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August 15, 2008

The Honorable Jon Dudas  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

Comments on Proposed Rule: “Fiscal Year 2009 Changes to  
Patent Cooperation Treaty Transmittal and Search Fees”  
73 Federal Register 34672 (June 18, 2008)

Dear Under Secretary Dudas:

The American Intellectual Property Law Association (AIPLA) appreciates the opportunity to offer comments regarding the Notice of Proposed Rulemaking (the “Notice”) proposed by the U.S. Patent and Trademark Office (PTO) regarding “Fiscal Year 2009 Changes to Patent Cooperation Treaty Transmittal and Search Fees.”

AIPLA is a national bar association whose more than 16,000 members are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA represents a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property.

The PTO proposes to increase the transmittal and search fees for international applications filed under the Patent Cooperation Treaty (PCT) “to recover the estimated average cost to the Office of processing PCT international applications and preparing international search reports and written opinions for PCT international applications.” The Notice states that the Office has no basis for maintaining the PCT transmittal, search, and supplemental search fees at amounts less than that necessary to recover the estimated average cost to the Office of performing these functions for PCT international applications.

### **LACK OF TRANSPARENCY**

The Notice states that “The Office’s cost analysis for these activities reveals that the average cost of the initial processing of PCT international applications is slightly over \$415.00 and the average cost of search and preparation of ISA search reports or written opinions for international applications and for a supplemental search is slightly over \$2,225.00 for each invention.” However, the Notice provides no information on how these costs were calculated or what activities they include, or whether they are based on services performed by PTO or contractor employees. Without any transparency of the basis for calculating these stated costs, it is

impossible for the user community to determine the need to increase these fees or to determine whether they are necessary or reasonable.

As a general proposition, AIPLA accepts the principle that users should pay the average costs incurred by the PTO in providing services. In this case, it would include the costs of collecting and transmitting international fees to WIPO incurred by the PTO acting as a Receiving Office (RO) and the costs of providing international search reports acting as an International Search Authority (ISA). If the data provided an adequate justification that the average costs of acting as a RO and searching and preparing an international search report and written opinion for PCT applications selecting the PTO as the ISA were as reported, we would not object to the international search fee being set to recover this amount. However, as noted above, the Notice provides insufficient data to reach such conclusions. In addition, the proposed international search fee fails to adequately take into account potential cost savings that should be realized from searches performed on corresponding national patent applications.

## **SEARCH FEES**

The PTO proposes to amend 37 C.F.R. §§ 1.445(a)(2) and (3) to increase the international application search fee from \$1,800 to \$2,225 to recover the estimated average cost of preparing international search reports and written opinions for PCT international applications. Although the fee for searching a national application is (only) \$510, the costs for searching and examining national applications have always been substantially subsidized by issue fees (\$1,440) and maintenance fees (\$930 at 3.5 years; \$2,360 at 7.5 years; and \$3,910 at 11.5 years). Combined, the issue and maintenance fees account for more than 50% of the annual patent revenue (16.6% and 36.2% respectively according to the USPTO 2007 Annual Report). Further, it must be kept in mind that the vast majority of international applications become national applications (national stage applications) at 30 months. Each national stage application that ultimately issues will generate issue fees and maintenance fees to the same extent as the national applications filed directly in the PTO. The one major difference is that for national stage applications entering the PTO at the 30<sup>th</sup> month, unlike national applications filed directly in the PTO, applicants already will have paid the full cost of searching (stated in the Notice to be \$2,225) and may have paid an additional \$100 fee for a subsequent “top-off” search fee of international applications when they are taken-up for examination in the national stage. Upon issuance of the patent, the applicants will still pay the full issue fee and full maintenance fee. Under such circumstances, the proposed \$2,225 (even the existing \$1,800) international search fee clearly overcharges and, more importantly, discriminates against US nationals using PCT to protect their inventions.

The proposed international search fee also overcharges and discriminates against US applicants who file PCT applications claiming the priority of an earlier-filed US national application. In this circumstance, the applicant will be required to pay the full national search fee of \$510 plus the full international search fee of \$2,225. No accommodation is provided for the fact that the US national application search will (typically under current circumstances) be carried out after the international search has been completed. Where the international application and the national application are identical, this has the effect of charging the applicant twice for the same search (and clearly overcharging more if one takes into account the revenue that will come from issue and maintenance fees).

It is not an answer, as appears to be suggested in the Notice, to say that the PCT does not preclude US applicants from filing patent applications directly in the patent offices of those countries which are member States of the PCT, taking advantage of the priority rights provided under the Paris Convention. While it is true that the PCT is not the exclusive mechanism for seeking patent protection in foreign countries and is simply an optional alternative, it is the most efficient means for US industry to file patent applications in multiple countries (including in the United States) to protect their innovations. They should not be discouraged from taking full advantage of the benefits of the PCT, and overcharged or discriminated against because they use PCT.

Accordingly, while AIPLA does not object to the PTO charging the actual costs for an international search under the PCT, there is no legitimate basis for the Office to not provide applicants with appropriate reductions in fees where the failure to do so would amount to double billing.

**TRANSMITTAL FEES**

The PTO also proposes increasing the transmittal fees to cover the cost of performing this function. The chart below shows a comparison of transmittal fees charged by some of the major PCT Receiving Offices around the world. In addition to showing these amounts in the local currency, the amounts are also shown in US dollar equivalents using current exchange rates. This clearly illustrates that the PTO, even without the proposed increase, already charges a greater transmittal fee than any of the other PCT Receiving Offices.

Transmittal Fees

<u>Country (RO)</u>	<u>Local currency</u>	<u>Approximate dollar equivalent</u>
CN	500 CNY	\$72.81
EP	116 EU	\$172.17
JP	13,000 JPY	\$120.82
KR	45,000 KRW	43.07
GB	55 GBP	\$108.30
CA	300 CAD	\$295.07
RV	600 RVB	\$25.50
US	(Current) 300 USD	\$300.00

Further, as noted above, the Notice contains no explanation of why the PTO Receiving Office has such high costs in comparison to the other Receiving Offices performing these functions. It is counterintuitive, with the significant increase in e-filing that the PTO has

experienced in recent years, that it would cost more, rather than less, to perform the tasks of a Receiving Office. Since other Receiving Offices are able to perform these functions for even less than the PTO now charges, the PTO should not increase the transmittal fee, but determine how it can perform its Receiving Office functions at costs in line with the rest of the world.

## CONCLUSION

US applicants continue to find the PCT system of great benefit. The number of member States continues to grow. In setting fees for the use of the PCT by US applicants, the PTO should not impose fees in excess of the actual costs for the services it performs as a Receiving Office or as an International Searching Authority. Moreover, when fee increases are proposed, the Office should provide sufficiently detailed data to permit users to understand the need for such increases.

We appreciate the opportunity to provide these comments on the proposed PCT fee increases and would be pleased to answer any questions our comments may raise.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Kirk". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Michael K. Kirk  
Executive Director  
AIPLA