



# New Patent Fees

**O**n December 8, 2004, President Bush signed the Consolidated Appropriations Act (H.R. 4818) into law. In addition to setting a budget for U.S. Patent and Trademark Office (PTO) expenses, the act also revised the schedule of fees that the PTO charges for patent applications.

Unfortunately, the bad news outweighs the good. Although the basic filing fee was reduced from \$790 to \$300 for a large entity (500 or more employees), and from \$395 to \$150 for a small entity (a person, small business concern or nonprofit organization, as defined in 37 CFR 1.27), the PTO began charging a separate “search fee” of \$500 for a large entity/\$250 for a small entity, and a separate “examination fee” of \$200 for a large entity/\$100 for a small entity. The overall effect is a total fee increase, currently due at the time of filing, of \$790 to \$1000 for a large entity and \$395 to \$500 for a small entity.

## A Quality Issue

The PTO fee changes reflect provisions that were extracted from the PTO’s Fee Modernization Act (H.R. 1561). In addition to restructuring the patent fees, this act provided for thorough, elaborate testing and evaluation of a pilot program to outsource the search of prior art (previously used or published technology that may be referred to in a patent application or examination report), and it was this outsourcing function that the new search fees were intended to cover. However, the PTO started charging patent applicants the additional search fees before the feasibility of outsourcing was even evaluated.

In fact, it’s quite possible that such outsourcing will not be feasible. Veteran

U.S. patent examiners are concerned that outsourcing prior art searches will hinder their ability to thoroughly “learn” (become familiar with) a particular technology and patents issued therein. Historically, new examiners were not required to meet PTO production goals for their first six months. During that time, they were encouraged to spend a majority of their time searching and learning their assigned technologies.

**The restructured fee schedule is little more than an overall fee increase that is not accompanied by any procedural or examination changes.**

In an effort to reduce the amount of time that patent applications remain pending, examiners hired today are expected to quickly meet production goals, even if they have to limit the time they should allocate to conduct prior art searches. If prior art searches are outsourced by the PTO in the future, examiners might never have the opportunity or time to conduct their own prior art searches and thoroughly learn their assigned technologies. The result might adversely affect the quality of issued patents.

## Time Will Tell

Time alone will tell what changes the PTO might make in the processing and examination of patent applications. For now, the restructured fee schedule is little more than an overall fee increase that

is not accompanied by any procedural or examination changes.

The splitting of the basic filing fee into separate filing, search and examination fees does open the door to a number of changes that might one day take place in the PTO. For example, a patent applicant could initially file a patent application and pay only the basic filing fee and be given a time to defer having a prior art search performed, at which time the search fee would be due. If the applicant proceeded with having a prior art search performed, he or she could then be given another period of time to defer having the application examined, at which time the examination fee would be due. In such an instance, the applicant could abandon the application (to save costs) at any time—for example, after determining from the results of the prior art search that patentability is doubtful.

Similar processes used by other countries and the Patent Cooperation Treaty (PCT) are known to reduce the number of pending applications (and examiner workloads) when applications are abandoned before either a prior art search or examination is conducted. At one time, the PTO more openly considered adopting such a process, and it seems to be heading in that direction again with these recent changes in the fee schedule.

At this point, however, the fee increases are premature, and patent applicants will likely not see any difference in how their patent applications are processed or examined for quite some time, if ever. All indications are that, if anything, the pendency of applications will continue to increase until or unless changes are made at the PTO. 🌐

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