

# REPORT

## FEE DEFERRAL PROGRAM FOR U.S. NONPROVISIONAL APPLICATIONS CLAIMING PRIORITY TO U.S. PROVISIONAL APPLICATIONS

December 10, 2010

### I. Introduction

On December 8, 2010, the United States Patent and Trademark Office ("PTO") announced the implementation of an Extended Missing Parts Pilot Program ("the Program"). The Program provides a non-extendible 12-month time period for paying certain fees in response to a Notice to File Missing Parts for some U.S. patent applications. The effect of the Program is to allow selected applicants to delay paying examination, search, and excess claim fees, for up to about 12 months for \$130, the current surcharge associated with late payment of fees within a two-month window.<sup>1</sup> Unless the PTO chooses to extend it, the Program is effective until December 8, 2011.

Currently, an applicant may delay the payment of examination, search, and excess claim fees by failing to pay these fees at the time of filing a nonprovisional application. Payment of these fees, with the \$130 surcharge, becomes due two months after receiving the ensuing Notice to File Missing Parts. This two-month period for reply can be extended for up to five months upon payment of extension fees (respectively \$130, \$490, \$1,110, \$1,730 or \$2,350 for payment with extensions of 1, 2, 3, 4, or 5 months).

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<sup>1</sup> All fees discussed herein are reduced by 50% for small entities. For clarity, we will only refer to large entity fees below.

The Program allows eligible applicants to defer payment of the examination, search, and excess claim fees, for example if an applicant is unsure of whether or not to pursue U.S. patent protection, and avoid payment of these fees should the applicant decide to abandon the application, at minimal cost and without extension fees. Currently, upon a decision to forgo examination of an unexamined nonprovisional application, an applicant can only abandon the application in return for having examination of another application expedited or obtain a refund of search and excess claim fees, but not the \$220 examination fee.

The Program is a pilot program in which the PTO wishes to test the effectiveness of the 12-month period for response with a small finite group of applicants, and may be expanded to all applicants, if successful.

### II. Details of the New Pilot Program

Applications are eligible for the Program upon filing of (1) a nonprovisional application that is able to claim direct benefit of a U.S. provisional application filed within the preceding 12 months, which includes, at least, a specification, one claim, and any required drawings (i.e., the minimal requirements for being accorded a filing date by the PTO); and (2) a Certification and Request for Extended Missing Parts Pilot Program (Form PTO/SB/421) when filing the nonprovisional application.

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Applicants must eventually satisfy the following additional requirements for participation in the Program. Applicants must have (3) paid the basic filing fee (currently \$330) and any application size fees for the nonprovisional application; (4) filed an executed inventor declaration in the nonprovisional application; (5) claimed direct benefit of a U.S. provisional application within four months of filing the nonprovisional application by reference in the first sentence of the specification or in the Application Data Sheet; (6) not filed a nonpublication request or filed a rescission of a previously filed nonpublication request; and (7) otherwise placed the application in condition for publication. The following are required in order for the nonprovisional application to be in condition for publication and fully eligible for participation: (1) a specification in compliance with 37 CFR 1.52; (2) an abstract in compliance with 37 CFR 1.72(b); (3) drawings in compliance with 37 CFR 1.84 (if applicable); (4) any application size fee; (5) any necessary English translation of both the provisional and nonprovisional applications; and (6) a sequence listing in compliance with 37 CFR 1.821-1.825 (if applicable).

Applications that are not eligible for participation in the Program include (1) nonprovisional applications that are not entitled to directly claim the benefit of a prior-filed U.S. provisional application filed within 12 months, (2) design applications, (3) national phases of PCT applications, and (4) reissue applications. Reexamination proceedings are also not eligible for participation in the Program. Continuation applications are only eligible for participation in the program if the continuation application is filed within 12 months of a prior-filed U.S. provisional application, such that priority can be directly claimed to the U.S. provisional application.

An applicant who files a nonprovisional application meeting the eligibility requirements of the Program accompanied by a Certification and Request for Extended Missing Parts Pilot Program will receive a Notice, within one to four months, from the PTO providing a non-extendible 12-month period to pay the missing fees. The Program effectively gives

eligible applications 13-16 months in which to pay the requisite fees (and thus to file a preliminary Amendment, an Information Disclosure Statement ("IDS"), or other items, if desired).

The 12-month time period for responding to a Notice to File Missing Parts is only applicable for extending the time period for filing missing examination, search, and excess claim fees. If other application requirements, including those required for eligibility in the Program, are missing, those missing requirements will be subject to the current two-month extendible period for response (extendible for up to five months). For example, if an applicant fails to file an executed inventor declaration when filing the nonprovisional application, the ensuing Notice to File Missing Parts in the nonprovisional application, requiring the submission of the executed inventor declaration, will set a two-month extendible period for response. The same Notice will also initiate the 12-month period for paying the missing examination, search, and excess claim fees.<sup>2</sup> In this case, the single \$130 surcharge for the late filing of the executed oath or declaration fulfills the requirements for payment of the surcharge in satisfaction of both the 2-month requirements and the 12-month requirements in the Notice.<sup>3</sup>

An applicant can pay the missing fees at any time within the extended 12-month period for reply. Any Patent Term Adjustment ("PTA") accrued during examination because of PTO delay would be offset by

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<sup>2</sup> In a case where direct benefit of a U.S. provisional application is not claimed when filing a nonprovisional application or where a nonpublication request has been filed, the PTO will issue a Notice setting a two-month period for reply. Once the proper claim of priority is made or the nonpublication request is rescinded, a new Notice will be issued setting a 12-month period for paying the missing fees starting from the mail date of the initial Notice.

