**DEPARTMENT OF COMMERCE**

**Patent and Trademark Office**

**37 CFR Parts 1, 41, and 42**

**[Docket No. PTO–P–2015–0056]**

**RIN 0651–AD02**

## Setting and Adjusting Patent Fees During Fiscal Year 2017

**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 as authorized by the Leahy-Smith America Invents Act (Act or AIA). The USPTO operates like a business in that external and internal factors affect the demand for patent products and services. The fee adjustments are needed to provide the Office with a sufficient amount of aggregate revenue to recover its aggregate cost of patent operations (based on current projections), while maintaining momentum towards achieving strategic goals.

**DATES:** This rule is effective on January 16, 2018. The changes to § 1.18(b)(1) shall apply to those international design applications under the Hague Agreement having a date of international registration on or after January 16, 2018.

**FOR FURTHER INFORMATION CONTACT:** Brendan Hourigan, Director of the Office of Planning and Budget, by telephone at (571) 272–8966; or Dianne Buie, Office of Planning and Budget, by telephone at (571) 272–6301.

**SUPPLEMENTARY INFORMATION:** This rule was proposed in a notice of proposed rulemaking published at 81 FR 68150 (Oct. 3, 2016) (hereinafter NPRM).

### Table of Contents

I. Executive Summary
II. Legal Framework
III. Rulemaking Goals and Strategies
IV. Fee Setting Methodology
V. Individual Fee Rationale
VI. Discussion of Comments
VII. Discussion of Specific Rule
VIII. Rulemaking Considerations

### I. Executive Summary

*A. Purpose of This Action*

The Office issues this final rule under Section 10 of the AIA (Section 10), which authorizes the Director of the USPTO to set or adjust by rule any patent fee established, authorized, or charged under title 35 of the United States Code (U.S.C.) for any services performed, 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 of the Office with respect to such patent fees. Section 10 authority includes flexibility to set individual fees in a way that furthers key policy factors, while taking into account the cost of the respective services. Section 10 also establishes certain procedural requirements for implementing or revising fee regulations, such as public hearings and input from the Patent Public Advisory Committee (PPAC) and Congressional oversight.

This rulemaking represents the second iteration of patent fee rulemaking by the USPTO to set fees under the authority of the AIA; the first AIA patent fee setting rule was published in January 2013. This current rulemaking is a result of the USPTO assessing its costs and fees, as is consistent with federal fee setting standards. Following a biennial review of fees, costs, and revenues that began in 2015, the Office concluded that targeted fee adjustments were necessary to continue to fund patent operations, enhance patent quality, continue to work toward patent pendency goals, support the Patent Trial and Appeal Board (PTAB)'s continued efforts to deliver high quality and timely decisions, fund general support costs necessary for patent operations (*e.g.,* rent, utilities, legal, financial, human resources, and other administrative services), invest in strengthening the Office's information technology (IT) capability and infrastructure, and achieve operating reserve targets. Further, in several instances, the fee change proposals offered during the biennial fee review process were enhanced by the availability of cost and workload data (*e.g.,* the number of requests for a service) that was not available in 2013. As a result, the 202 fee adjustments outlined in this rule align directly with the Office's strategic goals and four key fee setting policy factors, discussed in detail in Part III.

*B. Summary of Provisions Impacted by This Action*

This final rule sets or adjusts 202 patent fees for large, small, and micro entities (any reference herein to ''large entity'' includes all entities other than those that have established entitlement to either a small or micro entity fee discount). The fees for small and micro entity rates are tiered, with small entities at a 50 percent discount and micro entities at a 75 percent discount. Small entity fee eligibility is based on the size or certain non-profit status of the applicant's business. Micro entity fee eligibility is described in Section 10(g) of the Act. There are also 42 new fees being introduced or replacing one of the 14 fees that are being discontinued. This final rule applies small entity discounts to two additional fees and applies micro entity discounts to six additional fees.

In summary, the routine fees to obtain a patent (*i.e.,* filing, search, examination, and issue fees) increase slightly under this final rule relative to the current fee schedule. Applicants who meet the definition for small or micro entity discounts will continue to pay a reduced fee for the fees eligible for a discount under Section 10(b) of the Act. Additional information describing the fee adjustments is included in Part V. Individual Fee Rationale section of this rulemaking and in the ''*Table of Patent Fees—Current, Final Rule and Unit Cost*'' (hereinafter ''*Table of Patent Fees*'') available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

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

The final rule is significant and results in a need for a Regulatory Impact Analysis (RIA) under Executive Order 12866 Regulatory Planning and Review, 58 FR 51735 (Oct. 4, 1993). The Office prepared a RIA to analyze the costs, benefits, and transfer payments of the final rule over a five-year period, FY 2017–FY 2021. The RIA includes a comparison of the final rule fee schedule to the current fee schedule (baseline) and to two other alternatives.

The Office of Management and Budget (OMB) has determined that this rule involves a transfer payment from one group to another that does not affect the total resources available to society. The costs and benefits that the Office identifies and analyzes in the RIA are strictly qualitative. Qualitative costs and benefits have effects that are difficult to express in either dollar or numerical values. Monetized costs and benefits, on the other hand, have effects that can be expressed in dollar values. The Office did not identify any monetized costs and benefits of the rulemaking, but found that the final rule has significant qualitative benefits with no identified costs.

The qualitative costs and benefits that the RIA assesses are: (1) Fee schedule design—a measure of how well the fee schedule aligns to the Office's key fee setting policy factors—and (2) securing aggregate revenue to cover aggregate

cost—a measure of whether the alternative provides adequate revenue to support the core mission and strategic priorities described in the final rule and FY 2018 Budget. For these costs and benefits, the fee schedule in this final rule offers the highest benefits, with no costs identified. As described throughout this document, the final rule fee schedule maintains the existing balance of setting entry fees (*e.g.,* filing, search, and examination) below the costs to the Office to perform those services and setting maintenance fees above the cost to the Office, as one approach to foster innovation. Further, as detailed in Part V, the fee changes are targeted in support of one or more fee setting policy factors. Lastly, the final rule secures the aggregate revenue needed to achieve the strategic priorities encompassed in the rulemaking goals and strategies (*see* Part III). In summary, the benefits of the final rule clearly outweigh those of the baseline and the other alternatives considered in the RIA. Table 1 summarizes the RIA results.

TABLE 1—FINAL PATENT FEE SCHEDULE COSTS AND BENEFITS, CUMULATIVE FY 2017–FY 2021

| Qualitative costs and benefits | |
|---|---|
| *Costs:* | |
| None identified | Neutral. |
| *Benefits:* | |
| Secure Aggregate Revenue to Cover Aggregate Cost. | Significant. |
| Fee Schedule Design | Significant. |
| *Net Benefit/Cost* | Significant Benefit. |

Additional details describing the costs and benefits are available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

## 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. 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 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 amended chapter 11 of title 35, U.S.C., to add Section 123 concerning micro entities. The Act provides that the Office must reduce by 75 percent the fees for micro entities for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents. Micro entity fees were implemented through the previous patent fee rule, and the Office will maintain this 75 percent micro entity discount for the appropriate fees and implement micro entity fees for additional services as appropriate.

### *D. Patent Public Advisory Committee Role*

The Secretary of Commerce established the 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 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 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 considers and analyzes any comments, advice, or recommendations received from the PPAC before finally setting or adjusting fees.

Consistent with this framework, on October 20, 2015, 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-us/performance-and-planning/fee-setting-and-adjusting.* The PPAC held a public hearing in Alexandria, Virginia, on November 19, 2015. Transcripts of the hearing are available at *http://www.uspto.gov/sites/default/files/documents/PPAC_Hearing_Transcript_20151119.pdf.* Members of the public were invited to the hearing and given the opportunity to submit written and/or oral testimony for the PPAC to consider. The PPAC considered such public comments from this hearing and published all comments on the Fee Setting Web site, available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.* The PPAC also provided a written report setting forth in detail the comments, advice, and recommendations of the committee regarding the preliminary proposed fees. The report regarding the preliminary proposed fees was released on February 29, 2016, and is available at *http://www.uspto.gov/sites/default/files/documents/PPAC_Fee%20_Setting_Report_2016%20%28Final%29.pdf.* The Office considered and analyzed all comments, advice, and recommendations received from the PPAC before publishing the NPRM. Likewise, before issuing this final rule, the Office considered and analyzed all comments, advice, and recommendations received from the public during the 60-day comment period. The Office's response to comments received is available in Part VI. Discussion of Comments.

## III. Rulemaking Goals and Strategies

### *A. Fee Setting Strategy*

The overall strategy of this final rule is to establish a fee schedule that generates sufficient multi-year revenue to recover the aggregate cost to maintain USPTO operations and accomplish the USPTO's strategic goals in accordance with the authority granted to the USPTO by AIA Section 10. A similar strategy guided the initial AIA patent fee setting in 2013. The overriding principles behind this strategy are to operate within a sustainable funding model to avoid disruptions caused by fluctuations in available financial resources, and to continue strategic

improvements, such as progress on patent quality initiatives, continued reduction of the patent application backlog and pendency, continued delivery of high quality and timely PTAB decisions, and continued investment in modernization of IT systems and infrastructure.

In addition to the overriding principles outlined above, the Office also assesses alignment with the four key fee setting policy factors: Foster innovation, align fees with the full cost of products and services, set fees to facilitate the effective administration of the patent and trademark systems, and offer application processing options for applicants. Each factor promotes a particular aspect of the U.S. patent system. Fostering innovation is an important policy factor to ensure that applicants can access the U.S. patent system without significant barriers to entry, and innovation is incentivized by granting inventors certain short-term exclusive rights to stimulate additional inventive activity. Aligning fees with the full cost of products and services recognizes that as a fully fee-funded entity, the Office must account for all of its costs even as it elects to set some fees below, at, or above cost. This factor also recognizes that some applicants may use particular services in a much more costly manner than other applicants (*e.g.,* patent applications cost more to process when more claims are filed). Facilitating effective administration of the patent system is important to influence efficient patent prosecution, resulting in compact prosecution and reduction in the time it takes to obtain a patent. Finally, the Office recognizes that patent prosecution is not a one-size-fits-all process and therefore, where feasible, the Office endeavors to fulfill its fourth policy factor of offering patent processing options to applicants.

*B. Fee Setting Considerations*

The balance of this sub-section presents the specific fee setting considerations the Office reviewed in developing the final patent fee schedule. Specific considerations are: (1) Historical costs of patent operations and investments to date in meeting the Office's strategic goals; (2) projected costs to meet the Office's operational needs and strategic goals; and (3) sustainable funding. Additionally, the Office carefully considered the comments, advice, and recommendations offered by the public and PPAC during the public comment period for the NPRM. Collectively, these considerations informed the Office's chosen rulemaking strategy.

(1) *Historical Cost.* To ascertain how to best align fees with the full cost of products and services, the Office considers Activity Based Information. Using historical cost data and forecasted application demands, the Office can align fees to the costs of specific patent products and services. The document entitled *USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—Activity Based Information and Patent Fee Unit Expense Methodology,* available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting,* provides detail on the Office's costing methodology in addition to historical cost data. Part IV of this rulemaking details the Office's methodology for establishing fees. Finally, Part V describes the reasoning for setting some fees at cost, below cost, or above cost such that the Office recovers the aggregate cost of providing services through fees.

The Office has made significant progress towards its strategic priorities for patent quality, backlog, pendency, and IT system modernization for several years now. For more information about the Office's performance record and progress towards its strategic goals, *see* the *FY 2016 Performance and Accountability Report,* available at *http://www.uspto.gov/sites/default/files/documents/USPTOFY16PAR.pdf.*

(2) *Projected Costs.* The costs projected to meet the Office's strategic goals can be found in the FY 2018 President's Budget, which provides additional detail about the following performance and modernization efforts, among others: (a) Quality, backlog, and pendency for Patents and PTAB and (b) investing in modernizing the USPTO IT systems and infrastructure.

(a) Quality, Backlog, and Pendency. The Office developed the strategic goal of optimizing patent quality and timeliness in response to feedback from the intellectual property community and in recognition that a sound, efficient, and effective intellectual property system is essential for technological innovation and for patent holders to reap the benefits of patent protection. In addition to timeliness of patent protection, the quality of application review is critical to the value of an issued patent. Issuance of quality patents provides certainty in the market and allows businesses and innovators to make informed and timely decisions on product and service development. Under this final rule, the Office will continue to improve patent quality through ongoing efforts related to the three quality pillars: (1) Excellence in work products; (2) excellence in measuring patent quality; and (3) excellence in customer service.

In addition to quality, the USPTO continues to focus on backlog and pendency reduction. First action and average total pendency in FY 2016 were 16.2 months and 25.3 months respectively compared to 21.9 months and 32.4 months in FY 2012. The patent application backlog was reduced from 608,283 in FY 2012 to 537,655 at the end of FY 2016. This rulemaking aims to produce revenues adequate to continue the USPTO's progress towards attaining its strategic goals for patent backlog and pendency.

Similarly, the PTAB manages pendency and inventory for appeals. In the past few years, the Office has made great strides in reducing the backlog and pendency for *ex parte* appeals. Appeal inventory reached over 27,000 (in 2012) and by the end of FY 2016 was about 17,000. As of the end of fiscal year 2016, the average pendency for decided *ex parte* appeals was 25.5 months (as measured from appeal number assignment to decision date). The Office aspires to reach an appeals pendency goal of 12 months by the end of FY 2018 and to further reduce the existing inventory. This rulemaking will help the PTAB to maintain the appropriate level of judicial, legal, and administrative staff needed to provide high quality and timely decisions for reexamination appeals; and *ex parte* appeals.

(b) Information Technology. Revenue generated from the final fee structure will enable the USPTO to continue investing in modernizing the USPTO IT systems and infrastructure. Some current systems remain obsolete and difficult to maintain, leaving the USPTO vulnerable to potential disruptions in patent operations. However, the Office's efforts on PE2E, the large-scale patent IT improvement and modernization program, have already delivered value to examiners and customers alike. To date, the Docket & Application Viewer (DAV), a case management tool for examiners, was first released in March 2015. By the end of FY 2016, 100 percent of patent examiners were using DAV. The eDAN legacy system was retired in December 2016, as its full functionality was replaced by DAV. Other PE2E releases include pilots for Official Correspondence (replaces Office Action Correspondence System (OACS)), an authoring and workflow solution that offers DAV integration, and Examiner Search (replaces Examiner's Automated Search Tool (EAST)), which supports modern, scalable enterprise searches; both represent significant advances in how

the Office manages workload and delivers results to customers. PE2E relies on flexible, scalable, modern technology that is optimized to eliminate repetitive tasks and support analytics and automated processing. In April 2016, the USPTO released Financial Manager, its new online fee payment management tool. Financial Manager allows USPTO customers to store and manage payment methods online and generate custom transaction reports at any time. Modern IT tools benefit both USPTO employees and stakeholders by facilitating the effective administration of the patent system through effective application processing, better examination quality, and the ability to provide greater services via a nationwide workforce.

(3) *Sustainable Funding.* A major component of sustainable funding is the creation and maintenance of a viable patent operating reserve that allows for effective management of the U.S. patent system and responsiveness to changes in the economy, unanticipated production workload, and revenue changes. As a fee-funded agency, spending levels and revenue streams create volatility in patent operations and threaten the Office's ability to meet its designated performance levels (*e.g.,* quality, backlog, and pendency for Patents and PTAB).

The USPTO's annual budget delineates prospective spending levels (aggregate cost) to execute core mission activities and strategic initiatives. In the FY 2018 President's Budget, the USPTO estimated that its aggregate patent operating cost for FY 2017, including administrative costs, would be $2.986 billion. After evaluating relevant risk factors, the Office determined that a minimum balance of $300 million in the operating reserve was adequate for FY 2017 and FY 2018, which is below the optimal balance of three months operating expenses, or about $746 million in FY 2017. Based on the latest estimates as shown in the FY 2018 President's Budget, the spending requirement would exceed projected fee collections and other income of $2.876 billion and draw $110 million from the patent operating reserve, leaving a $245 million balance in the patent operating reserve, or $55 million less than the desired minimum of $300 million. This is partially due to the fact that these fee adjustments will only be in place for the last month of FY 2017. In FY 2018, when the fee adjustments will be fully implemented, the operating reserve is projected to rise above the desired minimum, with an end-of-year balance of $343 million. In FY 2019, budgetary requirements are projected to exceed income, taking the operating reserve down to $341 million. Then the operating reserve is projected to continue growing, to $418 million at the end of FY 2020 and $501 million at the end of FY 2021. This exceeds the desired minimum, but falls short of the optimal level of $841 million in FY 2021. The operating reserve is not projected to reach its optimal level within the next five years.

Fee setting authority allows the Office to align the fee schedule with the four fee setting policy factors discussed earlier in this document (*i.e.,* foster innovation, align fees to full cost, set fees to facilitate the effective administration of the patent and trademark system, and offer application processing options). This rule assumes that the USPTO will retain the important business tool of fee setting authority to respond to environmental and operational factors in the out-years. The USPTO will continue to assess the patent operating reserve balance against its target balance annually, and at least every two years, the Office will evaluate whether the target balance continues to be sufficient to provide the funding stability needed by the Office. Per the Office's operating reserve policy, if the operating reserve balance is projected to exceed the optimal level by 10 percent for two consecutive years, the Office will consider fee reductions. The ability to implement such fee adjustments is based on the assumption that the USPTO's fee setting authority under the AIA will be renewed or made permanent after it expires in 2018. 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 the USPTO uses patent fees prudently.

### *C. Summary of Rationale and Purpose of the Final Rule*

The Office estimates that the final patent fee schedule will produce aggregate revenue to recover the aggregate cost of the USPTO, including for the implementation of its strategic and management goals, objectives, and initiatives in FY 2017 and beyond.

Using the strategic goals (optimizing patent quality and timeliness and providing domestic and global leadership to improve intellectual property policy, protection, and enforcement worldwide) and the management goal of organizational excellence as a foundation, the final rule should provide sufficient aggregate revenue to recover the aggregate cost of patent operations, including improving patent quality, reducing the patent application backlog, decreasing patent application pendency, delivering high quality and timely PTAB decisions, investing in modernizing the patent business IT capability and infrastructure, and implementing a sustainable funding model.

## IV. Fee Setting Methodology

The Office carried out three primary steps in developing the final fee schedule:

*Step 1:* Determine the prospective aggregate cost 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 factors.

These three steps are iterative and interrelated. The following is a description of how the USPTO carries out these three steps.

