

# **A Consultation on Proposed Intellectual Property Office Fee Changes**

## **Formal Response Document**

### **Background**

1. In July 2009, the Intellectual Property Office published a consultation paper entitled "A Consultation on Proposed Intellectual Property Office Fee Changes". The consultation paper made a number of proposals in relation to the fees we charge for our services and together the proposals were designed to:

- Enable us to continue to provide a quality IP rights granting service as part of a functioning and value-generating IP system for UK businesses
- Realign our processing costs with fees to reflect more closely the work we undertake to deal with particular types of applications and requests
- Encourage the use of more e-business with a view to improving our efficiency and making us a more environmentally friendly organisation
- Introduce more consistency in the fees we charge for similar services offered across designs, patents and trade marks

2. The consultation period ended on 12 October 2009.

### **Summary of conclusions**

3. As a result of the responses received, the following fee changes will be introduced:

- The patent search fee will be increased from £100 to £150, and not to £200 as originally proposed.
- The patent examination fee will be increased from £70 to £100, and not to £150 as originally proposed.
- The search of an international patent application (UK) fee will increase from £80 to £120, and not to £160 as originally proposed.
- The discount for e-filed patent search and examination requests will be increased to £20.
- We have decided that we will not be proceeding with the introduction of an excess claims fee at this time.
- Patent renewal fees will be increased as detailed in the table in paragraph 35 below.

- We will introduce a fee of £350 which a claimant must pay to continue with patent proceedings, if the action is not uncontested.
- The fee for the transmittal of an international patent application, filed at the IPO as a PCT Receiving Office, will be increased from £55 to £75.
- We will introduce a fee of £150 for requests for restoration of the right of priority on PCT applications.
- A fee of £50 will be introduced for the recordal of assignments, licences and mortgages across patents and trade marks. We will also introduce this fee for designs but this will be taken forward with other changes to the designs legislation at a later date.

## Responses

4. A total of 33 responses were received. The respondents ranged from professional representative bodies to individual IP firms and individual IP attorneys to Universities or individuals with their own businesses. A list of the respondents can be seen in the annex to this document.
5. In general, the comments received supported the majority of the proposals put forward in the consultation. Many respondents indicated that the individual proposals would not have an adverse effect on their behaviour as users of our services.
6. This response document summarises the responses received for each proposal and details our conclusions and planned next steps. It is not practical to respond to each individual point raised but these have been taken into account when reaching our conclusions.

## Proposal 1

7. The proposal was:

“To increase the patent search fee from £100 to £200 and to increase the patent examination fee from £70 to £150. To increase the search of an international patent application (UK) fee from £80 to £160”.

8. The responses were mixed on the possible impact of these proposed increases to patent search and examination fees. Many respondents felt that the increases would not affect the way businesses use the IP system to protect their ideas but suggested that the changes may have an impact on the wider innovative community. Several of the respondents who commented on this proposal indicated that the increases would not affect the way they do business with us to protect their inventions and ideas.
9. The comments suggested that our fees for search and examination of patent applications are minimal when compared with the overall cost of gaining patent protection and that these fees did not outweigh the value businesses can gain

from protecting their ideas. A lack of understanding of this potential value for business was cited as a more likely barrier which prevents SMEs applying for IP protection rather than the proposed increased costs of applying.

