

## 5 Overseas Fee Systems and Finance Policy regarding Industrial Property Rights

---

*The forms of fee systems adopted for industrial property rights are an important issue both for users who pay the fees and for the JPO, which must pay for the necessary costs from the collected fees. However, the current fee systems have many challenges to be tackled, including: (1) international harmonization of various differences with overseas practices, such as gaps in fee level and the different fee-setting methods; and (2) how the policy objectives, such as encouragement of invention and filing, implementation of prompt and precise examination, and relief of the financially weak, should be reflected in the fee systems.*

*In this report, the fee systems for U.S., U.K., German, and French industrial property rights and the fee system for European patent applications under the EPC were studied, and the current situation of the balance of fees paid before and after the issuance of patents as well as the graduated rates of patent maintenance fees were analyzed. A questionnaire survey was also conducted to the national authorities of the respective countries and the EPO to find their respective approaches to fee systems. In addition, such aspects as discount system, reimbursement system, methods of fee revisions and financial management of the respective authorities were analyzed.*

### Introduction

As for the fees regarding the industrial property rights in Japan, while the special account for patent administration is governed by the principle of equalization of income and expenditure, looking at patent-related fees, the fee for filing an application or the request for examination is set lower than the actual costs of procedure from the viewpoint of promoting invention, and the patent fee (annual maintenance fee) is set for the total revenue as a whole to cover the total expenditure of the patent administration by the Patent Office.

Since the Patent Special Account Law went into effect (in 1984), the measures and policies for fees have been governed by this principle, and in recent years, revisions of the fees were legislated, such as the leveling of the maintenance fees for the 10th year and after (1998), and the price cut of the fees concerning claims (1999), etc. Further, also provided are measures of fee-reduction for persons short of funds.

However, since Japan aims to become an “intellectual property-based nation,” it is necessary to review again the overall fee system so that the imbalances in sharing the costs be rectified, proper requests for examination be promoted, and the total costs be reduced. As well, it is important to review this fee system taking into consideration the disparity in fees between our country and other countries, and other countries’ thoughts on the measures and policies regarding the fees.

In this research and study, we conducted research and analysis, as of January 2003, about the

measures and policies on the fees for industrial property rights in the U.S., the U.K., Germany and France, including European patents (EPC), and also investigated the current situation of financial management at the respective responsible agencies. As for the measures and policies on the fees, we conducted research and analysis on the fees for the procedures from making an application to the obtainment of rights and the fee for maintenance<sup>(\*)</sup> for a patent right, utility model right, design right and trademark right. In addition, as for the situation of financial management, we investigated the agencies responsible for the intellectual property administration of each of the aforementioned countries and the World Intellectual Property Organization (WIPO).

### Policy on Fee Systems for Industrial Property Rights

#### 1 Fee Systems in Foreign Countries

##### (1) Patent Right-related Fee System

The patent right-related fee system of major foreign countries consists of, breaking down into major groups, the application fee, the fee for procedures through the obtainment of right, and the maintenance fee. The application fee consists only of the basic fee in the U.K., Germany and France, but in the U.S. and EPC, there are additional fees depending on the number of claims, etc. Though the fee for procedures through the obtainment right

---

(\*)1 In this research and study, the fee for renewal of a right and the fee for extension of the protection period are included in the “Maintenance fee”.

generally consists of the fee for searching prior arts (search fee) and the fee for the request for examination, in the U.S., these fees are included in the application fee. In addition, some countries (the U.S., EPC and France) have fees for registration and issue. The maintenance fee is, in countries that we searched, set at a certain amount of fee independent of the number of claims.

Though in the U.S. the time of payment of the maintenance fee is every four years, in other countries it is every year. Though counting of maintenance years starts on the year of registration in the U.S., in other countries, it starts on the year of filing the application. In each European country that we searched, when a certain number of years passes, even if a patent is not yet established, the payment of the application maintenance fee is required.

## **(2) Fee System for Utility Model Right, Design Right and Trademark Right**

(i) The fee system for utility model right of major foreign countries basically consists of the application fee and the maintenance fee. In each country that we searched, they don't make a substantive examination, and therefore, there is no search fee or request-for-examination fee.

(ii) The fee system for design right of major foreign countries basically consists of the application fee and the maintenance fee. However, in the U.S., they don't have a maintenance fee.

(iii) The fee system for trademark right of major foreign countries consists of the application fee and the maintenance fee. In major foreign countries, the application fee and the maintenance fee (renewal fee) are generally set at almost the same level. Both the application fee and the maintenance fee are of a system that the fee is variable depending on the number of classes an application or a right contains.

## **(3) Method of Payment of the Fee**

In major foreign countries, all of the three methods, (i) cash, (ii) transfer to an account, (iii) charge to a deposit account, are introduced. The European Patent Office (EPO) and German Patent and Trademark Office (DPMA) have introduced the method of direct debit which is a variation of the charging system, and 75% of EPC users are using this system. Further, the United States Patent and Trademark Office (USPTO) has introduced the method of credit card transaction.

## **(4) Basic Policy on Fee Systems**

In major foreign countries, the measures and policies on patent right related fees are based on

the following basic ideas:

(i) Every country that we searched covers the costs of procedures to grant rights by fee revenues from the applicants and the right-holders.

(ii) In the U.S., EPC, the U.K. and France, they consider covering the total cost of right-granting procedures by the total revenue of application fee, search fee, issue fee and maintenance fee, etc. is enough.

(iii) In the U.S., the U.K. and France, reflecting the policy of promoting invention and making application and promoting the utilization of the patent system, they differentiate the allocation of fee revenues to cover the expenses. Specifically, they set the application/search/examination fees at lower level, setting the maintenance fee at somewhat higher level, covering the total expenses as a whole.

(iv) In every country that we searched, they collect maintenance fees set progressively in accordance with the years of maintenance. In the U.S., they apply reduced fees to small entities, and charge relatively higher fees to large-scale business entities.

## **(5) Analysis of Fees by Kinds of Rights<sup>(\*)2</sup>**

(i) Analysis of patent-related fees<sup>(\*)3</sup>

① Comparison of application fees

We analyzed the levels of the basic part of the application fee of each country. The application fee of either of the European countries (the U.K., France and Germany) is set at a low level of under 10,000 yen. Meanwhile, the application fee in the U.S. is relatively high (90,000 yen). However, it should be taken into account that the U.S. application fee includes the search fee and the examination fee, and in the case of a small entity<sup>(\*)4</sup>, the application fee will be reduced to half, etc. (See Fig. 1)

② Comparison of total amount of fees up to the request of examination (application fee + search fee + request for examination fee + designation fee)

The amount in the European countries that we searched is at a low level, falling between about 40,000 and 50,000 yen (half that of the U.S., one-seventh that of the EPC). The amount in the U.S. is 90,000 yen, almost the same level as in Japan. The amount for EPC is as high as about 400,000 yen, which is about 4 to 7 times as high as those of other countries. However, with an EPC application, the special characteristics that the effect of search and examination will be extended to the designated countries should be taken into account. (See Fig. 2)

(\*)2 Based on the fee table as of Jan.5, 2003. Converted to yen by the currency conversion rate as of Jan 14, 2003

(\*)3 Prerequisites for the analysis are as follows: The total number of claims is 8 or 14, the total number of independent claims is 3, the number of countries designated for EPC applications is 11. The number of years required to obtain a patent right in each country is presumed to be 2 years for the U.S., 4 years for the U.K., 5 years for Germany, 2 years for France, 5 years for European patent and 5 years for Japan. Also, two number of years for a patent right to be maintained, 10 years and 14 years, are presumed for the analysis.

