

# REPORT

## SEARCH FEE AND EXCESS CLAIMS FEE REFUNDS

March 20, 2006

Further to our *Special Report* of December 8, 2004, the USPTO has now promulgated final rules that provide for a refund of the search and excess claims fees for any applicant who timely expressly abandons an application. This rule change, which is discussed in detail below, applies to patent applications filed on or after December 8, 2004, in which a Petition under 37 C.F.R. §1.138(d) to expressly abandon the application is filed on or after March 10, 2006.

This rule change amends 37 C.F.R. §1.138 to include new paragraph (d). This new paragraph specifically provides that an applicant seeking to obtain a refund of the search and excess claims fees must submit a Petition and Declaration of Express Abandonment before an examination has been made of the application.

The fees refundable using this new procedure are substantial. For example, the large entity search fee is \$500. The large entity fee for each independent claim in excess of 3 is \$200, and the large entity fee for each total claim in excess of 20 is \$50.<sup>1</sup>

### I. Before Examination Has Been Made

An "examination has been made of the application" for purposes of 37 C.F.R. §1.138(d) once an Action (e.g., Restriction or Election of Species Requirement, Requirement for Information under §1.105, first Office

Action on the merits, Notice of Allowability or Allowance, or Action under *Ex Parte Quayle*) is shown in the Patent Application Locating and Monitoring (PALM) system as having been counted. This information also appears, albeit with less reliability, in the Patent Application Information Retrieval (PAIR) system. The PAIR system is publicly available for published applications, and is available to counsel of record for unpublished applications.

For purposes of §1.138(d), "before" means occurring earlier in time. Thus, if a Petition under §1.138(d) is filed and an Action is counted on the same day, the Petition under §1.138(d) will not be considered to have been filed "before" an examination has been made of the application. Thus, in order to receive a refund, the applicant must file a Petition and Declaration of Express Abandonment at least one day before an Action is counted.

### II. No Abandonment If Not Timely Filed

A Petition under 37 C.F.R. §1.138(d) will only be granted if it is filed before an "examination has been made of the application." If an applicant files a Petition and Declaration of Express Abandonment to obtain a refund after the first Action is counted, then the request for a refund will not be granted and the application will not be abandoned. Because the Petition is only granted if timely filed, the applicant has the opportunity to proceed with the application if the Petition is denied.

### III. Publication Of Application

In addition to providing a refund of the search and excess claims fees, filing a Petition under §1.138(d) may also prevent publication of an application (similarly to §1.138(c)) if it is timely filed. However, a Petition under

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<sup>1</sup> The USPTO's originally proposed rules did not provide for a refund of excess claims fee, and were unclear as to whether the entire search fee would be refundable. In response to our firm's comments on the proposed rules, the USPTO has now established that the entire search and excess claims fees are refundable.

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§1.138(d) will only be effective to stop publication of an application if it is granted and the abandonment processed before technical preparations for publication of the application have begun (i.e., about four months before the scheduled publication date).

#### IV. No Petition Fee

The USPTO's originally proposed rules were unclear as to whether a petition fee would be required under §1.138(d). In response to our firm's request for clarification, the USPTO's commentary to the final rule clarifies that no petition or other fee is required for a Petition under §1.138(d).

#### V. Recommendations

In the past, applicants have generally not expressly abandoned U.S. patent applications, even when a decision had been made not to pursue the applications. The applications could simply be allowed to become abandoned by failure to respond to the first Action. This approach maximized the time available for the applicants to change a decision to abandon an application based on changing commercial circumstances. It also allowed the applicants to take into account the context of the first Action in making the irrevocable abandonment decision.<sup>2</sup>

With the present rule change, the USPTO has provided a financial incentive to affirmatively abandon such applications rather than leaving the final decision until after the first Action. We therefore recommend conducting an analysis as to whether or not to expedite abandonment when a decision has been made not to pursue an application. This analysis will balance the benefits of maximizing the time to change the abandonment decision versus the benefits of recouping the search and excess claims fees.

Applications in which examination has been substantially delayed can be re-evaluated to determine whether or not the applications should be abandoned and subjected to the above analysis. Under the current backlogged conditions at the USPTO, it is often two or more years from filing to examination. Thus, decisions regarding abandonment can very often be made after search reports are received and the art cited therein evaluated. These delayed applications can easily be recognized via our firm's periodic status reports.

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*Oliff & Berridge, PLC is a full-service Intellectual Property law firm based in historic Alexandria, Virginia. The firm specializes in patent, copyright, trademark, and antitrust law and litigation, and represents a large and diverse group of domestic and international clients, including businesses ranging from large multinational corporations to small privately owned companies, major universities, and individual entrepreneurs.*

*This Special Report is intended to provide information about legal issues of current interest. It is not intended as legal advice and does not constitute an opinion of Oliff & Berridge, PLC. Readers should seek the advice of professional counsel before acting upon any of the information contained herein.*

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<sup>2</sup> A petition to revive is not available for an application that has been intentionally abandoned.