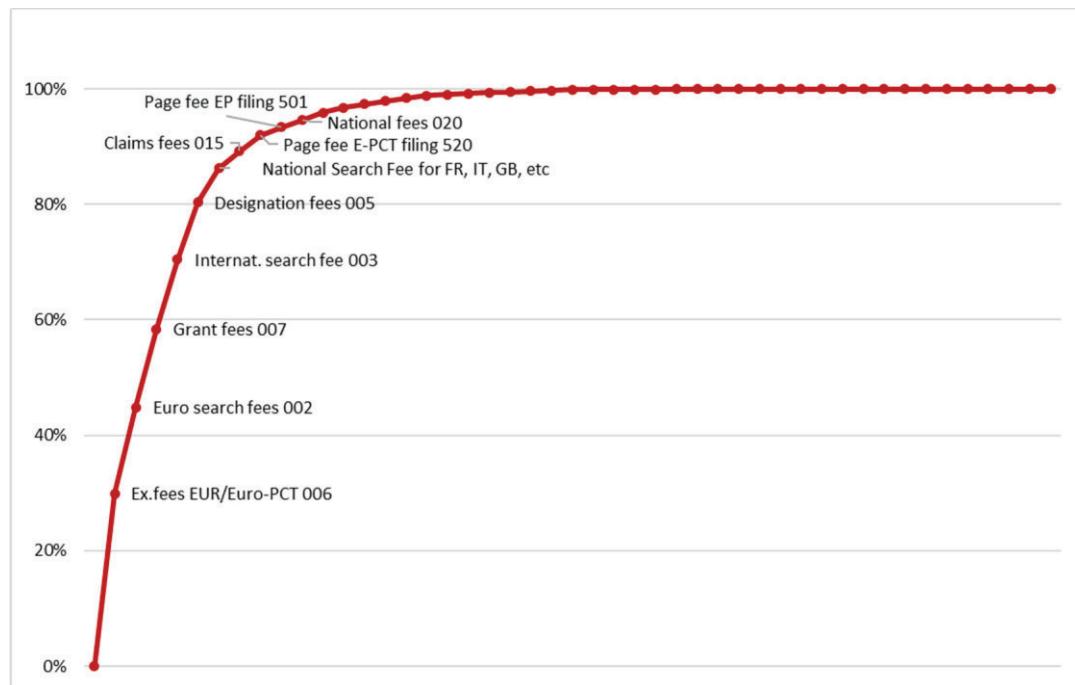


Non-Paper on Fee Reform

The following are a series of proposals for fee reform made in the light of the paper "Fee structure and evolution of related income"¹ of 9th October 2020.

That paper drew attention to issues of sustainability and referenced the increasing complexity of the present fee structure.

The paper also referenced that many fees attract little income and included a graph illustrating this effect



It can be readily appreciated that simplifying the nature of fees is likely to reduce costs of administration, and reduce the scope for error requiring corrective administrative action.

In addition, the timing of fees is important. It is a long-standing policy aim that entry fees should be kept low to avoid deterring applicants who, if faced with the total cost at outset, would be deterred even from starting. However timing of fees is also important for administration. The more dates that need to be met, the greater the chances of error with the administrative costs that involves for applicant and for the Office.

Simplification could reduce the number of dates that the applicant needs to docket and the Office needs monitor, without significant impact on EPO income.

In particular, reduction of the possibilities for error will reduce the number of errors, and hence reduce the need for procedural acts, and sometimes legal analysis, on the part of the Office.

Further, some fees are payable long in advance of the services they represent, resulting in large (refundable) sums being held by the office, and applicant money being held by the Office at a time when the applicant (particularly SMEs) may have better use for the funds.

¹ CA/F 27/20

Changing the timing of fees may provide support for users without changing the income of the Office, and indeed improving it if fewer applicants are deterred.

The following provides some background, some proposals, and attempts some costing of the proposals made, but in the absence of any published figures providing income received for each fee code, much is necessarily guesswork.

1 FEE SIMPLIFICATION

1.1 PROVIDE EQUAL PCT AND EP FEES FOR EQUAL SERVICE

1.1.1 Historical development

From the outset of the EPO the fees for PCT activities have been higher than for the equivalent EP activities. The initial justification appears to have been on the basis of speed, the PCT setting hard time limits for both search and examination which required special handling. In recent years it has been recognised that there is a substantial difference in fees and in the last biennial round of fee setting, the fees for international search and examination were frozen, even as the fees for search and examination for EP applications were increased.