(\*)4 For details see the Report, II. 3. (1)

Fig. 1 Comparison of Application Fee (Basic Fee)

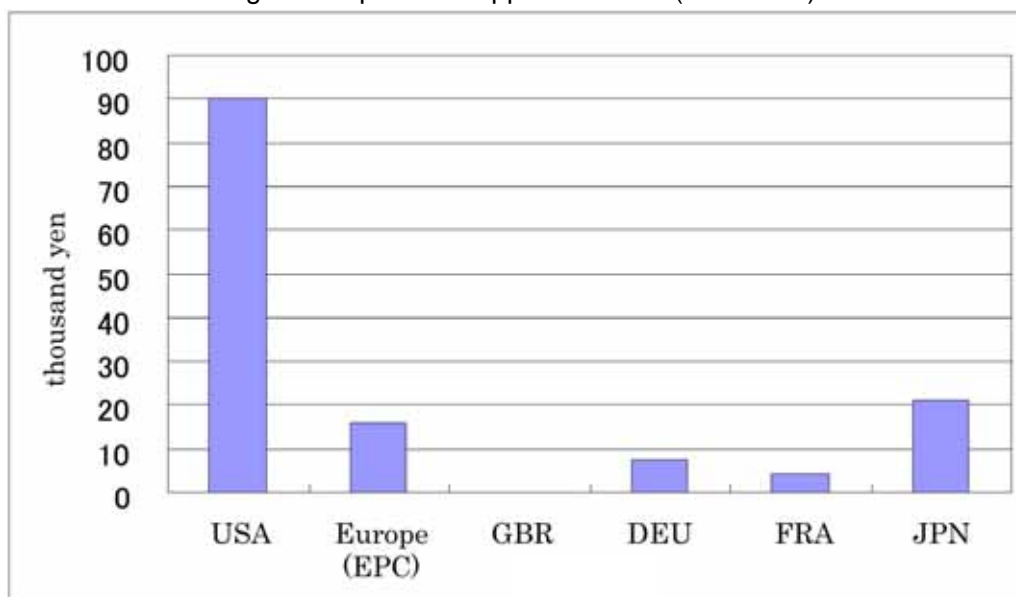
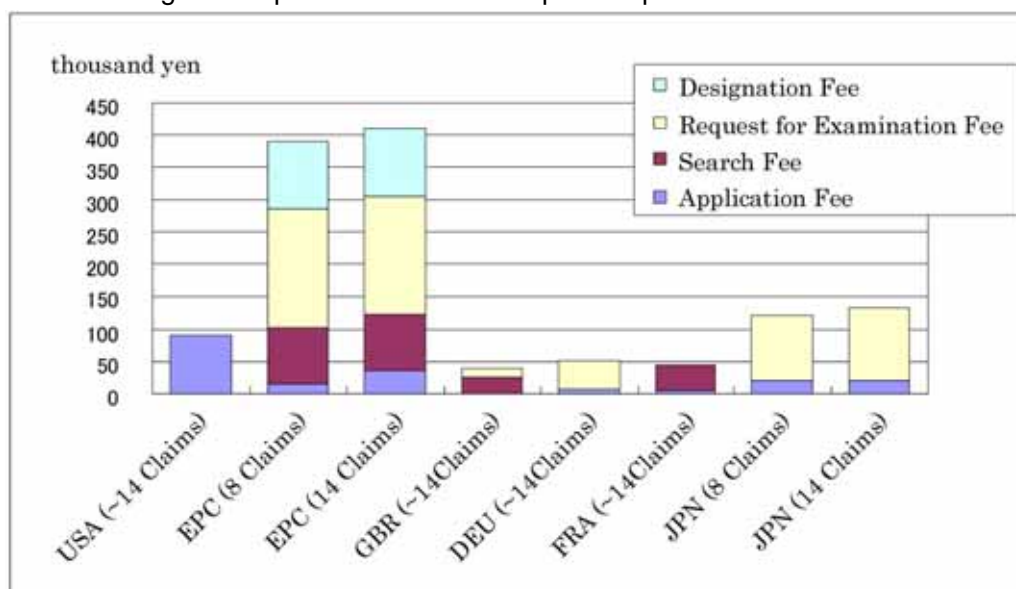


Fig. 2 Comparison of Total Fee up to Request for Examination



③ Comparison of total amount of fees up to the obtainment of a patent (application fee + search fee + request for examination fee + designation fee + registration / issue fee)

The amount in either of the European countries is about 40,000 to 80,000 yen, again lower than that for the U.S. and EPC. The amount in the U.S. is about 250,000 yen, and that of EPC is about 650,000 yen. The amount for Japan, the maintenance fee for the 1st to 3rd year being included as part of the fee for obtaining a patent right<sup>(\*)</sup>, is about 75 % of that for the U.S.<sup>(\*)</sup> (See Fig. 3)

④ Comparison of maintenance fee  
Assuming maintaining a patent for 10 years,

the level of the maintenance fee is, in the U.K. and France about 160,000 to 280,000 yen, in the U.S. about 400,000 yen, and in Germany about 600,000 yen. The level of maintenance fee in Japan falls between that of the U.S. and Germany. Assuming a patent is maintained for 14 years, relative hierarchical relationship of these countries in terms of the level of the total maintenance fee remains the same. The fee for maintaining 14 years in Germany is about 1.4 million yen (about 3-4 times the fee for the U.K or France). In every country that we searched, the total maintenance fee for 14 years is about 2 times the fee for maintaining for 10 years in that country. (See Fig. 4)

