

## 6 Fee System Methods for Industrial Property Rights based on the Economic Situation, etc. in Japan

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*Under the strict economic situation in Japan, there is a need to revise the fee system for small- and medium sized companies, etc., which have a limited intellectual property related budget. On the other hand, there are indications that even if fees for requesting examinations and annual fees for patents are reduced, small- and medium-sized research and development type companies, etc. cannot enjoy those effects sufficiently due to the complexity and difficulty of the request procedures.*

*The content required for the procedures and the fee system related to existing industrial property rights has changed along with promoting a revision of the patent system from the perspective of promoting innovations, and the revision of the trademark system in order to improve its convenience for business operators to facilitate improvements of brand strength. Therefore, the need to investigate overall procedures concerning industrial property rights has arisen.*

*This research study is an investigation, and an economic analysis, into “the way to find an appropriate fee system based on the revenue curve of the products that use patents” and “the transition of the fee system and its impact.” In addition, as to “the method of the reduction or exemption system,” “the method of basic fees and charges for claims” and “the payment method of trademark fees by installment,” a questionnaire survey of system users and oral interviews were conducted and investigated based on their results.*

### I Introduction

The “global financial crisis” has become more serious and we are in the most significant “worldwide recession” of the post-World War II era. Under such circumstances, the Japanese economy is also facing a rapid shrinkage of its export market and a strict financial environment. To respond to this situation, the Japan Patent Office has introduced an “deferment of payment of fee for request for examination” as an emergency measure to reduce companies’ financial burden. Under this system, payment of examination fees may be deferred for one year only from the submission date of the written request for examinations that are conducted on April 1, 2009 and thereafter. However, there is a need to review the fee system further for small- and medium-sized companies, etc. with a limited intellectual properties related budget. On the other hand, there is an indication that even if examination fees and patent fees (for the first to third years) are reduced, small- and medium-sized research and development type companies, etc. cannot enjoy the effects due to the complexity and difficulty of application procedures.

With regard to financial management, fee systems, and fee measures in various countries and new fee measures that have not been adopted in Japan, the “Desirable Financial Policies and Fee Systems for Industrial Property Rights” was conducted last year and the need, etc. for the

introduction of the License of Rights System (preparatory licensing system) was summarized. However, since the patent system has been reviewed from the perspective of promoting innovations and the trademark system has been reviewed in order to improve its convenience to business operators who wish to increase their brand capabilities, the content of the requirements for procedures and the fee system for existing industrial property rights has changed; therefore, it is necessary to review the overall procedures concerning industrial property rights.

Consequently, this research study was conducted to research and analyze companies’ business conditions, the actual conditions of research and development, or the need, etc. in Japan for the method of procedures and fees for industrial property rights and to create base materials as necessary for new system development in consideration of small- and medium-sized companies, etc.

### II Appropriate Fee System Method based on the Revenue Curve of Products that Use Patents

The fee system under which companies may feel their burdens are reduced is examined according to the revenue curve of products that use patents and an appropriate fee system method which takes into consideration the purpose of the patent system and the funding ability, etc. of each

applicant is surveyed and analyzed.

## 1 Results of surveys and analyses

The five revenue curves obtained from oral interviews with 2 large-sized companies, 2 small- and medium-sized companies, and 1 institution (university) gave very different results in the period until profit is maximized, the period when profit is maintained, and the amount of profit, respectively. The results were not uniform; it was therefore difficult to investigate a common fee system, under which companies, etc. may feel their burdens reduced based on their revenue curves.

It is considered that companies with abundant funds feel that their patent fee burden is comparatively light even if a certain time is required for an invention to obtain a patent and be commercialized. Meanwhile, companies with poor funding ability may feel their burden even with the payment of the initial patent fees, which are set at low price, and they cannot always maintain the patent right that they have managed to obtain. As a system under which companies with poor funding ability can obtain patents for their inventions and pay patent fees for their future business without anxiety, it may be possible to establish multiple fee systems that consider a company's funding ability, etc., but not the existing uniform fee system that does not take into consideration the funding ability of patent right holders or applicants. One of measures that can contribute to industry development is to have a patent holder or an applicant select one of multiple fee systems, to reduce their patent fee burden, and thereby to provide circumstances where they can commercialize their inventions comfortably.

In order to promote the publication of inventions, an exclusive right must be granted to an invention. Therefore, there is an aspect of damaging social welfare, such as when an invention is dominated for a certain period and the working of the invention by a third party is inhibited due to the domination. Consequently, it is essential for today's Patent Act to be designed to take sufficiently into account the balance between the individual interests and social interests of applicants or patent right holders.

The fee system to impose patent fees on applicants or patent rights holders also functions as an effective policy means to adjust those balances. It is preferable to establish a patent fee system which considers the balance between

individual interests (producers' surplus) and social interests (consumers' surplus) and maximizes social welfare.

## III The Method of the Reduction or Exemption System

The method of the reduction or exemption system that is currently applied to examination fees and registration fees for Japanese patents is surveyed and analyzed through document investigation in Japan, questionnaire surveys and oral interviews with small- and medium-sized companies and universities, etc.

