



American Intellectual Property Law Association

June 12, 2023

The Honorable Kathi Vidal
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314
Via Federal eRulemaking Portal at <https://www.regulations.gov>

RE: Fee Setting Comments to the Trademark Public Advisory Committee on the Proposed Trademark Fee Schedule

Dear Director Vidal:

The American Intellectual Property Law Association (AIPLA) is pleased to have the opportunity to present comments on the USPTO's (i.e., Office's) recent Trademark Fee Setting and Adjusting Proposal to the Trademark Public Advisory Committee ("Fee Proposal").

AIPLA is a national bar association of approximately 7,000 members that include professionals engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

General Comments

The proposal contains numerous fee increases and no decreases. While some of the proposed fees seem appropriate, others concern AIPLA. While AIPLA generally supports the assessment of fees that, in the aggregate, enable the USPTO to recover 100% of its costs, AIPLA requests further and more detailed explanations justifying each fee increase.

While AIPLA understands that the timing for this review of the proposed fees is dictated by statute in many respects, it is a challenge to undertake as thorough an analysis as AIPLA would like to have done, given the short period of time between the publication of the proposed schedule and the TPAC hearing. AIPLA suggests the TPAC may want to consider whether improvements to the process could be recommended.

AIPLA understands that one of the stated reasons for some of the proposed fee increases is to improve the accuracy of the Register so that it reflects marks in use and does not contain registrations that never should have been granted or maintained in the first place due to, for example, fake specimens or other fraud. While decluttering is a laudable goal, it seems premature to try and achieve this goal with fee increases. The USPTO has not yet had an adequate opportunity to accurately measure and assess the impact of rules and procedures implemented only recently – such as the U.S. counsel rule, the requirement for filers to login with myUSPTO.gov (effective October 26, 2019), the ex parte mechanisms under the Trademark Modernization Act (effective December 18, 2021), and the three-month response deadline for office actions (effective December 3, 2022). Further, additional rules and perhaps statutory changes are being considered.

Another reason provided by the Office for fee increases seems to reflect a perceived need to encourage efficiency in processing applications. AIPLA supports the USPTO's goal to decrease pendency and improve Office efficiency. However, the USPTO has not clarified how placing "additional" fees on applicants will improve pendency and streamline the application examination process.

The magnitude of the proposed increase in a number of the existing fees, and the imposition of new fees, is significant, ranging from 10% to 400%, and \$50 to \$200. Many users of the trademark system have a fixed budget, and many of the proposed fee changes are so significant that they could result in a decrease in the number of brand owners who can afford to obtain and retain the protections provided by federal trademark registration. This concerns AIPLA.

Finally, AIPLA notes that some of the proposed increases are of fees that were increased less than three years ago. Significant increases in these fees in such a brief period of time are concerning. If these fees are to pay for new or improved services, AIPLA would like to know more about those services. It is important that the Office provides more detailed justifications for the increases in existing fees and the proposed new fees.

Many of AIPLA's comments relate to the significant fee increases or new fees in the Fee Proposal. The following are its observations on some of the specific fee proposals and the Office's justifications for the proposed fees.

Proposed Additional Fees for TEAS and Madrid Applications

To "encourage efficient application filing behaviors, enhance the quality of incoming applications, and improve processing efficiencies,"¹ the Fee Proposal condenses the TEAS Plus and TEAS Standard applications into one type of application – the "basic" application – with new additional fees for applications not adopting "custom" identification language, using identifications exceeding 1000 characters per Class, providing "insufficient information." At the outset, AIPLA requests further clarification on the following topics:

- (1) when the new additional fees would apply (e.g., at time of filing; after Examining Attorney's review of the application);
- (2) what constitutes insufficient information; and
- (3) whether the proposed character limit would include spaces and or punctuation.

¹ Trademark Fee Proposal Executive Summary, p. 12.

AIPLA is aware that this is only a “preliminary” fee setting proposal and subject to change. However, AIPLA is concerned that these key points are not explained in further detail at this time given that these fees have never existed before. In particular, there is no historical knowledge regarding how they will be implemented, and this information is crucial to interested parties (1) understanding the purpose and the USPTO’s reasoning behind the fees, (2) understanding the impact of the fees on practitioners and applicants, and (3) providing more targeted feedback and perhaps alternative suggestions for further consideration.

