 results from non-rulemaking factors, and \$76 results from postage.

### 3. Solicitation

The Office solicited comments to: (1) Evaluate whether the proposed information collection is necessary for the proper performance of the functions of the Office, including whether the information will have practical utility; (2) evaluate the accuracy of the Office's estimate of the burden; (3) enhance the quality, utility, and clarity of the information to be collected; and (4)

minimize the burden of collecting the information on those who are to respond, including by using appropriate automated, electronic, or mechanical collection techniques or other forms of information technology.

The Office received one comment from members of the public regarding the Paperwork Reduction Act analysis for this rule. A summary of the comment received and the Office's response to that comment follows.

*Comment 1:* A commenter noted that the agency must comply with the Paperwork Reduction Act, 44 U.S.C. 3501, *et seq.* in setting section 10 fees.

*Response:* The Office agrees with this comment. As evidenced by this section, the equivalent Paperwork Reduction Act section of the Notice of Proposed Rulemaking, and the Supporting Statements submitted with both the Notice of Proposed Rulemaking and this Final Rule, the Office has complied with the requirements of the Act.

Notwithstanding any other provision of law, no person is required to respond to nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB control number.

### List of Subjects

#### 37 CFR Part 1

Administrative practice and procedure, Courts, Freedom of information, Inventions and patents, Reporting and recordkeeping requirements, Small businesses.

#### 37 CFR Part 41

Administrative practice and procedure, Inventions and patents, Lawyers.

#### 37 CFR Part 42

Trial practice before the Patent Trial and Appeal Board.

For the reasons set forth in the preamble, 37 CFR parts 1, 41, and 42 are amended as follows:

### PART 1—RULES OF PRACTICE IN PATENT CASES

■ 1. The general authority citation for 37 CFR part 1 continues to read as follows and the specific authority citation immediately after the undesignated center heading “Fees and Payment of Money” is revised to read as follows:

**Authority:** 35 U.S.C. 2(b)(2).

\* \* \* \* \*

**Authority:** Sections 1.16 through 1.22 also issued under 35 U.S.C. 41, 111, 119, 120,

132(b), 156, 157, 255, 302, and 311, Public Laws 103–465, 106–113, and 112–29.

■ 2. Section 1.16 is amended by revising paragraphs (a) through (s) to read as follows:

#### § 1.16 National application filing, search, and examination fees.

(a) Basic fee for filing each application under 35 U.S.C. 111 for an original patent, except design, plant, or provisional applications:

By a micro entity (\$ 1.29) .....	\$70.00
By a small entity (\$ 1.27(a)) ....	140.00
By a small entity (\$ 1.27(a)) if the application is submitted in compliance with the Office electronic filing system (\$ 1.27(b)(2)) .....	70.00
By other than a small or micro entity .....	280.00

(b) Basic fee for filing each application for an original design patent:

By a micro entity (\$ 1.29) .....	\$45.00
By a small entity (\$ 1.27(a)) ....	90.00
By other than a small or micro entity .....	180.00

(c) Basic fee for filing each application for an original plant patent:

By a micro entity (\$ 1.29) .....	\$45.00
By a small entity (\$ 1.27(a)) ....	90.00
By other than a small or micro entity .....	180.00

(d) Basic fee for filing each provisional application:

By a micro entity (\$ 1.29) .....	\$65.00
By a small entity (\$ 1.27(a)) ....	130.00
By other than a small or micro entity .....	260.00

(e) Basic fee for filing each application for the reissue of a patent:

By a micro entity (\$ 1.29) .....	\$70.00
By a small entity (\$ 1.27(a)) ....	140.00
By other than a small or micro entity .....	280.00

(f) Surcharge for filing any of the basic filing fee, the search fee, the examination fee, or the oath or declaration on a date later than the filing date of the application, except provisional applications:

By a micro entity (\$ 1.29) .....	\$35.00
By a small entity (\$ 1.27(a)) ....	70.00
By other than a small or micro entity .....	140.00

(g) Surcharge for filing the basic filing fee or cover sheet (\$ 1.51(c)(1)) on a date later than the filing date of the provisional application:

By a micro entity (\$ 1.29) .....	\$15.00
By a small entity (\$ 1.27(a)) ....	30.00
By other than a small or micro entity .....	60.00

(h) In addition to the basic filing fee in an application, other than a provisional application, for filing or later presentation at any other time of