### *Step 1: Determine Prospective Aggregate Cost*

Calculating prospective aggregate cost is accomplished primarily through the annual USPTO budget formulation process. The Budget is a five-year plan (that the Office prepares annually) for carrying out base programs and new initiatives to implement 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 depend 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 filing, search, and examination costs are the largest share 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*) and is forecasted each February by the OMB (*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*) in the Budget and Economic Outlook. A description of the Office's methodology for using RGDP can be found in Appendix I—Multi-year Planning by Business Line and Cost Containment of the FY 2018 President's Budget (Congressional Justification). 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 publication) adjustments. The Office uses a patent pendency model that estimates patent production output based on actual historical data and input assumptions, such as incoming patent applications and overtime hours. An overview of the model, including a description of inputs, outputs, key data relationships, and a simulation tool is available at *http://www.uspto.gov/patents/stats/patent_pend_model.jsp.*

The second activity is to calculate the aggregate cost to execute the requirements. In developing its Budget, the Office first looks at the cost of status quo operations (the base requirements). The base requirements are adjusted for anticipated pay raises and inflationary increases for the budget year and four out years (detailed calculations and assumptions for this adjustment can be found in the FY 2018 President's Budget). 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-Program'' sections of the Budget). The Office reduces cost estimates for completed initiatives and known cost savings expected over the same five-year horizon. 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 FY 2018 President's Budget identifies that, during FY 2017, patent operations will cost $2.986 billion, including $2.002 billion for patent examination activities; $180 million for IT systems and support contributing to direct patent operations; $87 million for activities related to patent appeals and AIA trial proceedings; $27 million for activities related to intellectual property protection, policy, and enforcement; and $688 million for general support costs necessary for patent operations (*e.g.,* rent, utilities, legal, financial, human resources, other administrative services, and Office-wide IT infrastructure and IT support costs). In addition, the Office transfers $2 million to the DOC Inspector General to conduct audits of USPTO programs. The Office also estimates collecting $24 million in other income associated with recoveries and reimbursable agreements (offsets to spending). Since operations costs are projected to exceed collections, the Office estimates that $110 million will be withdrawn from the operating reserve during FY 2017.

Table 2 below provides key underlying production workload projections and assumptions from the Budget used to calculate aggregate cost. Table 3 presents the total budgetary requirements (prospective aggregate cost) for FY 2017 through FY 2021 and the estimated collections and operating reserve balances that would result from the adjustments contained in this final rule.

TABLE 2—PATENT PRODUCTION WORKLOAD PROJECTIONS—FY 2017–FY 2021

| Utility, plant, and reissue (UPR) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|
| Applications* | 614,253 | 627,274 | 634,934 | 639,878 | 636,580 |
| Growth Rate | 0.7% | 2.1% | 1.2% | 0.8% | −0.5% |
| Production Units | 647,700 | 663,200 | 667,700 | 660,700 | 626,100 |
| Unexamined Patent Application Backlog | 485,300 | 430,000 | 378,200 | 338,200 | 329,600 |
| Examination Capacity** | 8,375 | 8,300 | 8,097 | 7,812 | 7,540 |
| Performance Measures (UPR): | | | | | |
| Avg. First Action Pendency (Months) | 14.8 | 15.1 | 11.0 | 10.7 | 9.9 |
| Avg. Total Pendency (Months) | 24.8 | 23.0 | 22.7 | 19.5 | 19.0 |

* In this table, the patent application filing data includes requests for continued examination (RCEs).
** In this table, Examination Capacity is the UPR Examiners On-Board at End-of-Year, as described in the FY 2018 President's Budget.

The USPTO continuously updates both patent fee collections projections and workload projections based on the latest data. Patent production workload projections have been updated since the NPRM was published in October 2016. The most recent projections are shown in Table 2. UPR filings growth projections were revised downward during the FY 2018 budget formulation process due to revised RGDP estimates and more conservative estimates of out year growth.

Over the five year planning horizon budgetary requirements increased compared to the prior NPRM outlook projections. The primary drivers of the requirements variance are investments to modernize IT systems and infrastructure and updated assumptions about the resources necessary to meet production commitments in the Patent Pendency Model and PTAB models. The FY 2018 Budget is based on a framework of continuous and comprehensive budget reviews designed to ensure that all operational and administrative costs are reviewed and funds are reallocated when necessary to focus on high-priority and effective programs—primarily core mission activities—and mitigate risk by retaining minimum operating reserve balances. In addition, the USPTO operates similarly to a business in that the Office makes a determined effort to monitor and adjust spending in response to changes in workload, income, and operating reserve balances. These activities are carried out as regular parts of the budget execution and budget formulation processes.

TABLE 3—PLANNED OPERATING REQUIREMENTS—FY 2017–FY 2021

| Patent aggregate cost estimate | Dollars in millions | | | | |
|---|---|---|---|---|---|
| | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Patent Planned Operating Requirements | 2,986 | 3,176 | 3,231 | 3,273 | 3,365 |
| Less: Planned Patent Fee Collections | 2,852 | 3,250 | 3,205 | 3,326 | 3,423 |
| Less: Other Income | 24 | 24 | 24 | 24 | 24 |
| To (−)/From (+) Operating Reserve | −110 | 98 | −2 | 77 | 82 |
| EOY Operating Reserve Balance | 245 | 343 | 341 | 418 | 501 |

*Step 2: Calculate Prospective Aggregate Revenue*

As described in ''*Step 1,*'' the USPTO's FY 2017 requirements in the FY 2018 President's Budget include the aggregate prospective cost of planned production, anticipated new initiatives, and a contribution to the patent operating reserve required 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.

To calculate the aggregate revenue estimates, the Office first analyzes relevant factors and indicators to calculate or determine prospective fee workload (*e.g.,* number of applications and requests for services and products), growth, and resulting fee workload volumes (quantities) 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.

The Office considers economic activity when developing fee workloads and aggregate revenue forecasts for its products and services. 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 and is anticipated to grow approximately two percent for FY 2017 based on OMB and CBO estimates.

These indicators correlate with patent application filings, which are a key driver of patent fees. Economic indicators also provide insight into market conditions and the management of intellectual property 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, court decisions, process efficiencies, and anticipated applicant behavior.

Anticipated applicant behavior in response to fee changes is measured using an economic principle known as elasticity, which for the purpose of this action measures how sensitive applicants and patentees are to changes in fee amounts. The higher the elasticity measure (in absolute value), the greater the applicant response to the relevant fee change. If elasticity is low enough (*i.e.,* demand is *inelastic* or the elasticity measure is less than one in absolute value), a fees increase will lead to only a relatively small decrease in patent activities, and overall revenues will still increase. Conversely, if elasticity is high enough (*i.e.,* demand is *elastic* or the elasticity measure is greater than one in absolute value), a fee increase will lead to a large enough decrease in patenting activities that overall revenues will decrease. When developing fee forecasts, the Office accounts for how applicant behavior will change at different fee amounts for the various patent services. Additional detail about the Office's elasticity estimates is available in ''*USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—Description of Elasticity Estimates,*'' available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

Aggregate Revenue Estimate Ranges

When estimating aggregate revenue, the USPTO prepares a high and a low range of fee collection estimates. This range accounts 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 estimates a range for all its major workload categories including application filings, extensions of time, PTAB fees, maintenance fees, PCT filings, and trademark filings. Additional detail about how the Office calculates aggregate revenue is discussed in the document entitled, ''Setting and Adjusting Patent Fees during FY 2017—Aggregate Revenue Estimating Methodology.'' Details about projected workloads for each of the fee setting alternatives considered are available in the aggregate revenue tables for each alternative. All of these documents are available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

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 the cost of 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* 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 fee rates will become effective on September 1, 2017. 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 cost 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 cost during that time frame. Calculating individual fees is an iterative process that encompasses many variables. One variable that the USPTO considers to inform fee setting is the historical cost estimates associated with individual fees. 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 in the document entitled ''*USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—Activity-Based Information and Patent Fee Unit Expense Methodology*'' available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.* The USPTO provides data for FY 2013–FY 2015 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 estimate the full cost of a new activity or service.

**V. Individual Fee Rationale**

The Office projects that the aggregate revenue generated from the new patent fees will recover the prospective aggregate cost of its patent operations including contributions to the operating reserve per the strategic objective of implementing a sustainable funding model. As detailed previously, the PPAC supports this approach, stating that it ''agrees that the Office should set its fees to establish an adequate revenue stream over a sustained period to fund the people and infrastructure essential for a high quality, low pendency examination process, and to fund its operating reserve.'' It is important to recognize that 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 at, above, and below their unit costs to balance the four key fee setting policy factors *discussed in Part III.*

For some fees in this final rule, the USPTO does not maintain individual historical cost data for the service provided, such as maintenance fees. Instead, the Office evaluates the policy factors described in Part III to inform fee setting. By setting fees at particular levels, the USPTO aims to: (1) Foster an environment 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.

The rationale for the fee changes are grouped into three major categories, discussed below: (A) Fees where large entity amounts stayed the same or did *not* change by greater than plus or minus 10 percent or 20 dollars; (B) fees where large entity amounts changed from the current amount by greater than plus or minus 10 percent and 20 dollars; and (C) fees that are discontinued or replaced. 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 and micro 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 or one quarter of the large entity change. Therefore, the only time there will be a small or micro entity fee change that meets the greater than plus or minus 10 percent or 20 dollars criteria without a similar change for the large entity fee will be for those instances when the Office is introducing new small and micro entity fees where there was previously only a large entity fee. These types of changes are discussed separately.

The *Table of Patent Fees* includes the current and final rule fees for large, small, and micro entities as well as unit costs for the last three fiscal years. Part VII. Discussion of Specific Rule contains a complete listing of fees that are set or adjusted in the final rule patent fee schedule.

*A. Fees With Changes Less Than Plus or Minus 10 Percent or 20 Dollars*

The Office is adjusting slightly (*i.e.,* less than plus or minus 10 percent or 20 dollars) several fees not discussed in sections B or C below. The *Table of Patent Fees* demarcates which fees meet the dollar change and percent change thresholds. Fees are rounded to the nearest five dollars by applying standard arithmetic rules. For fees that have small and micro entity fee reductions, the large entity fee will be rounded to the nearest 20 dollars by applying standard arithmetic rules. The resulting fee amounts will be convenient to patent users and permit the Office to set small and micro entity fees at whole dollar amounts when applying the applicable fee reduction. The slight increase in these fees helps the Office to recover higher costs of performing such services due to increased aggregate cost of doing business. The fee adjustments in this category are listed in the *Table of Patent Fees.*

*B. Fees With Changes of Greater Than Plus or Minus 10 Percent and 20 Dollars*

For those fees changing by greater than plus or minus 10 percent and 20 dollars, the individual fee rationale discussion is divided into three categories, including: (1) New and significant fees; (2) patent enrollment fees; and (3) fees adjusted and amended to include discounts for small and micro entities. Note: Three fees in this section have fee changes less than 10 percent but are included here because they met this criteria in either the NPRM (*i.e.,* Plant Issue and *Inter Partes* Review Post-Institution Fee—Up to 15 Claims) or preliminary proposed fees (*i.e.,* Request for Continued Examination (RCE)—1st Request).

New and significant fees are further divided into subcategories according to the function of the fees, including: (a) Mega-sequence listing filing; (b) design and plant search, examination, and issue; (c) request for continued examination (RCE); (d) information disclosure statements; (e) certificate of correction; (f) request for *ex parte* reexamination; (g) appeals; (h) AIA trials; (i) PCT—International Stage; and (j) reissue patent maintenance rule.

As discussed above, for purposes of comparing amounts in the individual fee rationale discussion, the Office has included the current fees as the baseline to calculate the dollar change and percent change for new fees.

(1) New and Significant Fees

The following fees fall under the category of new and significant. A discussion of the rationale for each fee follows.

a) *Mega-Sequence Listing Filing*

TABLE 4—MEGA-SEQUENCE LISTING FILING—FEE CHANGES AND UNIT COST

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Submission of sequence listings of 300 MB to 800 MB. | new | $1,000<br>($500)<br>[$250] | +$1,000<br>(+$500)<br>[+$250] | n/a<br>(n/a)<br>[n/a] | n/a |
| Submission of sequence listings of more than 800 MB. | new | $10,000<br>($5,000)<br>[$2,500] | +$10,000<br>(+$5,000)<br>[+$2,500] | n/a<br>(n/a)<br>[n/a] | n/a |

The Office sets two new fees to manage handling of sequence listings of 300 MB or more. Pricing for this fee is divided into two tiers with Tier 1 for file sizes 300 MB to 800 MB and Tier 2 for file sizes greater than 800 MB.

The level of effort associated with the handling of mega-sequence listings is significant, because the Office's systems require extra storage and special handling for files beyond 300 MB. The Office has not yet collected actual cost data for sequence listings with file sizes of 300 MB or greater. However, based on historical data, on average, less than 10 applications per year contained sequence listing files greater than 300 MB. Based on previously filed applications with lengthy sequence listings, the Office determined that some applications disclosed sequence data that met the length thresholds for being included in the sequence listing but that was neither invented by the applicants nor claimed. Mega-sequence listings, in particular, often included sequences that were available in the prior art, were not essential material, and could have been described instead, for example, by name and a publication or accession reference. Further, claims accompanying such applications were frequently directed to the manipulation of sequence data rather than the substance of the sequences themselves. Submission of a mega-sequence listing in these applications would not have been necessary to complete the application if applicants limited the number of sequences that were described in such a way as to be required in a sequence listing. The fee should encourage applicants to draft their specifications such that sequence data that is not essential material is not required to be included in a sequence listing. The fee would also apply to the submission of mega-sequence listings received in national stage applications under 35 U.S.C. 371, including mega-sequence listings received by the Office pursuant to PCT Article 20. A reduced number of mega-sequence listings will benefit the Office and the public by reducing the strain on Office resources, thus facilitating the effective administration of the patent system.

(b) *Design and Plant Search, Examination, and Issue*

TABLE 5—DESIGN SEARCH, EXAMINATION, AND ISSUE AND PLANT SEARCH AND ISSUE FEES—FEE CHANGES

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Design Search Fee | $120<br>($60)<br>[$30] | $160<br>($80)<br>[$40] | +$40<br>(+$20)<br>[+$10] | +33%<br>(+33)<br>[+33] | $397 |
| Plant Search Fee | $380<br>($190)<br>[$95] | $420<br>($210)<br>[$105] | +$40<br>(+$20)<br>[+$10] | +11<br>(+11)<br>[+11] | 1,773 |
| Design Examination Fee | $460<br>($230)<br>[$115] | $600<br>($300)<br>[$150] | +$140<br>(+$70)<br>[+$35] | +30<br>(+30)<br>[+30] | 608 |
| Design Issue Fee | $560<br>($280)<br>[$140] | $700<br>($350)<br>[$175] | +$140<br>(+$70<br>[+$35] | +25<br>(+25)<br>[+25] | 314 |
| Plant Issue Fee | $760<br>($380)<br>[$190] | $800<br>($400)<br>[$200] | +$40<br>(+$20)<br>[+$10] | +5<br>(+5)<br>[+5] | 314 |

In the NPRM, the Office proposed a design issue fee of $800 and a plant issue fee of $1,000. In this final rule, after carefully considering comments from the PPAC and the public, the Office sets the design issue fee to $700 and the plant issue fee to $800, 13 percent and 20 percent less than the fees proposed in the NPRM respectively. Design and plant patents are unlike utility patents in that they do not pay maintenance fees after the patent has been granted. Under the current utility fee structure, entry costs (filing, search, and examination fees) are intentionally

set below the full cost of performing this service as a means to foster innovation. Then, the full cost of examination is recovered through the payment of issue and maintenance fees. Given the lack of maintenance fees and the fact that the majority of design applicants are small and micro entities who are eligible to pay reduced fees, the Office currently does not recover the costs to examine design and plant patent applications solely from design and plant application fees. Instead, these costs are being subsidized by other application types (*e.g.,* utility) and processes. The revised fees better align the fees with costs by bringing both application types closer to aggregate cost recovery while maintaining some subsidization.

(c) *Request for Continued Examination (RCE)—First and Second and Subsequent Request*

TABLE 6—REQUEST FOR CONTINUED EXAMINATION (RCE) FEE CHANGES

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Request for Continued Examination (RCE)—1st Request (*see* 37 CFR 1.114) | $1,200<br>($600)<br>[$300] | $1,300<br>($650)<br>[$325] | +$100<br>(+$50)<br>[+$25] | +8<br>(+8)<br>[+8] | $2,187 |
| Request for Continued Examination (RCE)—2nd and Subsequent Request (*see* 37 CFR 1.114) | $1,700<br>($850)<br>[$425] | $1,900<br>($950)<br>[$475] | +$200<br>(+$100)<br>[+$50] | +12<br>(+12)<br>[+12] | 1,540 |

The moderate increases to RCE fees support the fee setting policy factor to align fees with costs. The increase would more closely align the fee rates with the cost of processing RCEs, as calculated using the most recently available cost data (FY 2015). Specifically, the Office is increasing the first RCE fee rate from $1,200 to $1,300 for large entities, a $100 increase (8 percent). The FY 2015 cost to examine a first RCE was $2,187 with the increase in the first RCE fee rate significantly below FY 2015 unit cost, this service will continue to recover only a portion of the total cost in the future.

The Office is increasing the second and subsequent RCE fee rate from $1,700 to $1,900 for large entities, a $200 increase (12 percent). The FY 2015 cost to examine a second and subsequent RCE was $1,540. When combined, first and second and subsequent RCE fees collected 62.5 percent of the examination costs. In order to approach cost recovery and limit the increase to the first RCE fee rate, the Office sets the second and subsequent RCE fee rate with a slightly larger increase. Had this fee structure been in place in FY 2015, the Office would have recovered 68.6 percent of RCE costs as opposed to the 62.5 percent that was realized. In FY 2015, the Office collected fees for 112,634 first RCEs and for 57,931 second and subsequent RCEs.

While this fee structure will not achieve full cost recovery for RCEs, it will bring collections closer to cost and therefore reduce the subsidy for RCE filings currently provided by other patent fees. In addition to the fee adjustments, the USPTO is committed to focusing on initiatives that will reduce the need for RCEs. Examples of initiatives the Office has already implemented to reduce the need for RCEs include the Quick Path Information Disclosure Statement (QPIDS) pilot program (*http://www.uspto.gov/patent/initiatives/quick-path-information-disclosure-statement-qpids*) and the After Final Consideration Pilot 2.0 (AFCP 2.0) (*http://www.uspto.gov/patent/initiatives/after-final-consideration-pilot-20*). Additionally, the Enhanced Patent Quality Initiative (*http://www.uspto.gov/patent/initiatives/enhanced-patent-quality-initiative-0*) evaluates and strengthens work products, processes, and services at all stages of the patent process.

(d) Information Disclosure Statements (IDS)

TABLE 7—DS—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Submission of an Information Disclosure Statement | $180<br>($90)<br>[$45] | $240<br>($120)<br>[$60] | +$60<br>(+$30)<br>[+$15] | +33<br>(+33)<br>[+33] | n/a |

The Office is increasing the submission fee for an Information Disclosure Statement (IDS) from $180 to $240. The adjustment is an effort to set the fee optimally to encourage early submission of an IDS when possible while keeping the fee low enough to encourage timely filings during the time period (and under the conditions) when the fee would be required.

(e) Certificate of Correction Fees

TABLE 8—CERTIFICATE OF CORRECTION FEES—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Certificate of Correction | $100 | $150 | +$50 | +50 | $93 |

The Office is increasing the fee for a certificate of correction by $50 to $150. This adjustment will encourage applicants to submit accurate information initially, while at the same time not increasing the rate too much above unit cost recovery, which could discourage disclosure of needed corrections when an error has been identified. Whenever a mistake of a clerical or typographical nature, or of minor character, which was not the fault of the USPTO, appears in a patent and a showing has been made that such mistake occurred in good faith, the Director may, upon payment of this fee, issue a certificate of correction, if the correction does not involve such changes in the patent as would constitute new matter or would require reexamination.

