



AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

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March 16, 2007

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

Comments on Notice of Proposed Rule Making entitled
“April 2007 Revision of Patent Cooperation Treaty Procedures”
72 Federal Register 7583 (February 16, 2007)

Dear Under Secretary Dudas:

The American Intellectual Property Law Association (AIPLA) is pleased to have this opportunity to present to the USPTO its views on the Notice of Proposed Rule Making titled “April 2007 Revision of Patent Cooperation Treaty Procedures” as published in the Fed. Reg. on February 16, 2007. We support the Office’s proposals that give effect to the revisions to the PCT. We are, however, opposed to the proposal to completely eliminate the fee discount currently offered to applicants if a corresponding prior non-provisional application exists at the time the international application is filed. We are concerned about the effect this will have on applicants who use PCT to protect their inventions globally, and especially the effect it would have on small businesses and individual applicants.

AIPLA is a national bar association of more than 17,000 members engaged in private and corporate practice, in government service, and in the academic community. AIPLA represents a 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.

In September and October 2005, the PCT Assembly adopted various amendments to the Regulations under the PCT that become effective on April 1, 2007. These amendments align the PCT with provisions of the Patent Law Treaty (PLT) that are helpful to applicants using the PCT filing system. AIPLA is a staunch supporter of the PCT, supports U.S. accession to the PLT, and supports these amendments to the PCT.

The rulemaking now proposed by the USPTO would amend Title 37 of the Code of Federal Regulations:

- Section 1.17(t) – to set forth the fee for requesting restoration of the right of priority.
- Section 1.57(a)(2) – to reflect that omitted portions of international applications, which applicant desires to be effective in other designated States, must be submitted in accordance with PCT Rule 20.
- Section 1.437(a) – to remove inaccurate language currently present in the paragraph.

The proposed rules would also delete Section 1.437(b) to reflect that missing drawings will no longer be treated differently from missing parts of the description or claims and redesignate Section 1.437(c) as §1.437(b).

AIPLA supports each of these proposals.

The Notice also states that the U.S. has taken a reservation with regard to PCT amendments that provide for restoration of an applicant's right to claim priority under certain situations, pending passage of legislation that would implement the PLT in the U.S. We recognize that both the reservation and the resulting proposed changes to Sections 1.452 and 1.465 are necessitated by U.S. law. Unfortunately, both work to the detriment of U.S. applicants, preventing them from obtaining benefits that would otherwise be available under the amended PCT. While we understand the need for both the reservation and the commensurate rules changes until U.S. national law is modified to accommodate priority restoration, we encourage the USPTO to seek appropriate legislative change at the earliest opportunity.

Finally, the proposed rulemaking would amend Section 1.445(a) to:

- increase the fee for conducting a search and preparing a Chapter I written opinion from the present \$1,000 to \$1,800; and
- eliminate the fee discount currently offered to applicants if a corresponding prior non-provisional application exists at the time the international application is filed, effectively raising the search and written opinion fee in this circumstance from the present \$300 to \$1,800.

The Notice states that the \$1,800 fee “more accurately reflects the cost of conducting a search and preparing a Chapter I written opinion in an international application.” This determination is based on an Activity-Based-Cost analysis for the search and preparation of Chapter I written opinions for international applications that revealed that the average cost of this activity is over \$1,800. We note, however, that the search fee charged for a non-provisional U.S. application remains \$500. Since the cost of

a search in a non-provisional case is likely to be roughly the same as that of an international search, we assume that the \$500 is intentionally set below cost to ease entry into the system, and is then supplemented by maintenance fees on those applications that mature into patents. Consequently, under the proposed rules the Office would appear to be appropriately compensated for searching either an international or U.S. non-provisional application.

Where both a non-provisional and an international application are filed, however, only one full search (and possibly a later minimal top-up search) is required. In such cases, the current discount prevents charging applicants for two complete searches when only one is conducted. Elimination of the discount, therefore, would appear to result in overcharging applicants for searching where both non-provisional and international applications are filed.

In the commentary regarding the elimination of the discount, it is stated that “[T]he current backlog of applications under 35 U.S.C. 111(a) awaiting examination is such that it is no longer deemed appropriate to provide a reduced fee or other incentive for applicants to file an application under 35 U.S.C. 111(a) prior to or essentially parallel with the filing of an international application.” We respectfully submit that the existence of a backlog is not an appropriate justification for double-charging for searching what is a single invention. It may be that \$300 is not the appropriate discounted fee, but charging the full \$1,800 fee seems equally inappropriate given the information in the Notice. We suggest that the discount remain in effect, and that the discounted fee be established at a level that accurately reflects the marginal cost to the Office for conducting required top-up searches.

The elimination of any discount, and the further commentary regarding the use of the PCT, have broader policy ramifications. The Notice states that “the PCT is not the exclusive mechanism for seeking patent protection in foreign countries,” “the PCT does not preclude U.S. applicants from filing patent applications directly in the patent offices of those countries which are Contracting States of the PCT,” and “an applicant ... is not required to use the USPTO as the ISA.” While these statements may be factually accurate, together with the elimination of the discount they appear calculated to discourage applicants from using the PCT.

The Notice also postulates that the proposed increase in the international search fee “is not significant in comparison to the overall costs that a small entity must incur to obtain international patent protection.” This comparison is based on a Government Accountability Office survey that concluded that the “cradle to grave” cost of obtaining and maintaining foreign patents is in the range of \$160,000 to \$330,000. This reasoning is inapposite, confusing the up-front costs of an international application with the lifetime cost of obtaining and maintaining a patent on such an application. The analysis fails to recognize that an important reason for small entities to use the PCT is specifically to

preserve their international rights for at least 30 months, during which time the true value of international patent protection can be evaluated and the high costs of proceeding under the Paris Convention (the alternative suggested in the Notice) can be deferred. This is important to U.S. applicants generally, and especially to small entities who must conserve their resources for filing patent applications on those inventions that are most likely to prove commercially valuable.

The United States was instrumental in the creation of the Patent Cooperation Treaty because it believed such a filing mechanism would benefit U.S. industry and inventors – the world’s most creative as evidenced by the fact that the United States seeks more patents worldwide than any other nation. The proposed elimination of the discount would discourage use of the PCT by those applicants that are most in need of its cost-saving benefits, making it more difficult to protect globally our nation’s most valuable resource – its technology. In the absence of any better justification for its elimination, AIPLA urges that an appropriate discount reflecting the cost savings realized by the PTO be retained.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Kirk". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

Michael K. Kirk
Executive Director