First, AIPLA is concerned that the new additional fees will be charged to the applicant after the Examining Attorney’s first review of the application rather than at time of filing. Based on the Office’s current 8–9-month pendency in reviewing applications, applicants will not know if these additional fees will apply to their application until nearly a year after they file and pay the “basic” application fee, which will increase the burden on applicants and their attorneys and require them to speculate whether an additional fee will be required. In the alternative, if the fee is automatically required upfront at time of filing, AIPLA is concerned about the applicant’s ability to recoup fees that are charged due to technical error due to the Office’s policy not to refund any filing fees after an application is processed.²

Second, AIPLA is concerned about the new fee if “insufficient information” is provided at time of filing. The Executive Summary of the Fee Proposal states that this fee would apply to “[s]ubmissions of incomplete applications (other than applications denied a filing date for failure to satisfy the requirements under 37 CFR § 2.21).”³ Without further clarification on what constitutes an “incomplete application” and the elimination of the TEAS Plus application, AIPLA can only assume that the USPTO implies that a “complete application” is one meeting TEAS Plus standards. If applied to all applications, this standard is prohibitive and requires too much information at the time of filing that will not necessarily aid in improving Office efficiency. For example, an applicant must file a translation statement to keep TEAS Plus status if the mark could *potentially* be considered a word or phrase in a foreign language. However, the Office is inconsistent in its requests for translation statements – often requesting a statement even though the word at issue is a fanciful term or has multiple translations. Furthermore, this fee apparently also applies to Madrid applications. Such an application would not reflect how Madrid applications are filed (i.e., the current Madrid filing process does not allow applicants to add additional information such as a disclaimer, consent of living individual, or ownership of prior registrations at the time of filing).

Third, the fee imposed upon applicants choosing to use “custom” language instead of language in the Identification Manual (the “IDML”) is prohibitive. The IDML is not comprehensive of many goods and services. By limiting applicants to using pre-approved language, the Office may create the unintended effect of having applicants misidentify their goods and services. In addition, Madrid applicants cannot pick goods/services off the ID Manual list when designating the U.S., which means this fee likely will primarily affect foreign filers, whether purposefully or inadvertently, unless the functionality to do so is added to the online system. Therefore, AIPLA does not believe that this fee should be implemented. If that implementation is necessary, it should not be enforced until the IDML is significantly expanded and the process for practitioners and stakeholders to add goods and services is

² TMEP §405.04.

³ Trademark Fee Proposal Executive Summary, p. 10.

streamlined where new goods/services should be entered within 14 calendar days of a submitted request.

Finally, the additional fee for every 1,000 characters in an identification per class is prohibitive. How did the Office reach the 1,000-character number? Without further information on why the restriction needs to be 1,000 characters, AIPLA recommends raising the number of characters to *at least* 3,000 characters (including punctuation and excluding spaces). It is more than reasonable that an applicant can have an identification in one class exceeding 1,000 characters. Furthermore, this fee should not apply if the applicant's identification is compliant with the Identification Manual. AIPLA understands that the purpose of this fee is to streamline the examination process. However, if the identification at issue complies with the Identification Manual, then the time spent by the Examining Attorney reviewing the identification would naturally decrease significantly, regardless of the identification's length.

With the foregoing in mind, AIPLA questions whether the Office's intent for the increased fees for continuation applications is only cost recovery, or whether the Office also intends the increased fees to fulfill other goals related to the trademark application process (e.g., improving pendency). In this regard, if the purpose is to generate "publication ready" applications to improve pendency, the Office should re-evaluate to see why pendency has increased so significantly within the last few years. AIPLA is concerned that these fees may have been proposed prematurely due to the lingering impact of the COVID pandemic and abnormally high number of fraudulent filings. The USPTO has only recently enacted its expungement and reexamination procedure, as well as other internal measures, for targeting fraudulent filings. AIPLA recommends waiting to see the results of these measures before pursuing new fees with the understanding that further conversations need to be had on (1) how this will affect estimating fees; (2) how this would be implemented; (3) how the increase of fees would further USPTO goals regarding pendency/efficiency; and (4) whether fees will be refunded if requested due to Office error or oversight.

