STATEMENT OF

Fédération Internationale des Conseils en Propriété Industrielle

Submitted to

The United States Patent and Trademark Office

In regard to

Proposed Fee Legislation

INTRODUCTION

Fédération Internationale des Conseils en Propriété Industrielle ("FICPI") was established in 1906. FICPI is an organization working for the interests of Patent and Trademark professionals world-wide whose membership consists solely of intellectual property professionals in private practice with members in 70 countries.

FICPI's principal aims are to enhance international cooperation within the profession of industrial property attorneys in private practice, promote the exchange of information and harmonize and facilitate business relations between members; to maintain the dignity of its members and the standards of the profession of industrial property attorneys in private practice on an international scale; to express opinion with regard to newly proposed international and national legislation, insofar as it is of general concern to the profession and to defend the interests users of the intellectual property systems world-wide and of its members, in particular with respect to the maintenance and invigoration of the system of intellectual property protection and of the position of intellectual property attorneys in private practice; and to promote training and continuing education of its members and others interested in Intellectual Property Protection by organizing local and regional *ad hoc* programs. FICPI welcomes the opportunity to comment on the proposals forwarded by the United States Patent and Trademark Office.

We acknowledge the USPTO's efforts in drafting the 21st Century Strategic Plan including the proposed fee legislation. We support the Administration's efforts to increase funding for the USPTO to implement many of the goals in the Strategic Plan. While the Strategic Plan has many promising proposals and initiatives, we oppose the proposed fee legislation and cannot agree with the reasoning behind many of the proposed fee increases.

We oppose the proposed fee legislation for the following reasons. The fee legislation does not directly address the needed funding increases at the USPTO. The fee structure which has been proposed is punitive in nature and does not reflect the associated costs of examination and other USPTO activity. Structuring a fee schedule to modify behavior of applicants is outside the bounds of the goals and services of the USPTO. If the PTO believes that existing provisions of the statute, e.g., 35 U.S.C. §§ 120 and 121, should be changed, it should throw the issue open to public and Congressional debate and not use the fee schedule as behavior modification to discourage inventors from exercising the rights provided by the statute.

VAGUE DISCRETION

Many of the proposed fees have been left to the discretion of the Director. Vague authorization to set fees without Congressional approval is unacceptable. The proposed fee legislation is clearly an attempt to raise additional revenue for use at the USPTO. Since the USPTO currently brings in more revenue than it uses, the USPTO should first seek to rectify the diversion of money away from the USPTO by other means than fee increases.

At its World Congress held in Vancouver from June 12 to June 16, 2000, FICPI passed a Resolution on the subject of Official Surpluses in Intellectual Property Offices. In the Resolution, FICPI noted that a number of Intellectual Property Offices, including WIPO, EPO, and the USPTO operate at a trading surplus and recognized that it is largely Intellectual Property owners and other users of the services of the offices concerned who pay the fees and charges that contribute to the surplus. The Resolution stressed the desirability of those Offices maintaining the service levels and meeting the demands brought about by new technologies and increased levels of activities and for making investment in resources that

will lead to further efficiencies and cost reduction. FICPI opposed the diversion of funds of those Offices to purposes other than the services provided by those Offices, and urged all relevant authorities to ensure that accumulated surpluses are neither appropriated, spent on, nor otherwise used to support activities unrelated to the furtherance of the intellectual property system.

Under the proposed fee legislation the basic filing fee including examination is increased from $740 to $1550. This is an increase of 109% over the current fees. While we do not oppose an increase in fees and believe that a fee increase to reflect the costs associated with the USPTO's costs is justified, the sharp increase is excessive and does not reflect the associated costs to the USPTO.

INCREASE IN FEES FOR PAGES AND CLAIMS

The proposed fee legislation addresses the associated higher costs of services for larger applications by instituting fees for applications larger than 50 pages and increasing fees for higher independent claims and total claims. While we support this initiative, the fees must bear a relation to the costs. We believe the current proposed fees are unreasonable. The proposed fee structure increases the fees exponentially. We strongly disagree with such a punitive fee structure. The increase in fees is directed to discourage inventors from filing excess claims when necessary for adequate protection of the invention. This attempt at behavior modification is outside the purview of the USPTO. The USPTO under any circumstances should not seek to restrict applicants' ability to obtain proper coverage of their invention.

