



UNITED STATES PATENT AND TRADEMARK OFFICE

OFFICE OF THE GENERAL COUNSEL

MEMORANDUM

FROM: Bernard J. Knight, Jr. *BJK*
General Counsel

SUBJECT: USPTO Patent Fee Setting

DATE: February 10, 2012

The United States Patent and Trademark Office (USPTO) has received inquiries from the patent community relating to the process for setting or adjusting patent fees in light of the enactment of the Leahy-Smith America Invents Act (AIA). (Pub. L. 112-29, 125 Stat. 284 (2011)). This memorandum is being issued to explain the relevant patent fee setting authorities, and the rulemaking processes by which such fees will be implemented.

USPTO Patent Fee Setting

I. Questions

1. What is the authority by which the USPTO can set or adjust patent fees?
2. How will the USPTO proceed with setting or adjusting patent fees in 2012-2013 in light of the passage of the Leahy-Smith America Invents Act (AIA)?

II. Summary

There are two distinct patent fee setting authorities for services provided by the United States Patent and Trademark Office (USPTO). Section 41 sets fees by statute for many patent services and authorizes the USPTO Director to establish, by rule, fees for other patent services to recover the estimated average cost of providing the service. 35 U.S.C. § 41(d)(2)(A). This authority existed prior to the AIA and the AIA restates this authority. In addition, Section 10 of the AIA provides new authority for the Director to set or adjust, by rule, any patent fee established under Title 35, so long as the aggregate revenues recover USPTO's aggregate estimated costs for patent related services, including administrative costs. (Pub. L. 112-29, 125 Stat. 284 (September 16, 2011)).

New services introduced by the AIA generally do not already have fees set by statute; rather the Director must establish fees for them by rule. The USPTO can use either Section 41 or AIA Section 10 to set fees for these services.

The USPTO is proceeding on a dual track for adoption of fees in 2012-2013, using both Section 10 and Section 41 authority. The USPTO is proceeding under AIA Section 10 to pursue adoption of a broad set of fees for the full range of patent services. However, the procedural requirements of Section 10 necessitate a longer fee setting process than under Section 41. The fees to be set by Section 10 are estimated to take effect in early 2013. Since some AIA rules, however, must be adopted by September 16, 2012, the USPTO is proceeding on a parallel track to first set fees for those AIA rules under the authority of Section 41 to ensure those rules will be adopted in time. When the Section 10 fees later take effect (estimated to be early 2013), these new fees will replace fees previously set under Section 41, including fees in the AIA rules due by September 16, 2012. A table of Section 10 proposed patent fees can be accessed at the USPTO Internet Web site (address: www.uspto.gov/americaninventsact) ("Table of Patent Fee Changes," Attachment 1).

III. Discussion

A. USPTO Patent Fee Authority

The primary sources of authority for setting and adjusting fees are Section 41 of Title 35 of the U.S. Code, and Section 10 of the America Invents Act.

1. 35 U.S.C. § 41

(i) Authority

Section 41 sets fees for some services by statute, and authorizes the Director of the USPTO to set fees for other services by rule. 35 U.S.C. § 41. As to the former, various subsections in Section 41 directly set fees for some patent related services, such as those for applications, appeals, and maintenance. As to the latter, Section 41 states that the Director by rule “shall establish fees for *all other* processing, services, or materials relating to patents *not specified in this section . . .*” 35 U.S.C. § 41(d)(2)(A) (emphasis added). These Section 41 provisions existed prior to enactment of the AIA, and the AIA specifically restates them in Section 11 of the AIA.¹ Thus, the USPTO continues to retain this Section 41 fee authority and can utilize it to set by rule fees that are not set by statute in Section 41, including fees for new AIA services like supplemental examination and *inter partes* disputes handled by the Patent Trial and Appeal Board.

When setting by rule a Section 41 fee for particular processing, service, or material, the fee must “recover the estimated average cost to the Office of such processing, services, or materials . . .” 35 U.S.C. § 41(d)(2)(A). Accordingly, for a Section 41 fee rule, the USPTO can only charge the Office’s estimated cost, on average, of the particular process, service or materials.