each claim in independent form in excess of 3:	By other than a small or micro entity .....	460.00	(d) For correction of inventorship in an application after the first action on the merits:
By a micro entity (§ 1.29) .....	\$105.00	By a micro entity (§ 1.29) .....	\$150.00
By a small entity (§ 1.27(a)) ....	210.00	By a small entity (§ 1.27(a)) ....	300.00
By other than a small or micro entity .....	420.00	By other than a small or micro entity .....	600.00
(i) In addition to the basic filing fee in an application, other than a provisional application, for filing or later presentation at any other time of each claim (whether dependent or independent) in excess of 20 (note that § 1.75(c) indicates how multiple dependent claims are considered for fee calculation purposes):			(e) To request continued examination pursuant to § 1.114:
By a micro entity (§ 1.29) .....	\$20.00	By a micro entity (§ 1.29) .....	\$300.00
By a small entity (§ 1.27(a)) ....	40.00	By a small entity (§ 1.27(a)) ....	600.00
By other than a small or micro entity .....	80.00	By other than a small or micro entity .....	1,200.00
(j) In addition to the basic filing fee in an application, other than a provisional application, that contains, or is amended to contain, a multiple dependent claim, per application:			(2) For filing a second or subsequent request for continued examination pursuant to § 1.114 in an application:
By a micro entity (§ 1.29) .....	\$195.00	By a micro entity (§ 1.29) .....	\$425.00
By a small entity (§ 1.27(a)) ....	390.00	By a small entity (§ 1.27(a)) ....	850.00
By other than a small or micro entity .....	780.00	By other than a small or micro entity .....	1,700.00
(k) Search fee for each application filed under 35 U.S.C. 111 for an original patent, except design, plant, or provisional applications:			(f) For filing a petition under one of the following sections which refers to this paragraph:
By a micro entity (§ 1.29) .....	\$150.00	By a micro entity (§ 1.29) .....	\$100.00
By a small entity (§ 1.27(a)) ....	300.00	By a small entity (§ 1.27(a)) ....	200.00
By other than a small or micro entity .....	600.00	By other than a small or micro entity .....	400.00
(l) Search fee for each application for an original design patent:			§ 1.36(a)—for revocation of a power of attorney by fewer than all of the applicants.
By a micro entity (§ 1.29) .....	\$30.00	§ 1.53(e)—to accord a filing date.	
By a small entity (§ 1.27(a)) ....	60.00	§ 1.57(a)—to accord a filing date.	
By other than a small or micro entity .....	120.00	§ 1.182—for decision on a question not specifically provided for.	
(m) Search fee for each application for an original plant patent:		§ 1.183—to suspend the rules.	
By a micro entity (§ 1.29) .....	\$95.00	§ 1.378(e)—for reconsideration of decision on petition refusing to accept delayed payment of maintenance fee in an expired patent.	
By a small entity (§ 1.27(a)) ....	190.00	§ 1.741(b)—to accord a filing date to an application under § 1.740 for extension of a patent term.	
By other than a small or micro entity .....	380.00	(g) For filing a petition under one of the following sections which refers to this paragraph:	
(n) Search fee for each application for the reissue of a patent:		By a micro entity (§ 1.29) .....	\$50.00
By a micro entity (§ 1.29) .....	\$150.00	By a small entity (§ 1.27(a)) ....	100.00
By a small entity (§ 1.27(a)) ....	300.00	By other than a small or micro entity .....	200.00
By other than a small or micro entity .....	600.00	§ 1.12—for access to an assignment record.	
(o) Examination fee for each application filed under 35 U.S.C. 111 for an original patent, except design, plant, or provisional applications:		§ 1.14—for access to an application.	
By a micro entity (§ 1.29) .....	\$180.00	§ 1.47—for filing by other than all the inventors or a person not the inventor.	
By a small entity (§ 1.27(a)) ....	360.00	§ 1.59—for expungement of information.	
By other than a small or micro entity .....	720.00	§ 1.103(a)—to suspend action in an application.	
(p) Examination fee for each application for an original design patent:		§ 1.136(b)—for review of a request for extension of time when the provisions of § 1.136 (a) are not available.	
By a micro entity (§ 1.29) .....	\$115.00	§ 1.295—for review of refusal to publish a statutory invention registration.	
By a small entity (§ 1.27(a)) ....	230.00		

§ 1.296—to withdraw a request for publication of a statutory invention registration filed on or after the date the notice of intent to publish issued.

§ 1.377—for review of decision refusing to accept and record payment of a maintenance fee filed prior to expiration of a patent.

§ 1.550(c)—for patent owner requests for extension of time in *ex parte* reexamination proceedings.

§ 1.956—for patent owner requests for extension of time in *inter partes* reexamination proceedings.

§ 5.12—for expedited handling of a foreign filing license.

§ 5.15—for changing the scope of a license.

§ 5.25—for retroactive license.

(h) For filing a petition under one of the following sections which refers to this paragraph:

By a micro entity (§ 1.29) .....	\$35.00
By a small entity (§ 1.27(a)) ....	70.00
By other than a small or micro entity .....	140.00

§ 1.19(g)—to request documents in a form other than provided in this part.

§ 1.84—for accepting color drawings or photographs.

§ 1.91—for entry of a model or exhibit.

§ 1.102(d)—to make an application special.

§ 1.138(c)—to expressly abandon an application to avoid publication.

§ 1.313—to withdraw an application from issue.

§ 1.314—to defer issuance of a patent.

(i) Processing fees:

(1) for taking action under one of the following sections which refers to this paragraph:

By a micro entity (§ 1.29) .....	\$35.00
By a small entity (§ 1.27(a)) ....	70.00
By other than a small or micro entity .....	140.00

§ 1.28(c)(3)—for processing a non-itemized fee deficiency based on an error in small entity status.

§ 1.41—for supplying the name or names of the inventor or inventors after the filing date without an oath or declaration as prescribed by § 1.63, except in provisional applications.

§ 1.48—for correcting inventorship, except in provisional applications.

§ 1.52(d)—for processing a nonprovisional application filed with a specification in a language other than English.

§ 1.53(b)(3)—to convert a provisional application filed under § 1.53(c) into a nonprovisional application under § 1.53(b).

§ 1.55—for entry of late priority papers.

§ 1.71(g)(2)—for processing a belated amendment under § 1.71(g).