1.1.2 Current situation

With the dramatically improved speed of search at the EPO, and with the possibility of PACE procedure to accelerate examination, different treatment of EP and PCT products does not appear to justify differing fees.

The difference in fees is large for search, less so for examination.

Fee	EP	PCT	Differential
Search	€1350	€1775	31.5%
Examination	€1700	€1830	7.6%

The present situation of having a higher fee for a PCT search than for an EP search can act as a deterrent to European applicants seeking broader patent protection than Europe (a tax on ambition), and while this deterrent is felt by all European applicants, it is felt by individuals and SMEs most of all.

In addition, in the event of a lack of unity objection at the PCT stage, the large differential between PCT search fees and EP search fees provides an incentive for applicants to wait until the regional phase before requesting additional searches.

For International Preliminary Examination, the EPO do well over 50% of all International Preliminary Examinations, but the total number is declining year on year, and PCT preliminary examination is requested for only around one application in 20.

1.1.3 Policy considerations

It has been recognised that over the long run equalisation is an appropriate aim, hence the freezing of PCT fees at the last fee adjustment.

SMEs and individuals are particularly affected by any fee differential that is not grounded in clear policy aims.

1.1.4 Proposal(s)

1.1.4.1 *In due course, equalise the PCT search fee with the EP search fee for all applicants*
Keep the PCT search fee static, or reduce it as appropriate when finances permit. Given the large difference, a progressive reduction in the PCT search fee might be the better approach than waiting for EP search fees to catch up.

1.1.4.2 *Drop the PCT search fee to the same as the EP search fee for individuals and small entities*

Other ISAs have differential search fees for large and small entities. There is no legal impediment to providing differential search fees.

1.1.4.3 *Drop the PCT search fee to the same as the EP search fee for additional PCT searches*

Equalising fees for additional PCT searches and EP searches would reduce the current incentive to delay additional searches on PCT applications to the regional phase, and would thereby provide earlier certainty to applicants and third parties, and earlier income to the Office.

1.1.4.4 *Drop the PCT preliminary examination fee to the same as the EP examination fee*
There is no impediment to providing a uniform fee for EP and PCT applications.

1.1.5 Cost implications

The differential between EP and PCT search fees, on roughly 80,000 PCT searches a year amounts to over 30€M.

The proportion of PCT applications filed by SMEs is small (perhaps 30%).

The differential in PCT examination and EP examination fees is small enough that equalisation would be unlikely to significantly affect demand.

1.2 PROVIDE THAT A SINGLE (FLAT) FEE FOR FURTHER PROCESSING MAY COVER MULTIPLE PROCEDURAL ACTS

1.2.1 Historical development

At the outset of the EPO a flat fee of 100DM was payable for further processing². No provision was made for late payment of the filing search and designation fees, and this resulted in hardship such that in 1979 a Rule 85a was introduced allowing late payment with a surcharge. The Rules relating to Fees then³ provided for the surcharge applicable to late payment of the filing, search, and designation fees, of 50%, up to a maximum of 900DM (this at a time when the filing fee, search fee, and designation fee for **one** country amounted to 2125DM – well over twice the maximum surcharge).

When EPC2000 arrived, late payment of fees got subsumed into further processing, and the cap on the surcharge was removed.

² CA/D8/77

³ CA/D22/79

1.2.2 Current position

Further processing is available to remedy missed acts by performing the act and paying a fee. Further processing is a purely administrative act. If several acts have the same legal basis, they are considered to form a unitary procedural act and are subject to a unitary time limit. Where acts have a different legal basis multiple further processing fees are required.

The current Guidelines refer to J26/95 as authority for stating that separate fees are required, but this does not appear strictly relevant to further processing. J26/95 decided on whether separate fees for reinstatement were required and stated that:

*"Where two different time limits have been missed in the course of the prosecution of an application it has to be shown for each of the time limits missed that the requirements of Article 122 EPC for re-establishment are fulfilled. In the case of independent time limits, in particular where they expire on different dates, **the reasons for missing them and also the facts relevant to the examination of other requirements of Article 122 EPC**, such as the date of removal of the cause of non-compliance mentioned by the Examining Division, **may be quite different**. The loss of rights can only be overcome if the applicant shows, in respect of both time limits, that all requirements of Article 122 EPC for the requests to be admissible and well-founded are met. Therefore the reasoning adopted by the Examining Division, namely that where two different time limits have been missed a request for re-establishment in respect of both time limits is considered to constitute legally separate requests for re-establishment in respect of each of the time limits missed, which have to be considered independently on their merits, is also the reasoning followed by the Board."*

Further processing requires no examination as to facts other than whether the fee has been paid and the omitted act completed.

