



May 28, 2024

VIA ELECTRONIC SUBMISSION

Office United States Patent and Trademark Office
Madison East Building
600 Dulany Street
Alexandria, VA 22314

Re: Setting and Adjusting Trademark Fees During Fiscal Year 2025, 89 Fed. Reg. 20897 (March 26, 2024).

Dear Commissioner David Gooder:

On March 26, 2024, the U.S. Patent and Trademark Office published a proposed rule entitled *Setting and Adjusting Trademark Fees During Fiscal Year 2025*.¹ This letter constitutes the Office of Advocacy's (Advocacy) public comments on the proposed rule.

Advocacy's chief concerns are that alternative approaches to the proposed rule may provide less of a burden on small business applicants and the fee structure will create unexpected costs on small business applicants. Small business stakeholders expressed concern that the proposed rule will increase their downstream fees. They are also concerned with the practicability of the current trademark application system, namely the Trademark ID Manual, and being able to navigate trademark applications without assistance from attorneys. Further guidance is needed from the USPTO, and less burdensome alternatives should be considered.

I. Background

A. The Office of Advocacy

Congress established the Office of Advocacy under Pub. L. 94-305 to represent the views of small entities before federal agencies and Congress. Advocacy is an independent office within the U.S. Small Business Administration (SBA) that seeks to ensure small business concerns are heard in the federal regulatory process. Advocacy also works to ensure that regulations do not unduly inhibit the ability of small entities to compete, innovate, or comply with federal laws. The

¹ 89 Fed. Reg. 20897 (Mar. 26, 2024) [hereinafter *Proposed Rule*].

views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration.

The Regulatory Flexibility Act (RFA),² as amended by the Small Business Regulatory Enforcement Fairness Act (SBREFA),³ gives small entities a voice in the rulemaking process. For all rules that are expected to have a significant economic impact on a substantial number of small entities, the RFA requires federal agencies to assess the impact of the proposed rule on small entities and to consider less burdensome alternatives.⁴ If a rule will not have a significant economic impact on a substantial number of small entities, agencies may certify the rule.⁵ The agency must provide a statement of factual basis that adequately supports its certification.⁶

The Small Business Jobs Act of 2010 requires agencies to give every appropriate consideration to comments provided by Advocacy.⁷ The agency must include a response to these written comments in any explanation or discussion accompanying the final rule's publication in the *Federal Register* unless the agency certifies that the public interest is not served by doing so.⁸

Advocacy's comments are consistent with Congressional intent underlying the RFA, that "[w]hen adopting regulations to protect the health, safety, and economic welfare of the nation, federal agencies should seek to achieve statutory goals as effectively and efficiently as possible without imposing unnecessary burdens on the public."⁹

B. The Proposed Rule

The USPTO has proposed to update application fees that incentivize more complete and timely filings and improve prosecution of trademark applications. The Trademark Electronic Application System (TEAS) Plus and TEAS Standard applications will be consolidated into one application. Currently, the TEAS Plus application allows applicants to select a category from the Trademark ID Manual for \$250. While the TEAS Standard application provides an update that will allow applicants to describe the purpose of the trademark using a free-form text box, the utility of the trademark will carry a \$350 fee to apply. USPTO's proposed rule will cost applicants \$350 to apply using the ID Master List and will require an additional \$200 for the use of a free-form text box.

II. Advocacy's Small Business Concerns

Advocacy held a roundtable on May 2, 2024, and conducted outreach to small businesses impacted by the proposed rule. Advocacy has four chief concerns with the proposed rule and the disproportionate impact a change in fee structures will have on small business applicants. First,

² Pub. L. No. 96-354, 94 Stat. 1164 (1980) (codified at 5 U.S.C. §§ 601-612).

³ Pub. L. No. 104-121, tit. II, 110 Stat. 857 (1996) (codified in scattered sections of 5 U.S.C. §§601-612).

⁴ 5 U.S.C. § 603.

⁵ *Id.* § 605(b).

⁶ *Id.*

⁷ Small Business Jobs Act of 2010, Pub. L. No. 111-240, §1601, 214 Stat. 2551 (codified at 5 U.S.C. § 604).

⁸ *Id.*

⁹ Regulatory Flexibility Act, Pub. L. No. 96-354, 94 Stat. 1164 (1980) (codified at 5 U.S.C. §§ 601-612).

Advocacy is concerned with issues in using the Trademark ID Manual. Second, the proposed rule increases downstream fees, fees that are tacked on when the application is already partially processed, such as those associated with the free-form textbox. Third, the USPTO's proposed alternatives provide more stability, accountability, and certainty for small businesses. Lastly, more accessible, and understandable guidance is needed from the USPTO to help small businesses avoid unnecessary fees.

A. Issues with the Trademark ID Manual

A key aspect of the proposed rule is to increase the use of the Trademark ID Manual to submit trademark filings rather than using a free-form textbox.¹⁰ For small businesses that apply for a trademark without assistance, the Trademark ID Manual is hard to decipher which makes selecting the correct category for their product or service difficult. Additionally, the ID Manual does not reflect new products or services that might be needed for an application filing. In order for the ID Manual to be useful in USPTO's operations, a review and cleanup is needed. Particularly, in more innovative industries, such as "AI software" the Trademark ID Manual contains only two options: "Technical consulting in the field of artificial intelligence (AI) software customization" and "Providing consumer product information for the purpose of selecting artificial intelligence (AI) hardware and software to meet the consumer's specifications."¹¹ More straightforward products, such as toothbrushes, have numerous overlapping categories such as "toothbrush," "tooth brush," "electric toothbrush," "electric tooth brush" and "electrical toothbrushes." Advocacy urges the USPTO to create more clarity in the Trademark ID Manual. Further, small business applicants expressed finding the Trademark ID Manual confusing rather than creating clarity and easy-to-submit trademark applications.