§ 1.99(e)—for processing a belated submission under § 1.99.

§ 1.102(e)—for requesting prioritized examination of an application.

§ 1.103(b)—for requesting limited suspension of action, continued prosecution application for a design patent (§ 1.53(d)).

§ 1.103(c)—for requesting limited suspension of action, request for continued examination (§ 1.114).

§ 1.103(d)—for requesting deferred examination of an application.

§ 1.291(c)(5)—for processing a second or subsequent protest by the same real party in interest.

§ 1.497(d)—for filing an oath or declaration pursuant to 35 U.S.C. 371(c)(4) naming an inventive entity different from the inventive entity set forth in the international stage.

§ 3.81—for a patent to issue to assignee, assignment submitted after payment of the issue fee.

(2) For taking action under one of the following sections which refers to this paragraph:

By other than a small or micro entity .....	\$130.00
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§ 1.217—for processing a redacted copy of a paper submitted in the file of an application in which a redacted copy was submitted for the patent application publication.

§ 1.221—for requesting voluntary publication or republication of an application.

\* \* \* \* \*

(k) For filing a request for expedited examination under § 1.155(a):

By a micro entity (§ 1.29) .....	\$225.00
By a small entity (§ 1.27(a)) ....	450.00
By other than a small or micro entity .....	900.00

(l) For filing a petition for the revival of an unavoidably abandoned application under 35 U.S.C. 111, 133, 364, or 371, for the unavoidably delayed payment of the issue fee under 35 U.S.C. 151, or for the revival of an unavoidably terminated reexamination proceeding under 35 U.S.C. 133 (§ 1.137(a)):

By a micro entity (§ 1.29) .....	\$160.00
By a small entity (§ 1.27(a)) ....	320.00
By other than a small or micro entity .....	640.00

(m) For filing a petition for the revival of an unintentionally abandoned application, for the unintentionally delayed payment of the fee for issuing a patent, or for the revival of an unintentionally terminated reexamination proceeding under 35 U.S.C. 41(a)(7) (§ 1.137(b)):

By a micro entity (§ 1.29) .....	\$475.00
By a small entity (§ 1.27(a)) ....	950.00
By other than a small or micro entity .....	1,900.00

\* \* \* \* \*

(p) For an information disclosure statement under § 1.97(c) or (d) or for the document fee for a submission under § 1.290:

By a micro entity (§ 1.29) .....	\$45.00
By a small entity (§ 1.27(a)) ....	90.00
By other than a small or micro entity .....	180.00

(q) Processing fee for taking action under one of the following sections which refers to this paragraph: \$50.00.

§ 1.41—to supply the name or names of the inventor or inventors after the filing date without a cover sheet as prescribed by § 1.51(c)(1) in a provisional application.

§ 1.48—for correction of inventorship in a provisional application.

§ 1.53(c)(2)—to convert a nonprovisional application filed under § 1.53(b) to a provisional application under § 1.53(c).

(r) For entry of a submission after final rejection under § 1.129(a):

By a micro entity (§ 1.29) .....	\$210.00
By a small entity (§ 1.27(a)) ....	420.00
By other than a small or micro entity .....	840.00

(s) For each additional invention requested to be examined under § 1.129(b):

By a micro entity (§ 1.29) .....	\$210.00
By a small entity (§ 1.27(a)) ....	420.00
By other than a small or micro entity .....	840.00

(t) For the acceptance of an unintentionally delayed claim for priority under 35 U.S.C. 119, 120, 121, or 365(a) or (c) (§§ 1.55 and 1.78) or for filing a request for the restoration of the right of priority under § 1.452:

By a micro entity (§ 1.29) .....	\$355.00
By a small entity (§ 1.27(a)) ....	710.00
By other than a small or micro entity .....	1,420.00

■ 5. Section 1.18 is revised to read as follows:

### § 1.18 Patent post allowance (including issue) fees.

(a) Issue fee for issuing each original patent, except a design or plant patent, or for issuing each reissue patent:

(1) For an issue fee paid on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$240.00
By a small entity (§ 1.27(a)) ....	480.00
By other than a small or micro entity .....	960.00

(2) For an issue fee paid before January 1, 2014:

By a micro entity (§ 1.29) .....	\$445.00
By a small entity (§ 1.27(a)) ....	890.00
By other than a small or micro entity .....	1,780.00

(b) Issue fee for issuing an original design patent:

(1) For an issue fee paid on or after January 1, 2014:		(2) Printed copy of a plant patent in color: \$15.00.	(4) For assignment records, abstract of title and certification, per patent: \$25.00.
By a micro entity (§ 1.29) .....	\$140.00	(3) Color copy of a patent (other than a plant patent) or statutory invention registration containing a color drawing: \$25.00.	(c) Library service (35 U.S.C. 13): For providing to libraries copies of all patents issued annually, per annum: \$50.00.
By a small entity (§ 1.27(a)) ....	280.00	(b) Copies of Office documents to be provided in paper, or in electronic form, as determined by the Director (for other patent-related materials <i>see</i> § 1.21(k)):	(d) For list of all United States patents and statutory invention registrations in a subclass: \$3.00.
By other than a small or micro entity .....	560.00	(1) Copy of a patent application as filed, or a patent-related file wrapper and contents, stored in paper in a paper file wrapper, in an image format in an image file wrapper, or if color documents, stored in paper in an Artifact Folder:	(e) Uncertified statement as to status of the payment of maintenance fees due on a patent or expiration of a patent: \$10.00.
(2) For an issue fee paid before January 1, 2014:		(i) If provided on paper: (A) Application as filed: \$20.00. (B) File wrapper and contents of 400 or fewer pages: \$200.00. (C) Additional fee for each additional 100 pages or portion thereof of file wrapper and contents: \$40.00. (D) Individual application documents, other than application as filed, per document: \$25.00. (ii) If provided on compact disc or other physical electronic medium in single order: (A) Application as filed: \$20.00. (B) File wrapper and contents, first physical electronic medium: \$55.00. (C) Additional fee for each continuing physical electronic medium in the single order of paragraph (b)(1)(ii)(B) of this section: \$15.00. (iii) If provided electronically (e.g., by electronic transmission) other than on a physical electronic medium as specified in paragraph (b)(1)(ii) of this section: (A) Application as filed: \$20.00. (B) File wrapper and contents: \$55.00. (iv) If provided to a foreign intellectual property office pursuant to a priority document exchange agreement ( <i>see</i> § 1.14 (h)(1)): \$0.00.	(f) Uncertified copy of a non-United States patent document, per document: \$25.00. (g) Petitions for documents in a form other than that provided by this part, or in a form other than that generally provided by the Director, will be decided in accordance with the merits of each situation. Any petition seeking a decision under this section must be accompanied by the petition fee set forth in § 1.17(h) and, if the petition is granted, the documents will be provided at cost.
By a micro entity (§ 1.29) .....	\$255.00		■ 7. Section 1.20 is revised to read as follows:
By a small entity (§ 1.27(a)) ....	510.00		<b>§ 1.20 Post issuance fees.</b>
By other than a small or micro entity .....	1,020.00		(a) For providing a certificate of correction for applicant's mistake (§ 1.323): \$100.00.
(c) Issue fee for issuing an original plant patent:			(b) Processing fee for correcting inventorship in a patent (§ 1.324): \$130.00.
(1) For an issue fee paid on or after January 1, 2014:			(c) In reexamination proceedings: (1) For filing a request for <i>ex parte</i> reexamination (§ 1.510(a)):
By a micro entity (§ 1.29) .....	\$190.00		By a micro entity (§ 1.29) ..... \$3,000.00 By a small entity (§ 1.27(a)) .... 6,000.00 By other than a small or micro entity .....
By a small entity (§ 1.27(a)) ....	380.00		12,000.00
By other than a small or micro entity .....	760.00		(2) [Reserved]
(2) For an issue fee paid before January 1, 2014:			(3) For filing with a request for reexamination or later presentation at any other time of each claim in independent form in excess of 3 and also in excess of the number of claims in independent form in the patent under reexamination:
By a micro entity (§ 1.29) .....	\$350.00		By a micro entity (§ 1.29) ..... \$105.00 By a small entity (§ 1.27(a)) .... 210.00 By other than a small or micro entity .....
By a small entity (§ 1.27(a)) ....	700.00		420.00
By other than a small or micro entity .....	1,400.00		(4) For filing with a request for reexamination or later presentation at any other time of each claim (whether dependent or independent) in excess of 20 and also in excess of the number of claims in the patent under reexamination (note that § 1.75(c) indicates how multiple dependent claims are considered for fee calculation purposes):
(d)			By a micro entity (§ 1.29) ..... \$20.00
(1) Publication fee on or after January 1, 2014 .....	\$0.00		
(2) Publication fee before January 1, 2014 .....	300.00		
(3) Republication fee (§ 1.221(a)) .....	300.00		
(e) For filing an application for patent term adjustment under § 1.705: \$200.00.			
(f) For filing a request for reinstatement of all or part of the term reduced pursuant to § 1.704(b) in an application for patent term adjustment under § 1.705: \$400.00.			
■ 6. Section 1.19 is revised to read as follows:			
<b>§ 1.19 Document supply fees.</b>			
The United States Patent and Trademark Office will supply copies of the following patent-related documents upon payment of the fees indicated. Paper copies will be in black and white unless the original document is in color, a color copy is requested and the fee for a color copy is paid.			
(a) Uncertified copies of patent application publications and patents:			
(1) Printed copy of the paper portion of a patent application publication or patent including a design patent, statutory invention registration, or defensive publication document. Service includes preparation of copies by the Office within two to three business days and delivery by United States Postal Service; and preparation of copies by the Office within one business day of receipt and delivery to an Office Box or by electronic means (e.g., facsimile, electronic mail): \$3.00.			

