

New Patent Fees May Impact Strategies

Effective March 19, 2013, the US Patent and Trademark Office (PTO) will implement a new patent prosecution fee schedule, raising many of the most common fees for patent prosecution and lowering others.¹ As authorized by the America Invents Act (AIA),² the PTO's stated objective in implementing the new fee schedule is to achieve its "strategic and operational goals," including reducing patent application backlog and decreasing patent application pendency.

To do so, the PTO plans to hire 1,000 new patent examiners through 2013.³ The PTO projects that this virtual flood of new examiners will reduce the average total pendency of a patent application from its current level of 30.1 months to 18.8 months by 2017.⁴ If these projections hold true, patent holders can expect on average an extra year of patent term at the front end.

While many practitioners believe that the PTO's projections may turn out to be nothing more than wishful thinking, it is undeniable that the new fee schedule will have an immediate impact on patent applicants. Most notably, the following fee changes could impact strategic decisions:

Filing Fees

For Large Entities, the cost of filing an application (including the filing, search, and examination fees) will jump from US\$1,260 to US\$1,600. The USPTO notes that this increase will be more than offset by a reduction in the issue fee, which is not scheduled to go into effect until sometime in the future.

Micro Entities

Small Entities will continue to receive a 50% discount on most fees. Additionally, and for the first time, applicants that qualify as a Micro Entity will receive a 75% discount on most fees. A Micro Entity is an applicant that qualifies as a Small Entity, and certifies that (a) neither the applicant nor any inventor has been named as the inventor on more than four previously filed patent applications, and (b) neither the applicant nor any inventor had, in the preceding the calendar year, a gross income exceeding three times the median household income for that year.⁵ Alternatively, a Small Entity will qualify as a Micro Entity if it 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, 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.

In light of the significant cost savings, it is important that patent applicants who already qualify as Small Entities further determine whether they qualify as Micro Entities.

¹ The new fee schedule can be found at <http://www.uspto.gov/web/offices/ac/qs/ope/fee031913.htm>.

² AIA §10, Public Law 112-29, 125 Stat. at 316-17.

³ 78 Fed. Reg. 4212, 4218. The full text of the Federal Register Notice can be found at <http://www.gpo.gov/fdsys/pkg/FR-2013-01-18/pdf/2013-00819.pdf>.

⁴ *Id.*

⁵ The income level which will entitle an applicant to Micro Entity status is initially set to US\$150,162, based on the 2011 figures.

Excess Independent Claim Fees

The Large Entity fee for independent claims will increase from US\$250 to US\$420 for each additional independent claim in excess of three. This 68% increase may further discourage applicants from submitting a large number of independent claims.

By contrast, the fee for claims in excess of 20 receives a relatively minor bump from US\$62 per claim to US\$80 per claim.

Requests for Prioritized Examination

The fee for Prioritized Examination (Track 1) will decrease from US\$4,800 to US\$4,000. This decrease may encourage more applicants to fast track their applications. However, if patent pendency is reduced in the manner that the USPTO predicts, the benefits of Track 1 will be reduced as well. Getting a patent granted six months early doesn't sound as exciting as getting a patent granted two years early.

Requests for Continued Examination

For Large Entities, the fee for a Request for Continued Examination (RCE) jumps from US\$930 to US\$1,200 for the first RCE. All subsequent RCEs carry a fee of US\$1,700. This represents an increase of 83%.

This fee increase follows other trends designed to curb the practice of filing multiple RCEs. Under the USPTO's internal metrics, Examiners once received the same credit for an RCE as they would for a Notice of Allowance. Now, an RCE is worth less to an examiner than a Notice of Allowance or an abandonment, so examiners have more incentive to carry out a swift prosecution. The fee increase for RCEs should similarly incentivize applicants.

Well drafted claims can help shorten prosecution and avoid multiple RCEs. This requires some upfront costs in the form of a patent search, but if the claims are written with advance knowledge of the closest prior art, they are less likely to be rejected multiple times.

A dialogue between the attorney and the examiner may also shorten prosecution and avoid the US\$1,700 price tag of multiple RCEs. Sometimes numerous Office Actions and responses can be avoided by having a brief conversation with the examiner about claim language. Perhaps such conversations can be even more fruitful if both sides are inclined to avoid a lengthy RCE practice.

Appeals

The fees for filing an appeal have been completely restructured. Currently, a Large Entity pays US\$1,890 in fees for an appeal that includes a Notice of Appeal, an Appeal Brief, and a Reply Brief. The new schedule increases those fees by 48% to US\$2,800. But the bigger story is how these fees are paid.

Under the current structure, a Large Entity pays US\$630 for a Notice of Appeal, and then US\$630 for each brief it files. Starting March 19, a Large Entity will pay US\$800 for a Notice of Appeal, and will not pay a filing fee for any briefs. However, when briefing is concluded, the Large Entity applicant must then pay US\$2,000 to forward the appeal to the Patent Trial and Appeal Board (PTAB).

The USPTO states that this new structure is more flexible and allows applicants to pay less in situations when an application under appeal is either allowed or reopened rather than being forwarded to the PTAB. Another consequence is that cost-conscious applicants may be more inclined to file a reply brief when no official fee is required.

Maintenance Fees

The cost of keeping a patent in force throughout its full term increases under the new schedule, from US\$8,860 to US\$12,600. This increase is end-loaded, with the 11.5 year maintenance fee jumping from to US\$4,810 to US\$7,400.

The maintenance fees will have the biggest impact on companies with large patent portfolios and those who maintain their patents in-force through the full life of the patents. Regular review of a patent portfolio is always a good idea, to keep the important patents alive without unnecessarily spending large maintenance fees to protect obsolete technology. The heightened maintenance fees underline that importance.

Reviews and Reexaminations

The costs for requesting *inter partes* review and *ex parte* reexamination will be greatly decreased. A request for *ex parte* reexamination will be US\$12,000 for a large entity (down from US\$17,750). An *inter partes* review request will be US\$9,000, compared to the current US\$27,200 price tag for petitioning to institute an *inter partes* review. However, the fees for *inter partes* review will become staggered, so that the upfront savings will be offset by new fees for filing briefs in support of an *inter partes* procedure.

While the changes to review and reexamination fees are significant, the total cost of such procedures are likely high enough to make one carefully consider whether to take such a path.

Remaining Fees

As one would expect, practically all of the fees are impacted by the new schedule. While these other changes will impact the bottom line, they aren't likely to change patent prosecution strategies. All of the changes, big and small, can be viewed at the patent office website.

As a result of the new fee schedule, some applicants may spend less money on fees than they currently do. In fact, the USPTO states that "the routine fees to obtain a patent ... will decrease by at least 23 percent under this final rule relative to the current fee schedule."⁶ But that statement is a bit misleading. First, the PTO counts on a decrease in issue fees that does not yet go into effect. Second, the PTO is only focused on the routine fees for obtaining a patent – not on the fees for obtaining a patent and keeping it in force for its entire term. The increase in the final maintenance fee more than offsets any savings that might be had.

In the end, some companies may notice little difference in their overall patent fees. Concise patent applications having 20 well-drafted claims will avoid the increases on excess claim fees, and may issue without the need for multiple RCEs or an appeal. Additionally, companies that manage their patent portfolios thoughtfully won't get stung by needlessly paying maintenance fees on low value patents. However, if your practice is to file patents with dozens of claims and engage in long, drawn out patent prosecution, you may pay dearly to continue that practice.

⁶ 78 Fed. Reg. 4212

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