### 1 Results of surveys and analyses

When comparing the procedures of the reduction or exemption system and the procedures of other support measures for small- and medium-sized companies, it is found that the requirements of "being an employee invention" and "the employee invention is succeeded by reservation" are added substantially to the reduction or exemption system. If these requirements for procedures are deleted, small- and medium-sized companies may apply for patents for inventions that were made by others, including large-sized companies, etc. It is therefore likely to lead to patent applications that are far removed from the original purpose of the reduction or exemption system. Consequently, it is not found in the procedures that the reduction or exemption system is restricted when compared to other support measures for small- and medium-sized companies, etc.

In this document investigation, the requirements for subject persons and procedures of the reduction or exemption system were not very different from other support measures for small- and medium-sized companies, etc.

There is room to review the reduction or exemption system and to examine whether it provides a sufficient response to the protection of useful inventions.

First, there are requests to expand the persons subject to the reduction or exemption system for small- and medium-sized companies and to simplify application procedures; however, since a large divergence was not found with other support measures for small- and medium-sized companies or other reduction or exemption systems, there is no necessity to ease the system at this moment.

On the other hand, when looking at students,

etc. it is considered to be necessary to introduce a specialized reduction or exemption system for students, etc. in order to promote the dissemination of the system and to provide support, etc. for preparing application documents.

Moreover, in order to prevent persons with poor funding ability from giving up filing patent applications or from abandoning their patent rights since they cannot afford the fees until the invention is commercialized, it is necessary to consider including the application fee in the subjects of the reduction or exemption system in addition to the expansion of the reduction or exemption amount.

#### **IV Transition of the Fee System and its Impact**

Based on the transition of various fees by means of fee reform and the transition in the usage situation of patent system, etc., such as the number of patent applications and requests for examination, etc., the impact of fees on the usage situation of each system is surveyed and analyzed.

##### **1 Results of surveys and analyses**

###### **(1) Patents**

It is considered that patent application fee reform has not affected the number of patent applications.

According to the results of analysis by experts of the correlation between research and development costs and the number of patent applications, it is found that research and development costs have a significant influence on the number of patent applications. If research and development costs increase by 1%, it is estimated that the number of patent applications increases by approximately 0.34% to 0.39%.

On the other hand, it is estimated that one of the causes of the largest impact on the number of requests for examination is the examination fee.

###### **(2) Designs**

It is estimated that the causes that have a large impact on the number of applications for design registration are not changes in the application fee for design registration or the economic situation, etc., but the reform of the legal system, etc.

###### **(3) Trademarks**

It is estimated that the causes that have a

large impact on the number of applications for trademark registration are not changes in the application fee for trademark registration or the economic situation, etc., but the reform of the legal system, etc.

#### **V The Method of Basic Fees and Charges for Claims**

With regard to the method of basic fees concerning examination fees and charges for claims, the fee system that users, who are patent applicants, desire is surveyed and analyzed through questionnaire surveys and oral interviews.

##### **1 Results of surveys and analyses**

The number of claims when requesting an examination for patent application and the number of claims necessary for patent rights amount to approximately ten claims. In terms of the patent fee system, it is found that users prefer to keep the basic fee low and to increase charges for claims.

With regard to the method of basic fees and charges for claims, most users expressed their desire to keep the current system, followed by “the prescribed number of claims or less should be free and specified fees should be charged for each claim that exceeds the prescribed number of claims” and “fees should be charged progressively for the number of claims.”

From a different perspective, there are more users that agree with the fee system which charges extremely expensive fees when the number of claims exceeds the prescribed number.

#### **V The Method of Payment of Trademark Fees by Installment**

Based on questionnaire survey and oral interviews with companies, etc., changes in the rights holding period for right holders and impacts on a company’s brand strategy from these changes are surveyed and analyzed, in cases where the frequency payment of fees by installment under the trademark fee system is increased from the current frequency of two times every 5 years, when the cost balance with a lump sum payment is changed.

##### **1 Results of surveys and analyses**

In cases where the fees for the first and

second terms are set to be the same amount as the fees in cases of a lump sum payment of ten years, it becomes apparent that the number of people who want to use the fee system will increase.

In cases of creating differences in fees by making the fee for the first term less and the fee for the second term more, the number of people who do not want to use the fee system decreases and the number of people who are not certain whether they will use the system increases.

Moreover, with regard to increasing the installment frequency more than the current frequency of two times, more than 60% of people indicated that they do not want to use that system. On the other hand, there are people who want to use the system since it will shorten the holding time and reduce the maintenance cost of trademarks for which the period of use is short, for example 1 to 2 years, or trademarks that were applied for and registered but for which it was decided that they were not to be used. That means the increase of installment payment frequency provides an advantage to the maintenance of trademarks that are not always important for companies.

With regard to the impact of the increase of installment payment frequency on companies' brand strategies, when considering that a company's brand strategy is generally an activity to use the company's most important trademarks, such as a corporate brand (trademark) or a major product or service brand (trademarks), and to establish a better company image from a long-term perspective, it is considered that an increase of in installment payment frequency that provides advantages only to trademarks with a short life will not impact a company's brand strategy.

In addition, it is found that an installment payment system which sets differences in fees by setting low first term installment payments and high second term payments and other installment payment systems for which the frequency of installment payments is increased are effective systems for users with very small-sized businesses.

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