By a small entity (§ 1.27(a)) ....	40.00
By other than a small or micro entity .....	80.00
(5) If the excess claims fees required by paragraphs (c)(3) and (4) of this section are not paid with the request for reexamination or on later presentation of the claims for which the excess claims fees are due, the fees required by paragraphs (c)(3) and (4) must be paid or the claims canceled by amendment prior to the expiration of the time period set for reply by the Office in any notice of fee deficiency in order to avoid abandonment.	
(6) For filing a petition in a reexamination proceeding, except for those specifically enumerated in §§ 1.550(i) and 1.937(d):	
By a micro entity (§ 1.29) .....	\$485.00
By a small entity (§ 1.27(a)) ....	970.00
By other than a small or micro entity .....	1,940.00
(7) For a refused request for <i>ex parte</i> reexamination under § 1.510 (included in the request for <i>ex parte</i> reexamination fee at § 1.20(c)(1)):	
By a micro entity (§ 1.29) .....	\$900.00
By a small entity (§ 1.27(a)) ....	1,800.00
By other than a small or micro entity .....	3,600.00
(d) For filing each statutory disclaimer (§ 1.321):	
By other than a small or micro entity .....	\$160.00
(e) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after December 12, 1980, in force beyond four years, the fee being due by three years and six months after the original grant:	
By a micro entity (§ 1.29) .....	\$400.00
By a small entity (§ 1.27(a)) ....	800.00
By other than a small or micro entity .....	1,600.00
(f) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after December 12, 1980, in force beyond eight years, the fee being due by seven years and six months after the original grant:	
By a micro entity (§ 1.29) .....	\$900.00
By a small entity (§ 1.27(a)) ....	1,800.00
By other than a small or micro entity .....	3,600.00
(g) For maintaining an original or reissue patent, except a design or plant patent, based on an application filed on or after December 12, 1980, in force beyond twelve years, the fee being due by eleven years and six months after the original grant:	
By a micro entity (§ 1.29) .....	\$1,850.00
By a small entity (§ 1.27(a)) ....	3,700.00
By other than a small or micro entity .....	7,400.00

(h) Surcharge for paying a maintenance fee during the six-month grace period following the expiration of three years and six months, seven years and six months, and eleven years and six months after the date of the original grant of a patent based on an application filed on or after December 12, 1980:

(1) By a micro entity (§ 1.29) .....	\$40.00
(2) By a small entity (§ 1.27(a)) ....	80.00
(3) By other than a small or micro entity .....	160.00

(i) Surcharge for accepting a maintenance fee after expiration of a patent for non-timely payment of a maintenance fee where the delay in payment is shown to the satisfaction of the Director to have been—

(1) Unavoidable:

By a micro entity (§ 1.29) .....	\$175.00
By a small entity (§ 1.27(a)) ....	350.00
By other than a small or micro entity .....	700.00

(2) Unintentional:

By a micro entity (§ 1.29) .....	\$410.00
By a small entity (§ 1.27(a)) ....	820.00
By other than a small or micro entity .....	1,640.00

(j) For filing an application for extension of the term of a patent

(1) Application for extension under § 1.740: \$1,120.00.

(2) Initial application for interim extension under § 1.790: \$420.00.

(3) Subsequent application for interim extension under § 1.790: \$220.00.

(k) In supplemental examination proceedings:

(1) For processing and treating a request for supplemental examination:

By a micro entity (§ 1.29) .....	\$1,100.00
By a small entity (§ 1.27(a)) ....	2,200.00
By other than a small or micro entity .....	4,400.00

(2) For *ex parte* reexamination ordered as a result of a supplemental examination proceeding:

By a micro entity (§ 1.29) .....	\$3,025.00
By a small entity (§ 1.27(a)) ....	6,050.00
By other than a small or micro entity .....	12,100.00

(3) For processing and treating, in a supplemental examination proceeding, a non-patent document over 20 sheets in length, per document:

(i) Between 21 and 50 sheets:

By a micro entity (§ 1.29) .....	\$45.00
By a small entity (§ 1.27(a)) ....	90.00
By other than a small or micro entity .....	180.00

(ii) For each additional 50 sheets or a fraction thereof:

By a micro entity (§ 1.29) .....	\$70.00
By a small entity (§ 1.27(a)) ....	140.00
By other than a small or micro entity .....	280.00

■ 8. Section 1.21 is amended by:

- a. Revising paragraph (a);
- b. Removing and reserving paragraph (d);
- c. Revising paragraph (e);
- d. Revising paragraphs (g) through (k); and
- e. Revising paragraph (n).

The revisions read as follows:

#### § 1.21 Miscellaneous fees and charges.

\* \* \* \* \*

(a) Registration of attorneys and agents:

(1) For admission to examination for registration to practice:

(i) Application Fee (non-refundable):

\$40.00.

(ii) Registration examination fee.

(A) For test administration by commercial entity: \$200.00.

(B) For test administration by the USPTO: \$450.00.

(2) On registration to practice or grant of limited recognition under § 11.9(b) or (c): \$100.00.

(3) [Reserved]

(4) For certificate of good standing as an attorney or agent: \$10.00.

(i) Suitable for framing: \$20.00.

(ii) [Reserved]

(5) For review of decision:

(i) By the Director of Enrollment and Discipline under § 11.2(c): \$130.00.

(ii) Of the Director of Enrollment and Discipline under § 11.2(d): \$130.00.

(6) [Reserved]

(7) Annual practitioner maintenance fee for registered attorney or agent.

(i) Active Status: \$120.00.

(ii) Voluntary Inactive Status: \$25.00.

(iii) Fee for requesting restoration to active status from voluntary inactive status: \$50.00.

(iv) Balance due upon restoration to active status from voluntary inactive status: \$100.00.

(8) Annual practitioner maintenance fee for individual granted limited recognition: \$120.00.

(9)(i) Delinquency fee: \$50.00.

(ii) Administrative reinstatement fee: \$100.00.