The current system is needlessly complex, as witness the table at the end of GLX E-VIII, 3.1.3 exemplifying the fees potentially payable on late entry into the regional phase with a request for re-establishment.

Omitted acts	Time limits missed (box I)	Number of fees for further processing (box II)	Number of fees for re-establishment (box III)
Filing of the translation	1	1	1
Payment of the filing fee	1 (unitary)	1 (comprising 50% of the filing fee and 50% of the additional fee)	1
Payment of the additional fee for an application comprising more than 35 pages			
Payment of the designation fee	1	1	1
Payment of the search fee	1	1	1
Filing of the request for examination	1 (unitary)	1 (comprising a flat fee and 50% of the examination fee)	1
Payment of the examination fee			
Resulting number of fees to be paid	5 non-observed time limits	5 fees for further processing, 2 of them comprising 2 fees	5 fees for re-establishment

What is seen by the user as a single event (late entry into regional phase) will result in payment of 5 fees for re-establishment, some of which are flat fees, and some based on 50% of fees unpaid.

1.2.3 Policy considerations

Moving to a system where one fee can cover multiple procedural acts, if within the further processing time limit for each act, would simplify both fee calculation and administration as there would be a lower chance for error in calculating the amount due.

In addition, the 50% figure for fees was only ever justified as ensuring prompt payment of fees⁴, but is plainly disproportionate to this aim.

In the event that late payment occurs through error, a 50% penalty appears punitive and arbitrary.

⁴ CA/33/79

Even assuming the late payment occurred deliberately, paying 50% for a two month delay is not the sort of interest rate one encounters in normal commerce, and implies a degree of desperation on the part of the person willing to follow such a stratagem.

For users, the 50% surcharge on fees is believed to act disproportionately against small and medium sized enterprises as both may be more likely to make errors, and more likely to be desperate.

Large organisations tend to have processes and resources such that they rarely need to pay fees late – decisions are made and resources normally available at the appropriate time within the constraints of their budgeting and planning.

Smaller organisations and individuals may not be so well organised, and so make mistakes. More importantly such applicants may suffer cost constraints. If an SME has cash flow problems such that paying on the day is a problem, a 50% increase acts as a deterrent to proceeding when they do have funds.

In short, the penalty of 50% serves only to penalise those who have made an error, or are desperate to defer costs.

In addition, the present arrangement is discriminatory, imposing a penalty on those applicants who use an ISA other than the EPO. An applicant who enters the European regional phase late will have to pay (assuming no page fees apply and no language discount)

Fee	EPO=ISA	EPO≠ISA
Filing	125	125
Search	0	1350
Designation	610	610
Examination	1900	1700
Total	2635	3785
Further processing fee (fee only element)	1317.5	1892.5

A penalty of over €500 for performing the same act dependent on filing route appears to be unjustifiable. A flat fee would remove this discrimination.

The current flat fee of €265 for other procedural acts is over 10% of the fees where EPO=ISA. 10% for two months is a reasonable penalty that will not unduly punish accidents, nor be so low as to encourage delay. It may also allow those suffering cash flow problems to proceed, who under the current system would be deterred.

1.2.4 Proposal

Article 121 leaves it to the Implementing Regulations to determine what requirements there are for fees.

An amendment to Rule 135 EPC could provide that a single fee for further processing may cover multiple procedural acts provided that all are within the term for further processing. Proposed language is provided below.

Article 2(12) of the Rules Relating to Fees can be amended accordingly and could provide a single flat fee.

Rule 135(1)

Current	Proposal
1) Further processing under Article 121, Paragraph 1, shall be requested by payment of the prescribed fee within two months of the communication concerning either the failure to observe a time limit or a loss of rights. The omitted act shall be completed within the period for making the request.	1) Further processing under Article 121, Paragraph 1, shall be requested by payment of the prescribed fee within two months of the communication concerning either the failure to observe a time limit or a loss of rights. <u>Where there is more than one omitted act, a single fee will suffice for all acts for which further processing is requested.</u> The omitted act <u>or acts</u> shall be completed within the period for making the request.

