Kluwer Patent Blog

Discussion on Unitary Patent renewal fees is speeding up

Kluwer Patent blogger · Wednesday, December 3rd, 2014

Time is closing in on two of the most hotly debated issues of the Unitary Patent (UP) package: the level of the UP renewal fees and the distribution key for the partition of these fees between participating Member States. Work on the latter, politically highly sensitive, issue was launched at the 10th meeting of the EPO Select Committee last October. Although the summer of 2015 was announced as target date, officials involved in setting up the UPC system have recently raised the possibility that it will be late 2015 before the fees are fixed.

Business Europe, a Brussels-based lobbygroup with members in 33 European countries and an observer to the fee negotiations in the Select Committee, recently published an interesting position paper, which is in the possession of Kluwer IP Law. It gives an insight into the meetings of the Committee and questions the view that a fee level equivalent to that of four countries at most will lead to a workable and attractive UP system.

According to the paper, in the 8th and 9th meetings of the Select Committee, simulations based on several levels of renewal fees were presented to show the consequences for the budget of the EPO. In these simulations, various assumptions were made regarding the percentage of granted European patents for which unitary effect would be requested (penetration rate). According to Business Europe, these presentations gave the impression that as a starting point a fee level corresponding to four countries would be 'roughly appropriate from the point of view of budget neutrality for the EPO'.

The paper continues: 'Several delegations remarked, however, that the penetration rates envisaged (…) were probably on the conservative side, particularly as regards patentees usually validating today their EPs in less than 4 countries ((…) about half of the European patents granted today). Business Europe shares that view.'

Apart from this, Business Europe is also critical about the EPO's interpretation of the level of the current national renewal fees: 'Instead of taking into account the true national renewal fees, the EPO had changed the amounts for years 2 to 5 by replacing them with the amounts of the corresponding EPO internal renewal fees and the amounts for years 6 to 8 by applying some arithmetic interpolation'. In the opinion of Business Europe, the result is 'awkward', even 'downright unattractive'.

To clarify this point, let us use calculations provided by Rob Vernout, patent attorney at Arnold & Siedsma, who has compared the current EP renewal fees to future UP renewal fees, assuming they would be based on the sum of the fees of respectively 1 (DE), 2 (DE + GB), 3 (DE + GB + FR), 4 (DE + GB + FR + NL) or more countries.

It shows a clear difference: the internal EP fees for year 2 to 8 are: 0, 465, 580, 810, 1040, 1155 and 1265 euro; the renewal fee for the Unitary Patent, based on the fee of the four countries with most validations would be only 36, 106, 146, 314, 475, 650 and 813 euro.

Business Europe: 'While there may be a need to slightly adjust the amounts for the early years, there is no justification for what is proposed by the EPO. After all, it might be appropriate to reward applicants who move their cases quicker through the EPO examination process by the perspective of a renewal fee after grant lower than the internal renewal fee if grant is delayed.'

The lobby group also points out that the 'top 4'-fee level is unattractive in the longer term because of the progressivity of the fees. It points out that the European patent with unitary effect will be far more expensive than any other patent in the world, and proposes renewal fees from 100, 150, 200, 300, 450, 600 and 750 euros in the years 2 to 8, up to 2100 in year 15 and 3100 in year 20.

Another perspective on the fee discussion comes from Jérôme Danguy and Bruno van Pottelsberghe of the Brussels University ULB. Their paper 'The policy dilemma of the unitary patent' was published on 27 November 2014. In an earlier post on the Kluwer Patent Blog, we paid attention to some of the conclusions of the study.

Danguy and Van Pottelsberghe implemented extensive calculations concerning the financial implications of different UP renewal fee rates for Member States. They criticize the fact that the financial consequences for national patent offices have become such a crucial issue in negotiations on the fee structure and propagate an alternative approach: 'For UP patents a low renewal fee structure should be set and each national patent office should then leverage the EP renewal fees, increasing them to secure at the same time higher revenue streams and make the UP more attractive than the EP.'