RELATED APPLICATION SURCHARGES

We strongly oppose the related application surcharge. The USPTO has given the reason behind these surcharges as to motivate the vast majority of applicants to conclude prosecution of an application in fewer than three continuing applications and to include all patentably indistinct claims in a single application despite the excess claims fees. Again, the USPTO should not be seeking to restrict an inventor from seeking the coverage of his invention which he believes would be appropriate under the guise of "behavior modification." We believe a better explanation is needed from the USPTO of why it seeks to

attempt to limit continuing applications. The incentive to file unlimited numbers of continuation application was removed by the Uruguay Rounds Agreement Act (P.L. 103-465) which changed the patent term from 17 years from the grant date to 20 years from the earliest filing date. Indeed, the U.S. Court of Appeals for the Federal Circuit recently established a new principle of "prosecution laches" which would discourage multiplying continuations. See, *Symbol Technologies Inc. v. Lemelson Medical, Education & Research Foundation LP*, 277 F.3d 1361, 61 USPQ2d 1515 (CA FC 2002); and *In re Bogese*, Appeal No. 01-1354 (Fed. Cir. Sept. 13, 2002.

The proposed fees would also make filing of divisional applications prohibitively expensive even though 35 U.S.C. § 121 guarantees the inventor the right to file divisional applications when an Examiner makes a restriction requirement. In "biotech" inventions it is not uncommon to have restriction requirements multiplied by election of species requirements that could result in filing dozens of divisional applications. Typically, one or two divisional applications containing all the non-elected claims are filed, leading to the same restriction requirements, and followed by more divisional applications. Thus, the proposed threshold of three continuing applications can be quickly met.

While we do not strictly oppose an initiative to include all patentably indistinct claims in a single application, we believe that the proposed fee legislation is overly broad and unworkable in addition to being extremely punitive. The proposed surcharge for patentably indistinct claims is exorbitant and bears no reflection to the stated purpose of the surcharge. The determination of claims in applications being patentably indistinct, which has been given the same connotation as in the context of obviousness-type double patenting, from claims in another application, falls on the USPTO. Thus, this attempt at modifying the behavior of an applicant is based on a determination out of the hands of the applicant but, rather, in the hands of the Examiner. The alternative to filing a continuation is to appeal the final rejection to the PTO Board of Patent Appeals and Interferences ("BPAI"). But, here too, the proposal would raise appeal fees by 194% and add more applications to the 2-3 years backlog at the BPAI.

The timing and consistency of any obviousness-type double patenting determination also raises serious concerns. As examination pendency in certain art units is over one year, an applicant would not know of the obviousness-type double patenting determination and the concomitant surcharge until more than one year after filing. Too much uncertainty for an applicant is brought about by this delay. With the transitional surcharge levels suggested ($10,680+), we believe that this determination in the hands of the USPTO regarding obviousness-type double patenting may also lead to inconsistency in the application of any obviousness-type double patenting standard. Regarding this surcharge, we believe a better explanation from the USPTO is needed as to why applications subject to obviousness-type double patenting should be severely restricted. Obviousness-type double patenting rejections are overcome by filing a terminal disclaimer. With the patent term 20 years from the earliest filing date, the only practical effect of a terminal disclaimer is agreeing to maintain common ownership of the patents involved. The workload on the PTO is minimal, if any. A fee in the discretion of the PTO, but set at a "transitional" amount of at least $10,680, is unacceptably punitive. This, too, would lead to more appeals of double patenting rejections, thereby adding to the BPAI backlog and to the pendency of the applications.

EXAMINATION FEE AND SMALL ENTITY REDUCTION

We certainly believe that the separation of filing and examination fees needs to be further studied in hand with harmonizing the USPTO's procedure with other Patent Offices. We do not, however, accept the proposal to disregard the small entity reduction in fees for examination. Time and again the small entity fee reduction has been promoted by the Congress and supported by both Democratic and Republican administrations. Yet, with this proposal the small entity reduction would not apply to examination fees. This would lead to a wholly unjustified increase for filing and examination for small entities of 278%. This increase would preclude small entities from obtaining patent protection and dampen innovation.

CONCLUSION

FICPI supports the USPTO's efforts to increase agency funding and many of the goals of the Strategic Plan. On behalf of the inventors that our members represent, we oppose the proposed fee legislation. We appreciate being given the opportunity to comment.