

EIGHT IS ENOUGH?
NEW US FEE REGIME FORCES RE-THINKING CLAIM STRATEGIES

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The US Congress recently passed legislation that immediately and significantly changes the types and amounts of fees that the US Patent & Trademark Office (“USPTO”) may charge for patent applications. This article reviews the new provisions, argues that the provisions require re-thinking US claim practice, and offers suggestions for changes in claim drafting strategy. This article focuses on practices appropriate for computer-related cases, because the author mainly handles such cases; however, the issues described in this article apply to other subject matter as well.

The fee changes are part of an omnibus appropriations bill, H.R. 4818, which Congress adopted on 22 November 2004. Because the bill also funds operation of the entire US government, it is effective immediately upon signature by the President, which is expected around 6 December 2004. Therefore, practitioners have little time to prepare for the new regime.

The new law provides for separate fees in utility applications of \$300, \$500, and \$200 for filing, searching, and examination of applications, respectively. All three are due upon filing of an application. Thus, the fees collectively represent an increase in the basic filing fee to \$1000 from \$790 under the old regime.

Because the three fees are all due at filing, they are presently separate in name only. However, the separate designation of the fees probably is a precursor to separation of the filing, searching and examination functions in the USPTO, as part of its ongoing international harmonization efforts. Thus, in the future the USPTO likely will not examine an application unless a separate request and fee are filed.

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Further, the new law authorizes the USPTO to conduct a pilot project to determine whether searching can be outsourced to outside entities with results of acceptable quality at a reasonable cost. If the USPTO determines that the real cost of such outsourced searching is higher than \$500, the USPTO can increase the search fee charged to applicants through an administrative rulemaking. Practitioners should expect that to occur in about a year's time.

The new law also substantially increases fees applicable to extra claims. The basic filing fees mentioned above entitle an applicant to present up to three (3) independent claims and twenty (20) claims total. Under the new regime, the fee for each independent claim over three increases to \$200 from \$88, and the fee for each claim in total over twenty increases to \$50 from \$18. An application presenting claims in multiple dependent form also is subject to a one-time surcharge of \$360 (formerly \$290).

On its face, the new regime creates an incentive to file fewer independent claims and fewer claims in total. Clearly, the USPTO wishes to do less work for the basic filing fee, or believes that presentation of many independent claims requires significant additional work by the examiner apart from search. Unfortunately, the incentive embodied in the new regime stands in stark contrast to an opposite incentive that has been created by the decision of the US Court of Appeals for the Federal Circuit in the *Festo* case and its progeny. Those cases generally create a presumption, subject to rebuttal, that no range of equivalents is available under the "Doctrine of Equivalents" for any issued claim that an applicant has narrowed by amendment for any reason relating to patentability during prosecution of the application. Thus, those cases give applicants an incentive to file many independent claims of varying scope in the original application, so that hopefully some do not need to be amended before issuance.

The new fee regime dramatically raises the cost of acquiring "insurance" against the *Festo* presumption. In response, practitioners will need to radically re-think the number and type of claims that are originally filed in US applications.

To illustrate the effect, assume that the applicant observes a budget of \$2,000 for all fees paid at filing, and is a “large entity” that does not use electronic filing. The basic filing, exam, and search fees use \$1,000 of the budget and entitle the applicant to present three independent claims and twenty claims total. This leaves \$1,000 remaining to “spend” on up to twenty additional dependent claims, or five additional independent claims, or a combination.

Assume further that the applicant files computer-related cases and traditionally presents the main inventive concept in claims having four formats: method; apparatus or system with use of “means for” language; apparatus or system not using “means” language; and computer program product or machine-readable medium. Presenting four independent claims uses \$200 in the fee budget for the fourth independent claim, and leaves \$800 to allocate to sixteen extra dependent claims at \$50 each. If the same dependent claims are presented for each of the four formats, then within the budget the applicant can present only eight dependent claims for the four formats--four each are included in the basic filing fee, and the other four each use up the remaining \$800.