(10) On application by a person for recognition or registration after disbarment or suspension on ethical grounds, or resignation pending disciplinary proceedings in any other jurisdiction; on application by a person for recognition or registration who is asserting rehabilitation from prior conduct that resulted in an adverse decision in the Office regarding the person's moral character; and on application by a person for recognition or registration after being convicted of a felony or crime involving moral turpitude or breach of fiduciary duty; on petition for reinstatement by a person excluded or suspended on ethical

grounds, or excluded on consent from practice before the Office: \$1,600.00.

\* \* \* \* \*

(e) International type search reports: For preparing an international type search report of an international type search made at the time of the first action on the merits in a national patent application: \$40.00.

(g) Self-service copy charge, per page: \$0.25.

(h) For recording each assignment, agreement, or other paper relating to the property in a patent or application, per property:

(1) If submitted electronically, on or after January 1, 2014: \$0.00.

(2) If not submitted electronically: \$40.00.

(i) Publication in Official Gazette: For publication in the Official Gazette of a notice of the availability of an application or a patent for licensing or sale: Each application or patent: \$25.00.

(j) Labor charges for services, per hour or fraction thereof: \$40.00.

(k) For items and services that the Director finds may be supplied, for which fees are not specified by statute or by this part, such charges as may be determined by the Director with respect to each such item or service: Actual cost.

\* \* \* \* \*

(n) For handling an application in which proceedings are terminated pursuant to § 1.53(e): \$130.00.

■ 9. Section 1.27 is amended by revising paragraph (c)(3) introductory text to read as follows:

**§ 1.27 Definition of small entities and establishing status as a small entity to permit payment of small entity fees; when a determination of entitlement to small entity status and notification of loss of entitlement to small entity status are required; fraud on the Office.**

\* \* \* \* \*

(c) \* \* \*

(3) Assertion by payment of the small entity basic filing, basic transmittal, basic national fee, or international search fee. The payment, by any party, of the exact amount of one of the small entity basic filing fees set forth in §§ 1.16(a), 1.16(b), 1.16(c), 1.16(d), 1.16(e), the small entity transmittal fee set forth in § 1.445(a)(1), the small entity international search fee set forth in § 1.445(a)(2) to a Receiving Office other than the United States Receiving Office in the exact amount established for that Receiving Office pursuant to PCT Rule 16, or the small entity basic national fee set forth in § 1.492(a), will be treated as a written assertion of entitlement to small entity status even if the type of basic filing, basic transmittal, or basic

national fee is inadvertently selected in error.

\* \* \* \* \*

■ 10. Section 1.48 is amended by adding paragraph (c) to read as follows:

**§ 1.48 Correction of inventorship pursuant to 35 U.S.C. 116 or correction of the name or order of names in a patent application, other than a reissue application.**

\* \* \* \* \*

(c) Any request to correct or change the inventorship under paragraph (a) of this section filed after the Office action on the merits has been given or mailed in the application must also be accompanied by the fee set forth in § 1.17(d), unless the request is accompanied by a statement that the request to correct or change the inventorship is due solely to the cancellation of claims in the application.

\* \* \* \* \*

■ 11. Section 1.445 is amended by revising paragraph (a) introductory text and paragraphs (a)(1)(i), (a)(2) through (4), and (b) to read as follows:

**§ 1.445 International application filing, processing and search fees.**

(a) The following fees and charges for international applications are established by law or by the Director under the authority of 35 U.S.C. 376:

(1) \* \* \*

(i) A basic portion:

(A) For a transmittal fee paid on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$60.00
By a small entity (§ 1.27(a)) ....	120.00
By other than a small or micro entity .....	240.00

(B) For a transmittal fee paid before January 1, 2014: \$240.00.

\* \* \* \* \*

(2) A search fee (see 35 U.S.C. 361(d) and PCT Rule 16):

(i) For a search fee paid on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$520.00
By a small entity (§ 1.27(a)) ....	1,040.00
By other than a small or micro entity .....	2,080.00

(ii) For a search fee paid before January 1, 2014: \$2,080.00.

(3) A supplemental search fee when required, per additional invention:

(i) For a supplemental search fee paid on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$520.00
By a small entity (§ 1.27(a)) ....	1,040.00
By other than a small or micro entity .....	2,080.00

(ii) For a supplemental search fee paid before January 1, 2014: \$2,080.00.

(4) A fee equivalent to the transmittal fee in paragraph (a)(1) of this section that would apply if the USPTO was the

Receiving Office for transmittal of an international application to the International Bureau for processing in its capacity as a Receiving Office (PCT Rule 19.4):

(i) For a fee equivalent to the transmittal fee in paragraph (a)(1) of this section filed on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$60.00
By a small entity (§ 1.27(a)) ....	120.00
By other than a small or micro entity .....	240.00

(ii) For a fee equivalent to the transmittal fee in paragraph (a)(1) of this section filed before January 1, 2014 .....	240.00
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(b) The international filing fee shall be as prescribed in PCT Rule 15.

■ 12. Section 1.482 is revised to read as follows:

**§ 1.482 International preliminary examination fees.**

(a) The following fees and charges for international preliminary examination are established by the Director under the authority of 35 U.S.C. 376:

(1) The following preliminary examination fee is due on filing the Demand:

(i) If an international search fee as set forth in § 1.445(a)(2) has been paid on the international application to the United States Patent and Trademark Office as an International Searching Authority:

(A) For an international search fee filed on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$150.00
By a small entity (§ 1.27(a)) ....	300.00
By other than a small or micro entity .....	600.00

(B) For an international search fee filed before January 1, 2014: \$600.00.