(ii) Rulemaking Procedures

USPTO sets fees under Section 41 through the rulemaking process, which includes providing public notice of the proposed fees and an opportunity to comment. This entails issuing a notice of proposed rulemaking in the Federal Register to describe the proposed fees and supporting cost methodology under Section 41(d)(2)(A), and to start a public comment period. Additionally, the USPTO generally consults with the Patent Public Advisory Committee, the Small Business Administration, the Department of Commerce, and the Office of Management and Budget at multiple stages as part of the rulemaking process.

2. Section 10 of the AIA

(i) Authority

The newly enacted AIA Section 10 authorizes the Director to “set or adjust by rule any fee established, authorized, or charged under title 35,” including any fee previously set by statute or rule under Section 41 as discussed above. AIA § 10(a)(1). Patent fees may be set or adjusted under Section 10 “only to recover the *aggregate* estimated costs to the Office for processing, activities, services, and materials relating to patents . . . including administrative costs.” AIA § 10(a)(2) (emphasis added).² While Section 41 authorizes setting fees to recover costs of

¹ Prior to the AIA, the USPTO’s Section 41 fee setting authority language appeared in 35 U.S.C. § 41(d)(2). As a result of changes in enumeration by the AIA, this fee setting language now appears in 35 U.S.C. § 41(d)(2)(A).

² This same provision also applies with respect to trademark fees.

individual services, Section 10 authorizes setting fees for a broad range of services to recover *aggregate* costs. Section 10 thus permits any individual patent fee to be set or adjusted so as to encourage or discourage any particular service, so long as the aggregate revenues for all patent fees match the total costs of the Patent operation.

(ii) Rulemaking and Other Procedures

The broad Section 10 fee setting authority not only ensures that the USPTO will fully recover its total patent related costs, it also provides the USPTO with the authority to set individual fees based on policy considerations. In order to undertake the fee setting procedures under Section 10, USPTO has initiated a comprehensive review of all patent related fees and estimated costs Agency wide. The Section 10 fee setting process establishes a process of public participation that is above and beyond the normal rulemaking procedures. This additional review includes an enhanced participatory role by the Patent Public Advisory Committee (PPAC). Specifically, Section 10 mandates that PPAC: (1) be consulted on any proposed fees; (2) hold a public hearing on the proposed fees; and (3) produce a written report setting forth comments and recommendations on the proposed fees, which the USPTO must consider. AIA § 10(d). In addition, the USPTO is required to publish in the Federal Register its proposed fees and solicit public comment. AIA § 10(e)(2). At the time of final adoption, Section 10 requires the USPTO to delay the effective date of the final fee rule for at least 45 days after publication in the Federal Register and the Official Gazette, in order to allow an opportunity for Congressional review. AIA § 10(e)(3).

The public participation steps in Section 10 go above and beyond those required under Section 41, and inevitably lengthen the fee setting process. As a result, the USPTO anticipates that the fee setting process under Section 10 will result in a longer schedule and conclude in early 2013.

B. Dual Track Process for Fee Setting

The USPTO has a statutory mandate to adopt rules to implement many new AIA services within one year from the date of AIA enactment (*i.e.*, by September 16, 2012). These provisions require that the Director establish fees, by rule, for such new services. As discussed, given the significant public participation steps under AIA Section 10, it is not feasible to set fees under Section 10 by September 16, 2012. Therefore, at least for the coming year, the Office is continuing to use Section 41 fee authority for rules due by the one-year deadline. The USPTO has already issued notices of proposed rulemaking for these AIA rules, and included an explanation of proposed fee amounts under Section 41.

Meanwhile, the USPTO is simultaneously initiating the patent fee setting authority under Section 10 of the AIA, and planning for those fees to become effective in early 2013. Fees set under Section 10 will supersede existing fees for the same services. As an initial step, the USPTO recently released to the public a proposed fee schedule under Section 10 with supporting information. Additionally, the USPTO provided notice that, pursuant to Section 10, PPAC will be holding multiple public hearings on this proposed fee schedule. Accordingly, the USPTO has ensured that members of the public will have several distinct opportunities to provide input on

the Section 10 fee proposal, both during the PPAC public hearing process and after the proposed fee rules are published in the Federal Register.

The proposed AIA rules with Section 41 fees, the proposed fee schedule under Section 10, and additional information can be found at the USPTO Internet Web site (address: www.uspto.gov/americaninventsact).