Proposed Increased Fees and New Fees for ITU Filings

The proposed increased fees for filings related to ITU applications, including AAU and SOU filings, are astounding. The Fee Proposal starts with a significant 100% increase for AAUs and a 50% increase for SOUs. In addition, the USPTO institutes a new fee of \$250 for filing a fourth or fifth extension of time to file a Statement of Use online where the cost to file a 1st-5th extension of time was \$125. This leads to many questions.

The Executive Summary of the Fee Proposal asserts that the "costs of processing these filings have increased due to inflation and application complexity."⁴ In addition, the Executive summary states that the proposal "improves cost recovery for processing ITUs and balances the fee structure" and "encourages timely ITU decisions."⁵ It is not apparent why the Office believes this to be the case, and, absent further data, the statements may be wholly incorrect. The cost for electronically processing an ITU is relatively low, and the cost to *examine* an ITU should be factored in the cost of a basic application because there is no increase in cost for Section 1(a) filings that include a statement of use or reduction in cost for Section 44 or 66

⁴ Trademark Fee Proposal Executive Summary, p. 23.

⁵ *See id.*

filings where no statement of use is required. Penalizing ITU filings falls disproportionately on (1) U.S. applicants, because they cannot obtain non-use-based registrations due to ownership of a home country registration, (2) start-up companies or companies providing innovative products and services not currently in the marketplace, and (3) companies in industries requiring significant government oversight in branding and advertising.

Furthermore, the Executive Summary claims that the Fee Proposal will “[encourage] timely ITU decisions” because “[a]pplicants who extend their decisions to file an SOU into their third year (after the notice of allowance is issued) impact prior pending applications and those trying to clear new marks.”⁶ No data proffered by the Office show an increase in fees would likely encourage applicants to increase the speed of getting to market nor have AIPLA members expressed concerns regarding the current extension process having an adverse impact on clearing marks or obtaining registration.

In fact, current pendency delays for applications suspended due to prior-filed applications are expected. Applicants have the statutory right to request extensions of time up to three years from the issuance of Notice of Allowance and should not be penalized for availing themselves of this right. If pendency is a concern, the USPTO can take further internal actions to ensure that no “notices of prior filed applications” are made in error or re-review whether the notices can meet the standard of likelihood of confusion before suspension or re-suspension. If the Office wants to encourage applicants to get registrations sooner, it should encourage applicants to file AAUs by not increasing the fee to file, especially because the fee already covers the USPTO’s costs. At a minimum, the AAU cost should not be raised more than \$50 per class to stay in line with an SOU.

AIPLA strongly encourages the Office to consider reassessing the increase in fees and new fees for ITU and SOU filings. The proposed fee increases would have the detrimental effect of forcing applicants to abandon their applications before they can mature into registrations, which will further decrease the number of potential maintenance filings.

Proposed Increased Fees for Maintenance Filings

The Fee Proposal includes increased fees for maintenance filings including §§ 9, 8, 71, and 15 filings. AIPLA is concerned that these increased fees are intended to offset the reduction in collected maintenance fees. While AIPLA supports the USPTO’s efforts to reduce deadwood on the Federal Register, it is difficult to avoid the perception that the fee increases are “penalties” on registrants maintaining their trademark rights. For example:

- (1) The USPTO’s per-Class cost of processing an online § 9 registration renewal application in FY 2022 was \$24. However, the filing fee for registrants will increase 17% from \$300 to \$350.
- (2) The USPTO’s per-Class cost of processing an online § 8 declaration in FY 2022 was \$25. However, the filing fee for registrants will increase 33% from \$225 to \$300.
- (3) The USPTO’s per-Class cost of processing an online § 71 declaration in FY 2022 was \$6. However, the filing fee for registrants will increase 33% from \$225 to \$300.
- (4) The USPTO’s per-Class cost of processing an online § 15 declaration was \$25 in FY 2022. However, the filing fee for registrants will increase 25% from \$200 to \$250.

⁶ See *id.*

The Fee Proposal’s Executive Summary asserts that the increased fees will “offset increased costs and rebalance the fee structure...due to higher inflationary costs, post registration audits, and elevated legal review to address potential fraud or improper filing behaviors ... [and] the percentage of registrants that choose to maintain their trademark...is declining.”⁷ It is not apparent why the Office believes this to be the case, and absent further data from the Office, the statement may be incorrect due to the low historical costs of processing these filings.