(ii) If the International Searching Authority for the international application was an authority other than the United States Patent and Trademark Office:

(A) For an international search fee filed on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$190.00
By a small entity (§ 1.27(a)) ....	380.00
By other than a small or micro entity .....	760.00

(B) For an international search fee filed before January 1, 2014: \$750.00.

(2) An additional preliminary examination fee when required, per additional invention:

(i) For an additional preliminary examination fee filed on or after January 1, 2014:

By a micro entity (§ 1.29) .....	\$150.00
By a small entity (§ 1.27(a)) ....	300.00
By other than a small or micro entity .....	600.00

(ii) For an additional preliminary examination fee filed before January 1, 2014: \$600.00.

(b) The handling fee is due on filing the Demand and shall be prescribed in PCT Rule 57.

■ 13. Section 1.492 is revised to read as follows:

**§ 1.492 National stage fees.**

The following fees and charges are established for international applications entering the national stage under 35 U.S.C. 371:

(a) The basic national fee for an international application entering the national stage under 35 U.S.C. 371:

By a micro entity (§ 1.29) .....	\$70.00
By a small entity (§ 1.27(a)) ....	140.00
By other than a small or micro entity .....	280.00

(b) Search fee for an international application entering the national stage under 35 U.S.C. 371:

(1) If an international preliminary examination report on the international application prepared by the United States International Preliminary Examining Authority or a written opinion on the international application prepared by the United States International Searching Authority states that the criteria of novelty, inventive step (non-obviousness), and industrial applicability, as defined in PCT Article 33(1) to (4) have been satisfied for all of the claims presented in the application entering the national stage:

By a micro entity (§ 1.29) .....	\$0.00
By a small entity (§ 1.27(a)) ....	0.00
By other than a small or micro entity .....	0.00

(2) If the search fee as set forth in § 1.445(a)(2) has been paid on the international application to the United States Patent and Trademark Office as an International Searching Authority:

By a micro entity (§ 1.29) .....	\$30.00
By a small entity (§ 1.27(a)) ....	60.00
By other than a small or micro entity .....	120.00

(3) If an international search report on the international application has been prepared by an International Searching Authority other than the United States International Searching Authority and is provided, or has been previously communicated by the International Bureau, to the Office:

By a micro entity (§ 1.29) .....	\$120.00
By a small entity (§ 1.27(a)) ....	240.00
By other than a small or micro entity .....	480.00

(4) In all situations not provided for in paragraphs (b)(1), (2), or (3) of this section:

By a micro entity (§ 1.29) .....	\$150.00
By a small entity (§ 1.27(a)) ....	300.00

By other than a small or micro entity .....	600.00
(c) The examination fee for an international application entering the national stage under 35 U.S.C. 371:	
(1) If an international preliminary examination report on the international application prepared by the United States International Preliminary Examining Authority or a written opinion on the international application prepared by the United States International Searching Authority states that the criteria of novelty, inventive step (non-obviousness), and industrial applicability, as defined in PCT Article 33 (1) to (4) have been satisfied for all of the claims presented in the application entering the national stage:	
By a micro entity (§ 1.29) .....	\$0.00
By a small entity (§ 1.27(a)) ....	0.00
By other than a small or micro entity .....	0.00
(2) In all situations not provided for in paragraph (c)(1) of this section:	
By a micro entity (§ 1.29) \$180.00.	
By a small entity (§ 1.27(a)) ....	\$360.00
By other than a small or micro entity .....	720.00
(d) In addition to the basic national fee, for filing or on later presentation at any other time of each claim in independent form in excess of 3:	
By a micro entity (§ 1.29) .....	\$105.00
By a small entity (§ 1.27(a)) ....	210.00
By other than a small or micro entity .....	420.00
(e) In addition to the basic national fee, for filing or on later presentation at any other time of each claim (whether dependent or independent) in excess of 20 (note that § 1.75(c) indicates how multiple dependent claims are considered for fee calculation purposes):	
By a micro entity (§ 1.29) .....	\$20.00
By a small entity (§ 1.27(a)) ....	40.00
By other than a small or micro entity .....	80.00
(f) In addition to the basic national fee, if the application contains, or is amended to contain, a multiple dependent claim, per application:	
By a micro entity (§ 1.29) .....	\$195.00
By a small entity (§ 1.27(a)) ....	390.00
By other than a small or micro entity .....	780.00
(g) If the excess claims fees required by paragraphs (d) and (e) of this section and multiple dependent claim fee required by paragraph (f) of this section are not paid with the basic national fee or on later presentation of the claims for which excess claims or multiple dependent claim fees are due, the fees required by paragraphs (d), (e), and (f) of this section must be paid or the claims canceled by amendment prior to	

the expiration of the time period set for reply by the Office in any notice of fee deficiency in order to avoid abandonment.