Rules Relating to fees

Current	Proposed
12. Fee for further processing	
-in the event of late payment of a fee	50% of the relevant fee
-in the event of late performance of the acts required under Rule 71, paragraph 3	€265
-other cases	€265
	-in the event of a request for further processing in respect of one or more omitted acts
	€265

1.2.5 Cost implications

It is not readily possible to determine the costs based on the published accounts, as income from further processing fees is not separately itemised, but the amount is believed to be relatively small, in part because of the punitive nature of the 50% fee on late payment of fees.

Cost savings to the Office would be in lower administration costs of checking properly paid fees, and the much lower costs of handling improperly calculated fees.

In addition, the lower cost to applicants may result in more applications at the regional phase from applicants who have erroneously missed the due date.

1.3 PROVIDE THAT A SINGLE (FLAT) FEE FOR REINSTATEMENT MAY COVER MULTIPLE OMITTED ACTS

1.3.1 Historical development

At the outset of the EPC a flat fee of 100DM was payable for reinstatement (the same fee as for further processing)⁵. The fee for reinstatement remained the same as the fee for further processing until 2004 when a higher fee was introduced⁶.

1.3.2 Current position

Reinstatement is available where an applicant for or proprietor of a European patent was unable to observe a time limit vis-à-vis the European Patent Office, in spite of taking all due care required by the circumstances. The applicant or proprietor can have their rights re-established on payment of a fee. This procedure requires the office to examine the circumstances, hence the difference in fee from further processing, which is a purely administrative action.

As with further processing, if several acts have the same legal basis, they are considered to form a unitary procedural act and are subject to a unitary time limit. Where acts have a different legal basis multiple reinstatement fees are required.

Referring to the example given in the Guidelines for late entry into the regional phase for an application requiring translation [e.g. of a PCT application published in Portuguese or Spanish], this would require 5 fees for re-establishment [€3325] in addition to the fees for further processing. For an application where a translation is not required the applicant would require 4 fees for re-establishment [€2660] and save one fee for further processing [€265], **a €930 difference for a choice of language.**

⁵ CA/D8/77

⁶ CA/D 21/04

Omitted acts	Time limits missed (box I)	Number of fees for further processing (box II)	Number of fees for re-establishment (box III)
Filing of the translation	1	1	1
Payment of the filing fee	1 (unitary)	1 (comprising 50% of the filing fee and 50% of the additional fee)	1
Payment of the additional fee for an application comprising more than 35 pages			
Payment of the designation fee	1	1	1
Payment of the search fee	1	1	1
Filing of the request for examination	1 (unitary)	1 (comprising a flat fee and 50% of the examination fee)	1
Payment of the examination fee			
Resulting number of fees to be paid	5 non-observed time limits	5 fees for further processing, 2 of them comprising 2 fees	5 fees for re-establishment

All the time limits missed fall due on the same day, and unless separate notices of loss of rights are sent, all the time limits for reinstatement would fall on the same day.

J26/95 decided on whether separate fees for reinstatement were required and stated that:

“Where two different time limits have been missed in the course of the prosecution of an application it has to be shown for each of the time limits missed that the requirements of Article 122 EPC for re-establishment are fulfilled. In the case of independent time limits, in particular where they expire on different dates, the reasons for missing them and also the facts relevant to the examination of other requirements of Article 122 EPC, such as the date of removal of the cause of non-compliance mentioned by the Examining Division, may be quite different. The loss of rights can only be overcome if the applicant shows, in respect of both time limits, that all requirements of Article 122 EPC for the requests to be admissible and well-founded are met. Therefore the reasoning adopted by the Examining Division, namely that where two different time limits have been missed a request for re-establishment in respect of both time limits is considered to constitute legally separate requests for re-establishment in respect of each of the time limits missed, which have to be considered independently on their merits, is also the reasoning followed by the Board.”

It is hard to see that for an act like entering the regional phase, where all the dates are the same, the reasons for non-compliance would differ.

Further, the circumstances in which different considerations apply to different time limits will be very limited in number.

1.3.3 Policy considerations

Moving to a system where one fee can cover reinstatement for multiple omitted acts would simplify both fee calculation and administration as there would be a lower chance for error in calculating the amount due.

Re-instatement is the applicant's last chance, and a needlessly complex system for reinstatement unnecessarily penalises an applicant who is arguing they acted with due care but nevertheless was unable to observe one or more time limits.

In addition such an approach would remove the language discrimination implicit in the current arrangements.

1.3.4 Proposal

Article 122 leaves it to the Implementing Regulations to determine what requirements there are for fees.