(f) Request for Ex Parte Reexamination Fees

TABLE 9—REQUEST FOR EX PARTE REEXAMINATION FEES—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| *Ex Parte* Reexamination (§ 1.510(a)) Streamlined | new | $6,000 ($3,000) [$1,500] | +$6,000 (+$3,000) [+$1,500] | n/a | n/a |

The Office is establishing a new fee for smaller, streamlined reexamination filings. The streamlined filings will reduce the cost to the USPTO, allowing the Office to pass on the cost savings to applicants. This fee will apply to *ex parte* reexamination requests having: (i) 40 pages or less; (ii) lines that are double-spaced or one-and-a-half spaced; (iii) text written in a non-script type font such as Arial, Times New Roman, or Courier; (iv) a font size no smaller than 12 point; (v) margins which conform to the requirements of 37 CFR 1.52(a)(1)(ii); and (vi) sufficient clarity and contrast to permit direct reproduction and electronic capture by use of digital imaging and optical character recognition. The following parts of an *ex parte* reexamination request are excluded from (i) through (v) above: (a) The copies of every patent or printed publication relied upon in the request pursuant to 37 CFR 1.510(b)(3); (b) the copy of the entire patent for which reexamination is requested pursuant to 37 CFR 1.510(b)(4); and (c) the certifications required pursuant to 37 CFR 1.510(b)(5) and (6). Completed forms such as the Request for *Ex Parte* Reexamination Transmittal Form (PTO/SB/57) or the information disclosure statement form (PTO/SB/08), or their equivalents, will also be excluded from (i) through (v). Claim charts will be considered part of the request and will be included in the page limit. Any paper containing argument directed to the patentability or unpatentability of the claims, such as an affidavit or declaration, will be included in the page limit and subject to the above requirements. If only a portion of the paper contains argument, the entire paper will be included in the page limit. The Office deems conclusions and/or definitions to be argumentative. For example, a request that includes 40 pages of argument and a 41st page that includes conclusions or definitions would be deemed to be a request having greater than 40 pages. A page that consists solely of a signature will not be included in the page limit. The determination of whether a paper contains argument will be within the sole discretion of the Office.

Note that micro entity status is only available to patent owner requesters, not to third party requesters. The change is consistent with the USPTO's fee setting policy factors to align fees to costs, offer additional processing options, and facilitate the effective administration of the patent system, and is also consistent with the requirements of 35 U.S.C. 123.

(g) Appeal Fees

TABLE 10—APPEAL—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Forwarding an Appeal in an Application or *Ex parte* Reexamination Proceeding to the Board. | $2,000 ($1000) [$500] | $2,240 ($1,120) [$560] | +$240 (+$120) [+$60] | +12% (+12%) [+12%] | $4,815 |

Based on feedback on the NPRM, the Office has eliminated the proposed increase to the notice of appeal fee. The Notice of Appeal fees will remain at current rates (*e.g.,* $800 for a large entity), and the Office has lowered the appeal forwarding fee from the proposed $2,500 (large entity) in the NPRM to $2,240 (large entity). At the current fee rate, the fees paid for an *ex parte* Notice of Appeal and Forwarding an Appeal only cover 58 percent of the

Office's cost for an appeal. The fee increase for Forwarding an Appeal will result in the combined *ex parte* appeal fees covering 63 percent of the Office's cost to conduct an *ex parte* appeal.

In the past few years, the Office has made great strides in reducing the backlog and pendency for *ex parte* appeals. The Office aspires to reach an appeals pendency goal of 12 months by the end of FY 2018 and to further reduce the existing inventory. As mentioned in Part III, the PTAB is working to reduce inventory via two pilot programs, EPAP and the Small Entity Pilot Program. The adjustment would allow the Office to better align fees to costs by reducing the gap between the amount paid by an appellant and the fully burdened cost of reviewing appeals by the Board. The additional revenue supports continued improvements to pendency and inventory via enhanced technology.

(h) AIA Trials

TABLE 11—AIA TRIALS—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| *Inter Partes* Review Request Fee—Up to 20 Claims. | $9,000 | $15,500 | +$6,500 | +72% | $22,165 |
| *Inter Partes* Review Post-Institution Fee—Up to 15 Claims. | 14,000 | 15,000 | +1,000 | +7% | 12,674 |
| *Inter Partes* Review Request of Each Claim in Excess of 20. | 200 | 300 | +100 | +50% | n/a |
| *Inter Partes* Post-Institution Request of Each Claim in Excess of 15. | 400 | 600 | +200 | +50% | n/a |
| Post-Grant or Covered Business Method Review Request Fee—Up to 20 Claims. | 12,000 | 16,000 | +4,000 | +33% | 16,213 |
| Post-Grant or Covered Business Method Review Post-Institution Fee—Up to 15 Claims. | 18,000 | 22,000 | +4,000 | +22% | 23,060 |
| Post-Grant or Covered Business Method Review Request of Each Claim in Excess of 20. | 250 | 375 | +125 | +50% | n/a |
| Post-Grant or Covered Business Method Review Post-Institution Request of Each Claim in Excess of 15. | 550 | 825 | +275 | +50% | n/a |

The AIA established two new trial proceedings: *inter partes* review and post-grant review. *Inter partes* review is a trial proceeding created by the AIA that 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 with a third party filing a petition. 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 proceeding is instituted and not dismissed, a final determination by the Board will be issued within one year (extendable for good cause by six months). The Office is adjusting all four separate fees for *inter partes* review, which are due upon the filing of a petition. The USPTO will refund the post-institution fee if the *inter partes* review proceeding is not instituted by the PTAB.

Post-grant review is a trial proceeding created by the AIA that 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 the 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 trial is instituted and not dismissed, the Board 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 FY 2016, the PTAB received nearly 1,700 AIA trial filings and the Office expects that number to grow in the coming fiscal years. In order to keep up with demand and continue to provide high quality decisions within the statutory time limits, the Office needs to close the gap between the cost and the fees for performing these services. When the fees for these services were initially set, the Office had to estimate what the costs would be without the benefit of historical cost information. Now that the trials have been in place for three fiscal years, the Office has actual historical cost data available to more accurately set these fees and recover costs. In this final rule, the Office is setting the *Inter Partes* Review Request Fee—Up to 20 Claims at $15,500 and the *Inter Partes* Review Post-Institution Fee—Up to 15 Claims at $15,000. The total for the *inter partes* review (request and post-institution) fees is $30,500. These individual fee rates have changed from the rates proposed in the NPRM, although the total remains the same. The fee rates proposed in the NPRM were $14,000 for the *Inter Partes* Review Request Fee—Up to 20 Claims and $16,500 for the *Inter Partes* Review Post-Institution Fee—Up to 15 Claims. The Office is revising the fee levels to more closely align fees and costs to the Office for performing these services. Unit costs for *inter partes* review requests have consistently outpaced the unit costs for *inter partes* review post-institutions. *See* the *Table of Patent Fees.*

(i) Patent Cooperation Treaty (PCT)—International Stage

TABLE 12—PATENT COOPERATION TREATY (PCT)—INTERNATIONAL STAGE—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | Large (Small) [Micro] Entity | |
| Late Furnishing Fee for Providing a Sequence Listing in Response to an Invitation Under PCT Rule 13*ter*. | new | $300 ($150) [$75] | +$300 (+$150) [+$75] | n/a | n/a |

The Office sets a new fee to encourage timely filing of sequence listings in international applications as another way to facilitate the effective administration of the patent system. When an applicant does not provide a sequence listing in searchable format with the international application or provides a defective sequence listing, the United States, acting as International Searching Authority (ISA/US) or as International Preliminary Examining Authority (IPEA/US), must issue an invitation to the applicant to provide the missing or corrected sequence listing. This additional process creates a delay in the issuance of the International Search Report (ISR) or International Preliminary Report on Patentability (Chapter II). The most recent data shows that the ISA/US issues ISRs within 16 months of the priority date for 75 percent of all international applications searched by the ISA/US. However, when the ISA/US issues an invitation to provide a sequence listing, the ISA/US issues ISRs within 16 months in only 28 percent of those international applications. The time limit for issuance of the ISR under PCT Rule 42 in most circumstances is 16 months from the priority date. This new fee will help compensate the Office for the extra work associated with issuing the invitation and handling the response, while better positioning the Office to meet applicable treaty timeframes. The fee is similar in size and scope to fees charged by other international intellectual property offices.

(j) Maintenance Fee Payments—Reissue Patent Rule

For each issued patent, the Office may grant one or more reissue patents. However, current practice dictates that only one maintenance fee is required for all of the possible reissue patents granted from a single patent. This change of practice would require payment of maintenance fees for each reissue patent, instead of a single maintenance fee payment for the group of reissue patents. The large majority of reissue patents are granted after the first stage maintenance fee payment has already been paid on the initial patent. Over the last six years, approximately 150 reissue patents per year would have been subject to additional fees due to this rule change. This is a significantly higher level than the Office experienced prior to FY 2010. For example, between FY 2003 and FY 2009, the average was 27 per year. The Office expects this change in practice to encourage patent owners to prioritize which reissue patents they want to maintain. If an owner wishes to maintain all reissue patents in force, he or she may do so by paying the appropriate maintenance fees. For reissue patents that are not maintained, subject matter previously covered by the patent would become available in the public domain to improve upon and further foster innovation.

(2) Office of Enrollment and Discipline Fees and Patent Practitioner Enrollment Fees

The following fee adjustments are comprised of Office of Enrollment and Discipline (OED) fees and other patent practitioner enrollment fees. In addition to the fee rate changes, there are four new fees introduced in this section. The purpose of amending the fees in this section is to better align fees with actual costs. During the previous patent fee setting effort, historical cost information for these activities was not available. Since then, the Office has developed cost information to more appropriately make these fee adjustments. No enrollment or disciplinary fees have been increased since 2008, and only two fees were adjusted that year. All other enrollment and discipline fees were last changed much earlier, specifically, between 1991 and 2004. In fact, one OED fee has been unchanged since 1982. As time passes, the difference between the fee charged by the Office and the cost to the Office to perform the service increases, resulting in greater subsidies by other patent fees. The increases to these fees will help to close the gap between the fee charged and the cost to perform the service. A discussion of the rationale for each fee change follows.

TABLE 13—OED AND PATENT PRACTITIONER ENROLLMENT—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| Application Fee (Non-Refundable) | $40 | $100 | +$60 | +150% | $225 |
| On Registration to Practice Under § 11.6 | 100 | 200 | +$100 | +100% | 493 |
| Certificate of Good Standing as an Attorney or Agent, Standard | 10 | 40 | +$30 | +300% | 39 |
| Certificate of Good Standing as an Attorney or Agent, Suitable for Framing | 20 | 50 | +$30 | +150% | 49 |
| Review of Decision by the Director of Enrollment and Discipline Under § 11.2(c) | 130 | 400 | +$270 | +208% | 2,044 |
| Review of Decision of the Director of Enrollment and Discipline Under § 11.2(d) | 130 | 400 | +$270 | +208% | 1,827 |
| Administrative Reinstatement Fee | 100 | 200 | +$100 | +100% | 940 |

TABLE 13—OED AND PATENT PRACTITIONER ENROLLMENT—FEE CHANGES AND UNIT COSTS—Continued

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| On Grant of Limited Recognition Under § 11.9(b) | new | $200 | +$200 | n/a | n/a |
| For USPTO-Assisted Recovery of ID or Reset of Password for the Office of Enrollment and Discipline Information System | new | 70 | +$70 | n/a | n/a |
| For USPTO-Assisted Change of Address Within the Office of Enrollment and Discipline Information System | new | 70 | +$70 | n/a | n/a |
| For USPTO-Administered Review of Registration Examination | new | 450 | +$450 | n/a | 515 |

The Office increases the application fee for admission to the examination for registration to practice from $40 to $100, about half of the historical cost of this service.

The fee for registration to practice or for a grant of limited recognition under § 11.9(b) or (c) is currently set at $100, and both transactions have the same fee code. This rule creates a new fee code for On Grant of Limited Recognition, allowing for a separate accounting of registration to practice or for a grant of limited recognition. Both Registration to Practice and Grant of Limited Recognition are increasing to $200, which is still below the estimated cost of performing these services. The Office is eliminating the reference to § 11.9(c) in the current provision. The Office does not presently impose a fee for an unregistered individual to prosecute an international patent application in the manner described in § 11.9(c). The Office is using the existing fee code for Registration to Practice fees and creating a new fee code for Grant of Limited Registration.

The Office is increasing the fee for the delivery of a certificate of good standing. A practitioner may also request a certificate of good standing as an attorney or agent that has been authentically signed by the Director of OED and crafted for framing. The Office is increasing the fee for both of these services to cost recovery, $40 and $50, respectively.

The Office is increasing the fees for petitions to the OED Director regarding enrollment or recognition. However, the new fees are still significantly below cost recovery. Any petition from any action or requirement of the staff of OED reporting to the OED Director shall be taken to the OED Director accompanied by payment of the $400 fee.

The Office is adjusting the fees for a review of the OED Director's decision regarding enrollment or recognition. A party dissatisfied with a final decision of the OED Director regarding enrollment or recognition may seek review of the decision upon petition to the USPTO Director accompanied by payment of the new $400 fee. This is an increase from the current fee but is still set significantly below cost recovery.

The Office is setting the fee for administrative reinstatement at $200. Reinstatement fees are imposed on practitioners seeking to be reinstated to active status. Raising the fee, while still set far below cost recovery, helps to close the gap between the fee and the cost for performing this service.

The Office is creating a fee for USPTO-assisted reset of user IDs and passwords for an OED Information System—Customer Interface (OEDIS–CI) account set at $70. The enhancement of the OEDIS–CI was implemented in FY 2015. With this enhancement, customers are now able to perform this process on-line as a self-service option free of charge. This fee would only be charged if it was requested that the USPTO perform this task instead of the self-service option.

The Office is creating and setting the fee for USPTO-assisted roster maintenance (change of address) in an OEDIS–CI account at $70. With the OEDIS–CI enhancement, customers are now able to perform this process on-line as a self-service method free of charge. This fee would only be charged if it was requested that the USPTO perform this task instead of the self-service option.

The Office is setting the fee for a registration examination review session at $450. Setting this fee at cost recovery relieves the administrative and cost burden of providing the review sessions. A private commercial entity currently provides this service to the public at a lower cost than the USPTO. The availability of the private-sector option has reduced demand for the USPTO-provided sessions and therefore increased the cost per registrant of USPTO-provided sessions.

The Office is setting the fee for changing a practitioner's registration status from agent to attorney. The Office currently charges $100 for this service. The fee would remain unchanged; however, 37 CFR 1.21(a)(2)(iii) would specifically provide for this fee.

(3) Fees Amended To Include Discounts for Small and Micro Entities

Within this section, where new micro entity fees are set, it is expected that an applicant or 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). The following table lists fees where new small and/or micro entity fees are provided. Providing these fee reductions for small and micro entity innovators continues the Office's efforts to foster innovation across all patent system users.

TABLE 14—AMENDED FEES TO INCLUDE DISCOUNTS FOR SMALL AND MICRO ENTITIES—FEE CHANGES AND UNIT COSTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| Petition for the Delayed Payment of the Fee for Maintaining a Patent in Force | $1,700<br>($850)<br>[$850] | $2,000<br>($1,000)<br>[$500] | +$300<br>(+$150)<br>[−$350] | +18<br>(+18)<br>[−41] | $121 |
| Petition for Revival of an Abandoned Application for a Patent, for the Delayed Payment of the Fee for Issuing Each Patent, or for the Delayed Response by the Patent Owner in any Reexamination Proceeding | $1,700<br>($850)<br>[$850] | $2,000<br>($1,000)<br>[$500] | +$300<br>(+$150)<br>[−$350] | +18<br>(+18)<br>[−41] | 244 |
| Petition for the Delayed Submission of a Priority or Benefit Claim | $1,700<br>($850)<br>[$850] | $2,000<br>($1,000)<br>[$500] | +$300<br>(+$150)<br>[−$350] | +18<br>(+18)<br>[−41] | 244 |
| Petition to Excuse Applicant's Failure to Act Within Prescribed Time Limits in an International Design Application | $1,700<br>($850)<br>[$850] | $2,000<br>($1,000)<br>[$500] | +$300<br>(+$150)<br>[−$350] | +18<br>(+18)<br>[−41] | n/a |
| Petition to Convert an International Design Application to a Design Application Under 35 U.S.C. Chapter 16 | $180<br>($180)<br>[$180] | $180<br>($90)<br>[$45] | $0<br>(−$90)<br>[−$135] | 0<br>(−50)<br>[−75] | n/a |
| Hague International Design Application Fees—Transmittal Fee | $120<br>($120)<br>[$120] | $120<br>($60)<br>[$30] | $0<br>(−$60)<br>[−$90] | 0<br>−50<br>−75 | n/a |

*C. Discontinued or Replaced Fees*

This section describes fees that are being discontinued and replaced with new fees. The purpose of this action is to simplify the fee schedule, more clearly inform customers of costs upfront, and align with the Office's new financial software for which fixed fee rates, not variable (*e.g.,* at cost) are preferred. This section also includes fees that are being discontinued because of disuse. The Office does not capture historical cost information for these discontinued or new fees.

(a) Discontinued and Replaced

TABLE 15—DISCONTINUED FEES WITH NEW FEE REPLACEMENTS

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| Copy of Patent-Related File Wrapper and Contents of 400 or Fewer Pages, if Provided on Paper. | $200 | discontinue ..... | −$200 | n/a | n/a |
| Additional Fee for Each Additional 100 Pages of Patent-Related File Wrapper and (Paper) Contents, or Portion Thereof. | $40 | discontinue ..... | −$40 | n/a | n/a |
| Copy Patent File Wrapper, Paper Medium, Any Number of Sheets. | new | $280 ..... | +$280 | n/a | n/a |
| Copy of Patent-Related File Wrapper and Contents if Provided on a Physical Electronic Medium as Specified in § 1.19(b)(1)(ii). | $55 | discontinue ..... | −$55 | n/a | n/a |
| Copy of Patent-Related File Wrapper and Contents if Provided Electronically. | $55 | discontinue ..... | −$55 | n/a | n/a |
| Additional Fee for Each Continuing Physical Electronic Medium in Single Order of § 1.19(b)(1)(ii)(B). | $15 | discontinue ..... | −$15 | n/a | n/a |
| Copy Patent File Wrapper, Electronic Medium, Any Size or Provided Electronically. | new | $55 ..... | +$55 | n/a | n/a |
| Computer Records | at cost | discontinue ..... | at cost | n/a | n/a |
| Copy of Patent Grant Single-Page TIFF Images (52 week subscription). | new | $10,400 ..... | +$10,400 | n/a | n/a |

TABLE 15—DISCONTINUED FEES WITH NEW FEE REPLACEMENTS—Continued

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| Copy of Patent Grant Full-Text W/Embedded Images, Patent Application Publication Single-Page TIFF Images, or Patent Application Publication Full-Text W/Embedded Images (52 week subscription). | new | $5,200 | +$5,200 | n/a | n/a |
| Copy of PTMT Patent Bibliographic Extract and Other DVD (Optical Disc) Products. | new | $50 | +$50 | n/a | n/a |
| Copy of U.S. Patent Custom Data Extracts | new | $100 | +$100 | n/a | n/a |
| Copy of Selected Technology Reports, Miscellaneous Technology Areas. | new | $30 | +$30 | n/a | n/a |
| Labor Charges for Services, per Hour or Fraction Thereof. | $40 | discontinue | −$40 | n/a | n/a |
| Additional Fee for Overnight Delivery | new | $40 | +$40 | n/a | n/a |
| Additional Fee for Expedited Service | new | $160 | +$160 | n/a | n/a |

There are currently pairs of fees for copying patent-related file wrappers: a base fee and an excess fee. For both paper copies and electronic copies, these pairs are replaced with a single fee irrespective of size. A single fee allows customers to more easily budget and plan expenses for this service.