The applicant therefore faces the basic question whether eight is enough. For some cases, the answer may be yes. For many others, it is not, and the applicant will need to consider other approaches.

For example, now more than ever, dependent claims need to “matter.” In the past some US practitioners for some cases have favoured reciting less important features in dependent claims, to preserve the ability to invoke principles of “claim differentiation” in any future litigation. While this goal is beneficial, under the new regime it must be balanced against cost. Greater thought should be given about whether such claims are necessary.

Additionally, practitioners should consider reciting multiple, less-important alternatives in one claim. For example, the recitation “A method as recited in Claim 1, wherein the network comprises any one of a LAN, a WAN, a wireless network, and a token-ring network” effectively folds four sub-concepts into one claim. The author recommends using the words “any one of” and “and” to delimit items in the list, rather than a list of items

ending with “or,” to forestall formal rejections. A single claim can also include multiple lists of items associated with different features in any number of permutations.

Practitioners need to be much more thoughtful about claims in general. The days of endless lists of dependent claims, copied with a cut-and-paste function into each of four different formats, are effectively over.

The number of independent claims also requires careful consideration. The author continues to believe that presenting at least one independent claim in a narrower form is beneficial for several reasons. First, it tends to ensure that the USPTO searches all subject matter principally involved in the case, reducing the ability of an Examiner to issue a final rejection because a new search is allegedly required to evaluate an amendment. Second, it provides at least some response to the *Festo* problem. Further, in strategic cases with broad applicability or great revenue potential, if many valuable independent claims eventually issue, no one will question the wisdom of paying \$200 per independent claim. Nevertheless, high-volume filers should consider establishing an upper limit on the number of independent claims that are filed.

Applicants also should consider filing more applications each having a narrower claim focus than in the past. The much less rigorous US practice relating to unity of invention (“restriction,” in US parlance) has often allowed prosecuting, for example, an omnibus application covering an entire product and embodying multiple inventive concepts, all of which are claimed. This practice now will carry a significantly increased cost. Stated another way, the point at which additional claim fees equal the basic filing fee, justifying filing a second related application purely on a cost basis, now arrives with far fewer claims.

Therefore, applications may need to focus more narrowly on a particular innovation, rather than attempting to cover an entire product. The cost benefit of this approach needs to be balanced against the downstream costs that it creates, such as managing information disclosure obligations for multiple related cases, and additional issue fees and maintenance fees (annuities), both of which have also increased substantially under the new regime.

A related approach is to present different types of claims in different applications based on a common specification. For example, one could file two applications for the same basic invention, presenting only method claims in one application, and only apparatus claims in another. This allows presenting three method claims of different scope in one application without extra claim fees. An ancillary benefit is that each application covers a different class of infringers or licensees. This approach also must be balanced against possible drawbacks, such as more complicated portfolio management, the possibility of having different examiners assigned to the different cases, increased annuities and issue fees, etc.

Another strategy may involve increased use of electronic filing. The new law offers a 75% discount on all the above fees to any entity that uses USPTO electronic filing systems to submit applications. However, the author's experience is that these systems require several hours' time by an attorney or paralegal to complete a filing, and the associated software is not free of serious bugs. They also require using a specialized document editor, rather than commercial word processing products, for preparation of the application. Therefore, an entity that chooses to file electronically, and uses outside counsel, may merely exchange the fees saved through the 75% discount for fees paid to the outside counsel for preparing and filing the application.

Nevertheless, the USPTO clearly wishes to migrate to electronic filing. For example, the new law imposes a surcharge of \$250 for each set of 50 pages of the application after the first 100 pages, excluding gene sequence listings and computer program listings, a measure reflecting the higher costs of processing paper. In the coming years the author expects USPTO electronic filing tools to improve in quality. High-volume filers may wish to initiate training internal staff in how to use the existing systems now, so that over time the indirect costs presently involved in electronic filing will go down. Law firms should consider a similar strategy so that they can offer electronic filing to clients in the future without imposing significant additional costs.

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