An amendment to Rule 136 EPC could provide that where there is more than one unobserved time limit, a single fee will suffice for all unobserved time limits for which re-establishment of rights is requested. Proposed language is provided below.

Article 2(13) of the Rules Relating to Fees can be amended accordingly.

Rule 136(1)

Current	Proposal
(1)Any request for re-establishment of rights under Article 122, paragraph 1, shall be filed in writing within two months of the removal of the cause of non-compliance with the period, but at the latest within one year of expiry of the unobserved time limit. However, a request for re-establishment of rights in respect of any of the periods specified in Article 87, paragraph 1, and in Article 112a, paragraph 4, shall be filed within two months of expiry of that period. The request for re-establishment of rights shall not be deemed to have been filed until the prescribed fee has been paid.	(1)Any request for re-establishment of rights under Article 122, paragraph 1, shall be filed in writing within two months of the removal of the cause of non-compliance with the period, but at the latest within one year of expiry of the unobserved time limit. However, a request for re-establishment of rights in respect of any of the periods specified in Article 87, paragraph 1, and in Article 112a, paragraph 4, shall be filed within two months of expiry of that period. The request for re-establishment of rights shall not be deemed to have been filed until the prescribed fee has been paid. Where there is more than one unobserved time limit, a single fee will suffice for all unobserved

	<u>time limits for which re-establishment of rights is requested.</u>
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Rules Relating to fees

Current	Proposed
13.Fee for re-establishment of rights/fee for requesting restoration/fee for reinstatement of rights	13.Fee for re-establishment of rights/fee for requesting restoration/fee for reinstatement of rights regardless of number of unobserved time limit
€665	€665

1.3.5 Cost implications

It is not readily possible to determine the costs based on the published accounts, as income from further processing fees is not separately itemised, but the amount is believed to be relatively small.

Failure to comply with the current complex rules for reinstatement results in loss of renewal fee income to the Office and the Contracting States, and a simpler system is likely to minimise such loss.

1.4 INCREASING EXAMINATION FEE AND REDUCING DESIGNATION FEE TO ZERO

1.4.1 Historical development

The examination and designation fees are two separate fees, falling due on the same date. At the outset of the EPC a separate fee was payable for each designation. This was later ameliorated by providing that if seven designation fees were paid, all designations were covered. With EPC2000 the per-designation system was replaced with a unitary designation fee covering all Member States. It should be noted that the designation fee constitutes a fee to which no performance obligation is attached⁷.

1.4.2 Current position

There are few circumstances in which it would appear sensible to pay the examination fee and not the designation fee. By being two separate fees it is possible for one to be missed and the other paid, with consequent administrative effort by Office and applicants. Increasing the examination fee and reducing the designation fee to zero would prevent error and reduce administrative work.

At present the Rules Relating to Fees are discriminatory according to filing route, with the fees payable to the EPO being greatest for PCT applications where the EPO is ISA. The following compares search and examination fees by route.

⁷ From CA/60/20

Designation, extension and validation fees: there is no performance obligation related to these fees; they are one-off fees payable to ensure protection of the invention in the EPC contracting and extension/validation states of the applicant's choice. ***The underlying service has already been fully performed by the EPO at the date of filing, before payment of the fee is due.***

	ISA=EPO	ISA=EPO +Chapter II	ISA≠EPO and not European ISA*	ISA≠EPO and is European ISA*	Direct EP
PCT Search fee to EPO	1775	1775	Fees payable to other ISA	Fees payable to other ISA	
PCT Examination fee to EPO		1830			
EP Search fee			1350	200	1350
EP Examination fee	1900	475	1700	1700	1700
	3675	4080	3050	1900	3050

* Austria, Finland, Spain, Sweden or Turkey, the Nordic Patent Institute or the Visegrad Patent Institute

The position of European ISAs is understandable as the European ISAs search to the same law as the EPO and some work sharing can apply.

The position of those who seek PCT Chapter II processing is understandable as they are seeking an additional service beyond the basic PCT service of providing a search and written opinion, by bringing forward some of the cost of examination, and this is recognised in the 75% reduction in the EP examination fee on entry into the regional phase.

What is disconcerting is that a PCT applicant using a non-European ISA pays the same to the EPO in search and examination fees as a direct EP applicant: whereas a PCT applicant using the EPO as ISA pays €625 (~20%) more. Discriminating against the PCT applicant that uses the EPO as ISA does not appear to have any policy basis.

At present the examination fee is refundable (at 100% if refunded before examination starts), and the designation fee is not refundable.