10. Not all the responses supported the proposals and some felt that the increases to the patent search and examination fees could be disadvantageous to individuals, SMEs or Universities. It was felt that this could result in a lack of access to the IP system which is, therefore, unsupportive of innovation.
11. Some of the respondents forecasted a drop in demand for our services if fees were increased to the proposed levels. These comments ranged from predictions that the increases would “slightly dampen demand” to a suggestion that we could experience a 5% drop in overall filings which could represent a 60% drop in filings from individuals and smaller businesses. One respondent made comparisons based on research on the price elasticity of patents and also suggested that the proposed 100% increase in our patent search and examination fees could result in a 40% decrease in demand.
12. There were also comments indicating that the proposed increases may reduce the number of times an applicant chooses to file a UK patent application and have it searched before using it as the basis for a priority claim. This would be the result of the diminished price differential between the fees at the Intellectual Property Office and the fees at the European Patent Office (EPO) which may result in more customers filing directly with the EPO. More generally, the decrease in the price differential between this Office and the EPO was also raised as an issue which would have negative effects on demand.
13. In considering all the responses received, the comments which suggest that the fee increases will have little, if any, effect on our customer’s filing habits outweigh those comments which raise concerns over the impact of the proposed new fees.
14. As an organisation, we recognise the need to better match our fees with our costs as part of our work to ensure our income sufficiently allows us to continue to provide a quality service to our customers. To do this, we need to make changes to our search and examination fees but we understand from the responses received that we cannot ignore the potential impact our proposed 100% increase may have by limiting the protection sought by individuals and SMEs. On balance, therefore, we have reduced the proposed level of increase to reflect the concerns highlighted in the consultation responses. In terms of comparison to the EPO fees, it is true that the proposed increases would reduce the difference in fees but the price differential will still be significant and so we will remain a significantly lower-cost option for patent protection in the UK.
15. **The patent search fee will be increased from £100 to £150, and not to £200 as originally proposed.**
16. **The patent examination fee will be increased from £70 to £100, and not to £150 as originally proposed.**

**17. The search of an international patent application (UK) fee will increase from £80 to £120, and not to £160 as originally proposed.**

### Proposal 2

18. The proposal was:

“To increase the discount for e-filed patent search and examination requests to £30 per request”.

19. There was almost universal support for this proposed increase, with several respondents confirming that the increased level of discount would result in their use of our e-filing facilities. One respondent countered this by commenting that the proposed discount was not sufficient to encourage a move to using our e-services, whilst two others felt that the impact of the discounts were marginal and the use of e-services would steadily increase with or without the proposed incentive.

20. Some responses indicated that our e-filing services were only relevant to those who file directly with us or those who hold deposit accounts with the Office. This is not the case, as we accept credit card payments via our e-filing services and many patent attorneys make use of our electronic filing services, through the use of the EPO online services, an EPO package of software that uses smart cards to ensure security. Further information on the use and availability of our online patent services can be found via our website at:

<http://www.ipo.gov.uk/types/patent/p-os/p-apply-online.htm>.

21. The proposed £30 discount for e-filed patent search and examination requests was put forward alongside our original proposal to increase patent search and examination fees by 100%. As discussed above, we intend to proceed with a lower level of increase for the patent search and examination fees and in line with this, the new discount for use of our e-services for patent search and examination requests will be slightly lower than originally proposed.

**22. The discount for e-filed patent search and examination requests will, therefore, be increased to £20.**

### Proposal 3

23. The proposal was:

“To introduce a fee of £20 for each of the 16<sup>th</sup> and subsequent claims contained in a patent application at the time the search is carried out”.

24. This was another area of the consultation where we received mixed responses to the proposal. Some respondents felt that the introduction of an excess claims fee would result in more concise claims which address the core of the invention. There was an acknowledgement that this proposal would bring us into line with the EPO and other patenting systems which charge for excess claims. Others felt

that patent attorneys were used to drafting claims in readiness for the EPO system and this proposal would present an early opportunity for patent attorneys to draft claims which were then suitable for use at the EPO.

25. However, concerns were raised that the introduction of this fee could result in overly lengthy and complex claims as different ideas would merely be combined into one to ensure that the number of claims filed were below the fees threshold. One representative body felt that this would not affect our income, adding that “assuming that multi-dependent claims counted as single claims, attorneys would most likely limit the number of claims in an application to fifteen” which would not generate any extra income and would not justify the extra administrative work needed to operate the proposed excess claims system.
26. Some respondents felt that forcing a limit on claims could weaken an application and lead to less than ideal IP coverage as the true scope of the invention might be missed if the claims are reduced to lessen costs. Some also commented that the introduction of an excess claims fee could “tax” certain technologies and industries more than others, given what they argued was a need in some areas, such as biotechnology, to file extensive claims in several categories.
27. In considering the overall comments received to this proposal, we do not feel at this time that the benefits of introducing an excess claims fee strongly outweigh the extra administrative burdens this will introduce for both our customers and our internal processes.
- 28. We have, therefore, decided that we will not be proceeding with the introduction of an excess claims fee at this time.**

#### Proposal 4

29. The proposal was:

“To increase patent renewal fees with minor increases for the first 12 years and more substantial increases for the remaining 7 years”.