(\*)5 Section 66 (1) and (2) of Japan Patent Law

(\*)6 Compared in the case of 8 claims

Fig. 3 Comparison of Total Fee up to Right Obtainment

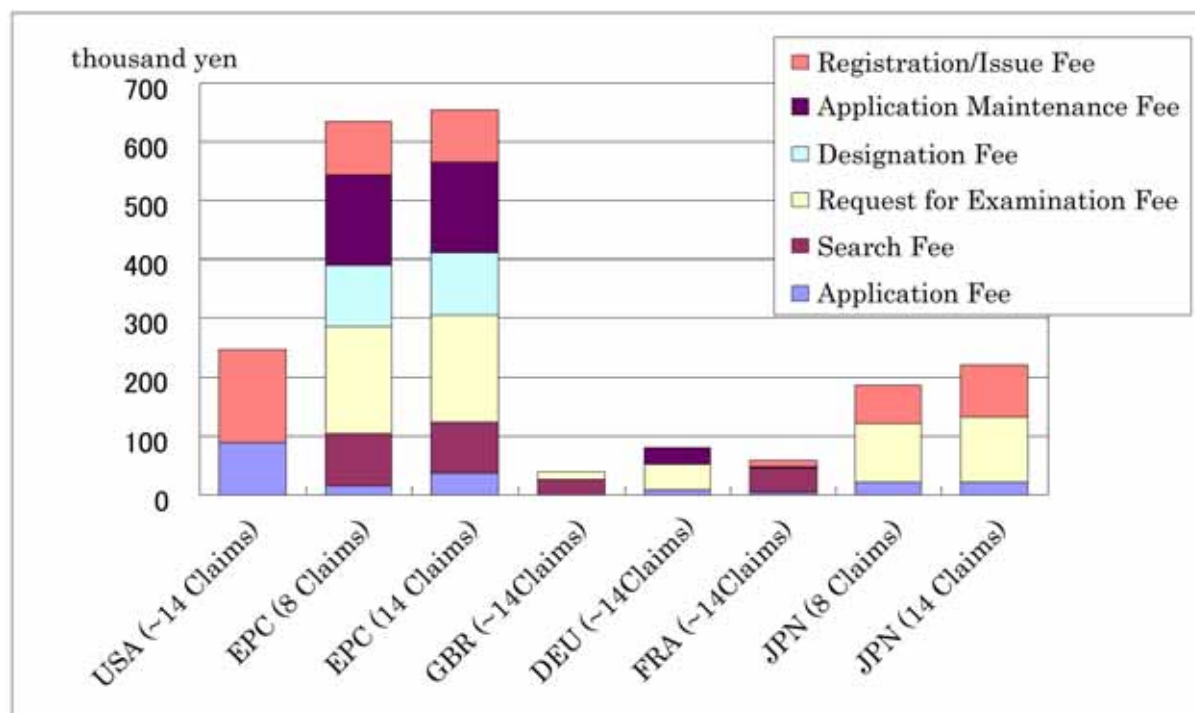
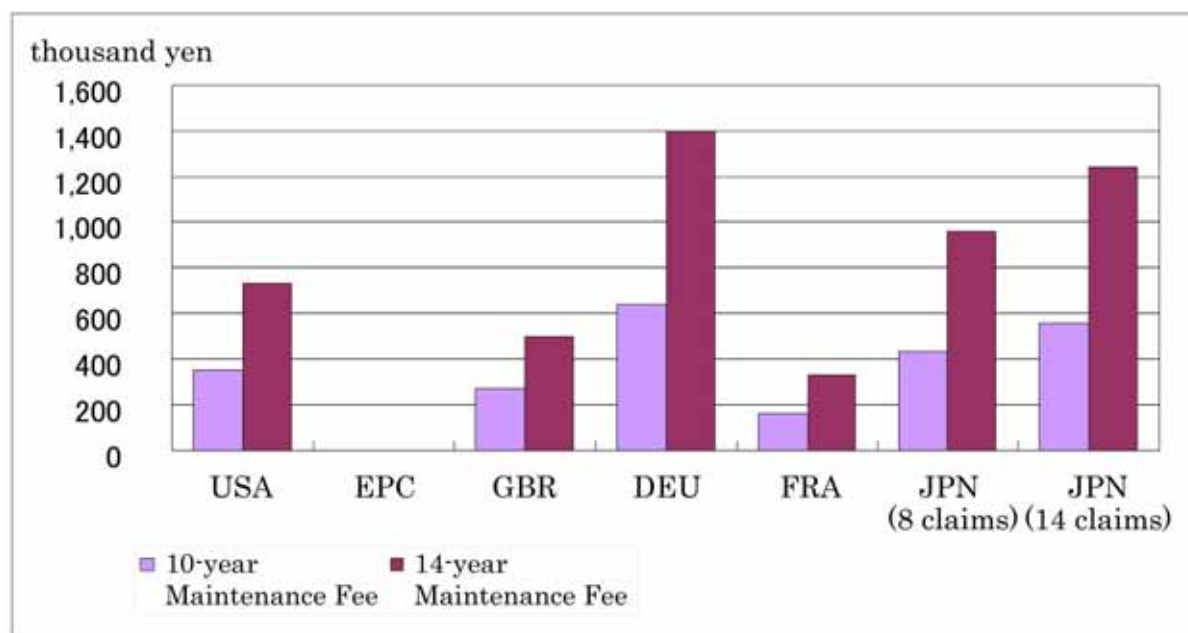


Fig. 4 Level of Right Maintenance Fee (for 10 or 14- year maintenance after right obtainment)



⑤ Total amount of fee for the life of a patent (Total fee up to the obtainment of a patent + maintenance fee)

Assuming maintaining a patent for 10 years, the total amount of fees for the life of a patent in the U.S., EPC and Germany is at the level of about 600,000 to 700,000 yen. It is the same level for Japan (in the case of 8 claims). Meanwhile, the lifetime fee in the U.K. and France is about 200,000 to 300,000 yen, about 30 to 40 % of that of the countries mentioned above Assuming maintaining

it for 14 years, the maintenance fee plays a great part in the total lifetime amount of fee of each country. The total amount for Germany is about 1.5 million yen, and for the U.S. about 1 million yen. The level of the total amount for Japan (with 8 claims about 1.15 million yen, with 14 claims about 1.45 million yen) falls between the U.S. and Germany. The total lifetime fee for the U.K. and France is around 400,000 to 500,000 yen, still in a low level. (See Fig. 5 and 6)

Fig. 5 Lifetime Cost for a Patent (for 10-year right maintenance)