Most notably, the Office does not substantively review § 15 declarations of incontestability:

The USPTO does not “accept” §15 affidavits or declarations.... Rather, the USPTO reviews the affidavit or declaration to determine whether it is consistent with the requirements of the statute and rules (e.g., whether it is signed, whether it was filed at an appropriate time, and whether the §15 claims are properly set forth).⁸

Without such a review, the only evaluation needed is to ensure that the filings meet relatively *minor* requirements – it is AIPLA’s understanding that the USPTO’s cost of processing these forms was only \$25 in FY 2022. In addition, with advancements in technology, ensuring that each filing meets the requirements of the statute and rules can be set in the §15 form itself, if the Office has not implemented such functions already.

As stated above, AIPLA is committed to ensuring that the USPTO is made whole for providing its services. However, adding fees without providing either a further explanation of why they are necessary or a plan to improve these services may disincentivize maintenance filings.

Proposed Increased Fees for Letters of Protest

The Fee Proposal includes increased fees for Letters of Protest. Specifically, the fee to file a Letter of Protest would increase from (the recently set) \$50 to \$250, which is a staggering 400% increase in cost. Historically, Letters of Protest did not require any fee at all. In addition, Letters of Protest are the *only* option available to the public if it wants to raise concerns to the USPTO regarding another party’s pending application prior to publication.

AIPLA is concerned that by introducing such a high fee increase, the USPTO will remove a low-cost option for trademark holders to police and enforce their marks. Furthermore, it is important to note that Letters of Protest benefit not only the filer, but the USPTO as well. Letters of Protest are a useful tool for the public to ensure protection of their marks and to improve or otherwise aid the Office in maintaining the quality of the Registers. For example, Letters of Protest may ensure that Examining Attorneys do not miss a potential likelihood-of-confusion refusal, ensure that a registered trademark is not included in identifications of goods and services, or show that a mark is potentially descriptive or fails to function as a mark, among other things.

While AIPLA understands that the Office incurs cost to review and process Letters of Protest, the Letter of Protest procedure also reduces cost for the Office because the filer undertakes a large amount of the time and expense needed to find evidence supporting refusals. Therefore,

⁷ Trademark Fee Proposal Executive Summary, p. 18.

⁸ TMEP §1605.

increasing fees will disincentivize the public from pursuing Letters of Protest to both its detriment and the detriment of the USPTO as well.

Conclusion

The Executive Summary states that this first fee proposal is not final, but rather a starting point, and that the Office will consider and analyze all input before preparing a notice of proposed rulemaking. AIPLA appreciates that the Office will carefully consider the trademark community's response to the fee proposal. In that regard, AIPLA also appreciates the opportunity to provide these comments, and will be happy to discuss its views on these issues with the Office further. Please do not hesitate to contact me for further information or clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Batzli", with a stylized flourish extending to the right.

Brian H. Batzli

President

American Intellectual Property Law Association

Enclosed: Testimony of Ted Davis on behalf of AIPLA at the Trademark Public Advisory Committee Hearing, June 5, 2023.



American Intellectual Property Law Association

RE: Theodore H. Davis Jr.'s Testimony on behalf of AIPLA on USPTO Trademark Fee Setting and Adjusting Proposal to the Trademark Public Advisory Committee, June 5, 2023

Good afternoon. My name is Ted Davis. I am a partner in the law firm of Kilpatrick Townsend & Stockton and an adjunct professor at the Emory University School of Law. I am not here on behalf of either of those entities or my firm's clients, but instead on behalf of the American Intellectual Property Law Association, on the board of which I sit. My comments reflect AIPLA's reactions to the fee proposal.

As in the past, AIPLA believes that the USPTO should recover, in the aggregate, 100% of the costs needed for the Office's operations. AIPLA also recognizes the need for the Office to increase fees to compensate for inflation. It therefore finds some of the proposed increases reasonable and appropriate.

We do have concerns, however, about some aspects of the Office's proposal—as there are significant increases *and* new fees for certain aspects of the trademark application process.

We believe that the Office should thoroughly analyze and justify any significantly increased fee or new fee by showing that the fees are necessary and calculated to recover the actual costs associated with each targeted practice.

We acknowledge that the Office has been combating the rise of fraudulent trademark filings, as evidenced by its participation in the drafting of the Trademark Modernization Act, and has set an internal goal to reduce trademark examination pendency. In many cases, however, the proposed Fee Changes indicate the Office's intent to target these issues by shifting the burden of time, effort, and expense onto the public through substantial fee increases or new fees. We have the following concerns regarding certain aspects of this approach.