30. The majority of responses supported the proposal to increase patent renewal fees. Many felt that the increased fees would encourage people to monitor their patents more sensibly, abandoning those which are not profitable thereby freeing up the technology for others to use. Increases in the later years were seen as a positive proposal and many felt that the balance between lower fees in the early renewal years and more substantial fees in the later years was correct. Some respondents commented that if a patent is commercially successful, the increases in renewal fees in the later years would not be seen as a problem.
31. The proposed fees were felt to be well positioned in comparison with other national patent offices and many welcomed the staggered increases proposed in the consultation.
32. In considering the smaller number of responses which did not favour the proposed renewal fees, these highlighted the fact that the proposed steeper

increases after year 17 might result in some abandoning their IP protection on cost-effectiveness grounds alone, with the later increases possibly being more of an issue in some industries more than others, for example, in the pharmaceutical industry.

33. Two respondents commented that the proposed increases could be an inhibitor to students, individuals and SMEs who have limited financial means. This could result in patents being abandoned earlier in the renewal cycle. Linked to this, one respondent made a prediction that we could see a decrease of between 5 and 15% in patent renewals as a result of the proposed renewal increases.

34. The consultation document detailed a range of proposed fee increases and asked whether the answer to the question on renewal fees differed depending on where in the range the fees were set. However, the responses received contained no discussion of whether the higher range increases were considered any less desirable than the proposed lower range fees.

**35. Given the levels of support for this proposal, patent renewal fees will be increased as follows:**

<b>Renewal Year</b>	<b>Current Fee £</b>	<b>New fee £</b>
<b>5th Year</b>	<b>£50</b>	<b>£70</b>
<b>6th Year</b>	<b>£70</b>	<b>£90</b>
<b>7th Year</b>	<b>£90</b>	<b>£110</b>
<b>8th Year</b>	<b>£110</b>	<b>£130</b>
<b>9th Year</b>	<b>£130</b>	<b>£150</b>
<b>10th Year</b>	<b>£150</b>	<b>£170</b>
<b>11th Year</b>	<b>£170</b>	<b>£190</b>
<b>12th Year</b>	<b>£190</b>	<b>£210</b>
<b>13th Year</b>	<b>£210</b>	<b>£250</b>
<b>14th Year</b>	<b>£230</b>	<b>£290</b>
<b>15th Year</b>	<b>£250</b>	<b>£350</b>
<b>16th Year</b>	<b>£270</b>	<b>£410</b>
<b>17th Year</b>	<b>£300</b>	<b>£460</b>
<b>18th Year</b>	<b>£330</b>	<b>£510</b>
<b>19th Year</b>	<b>£360</b>	<b>£560</b>
<b>20th Year</b>	<b>£400</b>	<b>£600</b>

Proposal 5

36. The proposal was:

“To increase the fees associated with running patent proceedings before the comptroller by keeping the initial fee unchanged but introducing a further £350 fee that the claimant must pay to continue with the action if it is not uncontested”.

37. This was an area where we received strong support for the proposal. Many felt that the proposed £350 fee was a marginal cost when maintaining, challenging or defending patent rights, with other costs far outweighing the proposed fee. The additional fee was not something which would discourage claimants if it is compared with the level of costs for professional and legal advice and many commented that the proposal is in line with many civil court actions which require further fees at various stages in the proceedings.
38. There was support for increasing the fees to cover Office costs in this area but recognition that the decision to retain the lower £50 fee to launch proceedings would ensure that uncontested inventorship proceedings would remain accessible whilst the proposed higher, continuation fee may act as a form of discouragement for speculative oppositions.
39. To counter the support in this area, a few respondents felt that the increased fees could prevent individuals and SMEs from launching proceedings and protecting their patent rights. This could result in a decrease in defence levels. One representative body felt that the system could be open to abuse but felt that given the small number of cases filed each year at the Office, the increase in income raised through this proposal would not significantly affect Office finances.
40. Overall, it was clear from the balance of the responses that the introduction of this new fee will not be prohibitive nor have a significant effect on the Office's role in providing a low-cost alternative to the courts for the resolution of certain patent disputes.
- 41. We will, therefore, introduce a fee of £350 which a claimant must pay to continue with patent proceedings, if the action is not uncontested.**

#### Proposal 6

42. The proposal was:

“For international patent applications (filed at the IPO as a PCT Receiving Office), to increase the transmittal fee from £55 to £75.