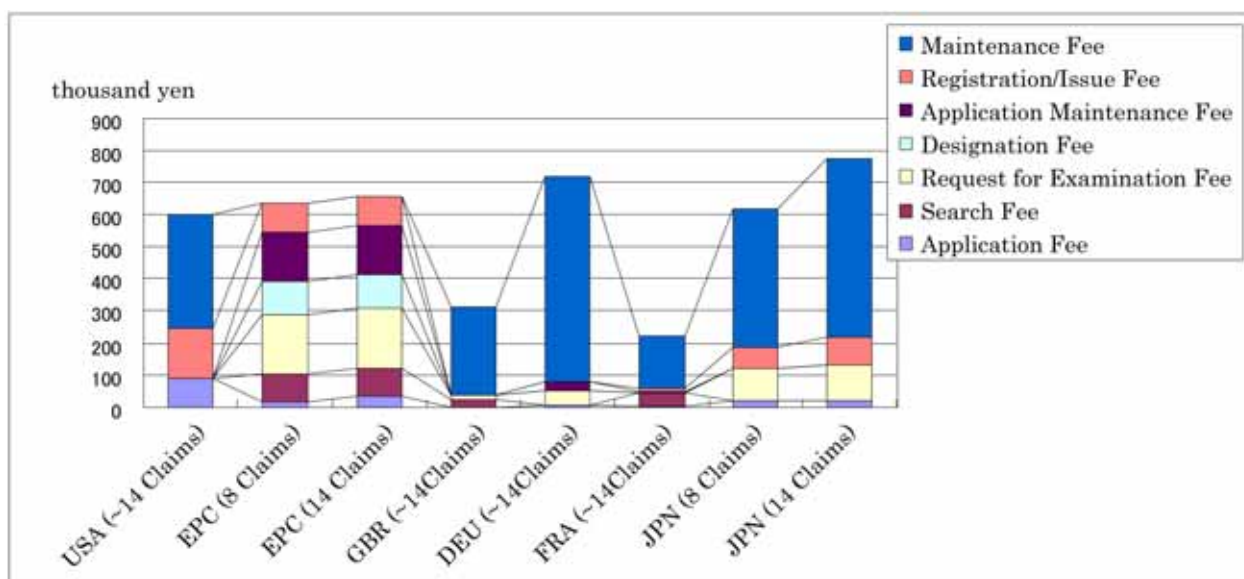
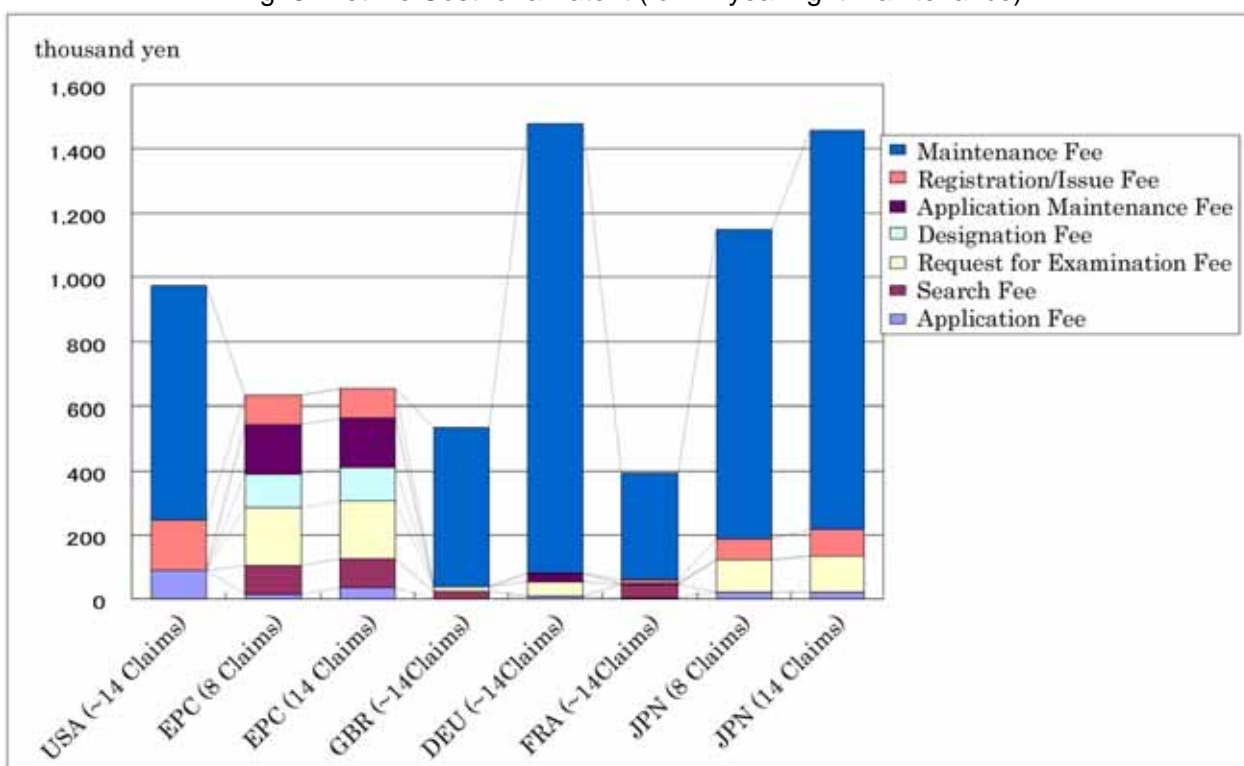


Fig. 6 Lifetime Cost for a Patent (for 14-year right maintenance)

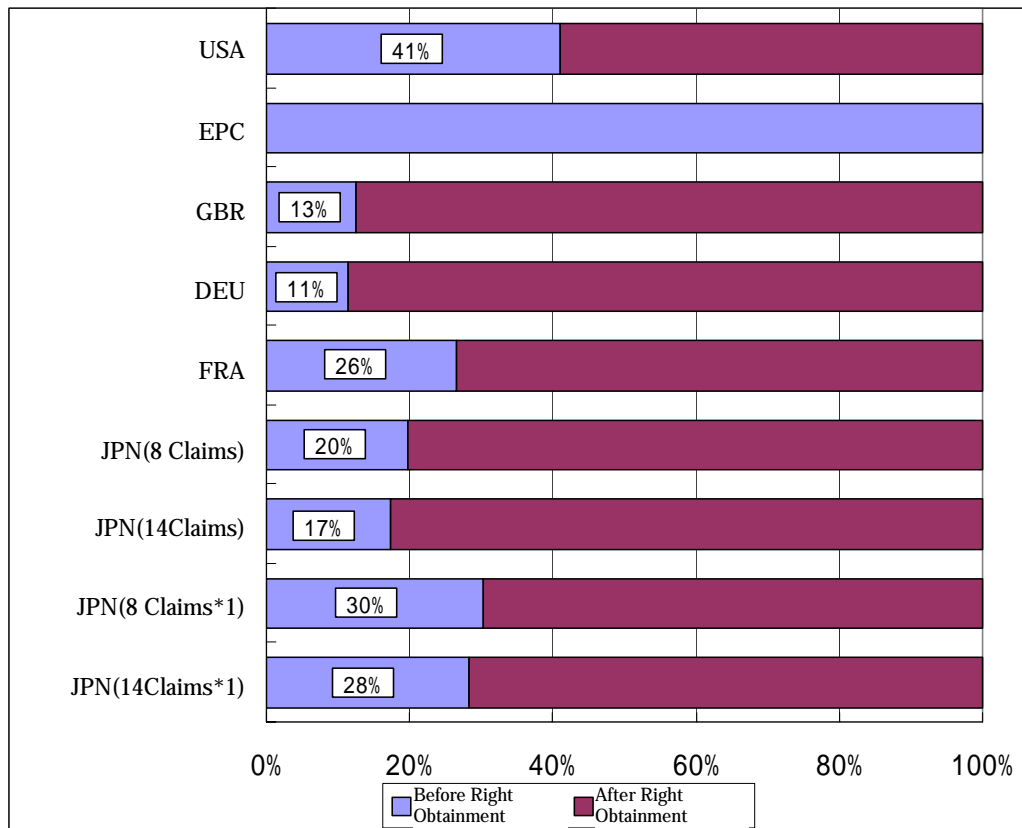


© Analysis of the fee balance between before and after the obtainment of right

We divided the total lifetime fee into before and after the obtainment of right and analyzed the ratio (share) between them. The ratio of the fee before the obtainment of right in the U.K. and Germany is set at a low level a little more than 10 %. Most part (about 90 %) of the lifetime fee in both countries is accounted for by the maintenance

fee, which reflects their policy that the successful applicants (the obtainers of right) should bear larger burden. Meanwhile, the ratio of the fee before the obtainment of right in the U.S. is 41 %, the highest of the countries that we searched. The fee balance between before and after the obtainment of right in France and Japan falls between that of the U.K./Germany and the U.S. (See fig. 7)