Rob Vernout of Arnold & Siedsma told Kluwer IP Law he thinks an attractive European UP system may lead to some loss of jobs at national patent offices, 'especially in big countries, as the administration of national validations of European patents is no longer necessary'. But the consequences won't be too bad. He estimates in the Netherlands a few, about five jobs may be cut over time.

Vernout thinks the negotiations about the distribution key for the UP renewal fees will be an enormous challenge. 'Currently the distribution of renewal fees for EP applications is based on the number of national validations of European patents. In bigger countries this number is disproportionally higher than in smaller countries, where validations are rare. For the Unitary Patent a new distribution key must be tailored. The GDP, population and R&D investments have been named as criteria.'

In all likelihood, smaller countries will start to receive more money to the detriment of bigger states, says Vernout, who would like to see much more transparency in the negotiations at the EPO Select Committee. The study by Danguy and Van Pottelsberghe shows he is probably right. 'The main office that might still see a significant drop in its renewal fee income', Danguy and Van Pottelsberghe write, 'is the German Patent Office, which has historically benefited from its 'largest economy' status in Europe and hence generates higher than expected validation and maintenance rates.'

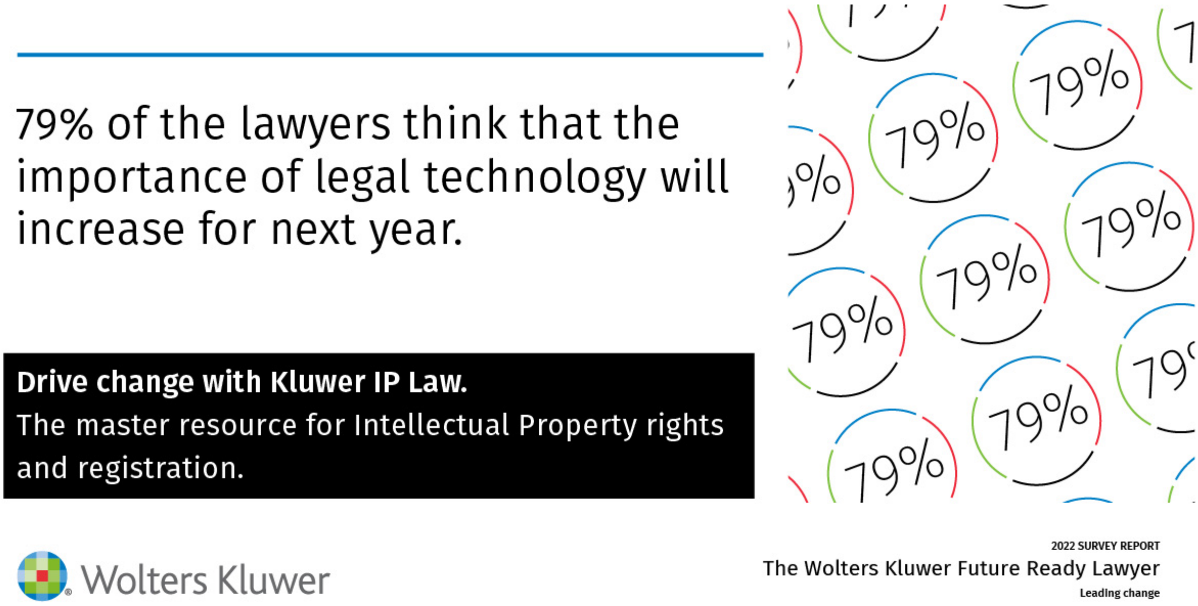
For regular updates on the UPC, subscribe to the free Kluwer IP Law Newsletter.

To make sure you do not miss out on regular updates from the Kluwer Patent Blog, please subscribe here.

Kluwer IP Law

The **2022 Future Ready Lawyer survey** showed that 79% of lawyers think that the importance of legal technology will increase for next year. With Kluwer IP Law you can navigate the increasingly global practice of IP law with specialized, local and cross-border information and tools from every preferred location. Are you, as an IP professional, ready for the future?

Learn how **Kluwer IP Law** can support you.



This entry was posted on Wednesday, December 3rd, 2014 at 11:56 am and is filed under UPC
You can follow any responses to this entry through the Comments (RSS) feed. Both comments and pings are currently closed.