The catch-all fee of ''Computer Records'' currently priced ''at cost'' is being replaced by five fees that encompass the work currently performed using this code: Copy of Patent Grant Single-Page TIFF Images (52 week subscription); Copy of Patent Grant Full-Text W/Embedded Images, Patent Application Publication Single-Page TIFF Images, or Patent Application Publication Full-Text W/Embedded Images (52 week subscription); Copy of Patent Technology Monitoring Team (PTMT) Patent Bibliographic Extract and Other DVD (Optical Disc); Copy of U.S. Patent Custom Data Extracts; and Copy of Selected Technology Reports, Miscellaneous Technology Areas. Explicitly stating the service and fee at the start provides customers clearer information to aid decision making.

These specific fees recover the USPTO's costs for processing, validating, packaging, and shipping of these products to customers worldwide. For the copy of Patent Grant Single-Page TIFF Images, when a customer orders this service, the customer is sent expedited weekly packages (one for each Tuesday in the Calendar Year) via United Parcel Service. Each package contains at a minimum one Blu-ray and one DVD optical disc. For the other three services listed for $5,200, the expedited weekly packages (one for each Tuesday or Thursday in the Calendar Year) typically contain either a single Blu-ray or DVD optical disc. As an alternative to requesting and paying for these services, the USPTO has provided customers the ability to download this information at no cost since June 2010. This information is currently provided in the two locations referenced earlier, BDSS and PDD since October 2015 and June 2013 respectively.

Similar to the single fee for copying Patent-Related File Wrappers, the ''Labor Charge'' per hour with its variable charges is replaced with a single fee for ''Expedited Service.'' Following the same theme, shorter than standard shipping is currently billed under a catch-all code but is now replaced with a set fee for ''Overnight Delivery.''

(b) Discontinued

TABLE 16—DISCONTINUED FEES

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| Self-Service Copy Charge, per Page | $0.25 | discontinue | −$0.25 | n/a | n/a |
| Establish Deposit Account | $10 | discontinue | −$10 | n/a | n/a |
| Uncertified Statement Re: Status of Maintenance Fee Payments. | | | | | |
| $10 | discontinue | −$10 | n/a | n/a | $10 |
| 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 | discontinue | at cost | n/a | n/a |
| 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 | discontinue | −$55 | n/a | n/a |
| Additional Fee for Each Continuing Copy of Patent-Related File Wrapper Contents as Specified in § 1.19(b)(2)(i)(A). | $15 | discontinue | −$15 | n/a | n/a |

TABLE 16—DISCONTINUED FEES—Continued

| Fee description | Current fees | Final rule fees | Dollar change | Percent change | FY 2015 unit cost |
|---|---|---|---|---|---|
| | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | Large (small) [micro] entity | |
| 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 ..... | discontinue ..... | −$55 | n/a | n/a |

To comply with Presidential Executive Order 13681, Improving the Security of Consumer Financial Transactions, current self-service copiers will be discontinued and the USPTO will enter into a ''No Cost'' contract with a vendor who will keep all payments collected in exchange for providing this service.

The USPTO's new Financial Manager system allows users to create their own deposit accounts so the Office is retiring the ''Establish Deposit Account'' fee. The fee associated with ''Uncertified Statement Re Status of Maintenance Fee Payments'' is discontinued due to lack of use. Customers have had the ability to do this online for more than 10 years. The fee associated with ''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'' is also discontinued due to lack of use.

The remaining fees pertaining to Patent-Related File Wrapper copies have never been used since their inception many years ago and therefore are being discontinued.

## VI. Discussion of Comments

*Comments and Responses*

The USPTO published a proposed rule on October 3, 2016 soliciting comments on the proposed fee schedule. In response, the USPTO received comments from five intellectual property organizations, one federal agency, and nineteen individual commenters representing law firms, corporations, or themselves. These comments are posted on the USPTO's Web site at *https://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

*General Fee Setting Approach*

*Comment 1:* Two commenters expressed general support for the increases, and another expressed understanding of the fee increases and asked how a change will affect his particular patenting situation.

*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.

*Comment 2:* Three commenters objected to any increase in fees, as they believed such increases placed hardships on individual filers, small-business owners, and federal agencies or, due to the resulting growing operating reserve, makes the USPTO an easy target for fee diversion. A United States Federal agency objects to the proposed fee increases citing a direct and negative impact on its ability to apply for, obtain, and maintain patents on its inventions due to flat annual budgets. In the opinion of the Federal agency, the proposed fee increases will limit its patenting activity thus making it more difficult to attract commercial licensees.

*Response:* The USPTO appreciates the concern about rising fees, but points out the necessity of adjusting fees to recover the aggregate estimated cost to the Office for processing, activities, services, and materials relating to patents, including administrative costs of the Office with respect to such patent fees. As noted in the NPRM, FY 2018 President's Budget, and the FY 2016 Performance and Accountability Report (PAR) among other publications, the USPTO has made significant progress towards financial sustainability as a result of the initial AIA fee setting effort, including building towards a three-month optimal operating reserve for patents. The Office acutely recognizes that fees cannot simply increase for every improvement the Office deems desirable. Instead, for this rulemaking effort, the Office focused on prioritizing spending and gradually building the operating reserve in order to build resiliency against financial shocks. For small businesses and individual filers, the fees for small and micro entity rates are tiered, with small entities at a 50 percent discount and micro entities at a 75 percent discount. This final rule applies small entity discounts to two additional fees and applies micro entity discounts to six additional fees.

*Comment 3:* One commenter cites operating reserve level estimates from the FY 2017 President's Budget, as referred to in the NPRM, noting that the operating reserve level is estimated to exceed the optimal level in out years and that overfunding the operating reserve is unfair to applicants and could be a target for fee diversion.

*Response:* In the intervening months since the FY 2017 President's Budget, the Office's budgetary requirements and fee collection estimates have evolved. The USPTO continuously updates both patent fee collections projections and workload projections based on the latest data. Since the NPRM publication in October 2016 there is a revised understanding of expected incoming fees and projected spending.

Over the five year planning horizon budgetary requirements increased compared to the prior NPRM outlook projections. The primary drivers of the requirements variance are investments to modernize IT systems and infrastructure and updated assumptions about the resources necessary to meet production commitments in the Patent Pendency Model and PTAB model. In addition, UPR filings growth projections were revised downward during the FY 2018 budget formulation process due to revised RGDP estimates and more conservative estimates of out year growth. With the FY 2018 President's Budget, and under the fee rates included in this final rule, the operating reserve level estimates do not reach the optimal level of three months of expenses in the five year budget horizon.

As described in Part III. B. of the final rule, which summarizes the USPTO's operating reserve policy, the USPTO will continue to assess the patent operating reserve balance against its target balance annually, and at least every two years, the Office will evaluate whether the target balance continues to be sufficient to provide the funding stability needed by the Office. A key assumption is that the USPTO will

retain fee setting authority to adjust fee rates in the future as assumptions about the out years might change. For example, if the operating reserve balance is projected to exceed the optimal level by 10 percent for two consecutive years, the Office would consider using fee setting authority to reduce fees, per the operating reserve policy. Under the new fee structure, as in the past, the Office will remain a prudent steward of patent fees.

The USPTO continues to communicate the importance of continued access to all fees collected as a critical component of sustainable funding strategy to the public, lawmakers, and the executive branch. While fee diversion remains a possibility without an explicit law eliminating the possibility, the Office will continue its educational efforts in this area.

The financial outlook presented in this final rule reduces the trajectory of the estimated optimal operating reserve level because of changes in fees made in response to stakeholder feedback and in recognition of a changing outlook for Office operations and finances.

PTAB Fees

The Office received five comments regarding the proposed increases in PTAB fees, including two comments about fees for AIA trial proceedings.

*Comment 4:* One commenter noted that the work performed by the PTAB in AIA trial proceedings is time consuming, and the commenter supports the increase in fee rates in those proceedings to ensure high quality decisions continue.

*Response:* The Office appreciates the commenter's general support for fee increases in AIA trial proceedings. The USPTO is committed to maintaining the PTAB's ability to provide timely and high quality decisions. The AIA significantly affected the operations of the PTAB by establishing new types of trial proceedings. The AIA trial proceedings in the PTAB have been immensely popular (over 5,500 AIA trial proceedings filed through FY 2016) because they provide a less expensive and faster alternative to district court litigation. As a result, the PTAB workload has increased significantly. To accommodate the sudden growth in workload, the PTAB expanded its workforce and has continued to enhance its resources to meet the 12-month statutory requirement for completing each AIA trial proceeding. The fee rates in this final rule are the result of considering and analyzing historical data on the aggregate cost for conducting AIA trial proceedings, now that the proceedings have been in place for three fiscal years. The increase in AIA trial proceeding fees will help the PTAB maintain the level of judicial, legal, and administrative staff necessary to sustain the quality and timeliness of PTAB decisions, and close the gap between the costs and the fees associated with AIA trial proceedings.

*Comment 5:* One commenter sought small and micro entity discounts for AIA trial proceeding fees, and requested expansion of pro bono representation to small entities in AIA trial proceedings.

*Response:* The authority to reduce fees or to charge additional fees for small and micro entities under the USPTO's rulemaking authority is limited by the AIA to providing discounts to the six categories under Section 10(b) of the Act. AIA trial proceeding fees are outside of the six categories; therefore, absent a change in statutory authority, those fees are not eligible for discounts. The Office further notes that, in many cases, AIA trial proceedings serve as an alternative to more expensive litigation in the district court.

The patent pro bono programs are individually run as regional programs available to assist inventors and small businesses in their state or region. Each program sets the standards for participation, performs the intake function, screens potential clients, screens potential volunteer patent attorneys, and attempts to match the client with the volunteer attorney. These programs may be comprised of bar associations, non-profits, universities, or others. The USPTO, as a federal agency, does not direct the pro bono activities of these programs, but rather, provides resources and expertise to help establish and expand the reach of the programs.

*Comment 6:* Three commenters opposed the increase to appeal fees. One commenter specifically expressed concern over passing a large portion of the appeal unit costs as increased fee rates borne by an appellant. Thus, the commenter suggested eliminating, or substantially reducing, the notice of appeal fee. Another commenter questioned whether increasing appeal fees would discourage meritorious appeals, noting that, the reversal rate by the PTAB indicates that a large number of appeals are pursued to correct invalid rejections.

*Response:* The Office appreciates the commenters' concerns and, based on that feedback, has eliminated the proposed increase to the notice of appeal fee and reduced the proposed increase to the appeal forwarding fee. Thus, in this final rule, the Notice of Appeal fees will remain at current rates (*e.g.,* $800 for a large entity), and the Office has lowered the appeal forwarding fee from the proposed $2,500 (large entity) in the NPRM to $2,240 (large entity). The Office believes that those fees strike the appropriate balance between the expressed concerns and the Office's need to recover the costs for conducting an appeal. The Office notes that, even with the increase to the appeals forwarding fee, the true cost of an appeal is subsidized significantly. At the current rate, fees paid for an appeal cover 58 percent of the Office's cost for conducting the appeal. The increase to the appeal forwarding fee, which occurs after an examiner's answer, will result in total appeal fees covering approximately 63 percent of the cost for an appeal. Given the high cost of the appeals process to the Office, the appeal forwarding fee adjustment is necessary to decrease the gap between the total fees charged and the total costs in the aggregate for the appeals process.

The Office recognizes that applicants may in some cases need to appeal an examiner's decision. The appeal process, however, results in a high cost to the Office irrespective of whether the PTAB affirms or reverses the rejected claims on appeal because the PTAB must process, review, and decide the appeal on the merits. In addition, Office data show that more than 65 percent of the appeals decided on the merits by the PTAB result in an affirmance of at least some of the rejected claims (September 2016 Appeals and Interferences Statistics). The data demonstrate that the PTAB is affirming a larger percentage of rejected claims than it reverses.

The fee increase also will allow the PTAB to continue to reduce the appeals inventory and improve pendency for appeals. Additionally, the Office notes that the notice of appeal fee provides an appellant two months to file a brief, and to have that brief reviewed by two examiners and a supervisor with a subsequent conference regarding the rejection, the brief, and whether the appellant will forward the case to the PTAB for consideration of the appeal on the merits. If the examiner decides to reopen the case or allow it, the cost to an appellant for filing the notice of appeal would be less than the appellant would incur in filing an RCE, which is the other option available when facing rejection. The Office considered the relationship between the options of an appeal, on the one hand, and requesting an RCE, on the other, when determining the appropriate fee rates in this rulemaking.

*Comment 7:* A commenter suggested that the Office consider suspending the appeal forwarding fee until an application is taken up for review by PTAB, given the appeal backlog and the current state of flux of patent subject matter eligibility.

*Response:* In the future, the USPTO may consider changes to the timing of appeal fee payments. However, the general rule is that fees payable to the USPTO are required to be paid in advance; that is, at the time of requesting any action by the Office (37 CFR 1.22).

*Comment 8:* One commenter proposed a refund to an applicant for reversals by the PTAB.

*Response:* At this time, the USPTO does not have the statutory authority to issue refunds on the basis of *ex parte* appeal outcome.

*Comment 9:* One commenter expressed interest in seeing the increased fee data versus decrease in response time to determine if the fee increase resulted in increased productivity of the USPTO and PTAB.

*Response:* The Office appreciates the suggestion to compare data regarding increases in fee versus decrease in response time. The Office will continue to explore whether and how such comparative data fit within the overall fee setting strategy of allowing the Office to recover the aggregate cost of patent operations, while implementing key strategic initiatives, including decreasing pendency. The Office notes that the PTAB has made significant strides in reducing the appeals inventory and pendency of appeals over the past several years. Appeal inventory reached over 27,000 in 2012 (prior to the last fee setting rule), and the PTAB reduced that inventory to about 17,000 by the end of FY 2016. Thus, the PTAB has maintained a high level of productivity despite an increase in workload. The additional fees set forth in this rule will provide funds necessary to allow the PTAB to continue to maintain the appropriate level of judicial and administrative resources needed to provide high quality and timely decisions for *ex parte* appeals.

Between 2012 and 2016 the PTAB also received more than 5,500 petitions for AIA trial proceedings, and met all statutory deadlines in those proceedings. Despite the high demand for these services, the PTAB has continued to meet all AIA statutory deadlines. By targeting a fee increase to the AIA trial fees, the Office is addressing the subsidization of these proceedings in order to allow the PTAB to continue to maintain the appropriate level of judicial and administrative resources to provide high quality and timely decisions for AIA trial proceedings.

Examination Fees

*Comment 10:* A commenter questions the USPTO's statement that pendency has improved, noting that in the opinion of the commenter, at least a portion of the improvement is due to reduced quality. Specifically, the commenter questions whether examiners are properly incentivized to conduct adequate examinations; the comment describes several examples of rejections that allegedly illustrate poor quality examinations. The commenter closes by proposing that if the PTAB or the Court of Appeals reverses an examiner rejection, the fees paid or a multiple thereof would be refunded to the applicant and deducted from the bonus payments of the examiners who signed off on the rejection.

*Response:* As part of its current strategic plan, the Office has a goal to optimize patent quality and timeliness. The aim of the Office's processes for examiner oversight, review, and rewards, including the bonus payment program, is to provide high quality and timely examination at a reasonable cost. The Office continually assesses its operational strategies with respect to these processes to take into account changing circumstances, and the Office's efforts to reduce pendency have resulted in first action and average total pendency dropping from a high of 21.9 months and 32.4 months, respectively, in FY 2012 to 16.2 months and 25.3 months today. As pendency continues to decline, the Office's ability to test programs that may further enhance quality grows stronger, as demonstrated by the establishment of the Enhanced Patent Quality Initiative (EPQI) (*https://www.uspto.gov/patent/initiatives/enhanced-patent-quality-initiative-0*) in FY 2015.

As part of the EPQI, the USPTO solicited stakeholder feedback through various outreach efforts and used this feedback to develop and refine multiple programs to improve quality. One of these programs is the Increasing Clarity and Reasoning in Office Action program in which the Office included tips and techniques for drafting clear Office actions as part of examiner training. For example, as part of the Office's training on 35 U.S.C. 101, the USPTO not only taught the relevant changes in the law, but also included examples on how to write clear rejections as well as tips for responding to arguments. As a result of this training, there was a statistically significant improvement in the correctness and clarity of 35 U.S.C. 101 rejections. As part of the Quality Metrics program, the Office overhauled its quality metrics for work products and for examination processes. With respect to work products, the Office used data from the new Master Review Form to create clarity and correctness metrics on a per statute basis, which will allow the Office to better assess how to improve Office action quality. With respect to examination processes, the Office is evaluating certain types of transactions, such as rework and reopenings, to identify trends and examiner behaviors indicative of either best practices or potential quality concerns. Rather than setting targets for the particular transactions, the Office is conducting a root-cause analysis to allow for reopenings and rework where appropriate while providing training to ensure examiners have the necessary skills and resources to be as efficient as possible. These programs highlight only a couple of the programs that the Office is currently implementing to improve quality.

While providing refunds or deducting base or bonus pay from examiners is beyond the scope of this rulemaking, the Office continues to review new and revised approaches to determine what approaches may better incentivize the patent workforce to achieve its strategic goals.

*Comment 11:* One commenter expressed concerns regarding the proposed increased fee rates for excess claims in reexaminations.

*Response:* The large entity fee for a reexamination with unlimited pages is set at $12,000. The unit cost for performing this service was $23,288 in FY 2015. When fewer claims are filed, the time required for the assigned reexamination specialist to review the request and examine the requested claims is reduced, which translates to a reduced overall cost of conducting the proceeding. The excess claims fees charges help to subsidize the overall cost for performing a reexamination.

*Comment 12:* One commenter suggested that the Office should consider expanding the situations for which a portion of reexamination fees may be refunded. For example, a partial refund of the reexamination fees may be merited where a reexamination is ordered, but an examiner does not make any new art-based rejections.

*Response:* The USPTO is required to go through the entire reexamination process and the costs are calculated on the time an examiner spends on the reexamination. Whether the examiner makes a new rejection or not does not factor into how the Office calculates the cost of a reexamination proceeding. The

addition of claims by patent owner during an *ex parte* reexamination ordered pursuant to 35 U.S.C. 303 require the examiner to examine those claims during the proceeding, which includes making decisions which may be either adverse or favorable to patentability. Thus, even when the examiner does not make new art based rejections to new claims (*e.g.* makes a decision favorable to patentability with respect to the new claims to newly added claims), the addition of new claims by patent owner during the proceeding necessarily requires additional time by the examiner to fully search and examine those new claims. Further, even when the art cited by requester under 35 U.S.C. 301 is applicable to the newly added claims presented by the patent owner during the proceeding, the examiner will still need to search and examine the new claims to ensure the best art is presented with respect to those new claims. Thus, the time and cost of completing a reexamination proceeding is not necessarily predicated on whether or not new art based rejections are made by the examiner during the proceeding, but rather the amount of time needed to make decisions as to patentability. Accordingly, relating a fee refund to whether additional art rejections are made during the proceeding is not necessarily merited.