The relative amounts are:

Examination fee	€1700
Designation fee	€610
Total	€2310

The examination fee thus amounts to ~74% of the total.

1.4.3 Policy considerations

The designation fee has lost any legal significance. There is no requirement in the EPC for a designation fee to be required⁸.

The principal policy effect would be on the fee for International Preliminary Examination of PCT applications, which should increase proportionately for equality of treatment.

⁸ Article 79(2) EPC

(2) The designation of a Contracting State **may** be subject to the payment of a designation fee.

1.4.4 Proposal

Remove the designation fee, increase the examination fee proportionately, apply the same examination fee to PCT applications as direct European applications, and change the maximum refund on the examination fee to 75%.

Rules Relating to Fees Article 2	Current	Proposed
3 Designation fee for one or more Contracting States (Article 79, paragraph 2) in respect of an application filed on or after 1 April 2009	€610	Deleted
6. Examination fee (Article 94, paragraph 1) in respect of		
- an application filed before 1 July 2005	€1900	€2510*
- an application filed on or after 1 July 2005	€1700	€2310
- an international application filed on or after 1 July 2005 for which no supplementary European search report is drawn up (Article 153, paragraph 7)	€1900	€2310

*Query – is there any application of this age pending for which the examination fee has not already been paid?

1.4.5 Cost implications

In 2019 the number of filings by route were:-

EP direct	75802
PCT with supplementary search	51641
PCT without supplementary search	54060

which would imply a reduced cashflow of €10.8 million if the same examination fee of €1700 was applied in all cases.

The implied examination fee avoiding this reduced cashflow would be around €1760.

Countering this, the increase in the PCT examination fee from €1830 to €2310 (~26%) would imply €3m extra income on 2019 figures.

In addition it should be noted that as the examination fees are refundable in several circumstances the loss of income would be significantly below this. For example, in 2019

approximately €28m in examination fees were refunded which is about 10% of annual revenue from this fee.⁹

2 FEE TIMING

2.1 CHANGING THE TIMING OF SELECTED FEES

2.1.1 Historical development

Since the outset of the EPO the timing of the examination, designation and third annuity have remained the same. There has been no re-assessment of whether a differing timing of these fees might result in a smoother prosecution with fewer opportunities for error, at a lower cost of administration, and provide a lower barrier to entry.

2.1.2 Current position.

Currently, before examination takes place, an applicant needs to have paid

- filing fee
- search fee
- examination fee
- designation fee
- any claims fees
- any page fees.

Fees have to be paid:

- on or around filing or regional phase entry (e.g. filing fee, search fee, examination fee for Euro-PCT applications)
- within 6 months of publication of search report (examination fee for direct EP applications)
- or in response to a Rule 161 notification (claims fees for Euro-PCT applications)
- at 2 years from filing (3rd annuity)

For direct EP applications, timing of the examination fee at 6 months of publication of the search report is reasonable as that time limit is also the time limit for the applicant to respond to the search report, and examination cannot take place earlier without the applicant's request.

For Euro-PCT applications the examination fee (and search fee if applicable) are payable at 31 months from priority.

For Euro-PCT applications where the EPO is ISA, examination cannot take place until after the Rule 161 period. This represents a deposit by the applicant with the EPO for a service that cannot be provided for 6 months unless earlier action is specifically asked for by the applicant.

⁹ CA/60/20 – page 36

For Euro-PCT applications where the EPO is not ISA, search cannot take place until after the Rule 161 period. This represents a deposit by the applicant with the EPO for a service that cannot be provided for 6 months unless earlier action is specifically asked for by the applicant.

In addition, for Euro-PCT applications where the EPO is not ISA, examination cannot take place until after the Rule 70 period. This represents a deposit by the applicant with the EPO for a service that cannot be provided for at least 12 months unless earlier action is specifically asked for by the applicant.

These prepaid search and examination fees represent considerable sums on deposit with the EPO.

Relatively few of these fees are refunded. In 2019 the amounts of refunds paid out due to active or passive withdrawal by the applicant were:

- For examination: EUR 28.1m, which is **10% of the annual revenue** for this product category.
- For European and Euro-PCT searches: EUR 1.7m, which is 1% of the annual revenue for this product category.

2.1.3 Policy considerations

The present practice has little to commend it. Taking fees so far in advance:-

- does not accelerate the procedure;
- increases the cost of entry into Europe;
- requires payment of a deposit for a service that will not be provided unless other conditions are met.