Fig. 7 Fee Balance Between Before and After Right Obtainment



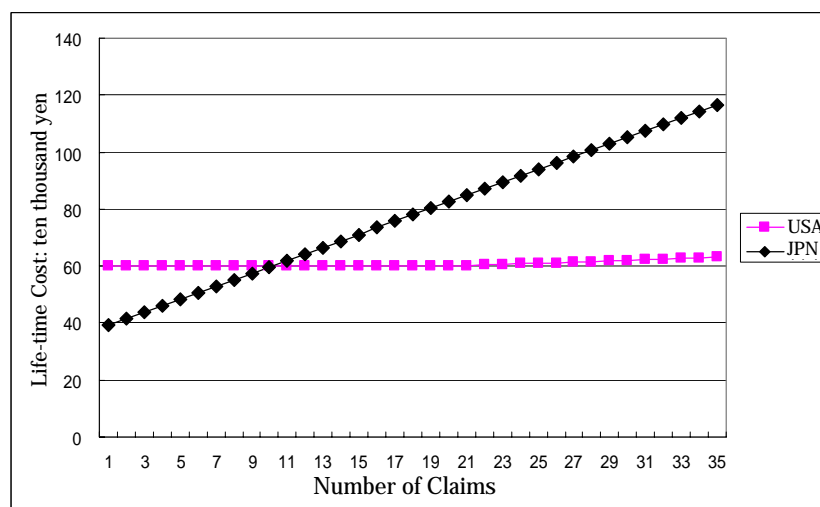
\*1 shows the case where the maintenance fee for 1<sup>st</sup> to third year (Section 66(2), Patent Law) is regarded as the fee required for obtaining the right and is included in the costs up to (before) the right obtainment

⑦ Analysis of fees with variable elements<sup>(\*7)</sup>

Focusing on the number of claims and analyzing the relation to the amount of fees, it turned out that the lifetime fee of Japan, as compared with those of foreign countries, is more

sensitive to the number of claims. In Japan, up to 14 claims the total fee is lower than that in the U.S., but in the case of more claims it will be higher than that in the U.S. (See fig. 8)

Fig. 8 Relation between Number of Claims and Life-time Cost



(\*7) The variable elements in foreign countries are the number of claims, the number of independent claims, with or without multiple dependent claims, the number of designated countries, with or without the novelty search before the examination, the extension of period for procedures, number of pages of the specification, etc.

(ii) Analysis of Fees for Utility Model Right, Design Right, and Trademark Right<sup>(\*)</sup>

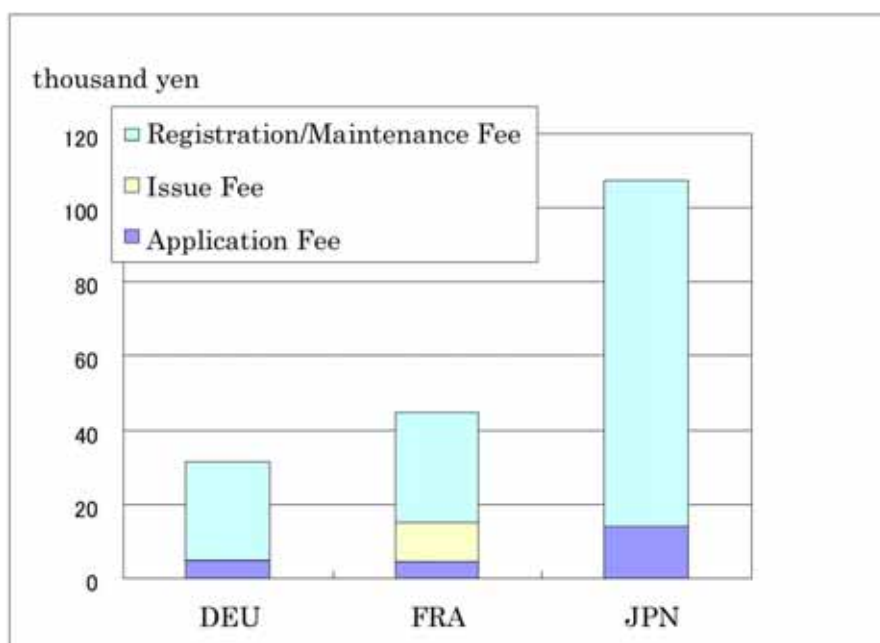
① The total amount of fees related to the application, registration and maintenance of a utility model right is, in Germany and France, about 30,000 to 50,000 yen, which is about 30 to 40 % of that in Japan. ② As for the application fee for a design right, it is set at a low level (around 10,000 yen) in European countries, but in the U.S. it is set at a high level (about 40,000 yen). The total amount of fees related to the application, issue and maintenance of a design right is, in France about 8,000 yen, in Germany about 35,000 yen, and in the U.K. and the U.S. about 75,000 to 95,000 yen. The total amount in Japan is more than three times (just below 300,000 yen) that of the U.K. and the U.S. ③ For the trademark-related fees, they generally set the application fee and renewal fee at

almost the same level. The total fee for the application and maintenance (renewal) of a trademark in European countries is below or around 100,000 yen, set at a lower level than in Japan. In the U.S., in the case where the number of classes is one, it is at the same level as in European countries, but with the increase of the number of classes the level of the total fee will go up too. (See Fig. 9 to 11)

**(6) Fee Balance Between Kinds of Right**

As for application fees, in the European countries that we searched, the application fee for a trademark is set higher than that for a patent or design. As for the lifetime total cost, in every country which we searched, that related to a patent is at the highest level, followed by that related to a trademark. (See Fig.12 to 13)

Fig. 9 Utility Model Right Related Fee Level



(\*) Major premises of the analysis are as follows: ①Utility model right related fee: the number of claim is 4 right, maintaining period is 6 years from the application. For Germany, on-paper application fee and maintenance fee for 4-6th year, for France, application fee, issue fee and maintenance fee for 2-6th year, for Japan, application fee and registration fee for 1-6th year, are added up to calculate the fee for each country. ②Design right related fee: An application for a design of one model is assumed. For the U.S., application fee and publication fee, for the U.K., application fee and renewal fees for the second and third period, for Germany, on-paper application fee, 6-10th year maintenance fee and 11-15th year maintenance fee, for France, application fee (white and black products), for Japan, application fee and 1-14<sup>th</sup> year registration fee, are added up for each country. ③Trademark right related fee: The fees are calculated in accordance with the varied number of classes from 1 to three. One renewal fee is counted in.