Design Fees

*Comment 13:* The Office received three comments concerning the increase in design patent issue fee rates. Commenters noted that design patent issue fees were being increased by a large percentage and significantly more than utility patent issue fees were being increased.

*Response:* As discussed in Part V. B., the increase to the design patent issue fee has been lowered twice from the initial proposal made in October 2015 based on stakeholder feedback. The final design patent issue fee is $700, an increase of $140 (25 percent) for large entities. The minimum required fees to obtain a design patent (filing, search, examination and issue) are set to increase slightly beyond cost recovery for large entities ($1,660 versus $1,596 in FY 2015) to subsidize the substantial number (almost half in FY 2015) of small and micro entity applicants who pay lower fee rates despite similar costs to the Office.

Further, given the lack of maintenance fees to subsidize front-end costs for design patents, the new fee rates aim to more closely align design-related fees with their costs. Even with the increased fee rates, design application processing costs will continue to be subsidized by non-design specific fee revenues. Still, the Office believes the moderate fee rate increases in filing, search, examination, and issue are more appropriately aligned to costs and support the policy factor to foster innovation.

*Comment 14:* Two commenters suggest that the increase of design patent fee rates are comparatively greater than similar fees charged by other national/regional IP offices.

*Response:* Substantive examination of design patent applications are conducted at the USPTO whereas most other national/regional IP offices do not conduct substantive examination of design patent applications. Substantive examination of design patent applications requires significant time from a highly trained patent examiner. Additionally, most other national/regional IP offices require design patent holders to pay renewal fees to maintain their property rights. As previously noted, in the United States, design patents are not subject to renewal fees.

*Comment 15:* Two commenters suggested allowing applicants to submit design patent applications with multiple designs per application instead of a single design per application, as required under current practice.

*Response:* Changes to design application practice are beyond the scope of the Office's fee setting authority. Currently, more than one embodiment of a design may be claimed so long as such embodiments involve a single inventive concept according to the obviousness-type double patenting practice for designs.

*Comment 16:* Three commenters questioned the calculation of the costs of filing, search, examination, and issuance of design patents.

*Response:* For detailed information about how the Office calculates these costs please *see* the appendix entitled ''Activity Based Information and Patent Fee Unit Expense Methodology,'' available at *https://www.uspto.gov/sites/default/files/documents/ABI%20Cost%20Supplement.docx.*

*Comment 17:* Three commenters pointed out that the costs of filing and issuance are the same for design patent applications as they are for utility, plant, and reissue patent applications.

*Response:* The pre-examination and issuance processing for all of these patent application types are similar, and vary little between types. Therefore, the costs for these services are the same among the different patent types.

*Comment 18:* Two commenters noted that the cost of search and examination of design patent applications is relatively high compared to other national/regional IP offices.

*Response:* As mentioned previously, this is because a substantive examination is required under U.S. statute, which is a costly process. Substantive examination of design patents is not common in other national/regional IP offices.

Plant Fees

*Comment 19:* The Office received ten comments from persons concerned with the increase in plant patent issue fee rates. These comments generally touched on the many years of development that go into new plant varieties, and noted that the resulting products are not sold in high volumes nor at high costs per unit, and therefore it can be difficult to recuperate costs.

*Response:* As first discussed in Part V. B., the increase to the plant patent issue fee has been lowered from the rate proposed in the NPRM based on stakeholder feedback. The final plant patent issue fee is $800, an increase of $40 (5 percent) for large entities. In both the current and final rule fee structure, front-end fees are set below the Office's costs to foster innovation, per the fee setting policy factor. In the case of utility patents, the Office recovers these costs at the end of the process through maintenance fees. Similar to design patents (discussed earlier), plant patent holders are not required to pay maintenance fees. Additionally, similar to design patents, a significant proportion of applicants are provided small or micro entity discounts. While the fee rates in this rule will allow plant patent fees to recover a greater share of plant patent related costs, the balance will continue to be subsidized by other types of patent fees. However, in response to stakeholder concerns, specifically those regarding the potential impacts on small entities and individual inventors, the Office determined that a smaller fee rate increase was acceptable. For more information on costs please *see* the Regulatory Impact Analysis, Table of Patent Fees, and Activity Based Information and Patent Fee Unit Expense Methodology, all available at *https://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

Request for Continued Examination (RCE) Fees

*Comment 20:* Four commenters had concerns about the proposed increased fees for RCEs, though two of these commenters did express appreciation that the proposed rates were lower than the original October 2015 proposal. One

commenter believed that an examiner should be familiar with the application, prior art, and issues when handling an RCE, and interpreted the increase of RCE fee rates as an attempt to dissuade applicants from filing RCEs, rather than a means to recoup costs.

*Response:* The Office appreciates the comments related to RCE costs. In setting the fee rates, the Office's goal is not to dissuade RCE filings, but to more closely align the fee rates with the cost of processing RCEs, as calculated using the most recently available cost data (FY 2015). The first RCE fee ($1,300 for large entities) has been set at a rate lower than both the cost of performing the services associated with an RCE ($2,187) and the fees for filing a continuing application ($1,720 for large entities), as well as much lower than the average historic cost of services associated with examining a new patent application ($4,255). Because the Office set the fee for the first RCE below the cost to process, the Office must recoup the costs elsewhere. Since most applicants that file one or more RCE resolve all remaining issues with a first RCE, the Office determined that applicants that file more than one RCE are using the patent system more extensively than those who file none or only one RCE. The fee set for the second and subsequent RCE ($1,900 for large entities) is above the cost of the Office processing those RCEs ($1,540). However, this does not fully recoup the costs associated with the first RCE, and the Office still must recoup the costs elsewhere for large entity applicants filing more than one RCE ($3,200 in RCE fees, $3,727 in costs).

*Comment 21:* Another commenter believed the process used to arrive at the unit cost estimates for RCE processing is opaque and unreliable, citing inconsistencies in reported data. This commenter also questioned the use of a survey to allocate expenses. The commenter believed that a more focused look at the unit cost estimates is necessary before increasing fee rates.

*Response:* The differences in the reported RCE costs from the initial proposal to PPAC and the NPRM are due to an improvement in the costing methodology. The approach was updated in FY 2015, and the data in more recent documents reflect the improved methodology, including updated historical data. Previously, the RCE cost was determined using the Total Activity Unit Expense Adjusted for Frequency of Occurrence approach, which based the cost of the RCE on activities performed only during the RCE process and summed the unit costs to obtain a final unit cost of an RCE. The updated methodology, the Incremental Expense approach, improves upon this by also capturing the increased cost of search and exam activities that occur prior to RCE filings. For those applications that reach an RCE, the initial cost of getting to that stage is greater than for an application that does not reach an RCE. When calculating the historical cost of standard search and examination fees, the Office uses the cost of only applications that do not undergo an RCE. By using the incremental costing approach, the increased initial cost for applications that reach an RCE is captured within the RCE fee expense number. The patent examiner survey captures an average level of effort for the various examination activities. However, the survey does not isolate RCEs and therefore does not capture the level of effort specific to an RCE. Year-to-year variations in results have been small, but because survey data is applied to approximately $2 billion worth of expense, very small changes in the survey responses could result in large dollar changes to various activity costs. The survey instrument and the associated burdening and factoring of workloads is the Office's best estimate for costs given available information.

The $411 increase in the RCE expense shown from FY 2014 to FY 2015 comes from an increase in cost for RCE specific work. Total Adjusted Activity expense for the activities 'Prepare All Subsequent Actions' and 'Perform Subsequent Search' increased the most for applications with RCE activities both before and during the RCE itself. No material changes were made in overhead allocations; however, overhead costs increased, specifically related to investment in Information Technology associated with the Patent End to End System.

*Comment 22:* A commenter expressed appreciation for the Office's efforts to reduce the need for RCEs, but noted that many RCE filings are due to the current final rejection and after final practices, and urged the Office to eliminate these policies. The commenter argued that allowing every response to be entered will improve quality and lower pendency. The commenter believes that, before increasing RCE fee rates, the Office should determine the cost of after final responses and advisory actions.

*Response:* The Office appreciates the comments on the various efforts to reduce the need for RCEs. These comments are outside the scope of this rulemaking, however, the Office looks forward to working with stakeholders as it continues efforts related to the Enhanced Patent Quality Initiative and any potential revisions to final rejection and after final policies. The AFCP 2.0—extended through September 30, 2017—is part of the USPTO's on-going efforts towards compact prosecution and increased collaboration between examiners and stakeholders. Regarding the cost of after final responses and advisory actions, the estimated the cost of these activities are calculated and included in the unit cost of other associated activities provided by the Office. For detailed information about how the Office calculates these costs please *see* the appendix entitled ''Activity Based Information and Patent Fee Unit Expense Methodology'' available at *https://www.uspto.gov/sites/default/files/documents/ABI%20Cost%20Supplement.docx.*

*Comment 23:* Another commenter also interpreted the fee rate increase as a way to discourage RCEs, but stated that the applicant community views RCEs as a necessity due to inefficiencies in the examination process. This commenter cited the *Alice Corp.* v. *CLS Bank International and the Mayo Collaborative Services v. Prometheus Laboratories, Inc.* decisions, and argued that RCEs allow applicants more time to await court decisions that may assist the applicant's case. Therefore the commenter believes RCEs should be encouraged, not discouraged. The commenter worries that small businesses and independent inventors would be unable or unwilling to pay increased RCE fees, and instead would abandon their patent applications.

*Response:* While the Office recognizes that recent court decisions have impacted patent-eligibility requirements, it disagrees with the commenter that the Office should incentivize RCE filings through lower fee rates. This would be in direct conflict with the current compact prosecution goals and would in effect increase the RCE subsidy. The Office would almost certainly need to charge higher issue and/or maintenance fees to offset the cost of processing increased RCEs at lower fee rates. Increasing the issue and/or maintenance fees to offset decreased cost recovery of RCEs would also cause filers who do not seek RCEs to more heavily subsidize services provided to the filers who seek RCEs. The Office does not believe such subsidization would be an optimal result. The Office also notes that small and micro entity fee discounts are available for RCEs.

Application Filing Fees

*Comment 24:* A commenter suggested that the Office consider specific increases only for continuation

applications filed late enough that third stage maintenance fees would not be applicable, due to the end of the patent term.

*Response:* In the future, the Office will evaluate the feasibility and potential impacts of implementing a change to continuation fees based on associated patent terms.

Information Disclosure Statement Fees

*Comment 25:* A commenter believes the Office should not increase the Information Disclosure Statement (IDS) submission fee rate until the issues raised in 81 FR 59197 (Aug. 29, 2016) ''Request for Comments and Notice of Roundtable Event on Leveraging Electronic Resources To Retrieve Information From Applicant's Other Applications and Streamline Patent Issuance'' have been considered and implemented. The commenter further suggested that the Office consider lengthening the time period set in 37 CFR 1.97(e)(1) for communications received from a foreign patent office in a counterpart application from three months to five months.

*Response:* In the future, the Office will continue to pursue efforts to improve IDS practice including the leverage of electronic resources to both increase Office efficiency and to provide additional services to applicants. Changes to 37 CFR 1.97(e)(1) are outside the scope of this rulemaking.

Excess Claims Fees

*Comment 26:* A commenter expressed concern with the increases for excess claim fee rates and questioned the fee set for excess claims. Additionally, this commenter recommended a refund system in which excess claim fees are returned when claims are canceled in response to a restriction requirement or when claims are canceled by an applicant before examination.

*Response:* There is excess burden associated with examining excess claims. The number of claims impact the complexity of the request and increases the demands placed on the examiner. The excess claims fee rates 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 for merely tactical reasons. 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. Therefore, the Office is increasing excess claim fee rates to facilitate an efficient and compact application examination process, which benefits the applicant and the USPTO through more effective administration of patent prosecution. 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 fee rates is also justified because fees paid by applicants filing a large number of claims will help establish the EPQI based on stakeholder feedback to provide better services and products as well as enhance customer service, and continue to provide patent examiners detailed training in efficient interview techniques and in compact prosecution. The revenue from excess claim fees also supports the front-end subsidies built into the fee rates for filing, search, and examination. The Office already has a practice to refund excess claim fees when the application is abandoned prior to examination. *See* 37 CFR 1.138(d) and MPEP 607.02, Subsection V & 711.01, Subsection III. However, as noted in the NPRM, the Office is committed to undertaking a study to determine the feasibility of a refund program in which excess claim fees are returned when claims are cancelled in response to a restriction requirement. However, cancelling claims on restriction impacts applicants rights to rejoinder. In addition, letting applicants obtain a refund if they cancel claims after rejoinder is considered requires the Office to consider rejoinder as to the withdrawn claims which can be costly.

Mega-Sequence Listings Fees

*Comment 27:* One commenter expressed concern with the proposed mega-sequence fees without historical cost information and suggests non-fee alternatives.

*Response:* The proposed fee for mega-sequence listings is based on data available at this time. The Office will collect activity based cost information if needed and will share this information with the public when available. The final rule fee is structured to fulfill the AIA authority to set fees so that aggregate revenue from patent fees recovers the aggregate estimated cost of patent operations.

Streamlined *ex parte* Reexamination Fees

*Comment 28:* One commenter favors the reduced fee for streamlined reexamination proceedings but questions the forty page limit.

*Response:* The streamlined *ex parte* reexamination option has been created to promote efficiency and cost reduction, while making it financially less burdensome for requesters with limited resources and encouraging focused submissions from all petitioners. As part of the Office's FY 2015 fee review process, the length of *ex parte* reexamination requests were studied. It was determined that, in many cases, clear, concise and focused requests can be written in fewer than forty pages (including claim charts). Further, the study demonstrated that when requests were less than forty pages, on average, the time required for the assigned Reexamination Specialist to review the request and examine the requested claims was reduced, which translates to a reduced overall cost of conducting the proceeding.

Disciplinary Proceeding Fees

*Comment 29:* One commenter applauds the USPTO for dropping the previously proposed new fee code for imposing costs of disciplinary proceedings on practitioners. Additionally this commenter states that disciplinary fees should not be imposed on practitioners when OED determines that no disciplinary action is warranted. If the USPTO were to attempt to assess a disciplinary fee again in the future, the commenter suggests that that fee should be outcome-dependent.

*Response:* The Office would like to clarify that Pursuant to 37 CFR 11.60(d)(2), the OED Director is currently authorized to recover expenses from a disciplined practitioner who seeks reinstatement. The purpose of listing this fee in § 1.21 is simply to establish a new fee code by which to account for the receipt of these reimbursements. The fee is only imposed on practitioners who seek reinstatement after having been suspended or excluded. Thus, there should be no concern that a practitioner would be subject to this fee if he or she has been investigated and cleared, or has been disciplined but not suspended or excluded.

Broader Comments

*Comment 30:* One commenter notes that the *FederalRegister.gov* search query did not categorize the rule as significant, and therefore it may have been overlooked.

*Response:* OMB is responsible for making significance determinations for rulemakings pursuant to Executive Order 12866. OMB determined this rule to be ''Economically Significant,'' a subset of ''Significant,'' pursuant to the EO, and this designation was reflected in the preamble to the proposed rule. While the Office of the Federal Register provides a convenient source for the

public to search and identify pending rules that have been deemed Significant under EO 12866, the primary Web site designated by OMB for identifying such rulemakings is at *Reginfo.gov*, which is jointly maintained by OMB/U.S. General Services Administration (GSA). An entry for the proposed rule was posted on that Web site (*https://www.reginfo.gov/public/do/eoDetails?rrid=126564*), as well as published in the United Agenda of Regulatory and Deregulatory Actions properly designated as an ''Economically Significant'' rule (*https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201610&RIN=0651-AD02*).

*Comment 31:* Two commenters sought more elasticity information. One commenter suggested that the assumption that demand for patent services is inelastic may be less true for design patents and another commenter noted that the elasticity supplement does not address elasticity separately for large, small, and micro entities.

*Response:* In this rule, the Office assumes that the fee rate adjustments are not substantial enough to create a significant and measurable change in demand for existing products and services regardless of entity size. For more information please refer to the Elasticity Supplement, available at *https://www.uspto.gov/sites/default/files/documents/Elasticity%20Supplement.pdf.*

*Comment 32:* One commenter notes that the Regulatory Impact Analysis (RIA) should have included more costs to the American economy. Specifically, the commenter suggested that patent applications, patent issues, and maintenance fees would decrease, all of which would lead to lost jobs, lost wages, and an increased trade deficit.

*Response:* The Office appreciates the attention paid to the costs and benefits detailed in the RIA. The OMB Office of Information and Regulatory Affairs has indicated that it considers the final rule to be a transfer rule, concerning payments from one group to another that does not affect the total resources available to society. The Office recognizes that innovation has become a principal driver of the modern economy by stimulating economic growth and creating high-paying jobs. However, monetizing and quantifying certain impacts of patent fees on the economy and the rate of innovation are inherently difficult due to the number of variables involved, the difficulty in predicting economic activity, and the availability of data, especially data on private sector behavior. The Office does provide some quantitative and qualitative data in the RIA to assist the reader in measuring the cost and benefits of the rulemaking. The Office follows the guidance set forth in Circular A–4 in determining which data to provide in this final rule.

*Comment 33:* One commenter suggested that the rule should be resubmitted under the current presidential administration.

*Response:* The USPTO recognizes the timing of the rule and confirms that the final rule has undergone review, discussion, and feedback from the current presidential administration via the Office of Management and Budget. This final rule has the approval of the current administration.

*Comment 34:* One commenter recommended that the USPTO increase fees from foreign firms that file in the United States.

*Response:* Charging higher fees to foreign applicants would likely be contrary to the USPTO's treaty obligations including those under Article 3 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Article 2 of the Paris Convention. The USPTO has a strong commitment to the global IP community. The USPTO engages in international patent cooperation through various treaties, agreements, and programs to increase the certainty of IP rights while reducing stakeholder costs and moving towards a harmonized global patent system. By providing discounted fees for small businesses and independent inventors regardless of national origin, the USPTO takes an impartial fee setting approach that supports innovation by even the smallest economic interests. This promotes strong global IP rights which, in turn, helps American businesses.

*Comment 35:* One commenter sought more information about support for independent inventors.

*Response:* To support small and medium sized enterprises (SMEs), the USPTO has offered discounts for many patent fees since 1982. Initially, the discount was fifty percent of eligible patent fees. The AIA expanded the number of fees eligible for small entity discounts and created a sub-class of small entities, ''micro entities'', that are eligible for even greater discounts—seventy five percent. Fees set or adjusted for filing, searching, examining, issuing, appealing, and maintaining patent applications and patents are subject to this discounting. The fee adjustments in this final rule include the expansion of the micro entity discount to greater numbers of fees. Additionally, the USPTO offers other assistance to SMEs, such as: The patent Pro Bono program, the patent Pro Se Assistance program, various outreach programs, the Inventors Assistance Center, the Patent and Trademark Resource Centers, and partnerships with law firms. More information about these programs are available at *https://www.uspto.gov/learning-and-resources/inventors-entrepreneurs-resources.*

## VII. Discussion of Specific Rule

In this section the Office provides tables of all fees set or adjusted in the final rule.