To introduce a fee of £150 for a request for restoration of the right of priority”.

43. This was another area where the responses strongly supported the proposed increases in fees. The increased transmittal fee was not felt to be excessive and the increase of £15 was seen as negligible compared to other costs incurred in filing a PCT application. Comparisons were made with the EPO fees for PCT applications, with the Office fairing favourably in this area as the proposed fees were seen as “very reasonable and reflect competitive market value for this activity”.
44. Whilst we received a few comments suggesting that the increases may make respondents look closely at using the PCT option, only one respondent suggested that the introduction of a £150 fee for a request to restore the right of priority, was “harsh if the work is currently undertaken with no fees payable”. This

was also accompanied by a suggestion that a lower fee for a UK late declaration of priority would be a more suitable option which could then be used as the basis for the introduction of the PCT fee.

45. However, given the overall level of support for these proposed fee changes we will go ahead with them as proposed.

**46. The fee for the transmittal of an international patent application, filed at the IPO as a PCT Receiving Office, will be increased from £55 to £75.**

**47. We will introduce a fee of £150 for requests for restoration of the right of priority on PCT applications.**

#### Proposal 7

48. The proposal was:

“To introduce a fee of £50 for comparable services for recording registrable transactions on designs, patents and trade marks”.

49. The responses received strongly supported the introduction of this fee with many respondents welcoming the consistency this will bring. The proposed fee was felt to be acceptable and would not have a major impact on the demand for these services, as many recognised that the benefits of registering a change of ownership outweighed the proposed costs. There were comments, however, which indicated that whilst there is support for the introduction of this fee, respondents would not like to see this extended to include fees for recording changes of address or the appointment of agents.

50. A few respondents felt that introducing this fee would impact on individuals and SMEs. The additional costs may result in applicants deferring the decision to record the transactions with us, affecting the reliability of the public database, as transactions would remain unrecorded for some time. One respondent felt that this fee would increase the costs of licensing which would reduce the levels of licensing activity.

51. There are clear legal benefits to recording transactions in a timely manner and as recognised by the responses to the consultation, these benefits outweigh the cost of the fees we are proposing. Given the balance of the responses, we will therefore implement the fees as proposed in the consultation.

**52. A fee of £50 will be introduced for the recordal of assignments, licences and mortgages across patents and trade marks. We will also introduce this fee for designs but this will be taken forward with other changes to the designs legislation at a later date.**

## **Wider Questions**

53. The consultation also asked respondents to consider a series of wider questions relating to the overall proposed package of fee changes, the balance between patent application and renewal fees, the levels of income needed to sustain our world-leading performance and the timing of future fee adjustments.

54. The following provides a summary of the responses for each of the wider questions asked in the consultation.

### Question 8 of the consultation

55. The question asked was:

“As a combined package of fee changes, what effect overall would the proposed changes in fees have on businesses and individuals who wish to protect their IP rights, and in particular, their patent rights?”

56. There was a mixed response to this question. Half of the respondents commented that the overall package of fee increases would have little or no significant effect on protecting their IP rights, pointing out that the increases were a small proportion of patenting costs. They acknowledged that the fee increases were necessary to help us maintain an efficient office, with some noting a need for us to match our performance with international standards.

57. Other respondents felt that whilst the individual fee increases were acceptable, the package as a whole would have the effect of lessening demand, creating a barrier to entry into the IP system as it will deter them from maintaining their IP rights and therefore, the proposed increases would be considered as a “tax on innovation”.

58. It was clear from the responses that the concerns focused on the likely effects on those wishing to enter the IP system to protect their ideas. These concerns have been taken into account together with the specific comments received on the proposed increases in search and examination fees and have influenced our decision to proceed with reduced increases as detailed in paragraph 15 to 17 above.

### Question 9 of the consultation

59. The question asked was:

“Do you think the proposed new fee structure strikes the right balance between increases to fees for patent applications and increases to patent renewal fees?”