<sup>3</sup> Due to the additional docketing and filing required, we would charge our usual professional fee for each response to a Notice to File Missing Parts.

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the amount of time greater than three months taken to respond to the Notice to File Missing Parts. There will be no change to the current PTA regulations, and the offset cannot shorten the minimum 20-year-from-filing patent term.

PTO fee amounts are determined as of the date that the fees are paid. Thus, if the PTO increases its fees after an applicant requests and is granted participation in the Program, but before the payment of the missing fees, the applicant will be required to pay the increased fees.<sup>4</sup>

### III. Analysis of the New Pilot Program

The Program provides more time for decision-making when considering the filing of a nonprovisional application that directly claims the benefit of a prior-filed U.S. provisional application. Eligible applicants are given the ability to focus on commercial significance of their applications for a longer period of time at a relatively low cost (\$130 government fee), compared to the current cost with a 5-month extension of time (\$2,480 government fee). As a concomitant benefit, eligible applicants are provided an extended period of time to draft and perfect a full set of U.S. claims and/or prepare other items such as an IDS to be filed with their fee payment. This can be particularly useful to allow time for preparation of complex claims or claims (such as replacements for "use" or "Swiss-type" medical treatment claims) that may significantly vary between applications in different countries. Finally, eligible applicants are provided with a means to delay examination, for example, to provide more opportunity to draft claims based on evolving products of either the applicant or its competitors.

Once an eligible applicant pays the missing search, examination, and excess claim fees in accordance with the Program, the nonprovisional application will be placed in queue for examination based upon the actual filing date of the nonprovisional

application. As such, participation in the Program would result in relatively limited additional delay in the issuance of the resulting patent.

Currently, the fees for filing a U.S. provisional application include a government-filing fee of \$220. The basic filing fee for filing a nonprovisional application is \$330. Participation of eligible applicants in the Program will allow applicants to defer the \$540 search fee, the \$220 examination fee, and excess claim fees of \$220 per independent claim in excess of three independent claims and \$52 per claim in excess of 20 claims.

In effect, not taking into account excess claim fees, filing a Certification and Request for Extended Missing Parts Pilot Program, allows an eligible applicant to defer the payment of the \$760 search and examination fees (and thus also examination), in addition to the \$130 late fee payment surcharge, for up to 12 months while avoiding up to \$2,350 in fees. If the applicant decides not to pursue examination of the nonprovisional application, the applicant can simply take no further action.

The Program encourages U.S. and foreign applicants to file priority provisional applications in the United States by requiring that a nonprovisional application claim benefit of a prior-filed U.S. provisional application for eligibility in the Program. A foreign applicant who files a priority application outside the United States may become eligible for the Program by also filing a U.S. provisional application before filing the nonprovisional application in the PTO. This also has the benefits of (1) creating an earlier prior art effective date for the ensuing publication under 35 U.S.C. §102(e), and (2) starting the "grace period" under 35 U.S.C. §102(b) earlier. There is no requirement that the provisional application (or the nonprovisional application) be translated into the English language before it is filed.

For those eligible applicants that would like to defer payment of most PTO fees, would like additional time for drafting a full set of U.S. claims, are uncertain as to whether to pursue U.S. patent

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<sup>4</sup> Currently, Congress is considering legislation that proposes to increase PTO fees by 15%.

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protection, or would simply like to delay the beginning of examination, the new Program should prove to be cost effective.

**IV. Recommendations**

1. We recommend participation in the Program for eligible applicants who are comfortable with the possible loss of PTA and would like more than two to four months to:
  - Determine whether or not to pursue U.S. patent protection;
  - Pay examination, search, and excess claim fees;
  - Begin examination;
  - Draft a full set of U.S. claims; or
  - Submit an IDS.
2. We do not recommend participation in the Program for eligible applicants who are not comfortable with the possible loss of PTA.
3. For eligible applicants who file a nonprovisional application with missing parts other than the search, examination, and excess claim fees, we recommend participation in the Program, as participation in the Program will come at little or no greater cost and will provide additional flexibility with regard to additional filings such as preliminary Amendments and IDSs.

4. For applications where prosecution is to be sought without delay, there are likely no benefits of participation in the Program.
5. In the case where an application may be abandoned in the United States and a decision must be made more than six months after the convention due date, participation in the Program may be cost-effective.
6. In the case where examination, strategic claim drafting, or IDS submissions must be deferred for 12-14 months, the Program may be cost-effective.

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*Oloff & 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.*

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