Taking money before it is needed requires applicants to put money that could otherwise be supporting their business into the hands of the EPO at least 6 months before it is needed, so acting as a tax on innovation.

2.1.4 Proposal

Defer the due date for payment of the search fee on Euro-PCT applications to the date for response to the Rule 161 notice.

Defer the due date for payment of the examination fee on Euro-PCT applications to the date for response to the Rule 161 notice, or, where a supplementary search is required, to the date for response to the Rule 161 notice.

2.1.5 Cost implications

The low rate of withdrawal before examination indicates that there is unlikely to be any reduction in fee income. Indeed, if entry costs are reduced there may be an increase in regional phase entries, and hence income from applications that would otherwise not be filed.

Many applicants currently waive the Rule 161 period to get early search/examination and for such applicants the relevant fees would be paid early.

The principal loss would be in financial income earned on the prepaid fees.

2.2 DIVISIONAL APPLICATIONS

2.2.1 Timing of back renewal fees

If, when a divisional application is filed, renewal fees for the parent application have already fallen due, these renewal fees must also be paid for the divisional application and fall due when the latter is filed. The period for payment of these fees is four months after the filing of the divisional application. This four month period is a period special to renewal fees and no other fees share this date. It is common for the amount of back renewal fees to exceed the total of filing, designation, search and examination fees.

For non-divisional applications, the applicant has a chance to consider the search report before the obligation to pay fees commences. For divisional applications there is less of a chance, and this uncertainty acts as a significant deterrent to filing divisional applications, and indeed results in discrimination against those who file divisional applications.

Postponing the due date for paying back renewal fees to the deadline for response to the search opinion and paying examination and designation fees – (6 months from publication of the search) would :

- reduce docketing costs within the Office and for applicants, by having a single date for completion of significant procedural steps
- lower the up-front costs to applicants without changing the amount they have to pay
- not adversely affect legal certainty.

Such an approach may also lead to divisional applications being filed that are currently deterred by the current procedure. It should be noted that previous EPO studies have shown divisional applications to have a higher grant rate than non-divisional applications.

This approach would require amendment of Rule 51(3) EPC.

Current	Proposed
(3) Renewal fees already due in respect of an earlier application at the date on which a divisional application is filed shall also be paid for the divisional application and shall be due on its filing. These fees and any renewal fee due within four months of filing the divisional application may be paid within that period without an additional fee. Paragraph 2 shall apply.	(3) Renewal fees already due in respect of an earlier application at the date on which a divisional application is filed shall also be paid for the divisional application and shall be due on its filing. These fees and any renewal fee due within four months of filing the divisional application six months of the date on which the European Patent Bulletin mentions the publication of the European search report drawn up in respect of the divisional application may be paid within that period without an additional fee. Paragraph 2 shall apply.

3 FEE REDUCTION

Fee reduction is a worthy aim, and where possible should be directed to reducing inconsistencies and perverse incentives. The following points to various fee where change would appear appropriate

3.1 FEE FOR RECORDAL OF TRANSFERS

At present an individual fee is charged for each property transferred. Other offices (UK) work on a fee per document (£50) regardless of the number of properties involved. EUIPO work on the basis of a minimum of €200 with a capped maximum amount (€1000). WIPO have no fee at all for recording changes in respect of PCT applications.

3.2 LIMITATION FEE

It appears disproportionate for the fee for limitation to be higher than the fee for opposition when the work involved for the office is substantially less, and indeed involves limited rounds of correspondence¹⁰. The number of limitations are so small that reducing the fee will have negligible financial impact.

3.3 REDUCE THE FEE FOR THE LATE PAYMENT OF RENEWAL FEES

3.3.1 Historical development

At the outset of the EPO the fee for late renewal was 10%¹¹ and was increased to 50% in 2008 as part of the package of financial measures that also saw claims fees increase rapidly.

The reasons given for the increase were:-

In order to align the late payment fee with the further processing fee applicable during the grant procedure in comparable cases under EPC 2000, it is proposed to increase the late payment fee in these cases from currently 10% of the relevant fee to 50%. This is to give a stronger incentive for the timely payment of renewal fees and to reduce legal uncertainty about the life of the application¹².

Alignment of the fee with that for further processing had no justification other than tidiness.

Providing a stronger incentive for timely payment of renewal fees appears to assume that applicants habitually delayed payment - with no evidence on that point being presented.

When faced with a patent application in the six months late payment period, the **legal uncertainty** is the same whether the surcharge is 10% or 50%.