Fig. 10 Comparison of Design Right Related Fee Level

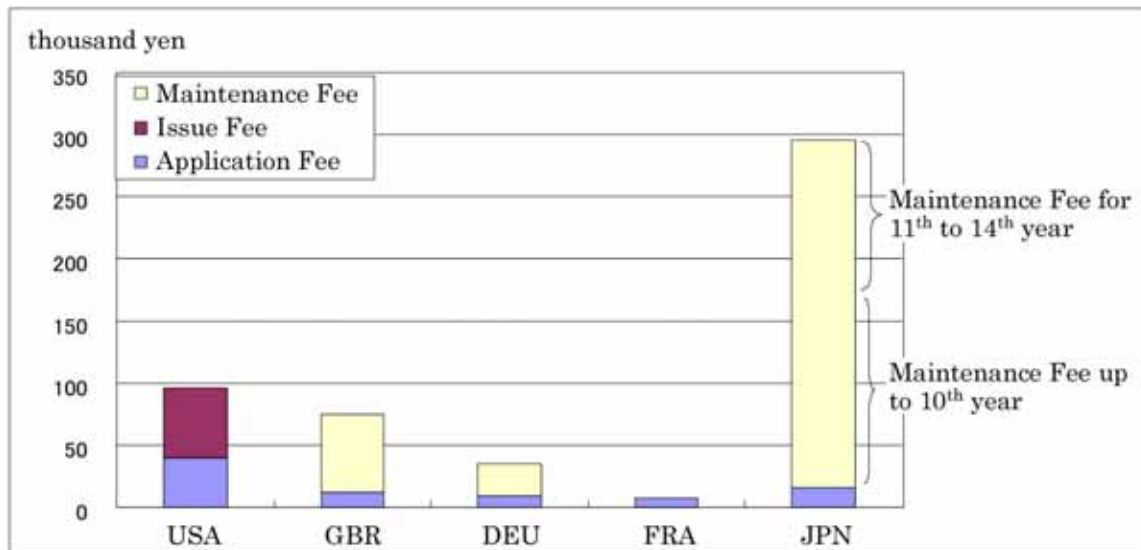


Fig. 11 Comparison of Trademark Right Related Fee Level

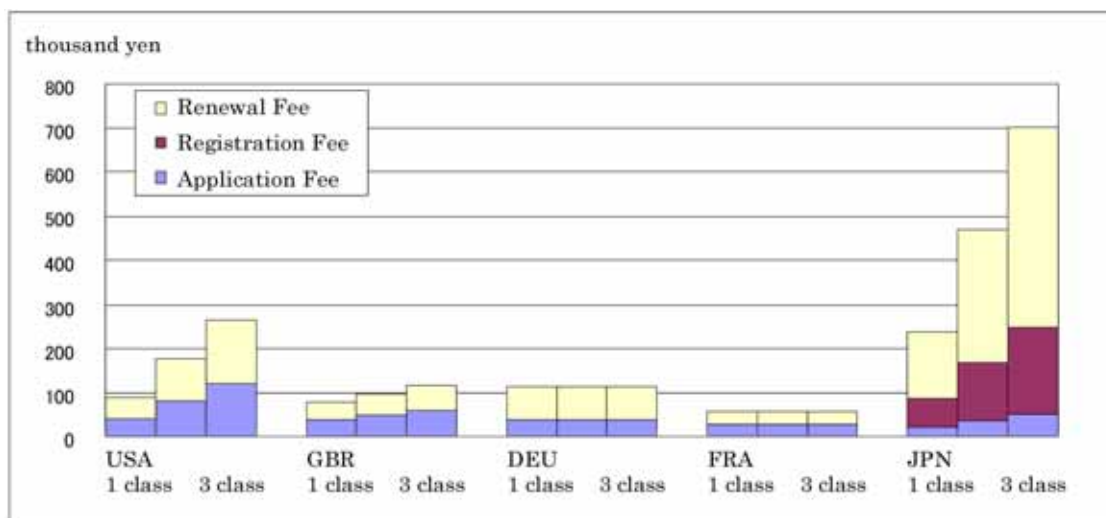




Fig. 12 Comparison of Application Fee by Country / Kind of Right

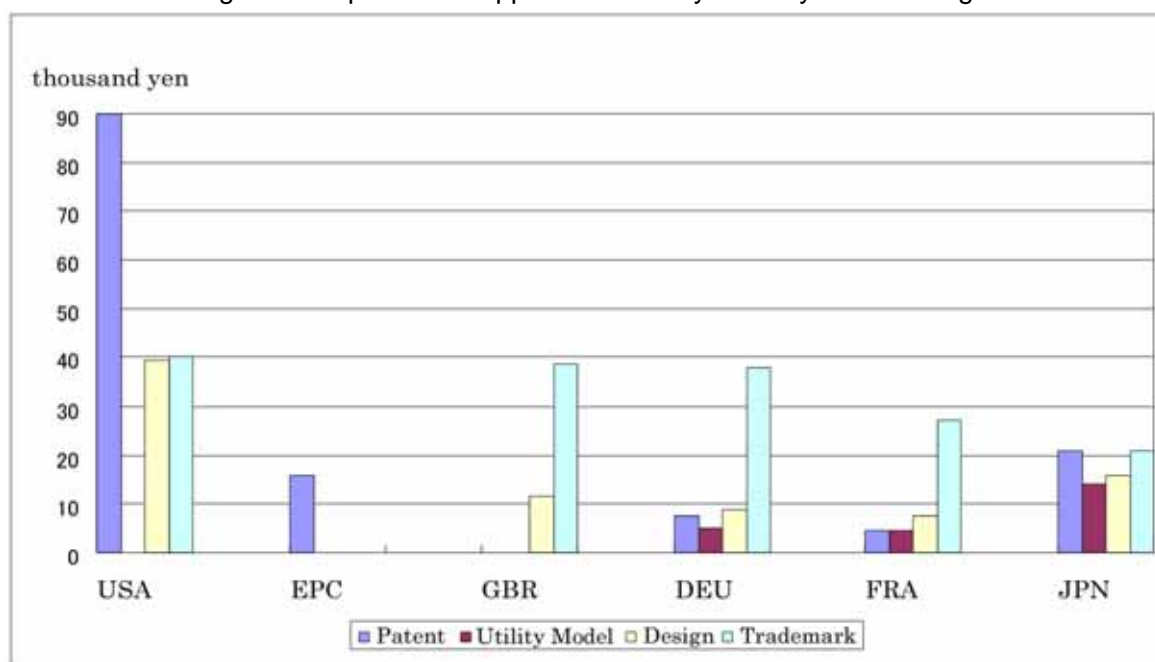
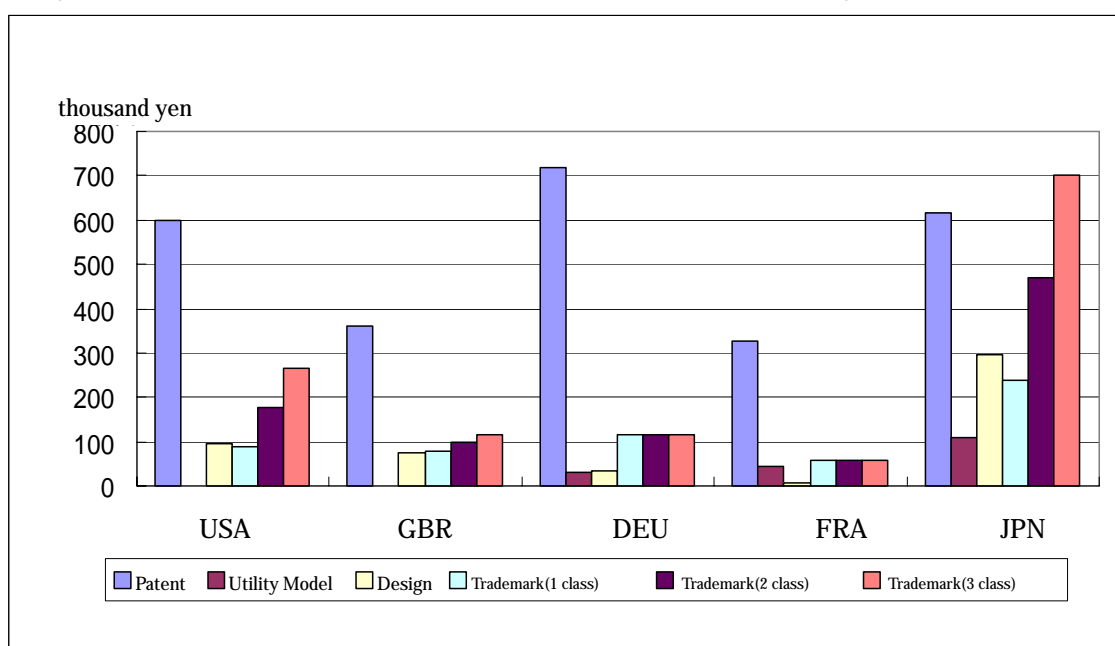