(h) Surcharge for filing any of the search fee, the examination fee, or the oath or declaration after the date of the commencement of the national stage (§ 1.491(a)) pursuant to § 1.495(c):

By a micro entity (§ 1.29) .....	\$35.00
By a small entity (§ 1.27(a)) ....	70.00
By other than a small or micro entity .....	140.00

(i) For filing an English translation of an international application or any annexes to an international preliminary examination report later than thirty months after the priority date (§ 1.495(c) and (e)):

By a micro entity (§ 1.29) .....	\$35.00
By a small entity (§ 1.27(a)) ....	70.00
By other than a small or micro entity .....	140.00

(j) Application size fee for any international application, the specification and drawings of which exceed 100 sheets of paper, for each additional 50 sheets or fraction thereof:

By a micro entity (§ 1.29) .....	\$100.00
By a small entity (§ 1.27(a)) ....	200.00
By other than a small or micro entity .....	400.00

**PART 41—PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD**

■ 14. The authority citation for part 41 is revised to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), 3(a)(2)(A), 21, 23, 32, 41, 134, 135, and Public Law 112–29.

■ 15. Section 41.20 is revised to read as follows:

**§ 41.20 Fees.**

(a) **Petition fee.** The fee for filing a petition under this part is: \$400.00.

(b) **Appeal fees.** (1) For filing a notice of appeal from the examiner to the Patent Trial and Appeal Board:

By a micro entity (§ 1.29) .....	\$200.00
By a small entity (§ 1.27(a)) ....	400.00
By other than a small or micro entity .....	800.00

(2)(i) For filing a brief in support of an appeal in an application or *ex parte* reexamination proceeding: \$0.00.

(ii) In addition to the fee for filing a notice of appeal, for filing a brief in support of an appeal in an *inter partes* reexamination proceeding:

By a micro entity (§ 1.29) .....	\$500.00
By a small entity (§ 1.27(a)) ....	1,000.00
By other than a small or micro entity .....	2,000.00

(3) For filing a request for an oral hearing before the Board in an appeal under 35 U.S.C. 134:

By a micro entity (§ 1.29) .....	\$325.00
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By a small entity (§ 1.27(a)) ....	650.00
By other than a small or micro entity .....	1,300.00
(4) In addition to the fee for filing a notice of appeal, for forwarding an appeal in an application or <i>ex parte</i> reexamination proceeding to the Board:	
By a micro entity (§ 1.29) .....	\$500.00
By a small entity (§ 1.27(a)) ....	1,000.00
By other than a small or micro entity .....	2,000.00

■ 16. Section 41.37 is amended by revising paragraphs (a) and (b) to read as follows:

**§ 41.37 Appeal brief.**

(a) *Timing.* Appellant must file a brief under this section within two months from the date of filing the notice of appeal under § 41.31. The appeal brief fee in an application or *ex parte* reexamination proceeding is \$0.00, but if the appeal results in an examiner's answer, the appeal forwarding fee set forth in § 41.20(b)(4) must be paid within the time period specified in § 41.48 to avoid dismissal of an appeal.

(b) *Failure to file a brief.* On failure to file the brief within the period specified in paragraph (a) of this section, the appeal will stand dismissed.

\* \* \* \* \*

■ 17. Section 41.45 is added to read as follows:

**§ 41.45 Appeal forwarding fee.**

(a) *Timing.* Appellant in an application or *ex parte* reexamination proceeding must pay the fee set forth in § 41.20(b)(4) within the later of two months from the date of either the

examiner's answer, or a decision refusing to grant a petition under § 1.181 of this chapter to designate a new ground of rejection in an examiner's answer.

(b) *Failure to pay appeal forwarding fee.* On failure to fee set forth in § 41.20(b)(4) within the period specified in paragraph (a) of this section, the appeal will stand dismissed.

(c) *Extensions of time.* Extensions of time under § 1.136(a) of this title for patent applications are not applicable to the time period set forth in this section. See § 1.136(b) of this title for extensions of time to reply for patent applications and § 1.550(c) of this title for extensions of time to reply for *ex parte* reexamination proceedings.

**PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD**

■ 18. The authority citation for part 42 is revised to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), 6, 21, 23, 41,135, 311, 312, 316, 321–326 and Public Law 112–29.

■ 19. Section 42.15 is revised to read as follows:

**§ 42.15 Fees.**

(a) On filing a petition for *inter partes* review of a patent, payment of the following fees are due:

(1) *Inter Partes* Review request fee: \$9,000.00.

(2) *Inter Partes* Review Post-Institution fee: \$14,000.00.

(3) In addition to the *Inter Partes* Review request fee, for requesting

review of each claim in excess of 20: \$200.00.

(4) In addition to the *Inter Partes* Post-Institution request fee, for requesting review of each claim in excess of 15: \$400.00.

(b) On filing a petition for post-grant review or covered business method patent review of a patent, payment of the following fees are due:

(1) Post-Grant or Covered Business Method Patent Review request fee: \$12,000.00.

(2) Post-Grant or Covered Business Method Patent Review Post-Institution fee: \$18,000.00.

(3) In addition to the Post-Grant or Covered Business Method Patent Review request fee, for requesting review of each claim in excess of 20: \$250.00.

(4) In addition to the Post-Grant or Covered Business Method Patent Review request fee Post-Institution request fee, for requesting review of each claim in excess of 15: \$550.00.

(c) On the filing of a petition for a derivation proceeding, payment of the following fees is due:

(1) Derivation petition fee: \$400.00.

(d) Any request requiring payment of a fee under this part, including a written request to make a settlement agreement available: \$400.00.

Dated: January 11, 2013.

**David J. Kappos,**

*Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.*

[FR Doc. 2013-00819 Filed 1-17-13; 8:45 am]

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