

Ms. Gina Raimondo
Secretary
Department of Commerce
1401 Constitution Ave. NW
Washington, DC 20230

Re: Setting and Adjusting Patent Fees during Fiscal Year 2025

Dear Ms. Raimondo:

I applaud the department's mission to balance patent office budgets by allowing fees to be freely set. The general ethos of conserving taxpayer money is a noble premise for any piece of regulation.

However, I believe the ultimate effects of this rule will constitute a net harm for American citizens. Patents provide a necessary incentive for innovation, which is the backbone of any modern economy. Since a patent is a mandatory part of the innovative process, an increase in the cost of receiving a patent could lead to an overall decrease in innovation. A study conducted by the National Bureau of Economic Research found that "a one percentage point increase in either the median or top tax rate is associated with an approximately 4% decline in patents, citations, and inventors, and a close to 5% decline in the number of inventors in the state."¹ An increase in the price of obtaining a patent would essentially constitute a tax on inventors. While not as extreme as an income tax hike, this can be expected to decrease patents and the subsequent innovation.

The FY 2025 budget expects 7% more in patent fee collections, but the expected application growth rate is only listed at 2%. Given a 2.1% expected 2025 inflation rate, there is a 2.9% discrepancy which is theoretically going towards administrative and service costs. It is unlikely that inventors will see the direct rewards of this added funding, and therefore will have a net cost imposed on their patent process.

Since public patent agencies do not have the same profit incentive that private firms do, the policy creates the dangerous potential for excessive spending within patent agencies in the form of administrative costs or general services. In any public endeavor, there is a strong incentive to overspend. The rule allows patent offices to fall into this expenditure trap with the safety net of an increase in patent fees.

Instead of protecting taxpayers by reducing the deficit within patent offices, the policy has the potential to lead to a decrease in innovation and thus a far more harmful consequence for the American people.

¹ Akcigit, Ufuk, et al. 2019. "Higher taxes tend to suppress innovation." London School of Economics. July 6, 2019.

I would suggest a different policy which attempts to cut costs without disincentivizing the innovation which will provide the foundation for America's future prosperity.

Sincerely,

Paul Joshua Bustamante²

² Senior at Hillsdale College studying economics and mathematics. I offer this comment in my personal capacity; affiliation information is provided for informational purposes only.