*Section 1.16:* The changes to the fee amounts indicated in § 1.16 are shown in Table 17.

TABLE 17—CFR SECTION 1.16 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.16(a) | 1011/2011/3011. | Basic Filing Fee—Utility (paper filing also requires non-electronic filing fee under 1.16(t)). | 280 | 140 | 70 | 300 | 150 | 75 |
| 1.16(a) | 4011 | Basic Filing Fee—Utility (electronic filing for small entities). | n/a | 70 | n/a | n/a | 75 | n/a |
| 1.16(b) | 1012/2012/3012. | Basic Filing Fee—Design | 180 | 90 | 45 | 200 | 100 | 50 |
| 1.16(b) | 1017/2017/3017. | Basic Filing Fee—Design (CPA) | 180 | 90 | 45 | 200 | 100 | 50 |
| 1.16(c) | 1013/2013/3013. | Basic Filing Fee—Plant | 180 | 90 | 45 | 200 | 100 | 50 |

TABLE 17—CFR SECTION 1.16 FEE CHANGES—Continued

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.16(d) | 1005/2005/3005. | Provisional Application Filing Fee | 260 | 130 | 65 | 280 | 140 | 70 |
| 1.16(e) | 1014/2014/3014. | Basic Filing Fee—Reissue | 280 | 140 | 70 | 300 | 150 | 75 |
| 1.16(e) | 1019/2019/3019. | Basic Filing Fee—Reissue (CPA) | 280 | 140 | 70 | 300 | 150 | 75 |
| 1.16(f) | 1051/2051/3051. | Surcharge—Late Filing Fee, Search Fee, Examination Fee, Inventor's Oath or Declaration, or Application Filed Without at Least One Claim or by Reference. | 140 | 70 | 35 | 160 | 80 | 40 |
| 1.16(h) | 1201/2201/3201. | Independent Claims in Excess of Three. | 420 | 210 | 105 | 460 | 230 | 115 |
| 1.16(h) | 1204/2204/3204. | Reissue Independent Claims in Excess of Three. | 420 | 210 | 105 | 460 | 230 | 115 |
| 1.16(i) | 1202/2202/3202. | Claims in Excess of 20 | 80 | 40 | 20 | 100 | 50 | 25 |
| 1.16(i) | 1205/2205/3205. | Reissue Claims in Excess of 20 | 80 | 40 | 20 | 100 | 50 | 25 |
| 1.16(j) | 1203/2203/3203. | Multiple Dependent Claim | 780 | 390 | 195 | 820 | 410 | 205 |
| 1.16(k) | 1111/2111/3111. | Utility Search Fee | 600 | 300 | 150 | 660 | 330 | 165 |
| 1.16(l) | 1112/2112/3112. | Design Search Fee | 120 | 60 | 30 | 160 | 80 | 40 |
| 1.16(m) | 1113/2113/3113. | Plant Search Fee | 380 | 190 | 95 | 420 | 210 | 105 |
| 1.16(n) | 1114/2114/3114. | Reissue Search Fee | 600 | 300 | 150 | 660 | 330 | 165 |
| 1.16(o) | 1311/2311/3311. | Utility Examination Fee | 720 | 360 | 180 | 760 | 380 | 190 |
| 1.16(p) | 1312/2312/3312. | Design Examination Fee | 460 | 230 | 115 | 600 | 300 | 150 |
| 1.16(q) | 1313/2313/3313. | Plant Examination Fee | 580 | 290 | 145 | 620 | 310 | 155 |
| 1.16(r) | 1314/2314/3314. | Reissue Examination Fee | 2,160 | 1,080 | 540 | 2,200 | 1,100 | 550 |

*Section 1.17:* The changes to the fee amounts indicated in § 1.17 are shown in Table 18.

TABLE 18—CFR SECTION 1.17 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.17(e) | 1801/2801/3801. | Request for Continued Examination (RCE) (1st request) (*see* 37 CFR 1.114). | 1,200 | 600 | 300 | 1,300 | 650 | 325 |
| 1.17(e) | 1820/2820/3820. | Request for Continued Examination (RCE) (2nd and subsequent request). | 1,700 | 850 | 425 | 1,900 | 950 | 475 |
| 1.17(m) | 1453/2453/3453. | Petition for revival of an abandoned application for a patent, for the delayed payment of the fee for issuing each patent, or for the delayed response by the patent owner in any reexamination proceeding. | 1,700 | 850 | 850 | 2,000 | 1,000 | 500 |
| 1.17(m) | 1454/2454/3454. | Petition for the Delayed Submission of a Priority or Benefit Claim. | 1,700 | 850 | 850 | 2,000 | 1,000 | 500 |
| 1.17(m) | 1784/2784/3784. | Petition to Excuse Applicant's Failure to Act Within Prescribed Time Limits in an International Design Application. | 1,700 | 850 | 850 | 2,000 | 1,000 | 500 |

TABLE 18—CFR SECTION 1.17 FEE CHANGES—Continued

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.17(m) ..... | 1558/2558/3558. | Petition for the Delayed Payment of the Fee for Maintaining a Patent in Force. | 1,700 | 850 | 850 | 2,000 | 1,000 | 500 |
| 1.17(p) ..... | 1806/2806/3806. | Submission of an Information Disclosure Statement. | 180 | 90 | 45 | 240 | 120 | 60 |
| 1.17(t) ..... | 1783/2783/3783. | Petition to convert an international design application to a design application under 35 U.S.C. chapter 16. | 180 | 180 | 180 | 180 | 90 | 45 |

*Section 1.18:* The changes to the fee amounts indicated in § 1.18 are shown in Table 19.

Section 1.18(b)(3) is being amended to provide that the issue fee for issuing an international design application designating the United States, where the issue fee is paid through the International Bureau, is the amount established in Swiss currency pursuant to Hague Agreement Rule 28 as of the date of mailing of the notice of allowance (§ 1.311). The amendment would facilitate processing of the issue fee by the International Bureau and would maintain parity in the treatment of the amount of the issue fee due whether paid directly to the USPTO or through the International Bureau in the event the issue fee changes after the mailing of the notice of allowance.

TABLE 19—CFR SECTION 1.18 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.18(a)(1) ..... | 1501/2501/3501. | Utility Issue Fee ..... | 960 | 480 | 240 | 1,000 | 500 | 250 |
| 1.18(a)(1) ..... | 1511/2511/3511. | Reissue Issue Fee ..... | 960 | 480 | 240 | 1,000 | 500 | 250 |
| 1.18(b)(1) ..... | 1502/2502/3502. | Design Issue Fee ..... | 560 | 280 | 140 | 700 | 350 | 175 |
| 1.18(c)(1) ..... | 1503/2503/3503. | Plant Issue Fee ..... | 760 | 380 | 190 | 800 | 400 | 200 |

*Section 1.19:* The changes to the fee amounts indicated in § 1.19 are shown in Table 20.

TABLE 20—CFR SECTION 1.19 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.19(b)(1)(i)(A) and (ii)(A). | 8007 ..... | Copy of Patent Application as Filed | 20 | 20 | 20 | 35 | 35 | 35 |
| 1.19(b)(1)(i)(B). | ..... | Copy of Patent File Wrapper, Paper Medium, Any Number of Sheets. | n/a | n/a | n/a | 280 | 280 | 280 |
| 1.19(b)(1)(ii)(B). | ..... | Copy Patent File Wrapper, Electronic Medium, Any Size or Provided Electronically. | n/a | n/a | n/a | 55 | 55 | 55 |
| 1.19(b)(4) ..... | 8014 ..... | For Assignment Records, Abstract of Title and Certification, per Patent. | 25 | 25 | 25 | 35 | 35 | 35 |
| 1.19(i) ..... | ..... | Copy of Patent Grant Single-Page TIFF Images (52 week subscription). | n/a | n/a | n/a | 10,400 | 10,400 | 10,400 |
| 1.19(j) ..... | ..... | Copy of Patent Grant Full-Text W/Embedded Images, Patent Application Publication Single-Page TIFF Images, or Patent Application Publication Full-Text W/Embedded Images (52 week subscription). | n/a | n/a | n/a | 5,200 | 5,200 | 5,200 |

TABLE 20—CFR SECTION 1.19 FEE CHANGES—Continued

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.19(k) | | Copy of PTMT Patent Bibliographic Extract and Other DVD (Optical Disc) Products. | n/a | n/a | n/a | 50 | 50 | 50 |
| 1.19(l) | | Copy of U.S. Patent Custom Data Extracts. | n/a | n/a | n/a | 100 | 100 | 100 |
| 1.19(m) | | Copy of Selected Technology Reports, Miscellaneous Technology Areas. | n/a | n/a | n/a | 30 | 30 | 30 |

*Section 1.20:* The changes to the fee amounts indicated in § 1.20 are shown in Table 21.

TABLE 21—CFR SECTION 1.20 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.20(a) | 1811 | Certificate of Correction | 100 | 100 | 100 | 150 | 150 | 150 |
| 1.20(b) | 1816 | Processing Fee for Correcting Inventorship in a Patent. | 130 | 130 | 130 | 150 | 150 | 150 |
| 1.20(c)(1) | | *Ex Parte* Reexamination (§ 1.510(a)) Streamlined. | n/a | n/a | n/a | 6,000 | 3,000 | 1,500 |
| 1.20(c)(2) | 1812/2812/3812. | *Ex Parte* Reexamination § 1.510(a)) Non-Streamlined. | 12,000 | 6,000 | 3,000 | 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. | 420 | 210 | 105 | 460 | 230 | 115 |
| 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. | 80 | 40 | 20 | 100 | 50 | 25 |

*Section 1.21:* The changes to the fee amounts indicated in § 1.21 are shown in Table 22.

TABLE 22—CFR SECTION 1.21 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.21(a)(1)(i) | 9001 | Application Fee (non-refundable) | 40 | 40 | 40 | 100 | 100 | 100 |
| 1.21(a)(1)(ii)(A) | 9010 | For Test Administration by Commercial Entity. | 200 | 200 | 200 | 200 | 200 | 200 |
| 1.21(a)(1)(ii)(B) | 9011 | For Test Administration by the USPTO. | 450 | 450 | 450 | 450 | 450 | 450 |
| 1.21(a)(1)(iii) | | For USPTO-Administered Review of Registration Examination. | n/a | n/a | n/a | 450 | 450 | 450 |
| 1.21(a)(2)(i) | 9003 | On Registration to Practice Under § 11.6. | 100 | 100 | 100 | 200 | 200 | 200 |
| 1.21(a)(2)(ii) | | On Grant of Limited Recognition under § 11.9(b). | 100 | 100 | 100 | 200 | 200 | 200 |
| 1.21(a)(2)(iii) | 9025 | On change of registration from agent to attorney. | 100 | 100 | 100 | 100 | 100 | 100 |
| 1.21(a)(4)(i) | 9005 | Certificate of Good Standing as an Attorney or Agent, Standard. | 10 | 10 | 10 | 40 | 40 | 40 |
| 1.21(a)(4)(ii) | 9006 | Certificate of Good Standing as an Attorney or Agent, Suitable for Framing. | 20 | 20 | 20 | 50 | 50 | 50 |

TABLE 22—CFR SECTION 1.21 FEE CHANGES—Continued

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.21(a)(5)(i) .... | 9012 ..... | Review of Decision by the Director of Enrollment and Discipline under § 11.2(c). | 130 | 130 | 130 | 400 | 400 | 400 |
| 1.21(a)(5)(ii) ... | 9013 ..... | Review of Decision of the Director of Enrollment and Discipline under § 11.2(d). | 130 | 130 | 130 | 400 | 400 | 400 |
| 1.21(a)(6)(i) .... | ..... | For USPTO-Assisted Recovery of ID or Reset of Password for the Office of Enrollment and Discipline Information System. | n/a | n/a | n/a | 70 | 70 | 70 |
| 1.21(a)(6)(ii) ... | ..... | For USPTO-Assisted Change of Address Within the Office of Enrollment and Discipline Information System. | n/a | n/a | n/a | 70 | 70 | 70 |
| 1.21(a)(9)(ii) ... | 9004 ..... | Administrative Reinstatement Fee .. | 100 | 100 | 100 | 200 | 200 | 200 |
| 1.21(a)(10) ..... | 9014 ..... | On petition for reinstatement by a person excluded or suspended on ethical grounds, or excluded on consent from practice before the Office. | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| 1.21(h)(2) ..... | 8021 ..... | Recording Each Patent Assignment, Agreement or Other Paper, per Property if not Submitted Electronically. | 40 | 40 | 40 | 50 | 50 | 50 |
| 1.21(o)(1) ..... | ..... | Submission of sequence listings ranging in size of 300 MB to 800 MB. | n/a | n/a | n/a | 1,000 | 1,000 | 1,000 |
| 1.21(o)(2) ..... | ..... | Submission of sequence listings exceeding 800 MB. | n/a | n/a | n/a | 10,000 | 10,000 | 10,000 |
| 1.21(p) ..... | ..... | Additional Fee for Overnight Delivery. | n/a | n/a | n/a | 40 | 40 | 40 |
| 1.21(q) ..... | ..... | Additional Fee for Expedited Service. | n/a | n/a | n/a | 160 | 160 | 160 |

*Section 1.445:* The changes to the fee amounts indicated in § 1.445 are shown in Table 23.

TABLE 23—CFR SECTION 1.445(a)(5) FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.445(a)(5) ..... | ..... | Late furnishing fee for providing a sequence listing in response to an invitation under PCT Rule 13*ter*. | n/a | n/a | n/a | 300 | 150 | 75 |

*Section 1.482:* The changes to the fee amounts indicated in § 1.482 are shown in Table 24.

TABLE 24—CFR SECTION 1.482(c) FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.482(c) ..... | ..... | Late furnishing fee for providing a sequence listing in response to an invitation under PCT Rule 13*ter*. | n/a | n/a | n/a | 300 | 150 | 75 |

*Section 1.492:* The changes to the fee amounts indicated in § 1.492 are shown in Table 25.

TABLE 25—CFR SECTION 1.492 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.492(a) ..... | 1631/2631/3631. | Basic PCT National Stage Fee ..... | 280 | 140 | 70 | 300 | 150 | 75 |
| 1.492(b)(2) ..... | 1641/2641/3641. | PCT National Stage Search Fee—U.S. was the ISA. | 120 | 60 | 30 | 140 | 70 | 35 |
| 1.492(b)(3) ..... | 1642/2642/3642. | PCT National Stage Search Fee—Search Report Prepared and Provided to USPTO. | 480 | 240 | 120 | 520 | 260 | 130 |
| 1.492(b)(4) ..... | 1632/2632/3632. | PCT National Stage Search Fee—All Other Situations. | 600 | 300 | 150 | 660 | 330 | 165 |
| 1.492(c)(2) ..... | 1633/2633/3633. | National Stage Examination Fee—All Other Situations. | 720 | 360 | 180 | 760 | 380 | 190 |
| 1.492(d) ..... | 1614/2614/3614. | PCT National Stage Claims—Extra Independent (over three). | 420 | 210 | 105 | 460 | 230 | 115 |
| 1.492(e) ..... | 1615/2615/3615. | PCT National Stage Claims—Extra Total (over 20). | 80 | 40 | 20 | 100 | 50 | 25 |
| 1.492(f) ..... | 1616/2616/3616. | PCT National Stage Claims—Multiple Dependent. | 780 | 390 | 195 | 820 | 410 | 205 |

*Section 1.1031:* The changes to the fee amounts indicated in § 1.031 are shown in Table 26.

Section 1.1031 is being amended by adding paragraph (f) concerning the designation fee for the United States. As § 1.1031 concerns international design application fees, the Office believes it appropriate to include a provision therein regarding the U.S. designation fee. The amendment is consistent with the U.S. designation fee currently in effect. *See* ''Individual Fees under the Hague Agreement,'' available on the WIPO Web site at *http://www.wipo.int/hague/en/fees/individ-fee.html,* and § 1.18(b).

TABLE 26—CFR SECTION 1.1031(a) FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 1.1031(a) ..... | 1781/2781/3781. | International Design Application Transmittal Fee. | 120 | 120 | 120 | 120 | 60 | 30 |

*Section 41.20:* The changes to the fee amounts indicated in § 41.20 are shown in Table 27.

TABLE 27—CFR SECTION 41.20 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 41.20(b)(4) ..... | 1413/2413/3413. | Forwarding an Appeal in an Application or *Ex Parte* Reexamination Proceeding to the Board. | 2,000 | 1,000 | 500 | 2,240 | 1,120 | 560 |

*Section 42.15:* The changes to the fee amounts indicated in § 42.15 are shown in Table 28.

TABLE 28—CFR SECTION 42.15 FEE CHANGES

| CFR section | Fee code | Description | Current fees (dollars) | | | Final rule fees (dollars) | | |
|---|---|---|---|---|---|---|---|---|
| | | | Large | Small | Micro | Large | Small | Micro |
| 42.15(a)(1) | 1406 | *Inter Partes* Review Request Fee | 9,000 | 9,000 | 9,000 | 15,500 | 15,500 | 15,500 |
| 42.15(a)(2) | 1414 | *Inter Partes* Review Post-Institution Fee. | 14,000 | 14,000 | 14,000 | 15,000 | 15,000 | 15,000 |
| 42.15(a)(3) | 1407 | In Addition to the *Inter Partes* Review Request Fee, for Requesting Review of Each Claim in Excess of 20. | 200 | 200 | 200 | 300 | 300 | 300 |
| 42.15(a)(4) | 1415 | In addition to the *Inter Partes* Post-Institution Fee, for Requesting Review of Each Claim in Excess of 15. | 400 | 400 | 400 | 600 | 600 | 600 |
| 42.15(b)(1) | 1408 | Post-Grant or Covered Business Method Patent Review Request Fee. | 12,000 | 12,000 | 12,000 | 16,000 | 16,000 | 16,000 |
| 42.15(b)(2) | 1416 | Post-Grant or Covered Business Method Patent Review Post-Institution Fee. | 18,000 | 18,000 | 18,000 | 22,000 | 22,000 | 22,000 |
| 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. | 250 | 250 | 250 | 375 | 375 | 375 |
| 42.15(b)(4) | 1417 | 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. | 550 | 550 | 550 | 825 | 825 | 825 |

## VIII. Rulemaking Considerations

### *A. America Invents Act*

This final rule sets and adjusts fees under Section 10(a) of the AIA. Section 10(a) of the AIA authorizes the Director of the USPTO to set or adjust by rule any patent fee established, authorized, or charged under Title 35 of the United States Code (U.S.C.) for any services performed, or materials furnished, by the Office. Section 10 prescribes that fees may be set or adjusted only to recover the aggregate estimated cost to the Office for processing, activities, services, and materials relating to patents, including administrative costs of the Office with respect to such patent fees. Section 10 authority includes flexibility to set individual fees in a way that furthers key policy factors, while taking into account the cost of the respective services. Section 10(e) of the AIA sets forth the general requirements for rulemakings that set or adjust fees under this authority. In particular, Section 10(e)(1) requires the Director to publish in the **Federal Register** any proposed fee change under Section 10, and include in such publication the specific rationale and purpose for the proposal, including the possible expectations or benefits resulting from the proposed change. For such rulemakings, the AIA requires that the Office provide a public comment period of not less than 45 days.