Figures have not been presented for whether the number of late renewal fees changed after 2008, nor for whether the income from late renewal fees changed after 2008. However, given the damaging effect of the increase in claims fees on claims fee income, it would be interesting

¹⁰ Rules 94 and 95

¹¹ CA/D8/77

¹² CA/100/07 Rev.1 – paragraph 18

to see whether a 400% increase late renewal fees resulted in an increase, decrease, or no change in income from late renewal fees.

3.3.2 Current position.

The 50% figure for late renewal is arbitrary and appears disproportionate to any policy aim.

In the event that late payment occurs through error, a 50% penalty appears punitive and arbitrary.

Even assuming the late payment occurred deliberately, paying 50% for a six month delay is at the higher end of the sort of interest rate one might encounter in normal commerce.

For users, the 50% surcharge on fees is believed to act disproportionately against small and medium sized enterprises as both may be more likely to make errors, particularly with payment of the 3rd annuity, which is the first annuity due.

3.3.3 Policy considerations

Payment of a renewal fee is a clerical act.

Late payment of a renewal fee is the same act whether it is the 3rd annuity or the 10th annuity, yet the penalty for late payment varies dramatically.

There appears little justification for the late payment fee to be a proportion of the renewal fee paid.

Legal certainty remains the same whether a renewal fee is paid late with a 10% or a 50% fine.

3.3.4 Proposal

3.3.4.1 Alternative 1

That the fee for late payment be reduced from 50% to something nearer the 10% that originally applied.

3.3.4.2 Alternative 2

That the fee for late payment be changed to a flat fee, which conveniently could be the same as the further processing fee.

3.3.5 Cost implications

The following tabulates current fees, the 10% rate, the 50% rate, and the current fee for further processing.

	Fee (€)	10%	50%	Flat fee
For the 3rd year	490	49	245	265
For the 4th year	610	61	305	265
For the 5th year	855	85.5	427.5	265
For the 6th year	1,090	109	545	265
For the 7th year	1,210	121	605	265
For the 8th year	1,330	133	665	265
For the 9th year	1,450	145	725	265
For the 10th and each subsequent year:	1,640	164	820	265

As can be seen, going back to the 10% figure would represent a considerable change, but the fees payable would appear appropriate to a clerical act.

Failure to perform other clerical acts attract the flat rate further processing fee.

As can be seen from the table above, moving to a flat rate late payment fee implies a slight rise for the 3rd annuity, and a significant fall for others.

It would be useful to have information as to the income from late renewal fees on an annuity-by-annuity basis, as it in its absence one cannot estimate the overall cost impact, but:-

- it is suspected that most late payments are made in respect of the 3rd annuity as compared with any other annuity
- a flat rate fee would be simpler and less prone to error, with less cost to the office in administration.

3.4 DIVISIONAL FILING FEES

3.4.1 Historical development

At the outset of the EPC, there was no special fee for filing divisional applications. Restrictions on timing of divisional applications were introduced in April 2010¹³ and cause major difficulties for the Office and a large amount of negative feedback from users. The restrictions on timing of divisional applications were removed in 2014¹⁴ and a fee for filing 2nd or subsequent generation divisional applications was introduced.

3.4.2 Current position

The fees for 2nd and subsequent divisional applications are currently:-

- fee for a divisional application of second generation €220
- fee for a divisional application of third generation €440
- fee for a divisional application of fourth generation €660
- fee for a divisional application of fifth or any subsequent generation €885

Statistics for the number of divisionals in each generation are not published, but it is believed that 2nd generation or subsequent divisionals account for no more than 25% of divisional applications, and that the number of 5th generation or subsequent applications filed in a year might be counted on ones fingers.

3.4.3 Policy considerations

These fees appear to fulfil no useful purpose and unnecessarily complicate matters.

Previous restrictions on the right to file divisionals, and the provision of the fees for 2nd and subsequent divisional applications were introduced to deter a small minority of applicants who were seeking to re-file essentially the same application to keep prosecution pending. It does not appear to be appropriate to penalise those acting reasonably for the faults of those acting unreasonably.

¹³ CA/D2/09 and CA/16/10

¹⁴ CA/D15/13

3.4.4 Proposal

Abolish the special fees for divisionals of the 2nd and subsequent generations.

3.4.5 Cost implications

The lack of any published data concerning EPO fee income broken down by fee code makes it difficult to assess total fee income, but it would be surprising if it reached €500k.

J. C. Boff
Chairman EPO Finances Committee