Fig. 13 Comparison of Life-time Total Cost by Country / Kind of Right (converted to yen)

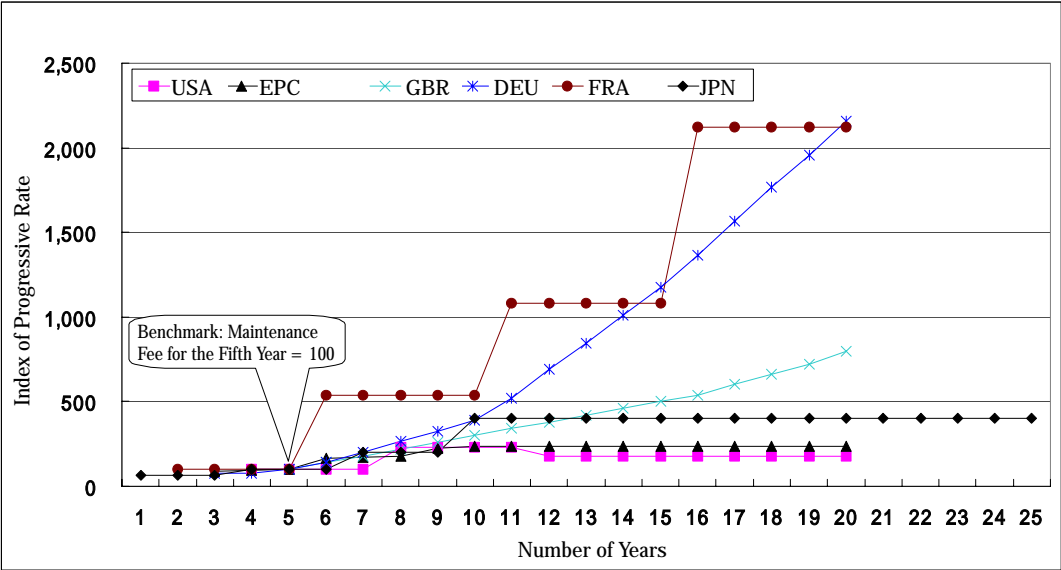


## (7) Graduated Rates of Patent Maintenance Fees and Ideas behind

As regards patent maintenance fees, we analyzed the progressive rates of the fee level with the level for the fifth year as the benchmark (100). In major foreign countries, they commonly take the measure and policy of progressive increase for the maintenance fee. However, there are differences among countries in the degree of graduation, the curves of graduation (linear type, stair type, with or without a elbow-shaped curve), the time of fee

payment (every year, every plurality of years), etc. In Germany, graduation rate is set at a rather low level until the 10th year, after which it increases and ultimately goes beyond 2000. In France also, the graduation rate ultimately goes beyond 2000. Thus, in Germany and France, they take a measure and policy that modulates on the fee burden of right holders. In the U.S. and other countries, the graduation rate generally remains within several hundreds. (See fig. 14)

Fig. 14 Graduated Rates of Patent Maintenance Fees (Indexes: the Maintenance Fee for the 5th year=100)



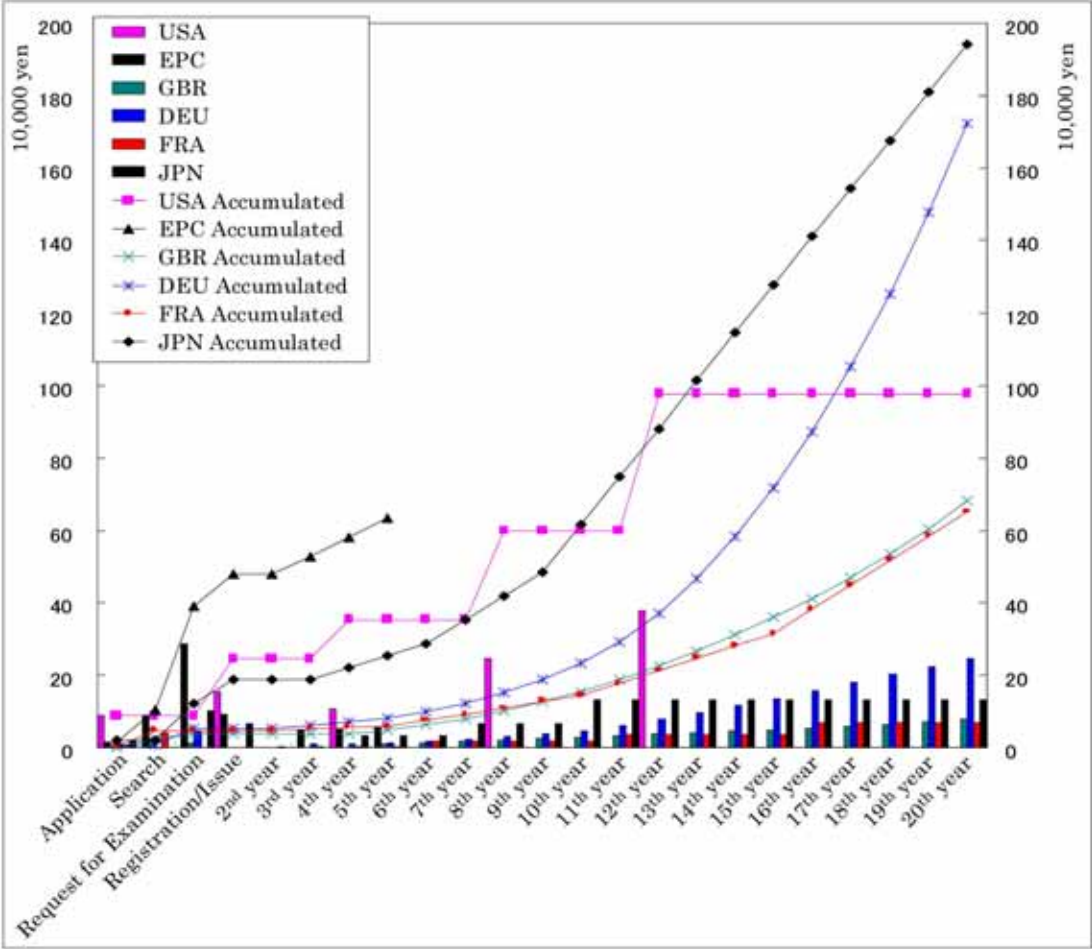
\*In the U.S., the time of maintenance fee payment is not every year but once in plural years, under which system a fee will maintain the right for plural years. Therefore, for the U.S., a fee is averaged out for a yearly amount to draw this graph.