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 proposing 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 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 considers and analyzes any comments, advice, or recommendations received from the PPAC before finally setting or adjusting fees.

Consistent with this framework, on October 20, 2015, 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-us/performance-and-planning/fee-setting-and-adjusting.* The PPAC held a public hearing in Alexandria, Virginia, on November 19, 2015. Transcripts of the hearing are available at *http://www.uspto.gov/sites/default/files/documents/PPAC_Hearing_Transcript_20151119.pdf.* Members of the public were invited to the hearing and given the opportunity to submit written and/or oral testimony for the PPAC to consider. The PPAC considered such public comments from this hearing and made all comments available to the public via the Fee Setting Web site, available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.* The PPAC also provided a written report setting forth in detail the comments, advice, and recommendations of the committee regarding the preliminary proposed fees. The report regarding the preliminary proposed fees was released on February 29, 2016, and is available at *http://www.uspto.gov/sites/default/files/documents/PPAC_Fee%20_Setting_Report_2016%20%28Final%29.pdf.* The Office considered and analyzed all comments, advice, and recommendations received from the PPAC before publishing the NPRM on October 3, 2016 (81 FR 68150). The public was then provided a 60-day period during which to provide comments to be considered by the USPTO. The NPRM comment period

closed on December 2, 2016. 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. Pursuant to this requirement, this rule is effective on January 16, 2018.

*B. 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 an NPRM, the agency must prepare and make available for public comment an Initial Regulatory Flexibility Analysis (IRFA), unless the agency certifies under 5 U.S.C. 605(b) that the rule, if implemented, will not have a significant impact on a substantial number of small entities. 5 U.S.C. 603, 605. The Office published an IRFA, along with the NPRM, on October 3, 2016 (81 FR 68150). The Office received no comments from the public directly applicable to the IRFA.

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. 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 enhancing patent quality, optimizing the timeliness of patent processing (through reducing patent backlog and pendency), delivering high quality and timely PTAB decisions, invest in modernizing the Patent business IT systems and infrastructure, and implementing a sustainable funding model. Additional information on the Office's strategic goals may be found in the Strategic Plan, available at *https://www.uspto.gov/about-us/performance-and-planning/strategy-and-reporting.* Additional information on the Office's goals and operating requirements may be found in the annual budgets, available at *https://www.uspto.gov/about-us/performance-and-planning/budget-and-financial-information.*

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 Final 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. 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 35 U.S. Code § 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 29 presents a summary of such small and micro entity filings by type of application (utility, reissue, plant, design) over the last five years.

TABLE 29—NUMBER OF PATENT APPLICATIONS FILED IN LAST FIVE YEARS *

| | | FY 2016 ** | FY 2015 | FY 2014 | FY 2013 | FY 2012 | Average *** |
|---|---|---|---|---|---|---|---|
| Utility | All | 607,753 | 578,121 | 579,873 | 564,007 | 530,915 | 572,134 |
| | Small | 147,076 | 142,796 | 133,930 | 136,490 | 132,198 | 138,498 |
| | % Small | 24.2 | 24.7 | 23.1 | 24.2 | 24.9 | 24.2 |
| | Micro | 30,995 | 28,906 | 18,553 | 7,896 | N/A | 21,588 |
| | % Micro | 5.1 | 5.0 | 3.2 | 1.4 | N/A | 3.7 |
| Reissue | All | 1,072 | 1,087 | 1,207 | 1,074 | 1,212 | 1,130 |
| | Small | 258 | 246 | 280 | 229 | 278 | 258 |
| | % Small | 24.1 | 22.6 | 23.2 | 21.3 | 22.9 | 22.8 |
| | Micro | 19 | 12 | 24 | 9 | N/A | 16 |
| | % Micro | 1.8 | 1.1 | 2.0 | 0.8 | N/A | 1.4 |
| Plant | All | 1,180 | 1,119 | 1,123 | 1,318 | 1,181 | 1,184 |
| | Small | 589 | 673 | 581 | 655 | 576 | 615 |
| | % Small | 49.9 | 60.1 | 51.7 | 49.7 | 48.8 | 52.0 |
| | Micro | 9 | 4 | 22 | 3 | N/A | 10 |
| | % Micro | 0.8 | 0.4 | 2.0 | 0.2 | N/A | 0.9 |
| Design | All | 40,406 | 37,735 | 36,254 | 35,065 | 32,258 | 36,344 |
| | Small | 16,890 | 14,981 | 14,740 | 15,814 | 15,806 | 15,646 |
| | % Small | 41.8 | 39.7 | 40.7 | 45.1 | 49.0 | 43.3 |
| | Micro | 4,364 | 4,000 | 3,622 | 1,683 | N/A | 3,417 |
| | % Micro | 10.8 | 10.6 | 10.0 | 4.8 | N/A | 9.1 |

* The patent application filing data in this table includes RCEs.
** FY 2016 application filing data are preliminary and will be finalized in the FY 2017 Performance and Accountability Report (PAR).
*** The micro entity average is from FY 2013 to FY 2016. All other averages are for all time periods shown.

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 in order to estimate future filing rates by small and micro entities. Those average rates appear in the last column of Table 29. The Office estimates that small entity filing rates will continue for the next five years at these average historic rates.

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 utility, plant, and reissue (UPR) patent application filings will grow by 0.7 percent in FY 2017, 2.1 percent in FY 2018, 1.2 percent in FY 2019, 0.8 percent in FY 2020, and decline by 0.5 percent in FY 2021. The Office forecasts design patent applications independently of UPR applications because they exhibit different behavior.

Using the estimated filings for the next five years, and the average historic rates of small entity filings, Table 30 presents the Office's estimates of the number of patent application filings by all applicants, including small and micro entities, over the next five fiscal years by application type.

The Office has undertaken an elasticity analysis to examine if 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 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 analyzed elasticity at the overall filing level across all patent applicants

regardless of entity size and determined that, as none of the fee changes are large enough to create a sizable change in demand for products and services, elasticity impacts are negligible and therefore not included in this iteration of fee adjustments. Additional information about elasticity estimates is available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting* in the document entitled ''*USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—Description of Elasticity Estimates.*''

TABLE 30—ESTIMATED NUMBERS OF PATENT APPLICATIONS IN FY 2017–FY 2021

| | | FY 2017 (current) | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|---|---|---|---|---|---|---|
| Utility | All | 612,255 | 625,296 | 632,975 | 637,937 | 634,657 |
| Reissue | All | 818 | 823 | 829 | 834 | 840 |
| Plant | All | 1,180 | 1,155 | 1,130 | 1,107 | 1,083 |
| Design | All | 41,218 | 43,548 | 46,013 | 48,620 | 51,379 |
| Total | All | 655,471 | 670,822 | 680,947 | 688,498 | 687,959 |

The USPTO continuously updates both patent fee collections projections and workload projections based on the latest data. The estimated number of patent applications have been updated since the NPRM was published in October 2016. UPR filings growth projections were revised downward during the FY 2018 budget formulation process due to revised RGDP estimates and more conservative estimates of out year growth. The most recent projections are shown in Table 30.

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

When implemented, this rule will not change the burden of existing reporting and recordkeeping requirements for payment of fees. The current requirements for small and micro entities will continue to apply. Therefore, the professional skills necessary to file and prosecute an application through issue and maintenance remain unchanged. This action is only to adjust patent fees and not to set procedures for asserting small entity status or certifying micro entity status, as previously discussed.

The full fee schedule (*see* Part VII. Discussion of Specific Rule) is set forth in the final rule. The fee schedule sets or adjusts 202 patent fees in total. This includes 14 fees that are discontinued and 42 new fees, including small entity discounts to two additional fees and micro entity discounts to six additional fees.

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 this rule, discussed below, including full cost recovery for individual services, an across the board adjustment to fees, and a baseline (current fee rates). The discussion here begins with a description of the fee schedule adopted for this final rule.

i. Alternative 1: Final Rule Fee Schedule—Setting and Adjusting Patent Fees During Fiscal Year 2017

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 cost, and is therefore beneficial to all entities that seek patent protection. Also, the alternative selected here benefits from improvements in the design of the fee schedule.

This alternative offers small entities a 50 percent fee reduction and micro entities a 75 percent fee reduction. 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 or in the NPRM.

In summary, the fees to obtain a patent will increase slightly. For example, fees for both tiers of RCEs will increase slightly. Maintenance fee rates remain unchanged at all three stages; however, all reissue patents are now subject to maintenance fee payments if the patent owner wishes to maintain them. In an effort to continue reducing the inventory of *ex parte* appeals and help recapture a portion of the cost of providing these services, fees will increase for forwarding an appeal, but not as high as proposed in the NPRM. The fee increase proposed in the NPRM for notice of appeal has been removed. Two of the fees for *inter partes* reviews have changed from the NPRM. The *Inter Partes* Review Request Fee—Up to 20 Claims Final Rule rate is $15,500; the NRPM rate was $14,000. The *Inter Partes* Review Post-Institution Fee—Up to 15 Claims Final Rule rate is $15,000; the NPRM rate was $16,500. These adjustments are made to better align AIA trial fee rates and costs. ABI costing data since the inception of AIA trial fees shows that the unit costs to the Office for *Inter Partes* Review requests have consistently outpaced unit costs for *Inter Partes* Review post-institutions. Fee increases for both post-grant reviews and covered-business-method reviews are based on FY 2015 cost data and resources needed to sustain compliance with AIA deadlines. Finally, in response to feedback from members of the public, the design and plant issue fees are increasing by less than proposed in the NPRM. Design issues will increase to $700 instead of $800 and plant issues will increase to $800 instead of $1,000.

The final fee schedule for this rule, as compared to existing fees (labeled Alternative 1—Final Rule Fee Schedule—Setting and Adjusting Patent Fees during Fiscal Year 2017) is available at *http://www.uspto.gov/about-us/performance-and-planning/*

*fee-setting-and-adjusting*, in the document entitled ''USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—FRFA Tables.'' Fee changes for small and micro entities are included in the tables. For the comparison between final fees and current fees, as noted above, the ''current fees'' column displays the fees that were in effect as of January 14, 2017.

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: Unit Cost Recovery

The USPTO considered setting most individual large entity fees at the historical cost of performing the activities related to the particular service in FY 2015. This alternative continues existing and offers new small and micro entity discounts where eligible under AIA authority. Aside from maintenance fees, fees for which there is no FY 2015 cost data would be set at current rates under this alternative. The Office no longer collects activity based information for maintenance fees, and previous year unit costs were negligible. This alternative sets maintenance fees at approximately half of the amount of current maintenance fee rates. For the small number of services that have a variable fee, the aggregate revenue table does not list a fee. Instead, for those services with an estimated workload, the workload is listed in dollars rather than units to develop revenue estimates. Fees without either a fixed fee rate or a workload estimate are assumed to provide zero revenue to the Office. Note, this alternative bases fee rates for FY 2017 through FY 2021 on FY 2015 historical costs. The Office recognizes that this approach does not account for inflationary factors that would likely increase costs and necessitate higher fees in the out years.

It is common practice in the Federal government to set individual fees at a level sufficient to recover the cost of that single service. In fact, official guidance on user fees, as cited in OMB Circular A–25: *User Charges,* 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.

Alternative 2 would not generate enough aggregate revenue to sufficiently cover the aggregate cost of patent operations and support the Office's strategic priorities to optimize the quality and timeliness of patent processing, deliver high quality and timely PTAB decisions, continue investing in modernizing the USPTO IT systems and infrastructure, or implement a sustainable funding model for operations (this alternative produces enough revenue to meet the minimum patent operating reserve level by the end of FY 2019, but does not keep building towards the optimal patent operating reserve level). It is important for the Office to balance accomplishing the priorities together so that it has sufficient resources to maintain them.

Both the current and final fee schedules are structured to collect more fees at the back-end (*i.e.* issue fees and maintenance fees), where the patent owner has the best information about a patent's value, rather than at the front-end (*i.e.* filing fees, search fees, and examination fees), when applicants are most uncertain about the value of their art, even though the front-end services are costlier to the Office. This alternative presents significant barriers to those seeking patent protection, because if the Office were to immediately shift from the current front-end/back-end balance to a unit cost recovery structure, front-end fees would increase significantly, nearly tripling in some cases (*e.g.,* search fees), even with small and micro entity fee reductions.

The Office has not attempted to estimate the quantitative elasticity impacts for application filings (*e.g.,* filing, search, and examination fees) or maintenance renewals (all stages) due to a lack of historical data that could inform such a significant shift in the Office's fee setting methodology. However, the Office suspects that 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. Under the current fee schedule, maintenance fees subsidize all applications, including those applications for which no claims are allowed. By insisting on unit cost payment at each point in the application process, the Office is effectively charging high fees for every attempted patent, meaning those applicants who have less information about the patentability of their claims may be less likely to pursue initial prosecution (*e.g.,* filing, search, and examination) or subsequent actions to continue prosecution (*e.g.,* RCE). The ultimate effect of these changes in behavior are likely to stifle innovation.

Similarly, the Office suspects that renewal rates could change as well, given significant fee reductions for maintenance fees at each of the three stages. While some innovators and firms may choose to file fewer applications given the higher front-end costs, others, whose claims are allowed or upheld, may seek to fully maximize the benefits of obtaining a patent by keeping those patents in force for longer than they would have previously (*i.e.,* under the current fee schedule). In the aggregate, patents that are maintained beyond their useful life weaken the intellectual property system by slowing the rate of public accessibility and follow-on inventions, which is contrary to the Office's policy factor of fostering innovation. In sum, this alternative is inadequate to accomplish the goals and strategies as stated in Part III of this rulemaking.

The fee schedule for Alternative 2: Unit Cost Recovery is available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting*, in the document entitled ''USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—FRFA Tables.'' For the comparison between unit cost recovery fees and current fees, the ''current fees'' column displays the fees that are in effect as of January 14, 2017.

b. Alternative 3: Across the Board Adjustment

In years past, the USPTO used its authority to adjust statutory fees annually according to increases in the consumer price index (CPI), which is a commonly used measure of inflation. Building on this prior approach and incorporating the additional authority under the AIA to set small and micro entity fees, Alternative 3 would set fees by applying a one-time 5.0 percent, across the board inflationary increase to the baseline (current fees) beginning in FY 2017. Five percent represents the change in revenue needed to cover budgetary requirements.

As estimated by the Congressional Budget Office, projected CPI rates by fiscal year are: 2.17 percent in FY 2017, 2.39 percent in FY 2018, 2.38 percent in FY 2019, and 2.42 percent in both FY 2020 and FY 2021. The Office elected not to apply the estimated cumulative inflationary adjustment (9.96 percent), from FY 2017 through FY 2021, because doing so would result in significantly more fee revenue than needed to meet the Office's core mission and strategic priorities. Under this alternative, nearly every existing fee would be increased and no fees would be discontinued or reduced. Given that all entities (large,

small, and micro) would pay unilaterally higher fees, this alternative does not adequately support the Office's policy factor to foster innovation for all.

The fee schedule for Alternative 3: Across the Board Adjustment is available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting*, in the document entitled ''USPTO Setting and Adjusting Patent Fees during Fiscal Year 2017—FRFA Tables.'' For the comparison between across the board fees and current fees, the ''current fees'' column displays the fees that are in effect as of January 14, 2017.

c. Alternative 4: Baseline (Current Fee Schedule)

The Office considered a no-action alternative. This alternative would retain the current fee schedule, meaning that the Office would continue the small and micro entity discounts that Congress provided in Section 10 of the Act and maintain fees as of January 14, 2017.

This approach would not provide sufficient aggregate revenue to accomplish the Office's rulemaking goals, as set forth in the FY 2018 President's Budget or the Strategic Plan. Optimizing patent quality and timeliness, delivering high quality and timely PTAB decisions and investing in modernizing the USPTO IT systems and infrastructure would continue, but at a slower rate due to funding limitations. Sustainable funding would not be achieved. Without a fee increase, the USPTO would draw the operating reserve down to nothing by FY 2020, and have to cut expenditures.

iii. Alternatives Specified by the RFA

The RFA provides that an agency also consider four specified ''alternatives'' or approaches, 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. 604(c). The USPTO discusses each of these specified alternatives or approaches below and describes how this rule is adopting these approaches.

Differing Requirements

As discussed above, the changes in this rule would continue existing fee discounts for small and micro entities that take into account the reduced resources available to them as well as offer new discounts when applicable under AIA authority. Specifically, micro entities would continue to pay a 75 percent reduction in patent fees and non-micro, small entities would continue to pay 50 percent of the fee.

This rule 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 to pay reduced patent fees. 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 process to claim micro entity status is similar in that eligible entities need only submit a written certification of their status prior to or at the time a reduced fee is paid. This rule does not change any reporting requirements for any small or micro 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 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

This rule does not take any actions beyond setting or adjusting patent fees; therefore, there are no clarifications, consolidations, or simplifications subject to discussion here.

Performance Standards

Performance standards do not apply to the current rule.

Exemption for Small and Micro Entities

This rule maintains a 50 percent reduction in fees for small entities and a 75 percent reduction in fees for micro 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 simply to exempt small or micro entities, as a class of applicants, from paying patent fees.

7. Identification, to the Extent Practicable, of All Relevant Federal Rules Which May Duplicate, Overlap, or Conflict With the Rule

The USPTO is the sole agency of the United States Government responsible for administering the provisions of title 35, United States Code, pertaining to examining and granting patents. It is solely responsible for issuing rules to comply with Section 10 of the AIA. No other Federal, state, or local entity has jurisdiction over the examination and granting of patents.

Other countries, however, have their own patent laws, and an entity desiring a patent in a particular country must make an application for patent in that country, in accordance with the applicable law. Although the potential for overlap exists internationally, this cannot be avoided except by treaty (such as the Paris Convention for the Protection of Industrial Property, or the PCT). Nevertheless, the USPTO believes that there are no other duplicative or overlapping rules.

*C. Executive Order 12866 (Regulatory Planning and Review)*

This rule has been determined to be 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 a RIA as required for rulemakings deemed to be significant. The complete RIA is available at *http://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting.*

*D. Executive Order 13563 (Improving Regulation and Regulatory Review)*

The Office has complied with Executive Order 13563 (Jan. 18, 2011). Specifically, 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.

*E. Executive Order 13771 (Reducing Regulation and Controlling Regulatory Costs)*

This final rule is not subject to the requirements of Executive Order 13771 (82 FR 9339, February 3, 2017) because this rule involves a transfer payment.

*F. Executive Order 13132 (Federalism)*

This rule does not contain policies with federalism implications sufficient to warrant preparation of a Federalism Assessment under Executive Order 13132 (Aug. 4, 1999).

*G. 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), prior to issuing any final rule, the USPTO will submit a report containing the 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. The changes in this final rule are expected to result in an annual effect on the economy of $100 million or more, a major increase in costs or prices, or significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises in domestic and export markets. Therefore, this final rule is expected to result in a ''major rule'' as defined in 5 U.S.C. 804(2).

*H. Unfunded Mandates Reform Act of 1995*

The changes in this 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 (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 (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.