First, the **TEAS and Madrid application process** would be completely altered to condense the TEAS Plus and TEAS Standard applications into a “basic” application and to institute new additional fees for all applications. These additional fees will significantly affect the initial cost of filing trademark applications. For example, the fees for an application meeting current TEAS Standard requirements could increase in cost from \$350 to over \$850 – a \$500 difference.

For **applications using “custom” identification language instead of** language taken from the USPTO ID Manual, the USPTO has proposed a new fee of \$200. The ID Manual is not comprehensive of many goods and services, and the current process for proposing additions to the ID Manual is unwieldy and the time between proposal and acceptance is significant. In addition, Madrid applicants currently cannot pick goods/services off the ID Manual list when designating the US. While we support the Office’s goal of streamlining the application process, this fee is overly restrictive—targeting companies that produce less common goods, inventors of new technologies and products, and foreign filers.

For **applications where the identification language exceeds 1,000 characters**, the USPTO has proposed a new fee of \$200 for each additional 1,000 characters. It is unclear whether the proposed character limit includes spaces and punctuation. In any case, it is more than reasonable for an identification in one class to exceed 1,000 characters. We understand that the Office wishes to reduce or otherwise subsidize the burden on an Examining Attorney considering a long identification. However, this fee should not apply to applications compliant with the ID Manual, since the time spent reviewing would naturally be reduced. Furthermore, without additional data supporting the 1,000-character number, the character limit should be increased to at least 3,000 characters (excluding spaces).

For **applications providing “insufficient information,”** the USPTO has proposed a new fee of \$100. The USPTO has provided almost no guidance on what information a “sufficient” application must include, an approach lending itself to arbitrary and capricious applications of the standard. We request the Office to provide explicit

guidance on what information is necessary for application “sufficiency” in the notice of proposed rulemaking if it intends to propose this new fee.

In **ITU applications**, the proposal would increase fees 100% for AAUs and 50% for SOUs. The cost to process and examine an AAU or SOU should already be factored in the cost of a basic application because an ITU filing merely moves the time and effort spent reviewing a specimen of use to a later date rather than at the time of filing. The fees will also disproportionately affect start-ups and small businesses—which are most sensitive to even small fee increases.

For **Extensions of Time to file an SOU**, the USPTO has proposed a new fee of \$250 for filing a fourth or fifth extension of time to file a SOU online, citing perceived delays in “clearing new marks” and the “impact on prior pending applications.” No data proffered by the Office show that applicants are delaying their SOU filings if they use their marks with all applied-for goods or services, nor have we heard complaints regarding the current extension process. Moreover, the cost of processing an extension request appears minimal, with no “examination” required. While the Office might want to encourage early SOU filings, it is difficult to determine the necessity of doing so from both a monetary standpoint and a practical standpoint.

Regarding **Maintenance Filings**, the proposed fee increases are significant, ranging from 17% to as much as 25%, even though the cost of processing these documents is considerably less. Most notably, the Office has increased the cost for filing a §15 declaration online from \$200 to \$250, even though the USPTO’s processing cost is only \$25 in FY 2022. While the Office might want to ameliorate a decrease in revenue due to the decrease in maintenance filings, the increased fees could have the negative effect of *further* disincentivizing registrants from maintaining their registrations and claiming the benefits of incontestability—especially small businesses.

Regarding **Letters of Protest**, the proposed fee has increased from the recently set \$50 to \$250, which is a significant 400% increase in cost. Historically, Letters of Protest did not require any fee at all. Furthermore, Letters of Protest benefit both the filer and USPTO. Letters of Protest are a useful tool for the public to protect the Federal

Register and to aid the Office in maintaining examination quality. The Letter of Protest procedure also reduces costs for the Office since the filer invests the amount of the time and expense necessary to secure evidence supporting refusals that can be later utilized by the Examining Attorney, if the refusal is made. While the cost of processing a Letter of Protest in 2022 is \$62 higher than the proposed fee, the Office appears not to have considered the economic benefit it receives because of those letters.

Finally, we note that time limitations preclude more extensive comments in this venue and urge the TPAC to consider our written comments that will follow.

Thank you for the opportunity to give our input.