**(8) Accumulated Amount of Paid Fees over the Years of Maintenance (Patent)**

The accumulated amount of paid fees for EPC is at a high level from early years, tending to cover much of the total expenses in the early stage. In the U.S., the accumulated amount projects to a high

level during early years, then plateaus. In Germany, though it stays at a low level until close to the 14th year, after that it increases exponentially. In Japan, it is almost the same level up to the 13th year as that of the U.S., after that it goes up to the same high level as Germany. (See fig. 15)

Fig. 15 Accumulated Amount of Paid Fees over the Years



## **2 Changes of Fee Systems in Foreign Countries**

The fee systems of foreign countries have undergone modifications in accordance with the changes in circumstances of the time.

### **(1) Policy on, Reason for, and Procedure of Fee Revision**

The policy on a fee revision or the reason for a revision in major foreign countries could be divided into the following patterns:

(i) "Adjusting the fee level in accordance with the rise in prices," i.e. the pattern of judging the necessity of the revision and rate of increase based on a barometer they watch out. (revisions in the U.S. based on the consumer price index) <sup>(\*)9</sup>

(ii) The pattern of "Revising fees when the income and the expenditure budget go out of balance". (the revision in the U.S. through a legislation of special law, EPO, U.K. Patent Office (UKPO))

When a situation that requires a fee revision arises in those countries, they follow the procedure of internal investigation, approval of the council or the diet and then public notification.

### **(2) Timing (Frequency) of Fee Revisions, Width of Fee Revisions**

In 14 years from 1990 to 2003, in the U.S. they had 13 revisions diligently adjusting the fee level. Meanwhile, it is in real term 2 times in Germany, 4 times in the U.K., practicing the policy of maintaining stability of the fees.

The width of a fee revision (width of fee rise / fee cut) differs depending on the reason for or policy on the revisions mentioned above. The revisions based on the consumer price index were mostly raising by 2 to 3 %. On the other hand, the revisions for the adjustment of income-expenditure balance were made by greater width as needed. Great width revisions which we can see are, 45.6% (the U.S., 1991) and minus 42.4% (France, 2002).

## **3 Special Fee Systems**

### **(1) Fee Discount System - Small Entities**

In the U.S., there is a fee discount system for small entities to help out those in an economically weak position.<sup>(\*)10</sup> Procedural requirements for qualifying as a small entity tends to be loosened<sup>(\*)11</sup>, and 30 % of the applications made from 1998 to 2000 had this system applied to them.

### **(2) Fee Discount System - License of Right**

In the U.K., Germany and France, the "license of right" system is provided.

Under the license of right system, when a patent right holder declares or registers his intention that licenses under the patent are to be available to third parties, he will get the maintenance fee reduced by a certain percentage.<sup>(\*)12</sup> The rate of reduction is 50 % in the U.K. and Germany and 40 % in France. The system of each country, while having a common legal effect of fee reduction, differs from each other in terms of qualifications or procedures. In France, the number of requests for the application of this system amounts to about 600.

### **(3) Other Special Fee System**

In the U.S., EPC, and the U.K., a reimbursement system for fees paid by mistake or an amount paid in excess is provided.<sup>(\*)13</sup> In addition, in EPC, a reimbursement system to refund a portion of search fee or examination fee depending on the degree of reduction of search or examination burden is provided. This is the system of refunding 50 % or 100 % of the search fee depending on the degree of reduction of search burden on an application when a novelty search has been conducted on the application whose priority is claimed for the European patent application.<sup>(\*)14</sup> An examination fee for an application will also be fully refunded if the application is withdrawn before an examination starts on it.<sup>(\*)15</sup> In recent years, 14 % of search fees and 8 % of examination fees that have been collected by EPC have been refunded.

## **Financial Management at the Agency for Industrial Property Right System in Foreign Countries**

The responsible agencies of major foreign countries are required to cover their expenses basically by the fee revenues. However, EPO and WIPO, established by the relevant treaty and having revenues from contracting states or allies in addition to the fees for their services, have the financial base different from that of the agency of each country.

As for the balance of revenue and expenditure, in the U.S., collected fees are once credited to the government expense account, then will be expended in accordance with the budget approved by the Congress, and the surplus is to be trusted to

---

(\*)9 35USC § 41(f)

(\*)10 35USC § 41(h)

(\*)11 As an example, see <http://www.uspto.gov/web/offices/dcom/olia/pbg/cpr.htm>

(\*)12 The U.K. Patent Law Section 46, German Patent Law Section 23, French Intellectual Property Code Article L613-10

(\*)13 35USC § 42(d), 37CFR1.26(a), EPC Article126(2)

(\*)14 Rules relating to Fees, Article10 (1)

(\*)15 Rules relating to Fees, Article10 b (1)

the special account of Department of the Treasury, with the recent trend of continuing surplus. In the case of EPO and the National Institute for Industrial Property of France (INPI), the balancing of revenue and expenditure is required, and in fact they are balanced for EPO, but with INPI, it is unknown because they don't publicize the figure of expenditures. With UKPO, it is required that, as a whole, the ROCE<sup>(\*16)</sup> be 6 %, and in fact they've been enjoying the trend of favorable balance.

The size of revenue and expenditure budget are, UKPO (around 10 billion yen), INPI (around 15 billion yen), WIPO (around 20 billion yen), DPMA (around 25 billion yen), EPO (around 100 billion yen) and then USPTO (around 120 billion yen). In the countries except the U.K., the size has been expanding in recent years, especially in EPO and USPTO the figure has grown substantially (e.g. for USPTO the figure has grown to one and a half times from FY 1997 to 2001.)

request for examination fee).

(Researcher:Kazuhiko Miyasaka)

#### **IV Movements in the Fee Systems Policies in Foreign Countries**

USPTO, in response to the recent changes in the intellectual property related environment, publicized "The 21st Century Strategic Plan" in June 2002, and "The Revised Version<sup>(\*17)</sup>" in succession. In this plan, a change in the fee system is also investigated. Major points are: (1) The fees for search and examination that are included in the application fee will be newly set out as the independent search fee and examination fee. (2) The fee as required at filing an application will be increased from the current US\$ 750 (application fee) to US\$1000 (application fee, search fee and examination fee), but if the application is abandoned, a part of the fee will be refunded. (3) The graduation rate for the maintenance fee to be collected at the second to third stage will be a little bit raised. The life time fee<sup>(\*18)</sup> will be raised from US\$ 6,090 to US\$ 7,000, by 15 %. (4) The fee balance between before and after the obtainment of right<sup>(\*19)</sup> will be changed, in terms of the ratio of the fee before the obtainment of right, from 41 % to 43 %, increasing a little bit the fee burden before the obtainment of right.

In EPO, responding to the increase of work load in recent years, a discussion is to be held concerning the balance between the fees to be paid at the time of filing an application (application fee, novelty search fee) and the fees to be paid at the time of request for examination (designation fee,

---

(\*16) ROCE: Return On Capital Employed, calculated by ordinary profit /(shareholders' equity + interest-bearing debt)

(\*17) The 21st Century Strategic Plan-Revised (03Feb, 2003), URL is,  
<http://www.uspto.gov/web/offices/com/strat21/index.htm>

(\*18) In the case the maintenance fee is paid for stage 1 to stage 3.

(\*19) The balance between the total amount of fees to the obtainment of right and the total maintenance fee for the stage 1 to stage 2.