B. Free-form textbox and downstream fees

The proposed rule provides more cost-savings for applicants who only use the Trademark ID Manual instead of using a free-form textbox to describe the purpose of their trademark application. Small businesses have told Advocacy that the proposed rule's downstream fees penalize more cutting-edge industries where the Trademark ID Manual does not neatly fit with the intended trademark application. Trademark applications are often filed with an intent to use a mark in U.S. commerce when an applicant has broad plans for its business. Often, by the time proof of use is filed, a broad listing of goods and/or services is pared down. Since goods and/or services cannot be added to an application after the filing date, it is understandable that an applicant would want to start with a broader listing, and then shorten the list later. Also, applicants are obligated to provide an accurate listing of goods and/or services, based on their

¹⁰ See Trademark ID Manual <https://idm-tmng.uspto.gov/id-master-list-public.html>

¹¹ See <https://idm-tmng.uspto.gov/id-master-list-public.html>

claim of actual use or intent to use, so applicants may need to provide long listings of goods and/or services. The proposed fee imposes a burden on applicants when combined with the increased fee for not using the Trademark ID Manual. However, as long listings are more burdensome on examiners, a fee for additional words, not characters, above a threshold could be appropriate.

Small businesses raised points on several other downstream fees that may arise when the applicant is unable to avoid increased fees. Small business stakeholders raised concerns that the current structure imposes a \$100 fee for loss of TEAS Plus status, and the proposed “fee for insufficient information” will likely cover the equivalent situations where TEAS Plus status may be lost, such as failing to provide a translation of the mark or identifying prior U.S. registrations owned by the applicant. There is no statutory or regulatory definition for “insufficient information,” and therefore applicants are likely to be subject to the discretion of individual examiners.

Additionally, letters of protest allow for third parties to provide the USPTO with information to aid in examining a trademark application, and therefore should reduce the burden on the USPTO examination team. The USPTO does not appear to have offset the processing costs for letters of protest by the reduced costs in the examination, which discount the effect of such letters of protest.

Petitions to revive an application are automatically processed by the USPTO and are increased by 67% in cost.¹² Often an application is revived within hours of the electronic filing of a petition to revive. Small business stakeholders described how the increase in fee does not appear to be proportional to the work required to process the petition. USPTO should consider pairing an increased petition fee with a refund for situations where the petition was required due to a failure in USPTO operations.

Advocacy urges the USPTO to carefully consider the effectiveness of the proposed fee increases and acknowledge the concerns that small businesses have raised.

C. Proposed alternatives provide more stability and certainty for small businesses.

In the initial regulatory flexibility analysis (IRFA), the USPTO proposes alternatives to the proposed fee structure.¹³ Alternative 2, entitled “Unit Cost Recovery,” proposes to make costs proportionate to the actual costs of processing for each application.¹⁴ Small businesses stated that creating fees proportional to the costs associated with the service provided creates a fair process. Alternative 3, entitled “Across-The-Board Adjustment” proposes an 27% fee increase across-the-board.¹⁵ Small business owners also said a more evenly distributed fee increase creates more certainty for their application or renewal process. Both Alternative 2 and Alternative 3 create

¹² *Proposed Rule*, *supra* note 1, at 20,908.

¹³ *See id.* at 20,912.

¹⁴ *Id.*

¹⁵ *Id.*

application or renewal costs that are easier for a small business to understand and are more predictable. Advocacy recommends the USPTO adopt either of these two options.

D. More accessible and understandable guidance is needed from the USPTO to help small businesses avoid unnecessary fees.

Small businesses should be able to apply and maintain their trademarks without undue burdens and unexpected expenses for protecting their intellectual property. One small business owner described how they attempted to renew their trademark by themselves, but received seldom and vague communications from the examining officer before receiving a notice their renewal was unsuccessful. They then spent valuable time and money to apply for the trademark again. Another small business owner described that paying for increased costs of services is acceptable, but the USPTO should ensure trademark applications are processed in a timely manner that small businesses can rely upon. Small businesses want a process that allows them to secure the lowest fees for their application while they innovate and create new intellectual property. To create more stability and certainty for small businesses, Advocacy recommends the USPTO create more clear and accessible guidance for small businesses seeking to apply for a trademark or renew their existing trademark on their own.

III. Conclusion

Advocacy urges the USPTO to consider adopting the alternatives proposed under the IRFA. Small businesses have expressed concerns over the payment structure of the USPTO applications. Some affected small businesses encourage the agency to explore creating a payment system that matches the unit cost recovery price of each associated service. Other small business representatives advocate for a 27% across-the-board adjustment to create more continuity in estimated costs for a trademark application. Additional outreach would be useful in understanding what is the best structure for small businesses. Further, Advocacy recommends the USPTO spend more time deploying readable and workable small business guidance for trademark applications.

If you have any questions or require additional information, please contact me or Assistant Chief Counsel David Mullis at (202) 830-2292 or by email at david.mullis@sba.gov.

Sincerely,

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Copy to: The Honorable Richard L. Revesz, Administrator
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