60. The majority of responses received confirmed the benefits of increasing fees at the renewals stages when products are more commercially and financially viable and so have the need to be protected whilst generating the income to pay for the relevant costs.

61. A few respondents indicated that they did not support all the proposed fee increases and did not feel the balance was correct. One respondent felt that the proposals moved away from the traditional balance between patent application and renewal fees which will remove the encouragement for innovation.
62. Taking these comments, together with the responses on the specific proposals for patent search and examination and excess claims fees into account, we have revised our proposals as detailed above. These new proposals ensure that the balance is not tipped significantly away from renewal fees towards the initial costs of applying for patent protection.

#### Question 10 of the consultation

63. The question asked was:

“We believe the Intellectual Property Office sets the highest standards in the services we provide and has wide influence in the UK and internationally. Should our income be at a level sufficient to sustain this world leading performance or should we provide reduced services with a lower income?”

64. The majority of responses to this question confirmed and supported the need for the IPO to maintain the high level of services currently provided, with many confirming a willingness to pay the higher level fees to maintain standards. Some respondents highlighted that they would not wish to see the full costs passed on to customers and commented that they would not wish to see this fee increase as “paving the way” for potentially unlimited and endless increases in the future.
65. We only received one suggestion that we should actually reduce our fees, even if this resulted in reduced services, whilst another respondent suggested streamlining our “satellite” projects or services and looking for internal savings as a way of saving money.
66. Overall, the responses acknowledged the high levels of service we currently provide and confirmed the need to maintain our income at levels which ensure we can continue to provide first class support to those businesses and individuals who wish to make use of the IP system. We recognise the need to better balance our fees with our costs but know that achieving full cost recovery would be undesirable, given the substantial increases which we would need to introduce. We intend to continue to provide a functioning and value generating IP system with fees which are affordable to our customers and we believe this is reflected in the proposed increases put forward in this response document, and in particular in the adjustments to the proposals that have been made in light of the consultation responses received.

## Question 11 of the consultation

67. The question asked was:

“Would it be helpful to businesses and individuals to have more regular minor fee adjustments rather than more infrequent, possibly larger, increases in fees?”

68. The majority of respondents felt that more regular, minor adjustments would be preferable. Suggestions were made for increases every two or three years, possibly in line with inflation, as the more regular adjustments would help with their budgeting.

69. On the opposite side to this, we received comments that indicated that more infrequent increases helped with the implementation of new fees as this gave respondents sufficient time to change their internal systems. They also felt that more infrequent increases helped with budgeting as prices would be set for a lengthy period of time.

70. One respondent commented that “it is clearly wrong to have waited 17 years and then propose doubling some fees”. We agree with this sentiment and in taking this and other comments into account, we now plan to instigate more regular internal fee reviews within the Office, consulting with our users on any proposed changes where appropriate.

## **Summary**

71. The consultation received a good number of responses and provided us with a range of views on which to take decisions on how to amend our fees. Overall, we received clear support for the majority of proposals and where significant concerns were raised, these have been reflected in the adjusted proposals discussed in detail in this response document.

## **Next Steps**

72. We now propose to bring legislation which will amend the Patents Rules 2007 and the Patents and Trade Marks (Fees) Rules to facilitate the above changes. Subject to Parliamentary approval, we aim to have the new fees coming into force on 6 April 2010. Detailed guidance for business is published to fully explain the new fees and any associated changes in practice.

## **Annex**

### **List of respondents**

Simon Haslam (an IP attorney)  
Gibbs Technologies  
Association of Chartered Certified Accountants  
Marc Zuta (an individual businessman)  
Aston University  
The Royal College of Art  
Lancaster University  
Herriot-Watt University  
University of Surrey  
University of East London  
Sheffield Hallam University  
University of Aberdeen  
University of Exeter  
University of Nottingham  
University of Hull  
University of the West of England  
Chartered Institute of Patent Attorneys  
J A Kemp & Co (a firm of IP attorneys)  
University of Bedfordshire  
University of Glasgow  
Loughborough University  
University of Sunderland  
Keele University  
Keltie (a firm of IP attorneys)  
Imperial College and Imperial Innovations  
Serjeants (a firm of IP attorneys)  
Cardiff University  
University of Strathclyde  
Kingston University  
Edinburgh Napier University  
Durham University  
IP Federation