*I. Paperwork Reduction Act*

This rule involves information collection requirements that are subject to review by the Office of Management and Budget (OMB) under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*). The collection of information involved in this rulemaking has been reviewed and previously approved by OMB under control numbers 0651–0016, 0651–0024, 0651–0031, 0651–0032, 0651–0033, 0651–0059, 0651–0064, and 0651–0069.

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 record keeping requirements, Small businesses.

*37 CFR Parts 41 and 42*

Administrative practice and procedure, Inventions and patents, Lawyers.

For the reasons set forth in the preamble, 37 CFR parts 1, 41, and 42 are to be amended as follows:

## PART 1—RULES OF PRACTICE IN PATENT CASES

■ 1. The authority citation for part 1 continues to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), unless otherwise noted.

■ 2. Section 1.16 is amended by revising paragraphs (a) through (f) and (h) through (r) 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) | $75.00 |
| By a small entity (§ 1.27(a)) | 150.00 |
| By a small entity (§ 1.27(a)) if the application is submitted in compliance with the Office electronic filing system (§ 1.27(b)(2)) | 75.00 |
| By other than a small or micro entity | 300.00 |

(b) Basic fee for filing each application under 35 U.S.C. 111 for an original design patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $50.00 |
| By a small entity (§ 1.27(a)) | 100.00 |
| By other than a small or micro entity | 200.00 |

(c) Basic fee for filing each application for an original plant patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $50.00 |
| By a small entity (§ 1.27(a)) | 100.00 |
| By other than a small or micro entity | 200.00 |

(d) Basic fee for filing each provisional application:

| | |
|---|---|
| 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 |

(e) Basic fee for filing each application for the reissue of a patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $75.00 |
| By a small entity (§ 1.27(a)) | 150.00 |
| By other than a small or micro entity | 300.00 |

(f) Surcharge for filing the basic filing fee, search fee, examination fee, or the inventor's oath or declaration on a date later than the filing date of the application, an application that does not contain at least one claim on the filing date of the application, or an application filed by reference to a previously filed application under § 1.57(a), except provisional applications:

| | |
|---|---|
| By a micro entity (§ 1.29) | $40.00 |
| By a small entity (§ 1.27(a)) | 80.00 |
| By other than a small or micro entity | 160.00 |

* * * * *

(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 a micro entity (§ 1.29) | $115.00 |
| By a small entity (§ 1.27(a)) | 230.00 |
| By other than a small or micro entity | 460.00 |

(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):

| | |
|---|---|
| By a micro entity (§ 1.29) | $25.00 |
| By a small entity (§ 1.27(a)) | 50.00 |
| By other than a small or micro entity | 100.00 |

(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:

| | |
|---|---|
| By a micro entity (§ 1.29) | $205.00 |
| By a small entity (§ 1.27(a)) | 410.00 |
| By other than a small or micro entity | 820.00 |

(k) Search fee for each application filed under 35 U.S.C. 111 for an original

patent, except design, plant, or provisional applications:

| | |
|---|---|
| By a micro entity (§ 1.29) | $165.00 |
| By a small entity (§ 1.27(a)) | 330.00 |
| By other than a small or micro entity | 660.00 |

(l) Search fee for each application under 35 U.S.C. 111 for an original design patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $40.00 |
| By a small entity (§ 1.27(a)) | 80.00 |
| By other than a small or micro entity | 160.00 |

(m) Search fee for each application for an original plant patent:

| | |
|---|---|
| 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 |

(n) Search fee for each application for the reissue of a patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $165.00 |
| By a small entity (§ 1.27(a)) | 330.00 |
| By other than a small or micro entity | 660.00 |

(o) Examination fee for each application filed under 35 U.S.C. 111 for an original patent, except design, plant, or provisional applications:

| | |
|---|---|
| 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 |

(p) Examination fee for each application under 35 U.S.C. 111 for an original design patent:

| | |
|---|---|
| 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 |

(q) Examination fee for each application for an original plant patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $155.00 |
| By a small entity (§ 1.27(a)) | 310.00 |
| By other than a small or micro entity | 620.00 |

(r) Examination fee for each application for the reissue of a patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $550.00 |
| By a small entity (§ 1.27(a)) | 1,100.00 |
| By other than a small or micro entity | 2,200.00 |

* * * * *

■ 3. Section 1.17 is amended by revising paragraphs (e), (h), (m), (p) and (t) to read as follows:

**§ 1.17 Patent application and reexamination processing fees.**

* * * * *

(e) 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) | $325.00 |
| By a small entity (§ 1.27(a)) | 650.00 |
| By other than a small or micro entity | 1,300.00 |

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

| | |
|---|---|
| By a micro entity (§ 1.29) | $475.00 |
| By a small entity (§ 1.27(a)) | 950.00 |
| By other than a small or micro entity | 1,900.00 |

* * * * *

(h) For filing a petition under one of the following sections which refers to this paragraph (h):

| | |
|---|---|
| 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 |

§ 1.84—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.

* * * * *

(m) For filing a petition for the revival of an abandoned application for a patent, for the delayed payment of the fee for issuing each patent, for the delayed response by the patent owner in any reexamination proceeding, for the delayed payment of the fee for maintaining a patent in force, for the delayed submission of a priority or benefit claim, for the extension of the twelve-month (six-month for designs) period for filing a subsequent application (§§ 1.55(c) and (e), 1.78(b), (c), and (e), 1.137, 1.378, and 1.452), or for filing a petition to excuse applicant's failure to act within prescribed time limits in an international design application (§ 1.1051):

| | |
|---|---|
| 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 |

* * * * *

(p) For an information disclosure statement under § 1.97(c) or (d):

| | |
|---|---|
| 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 |

* * * * *

(t) For filing a petition to convert an international design application to a design application under 35 U.S.C. chapter 16 (§ 1.1052):

| | |
|---|---|
| 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 |

■ 4. Section 1.18 is amended by revising paragraphs (a), (b), and (c) to read as follows:

**§ 1.18 Patent post allowance (including issue) fees.**

(a)(1) Issue fee for issuing each original patent, except a design or plant patent, or for issuing each reissue patent:

| | |
|---|---|
| By a micro entity (§ 1.29) | $250.00 |
| By a small entity (§ 1.27(a)) | 500.00 |
| By other than a small or micro entity | 1,000.00 |

(2) [Reserved]

(b)(1) Issue fee for issuing an original design patent:

| | |
|---|---|
| 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) [Reserved]

(3) Issue fee for issuing an international design application designating the United States, where the issue fee is paid through the International Bureau (Hague Agreement Rule 12(3)(c)) as an alternative to paying the issue fee under paragraph (b)(1) of this section: The amount established in Swiss currency pursuant to Hague Agreement Rule 28 as of the date of mailing of the notice of allowance (§ 1.311).

(c)(1) Issue fee for issuing an original plant patent:

| | |
|---|---|
| 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) [Reserved]

* * * * *

■ 5. Section 1.19 is amended by revising paragraphs (b) introductory text and (b)(1), removing and reserving paragraph (b)(2), revising paragraphs (b)(4) and (c), removing and reserving paragraphs (d) and (e), revising paragraph (f), removing and reserving paragraph (g), and adding paragraphs (h) through (l) to read as follows:

**§ 1.19 Document supply fees.**

* * * * *

(b) Copies of Office documents to be provided in paper, or in electronic form, as determined by the Director (for other patent-related materials *see* § 1.21(k)):

(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:

(i) If provided on paper:

(A) Application as filed: $35.00.

(B) File wrapper and contents: $280.00.

(C) [Reserved]

(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 or if provided electronically (*e.g.,* by electronic transmission) other than on a physical electronic medium:

(A) Application as filed: $35.00.

(B) File wrapper and contents: $55.00.

(C) [Reserved]

(iii) [Reserved]

(iv) If provided to a foreign intellectual property office pursuant to a bilateral or multilateral agreement (*see* § 1.14(h)): $0.00.

* * * * *

(4) For assignment records, abstract of title and certification, per patent: $35.00.

(c) Library service (35 U.S.C. 13): For providing to libraries copies of all patents issued annually, per annum: $50.00.

* * * * *

(f) Uncertified copy of a non-United States patent document, per document: $25.00.

* * * * *

(h) Copy of Patent Grant Single-Page TIFF Images (52 week subscription): $10,400.00.

(i) Copy of Patent Grant Full-Text W/Embedded Images, Patent Application Publication Single-Page TIFF Images, or Patent Application Publication Full-Text W/Embedded Images (52 week subscription): $5,200.00.

(j) Copy of Patent Technology Monitoring Team (PTMT) Patent Bibliographic Extract and Other DVD (Optical Disc) Products: $50.00.

(k) Copy of U.S. Patent Custom Data Extracts: $100.00.

(l) Copy of Selected Technology Reports, Miscellaneous Technology Areas: $30.00.

■ 6. Section 1.20 is amended by revising paragraphs (a) through (c) and (e) through (g) to read as follows:

**§ 1.20 Post issuance fees.**

| | |
|---|---|
| (a) For providing a certificate of correction for applicant's mistake (§ 1.323) | $150.00 |
| (b) Processing fee for correcting inventorship in a patent (§ 1.324) | 150.00 |

(c) In reexamination proceedings:

(1)(i) For filing a request for *ex parte* reexamination (§ 1.510(a)) having:

(A) Forty (40) or fewer pages;

(B) Lines that are double-spaced or one-and-a-half spaced;

(C) Text written in a non-script type font such as Arial, Times New Roman, or Courier;

(D) A font size no smaller than 12 point;

(E) Margins which conform to the requirements of § 1.52(a)(1)(ii); and

(F) Sufficient clarity and contrast to permit direct reproduction and electronic capture by use of digital imaging and optical character recognition.

| | |
|---|---|
| By a micro entity (§ 1.29) | $1,500.00 |
| By a small entity (§ 1.27(a)) | 3,000.00 |
| By other than a small or micro entity | 6,000.00 |

(ii) The following parts of an *ex parte* reexamination request are excluded from paragraphs (c)(1)(i)(A) through (F) of this section:

(A) The copies of every patent or printed publication relied upon in the request pursuant to § 1.510(b)(3);

(B) The copy of the entire patent for which reexamination is requested pursuant to § 1.510(b)(4); and

(C) The certifications required pursuant to § 1.510(b)(5) and (6).

(2) For filing a request for *ex parte* reexamination (§ 1.510(b)) which has sufficient clarity and contrast to permit direct reproduction and electronic capture by use of digital imaging and optical character recognition, and which otherwise does not comply with the provisions of paragraph (c)(1) of this section:

| | |
|---|---|
| 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 | 12,000.00 |

(3) For filing with a request for reexamination or later presentation at any other time of each claim in independent form in excess of three and also in excess of the number of claims in independent form in the patent under reexamination:

| | |
|---|---|
| By a micro entity (§ 1.29) | $115.00 |
| By a small entity (§ 1.27(a)) | 230.00 |
| By other than a small or micro entity | 460.00 |

(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):

| | |
|---|---|
| By a micro entity (§ 1.29) | $25.00 |
| By a small entity (§ 1.27(a)) | 50.00 |
| By other than a small or micro entity | 100.00 |

* * * * *

(e) For maintaining an original or any 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 any 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 any 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 |

* * * * *

■ 7. Section 1.21 is revised to read as follows:

**§ 1.21 Miscellaneous fees and charges.**

The Patent and Trademark Office has established the following fees for the services indicated:

(a) Registration of attorneys and agents:

(l) For admission to examination for registration to practice:

(i) Application Fee (non-refundable): $100.00.

(ii) Registration examination fee.

(A) For test administration by commercial entity: $200.00.

(B) For test administration by the USPTO: $450.00.

(iii) For USPTO-administered review of registration examination: $450.00.

(2) On registration to practice or grant of limited recognition:

(i) On registration to practice under § 11.6 of this chapter: $200.00.

(ii) On grant of limited recognition under § 11.9(b) of this chapter: $200.00.

(iii) On change of registration from agent to attorney: $100.00.

(3) [Reserved]

(4) For certificate of good standing as an attorney or agent:

(i) Standard: $40.00.

(ii) Suitable for framing: $50.00.

(5) For review of decision:

(i) By the Director of Enrollment and Discipline under § 11.2(c) of this chapter: $400.00.

(ii) Of the Director of Enrollment and Discipline under § 11.2(d) of this chapter: $400.00.

(6) Recovery/Retrieval of OED Information System Customer Interface account by USPTO:

(i) For USPTO-assisted recovery of ID or reset of password: $70.00.

(ii) For USPTO-assisted change of address: $70.00.

(7) [Reserved]

(8) [Reserved]

(9)(i) Delinquency fee: $50.00.

(ii) Administrative reinstatement fee: $200.00.

(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.

(b) Deposit accounts:

(1) [Reserved]

(2) Service charge for each month when the balance at the end of the month is below $1,000: $25.00.

(3) Service charge for each month when the balance at the end of the month is below $300 for restricted subscription deposit accounts used exclusively for subscription order of patent copies as issued: $25.00.

(c) [Reserved]

(d) [Reserved]

(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.

(f) [Reserved]

(g) [Reserved]

(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: $50.00.

(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) [Reserved]

(k) [Reserved]

(l) [Reserved]

(m) For processing each payment refused (including a check returned ''unpaid'') or charged back by a financial institution: $50.00.

(n) For handling an application in which proceedings are terminated pursuant to § 1.53(e): $130.00.

(o) The submission of very lengthy sequence listings (mega-sequence listings) are subject to the following fees:

(1) Submission of sequence listings in electronic form ranging in size from 300 MB to 800 MB:

| | |
|---|---|
| By a micro entity (§ 1.29) | $250.00 |
| By a small entity (§ 1.27(a)) | 500.00 |
| By other than a small or micro entity | 1,000.00 |

(2) Submission of sequence listings in electronic form exceeding 800 MB in size:

| | |
|---|---|
| By a micro entity (§ 1.29) | $2,500.00 |
| By a small entity (§ 1.27(a)) | 5,000.00 |
| By other than a small or micro entity | 10,000.00 |

(p) Additional Fee for Overnight Delivery: $40.00.

(q) Additional Fee for Expedited Service: $160.00.

■ 8. Section 1.362 is amended by revising paragraph (b) to read as follows:

**§ 1.362 Time for payment of maintenance fees.**

* * * * *

(b) Maintenance fees are not required for any plant patents or for any design patents.

* * * * *

■ 9. Section 1.445 is amended by adding paragraph (a)(5) to read as follows:

**§ 1.445 International application filing, processing and search fees.**

(a) * * *

(5) Late furnishing fee for providing a sequence listing in response to an invitation under PCT Rule 13*ter:*

| | |
|---|---|
| By a micro entity (§ 1.29) | $75.00 |
| By a small entity (§ 1.27(a)) | 150.00 |
| By other than a small or micro entity | 300.00 |

* * * * *

■ 10. Section 1.482 is amended by revising the section heading and adding paragraph (c) to read as follows:

**§ 1.482 International preliminary examination and processing fees.**

* * * * *

(c) Late furnishing fee for providing a sequence listing in response to an invitation under PCT Rule 13*ter:*

| | |
|---|---|
| By a micro entity (§ 1.29) | $75.00 |
| By a small entity (§ 1.27(a)) | 150.00 |
| By other than a small or micro entity | 300.00 |

■ 11. Section 1.492 is amended by revising paragraphs (a), (b)(2) through (4), (c) introductory text, (c)(2), and (d) through (f) to read as follows:

**§ 1.492 National stage fees.**

* * * * *

(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) | $75.00 |
| By a small entity (§ 1.27(a)) | 150.00 |
| By other than a small or micro entity | 300.00 |

(b) * * *

(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) | $35.00 |
| By a small entity (§ 1.27(a)) | 70.00 |
| By other than a small or micro entity | 140.00 |

(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) | $130.00 |
| By a small entity (§ 1.27(a)) | 260.00 |
| By other than a small or micro entity | 520.00 |

(4) In all situations not provided for in paragraph (b)(1), (2), or (3) of this section:

| | |
|---|---|
| By a micro entity (§ 1.29) | $165.00 |
| By a small entity (§ 1.27(a)) | 330.00 |
| By other than a small or micro entity | 660.00 |

(c) The examination fee for an international application entering the national stage under 35 U.S.C. 371:

* * * * *

(2) In all situations not provided for in paragraph (c)(1) of this section:

| | |
|---|---|
| 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 |

(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) | $115.00 |
| By a small entity (§ 1.27(a)) | 230.00 |
| By other than a small or micro entity | 460.00 |

(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) | $25.00 |
| By a small entity (§ 1.27(a)) | 50.00 |
| By other than a small or micro entity | 100.00 |

(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) | $205.00 |
| By a small entity (§ 1.27(a)) | 410.00 |
| By other than a small or micro entity | 820.00 |

* * * * *

■ 12. Section 1.1031 is amended by revising paragraph (a) and adding paragraph (f) to read as follows:

**§ 1.1031 International design application fees.**

(a) International design applications filed through the Office as an office of indirect filing are subject to payment of a transmittal fee (35 U.S.C. 382(b) and Article 4(2)) in the amount of:

| | |
|---|---|
| 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 |

* * * * *

(f) The designation fee for the United States shall consist of:

(1) A first part established in Swiss currency pursuant to Hague Rule 28 based on the combined amounts of the basic filing fee (§ 1.16(b)), search fee (§ 1.16(l)), and examination fee (§ 1.16(p)) for a design application. The first part is payable at the time of filing the international design application; and

(2) A second part (issue fee) as provided in § 1.18(b). The second part is payable within the period specified in a notice of allowance (§ 1.311).

## PART 41—PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

■ 13. The authority citation for part 41 continues 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.

■ 14. Section 41.20 is amended by revising paragraph (b)(4) to read as follows:

### § 41.20 Fees.

* * * * *

(b) * * *

(4) In addition to the fee for filing a notice of appeal, for forwarding an appeal in an application or *ex parte* reexamination proceeding to the Board:

| | |
|---|---|
| By a micro entity (§ 1.29 of this chapter) | $560.00 |
| By a small entity (§ 1.27(a)) of this chapter) | 1,120.00 |
| By other than a small or micro entity | 2,240.00 |

## PART 42—TRIAL PRACTICE BEFORE THE PATENT TRIAL AND APPEAL BOARD

■ 15. The authority citation for part 42 continues to read as follows:

**Authority:** 35 U.S.C. 2(b)(2), 6, 21, 23, 41, 135, 311, 312, 316, 321–326; Pub. L. 112–29, 125 Stat. 284; and Pub. L. 112–274, 126 Stat. 2456.

■ 16. Section 42.15 is amended by revising paragraphs (a) and (b) 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: $15,500.00.

(2) *Inter Partes* Review Post-Institution fee: $15,000.00.

(3) In addition to the *Inter Partes* Review request fee, for requesting review of each claim in excess of 20: $300.00.

(4) In addition to the *Inter Partes* Post-Institution request fee, for requesting review of each claim in excess of 15: $600.00.

(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: $16,000.00.

(2) Post-Grant or Covered Business Method Patent Review Post-Institution fee: $22,000.00.

(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: $375.00

(4) 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: $825.00.

* * * * *

**Joseph Matal,**

*Associate Solicitor, performing the functions and duties of the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.*

[FR Doc. 2017–24390 Filed 11–13–17; 8:45 am]

BILLING CODE 3510–16–P