

EXPLANATORY MEMORANDUM TO

THE PATENTS AND PATENTS (FEES) (AMENDMENT) RULES 2017

2017 No. 1100

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Intellectual Property Office (IPO), an Executive Agency of the Department for Business, Energy and Industrial Strategy and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 The purpose of the instrument is to update the fees that the IPO charges in relation to its patent-granting functions.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 Three of the fees are being increased above the rate of inflation. The reasons for this are explained below. Where a patent is renewed for longer than 6 years, the total fees payable have risen by less than inflation.
- 3.2 It is a long-standing principle of the patent system (not just in the UK, but globally) that the fees for the processing of patent applications are kept relatively low, and in particular way below the actual costs incurred by the IPO. This ensures that businesses can access the system. Annual renewal fees, payable after the patent is granted, are set at levels which allow the IPO to recover its costs.
- 3.3 There has been no change to statutory patents fees since 2010. This instrument adjusts statutory patents fees to achieve a modest shift towards prompt recovery of the IPO's processing costs. The instrument achieves this by making a greater increase to the fees for obtaining a patent than to the renewal fees charged for maintaining the granted patent.
- 3.4 The application fee and the examination fee are being increased above the rate of inflation. Consumer Price Inflation for the period from April 2010 (the date of the last revision to patents fees) to September 2017 rose by 17%. The application fee is increased by 200% (from £20 to £60, if the patent application is filed in electronic form, or from £30 to £90, if it is filed on paper). As well as achieving the policy aim set out in paragraph 3.3 above, this increase is intended to encourage applicants to carefully consider, before they apply, whether patent protection will be of benefit to them. The examination fee is increased by 25% (from £80 to £100) if the request for examination is filed in electronic form and by 30% (from £100 to £130) if the request is filed on paper. The search fee is also increasing by more than inflation, but only if the request for search is filed on paper. In this case it is increased by 20% (from £150 to £180).
- 3.5 The increases to the renewal fees charged for maintaining a granted patent are restricted to the renewal fees payable for year 12 of the patent's life onwards. Each

renewal fee is increased below the rate of inflation (again, based on Consumer Price Inflation since 2010). Once all the changes are taken into account, the result is that where a patent is renewed for longer than 6 years, the total fees payable have risen by less than inflation.

- 3.6 There are also three new fees which are only payable in certain circumstances. They are intended to recover a proportion of the additional costs incurred by the IPO when processing lengthy patent applications. Their existence may also influence filing behaviours.
- 3.7 No further patents fee increases are planned to take place.

Other matters of interest to the House of Commons

- 3.8 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 The Patents Act 1977 (c.37, “the Patents Act”) is the principal statute governing the patents system in the UK. The Patents Rules 2007 (SI 2007/3291), (“the Patents Rules”) are the main piece of secondary legislation made under the Patents Act. Together they regulate the business and procedure of the Patent Office (operating as the Intellectual Property Office, “the IPO”) in relation to the grant and maintenance of patents. The Patents (Fees) Rules 2007 (SI 2007/3292), (“the Patents Fees Rules”) set out the statutory fees relating to these procedures, and are also made under the Patents Act. This instrument amends the Patents Rules and the Patents Fees Rules in order to give effect to the new fees.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is to all of the United Kingdom and the Isle of Man.
- 5.2 The territorial application of this instrument is to all of the United Kingdom and the Isle of Man.
- 5.3 The provisions of the Patents Act extend to the Isle of Man, subject to modifications made by Order in Council. While the Patents Fees Rules, including the amendments made by this instrument, relate solely to the fees charged for procedures at the IPO, they apply to the Isle of Man.

6. European Convention on Human Rights

- 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

- 7.1 There has been no change in the statutory fees for applying for and maintaining patent rights since 2010. As a result, the fees have not kept pace with the IPO’s administrative costs or inflation. In accordance with the requirements of HM

Treasury's fees guidance in *Managing Public Money*¹, the IPO must operate a fee structure which recovers the full cost of delivering the patent service. Fee increases are therefore now necessary to ensure the IPO has a sustainable income to run the UK patent system. In addition, the changes are being introduced to better align patents fees with IPO processing costs and to encourage good filing practices.

- 7.2 The fee changes are intended to achieve these policy objectives whilst maintaining the overarching principle that the fees for the processing of patent applications are kept relatively low. The IPO's remaining costs will continue to be recovered by the payment of annual renewal fees payable after the patent is granted.
- 7.3 Specifically, the patent application fee is increasing from £30 to £90 when filed on paper (provided the fee is paid when the patent application is filed). A 25% surcharge is being introduced in the situation where the application fee is paid later. The basic fee payable when requesting a search on a patent application is increasing from £150 to £180 for a domestic patent application and from £120 to £150 for an international patent application that has already been searched elsewhere. The basic fee payable when requesting examination of a patent application is increasing from £100 to £130. In addition, the discount for paying the application, search or examination fee using the IPO's electronic filing services is being increased from £20 to £30, to further encourage use of the electronic filing services. (In the first half of 2017, 87.6% of patent applications at the IPO were filed electronically.)
- 7.4 In addition, patent applications that include more than 35 pages of description ("excess pages") or more than 25 claims² ("excess claims") will attract higher fees. These increased fees reflect the additional work required by patent examiners to process such patent applications. In particular, the search fee is increasing by £20 for each excess claim and the examination fee is increasing by £10 for each excess page. A grant fee will be required prior to grant of the patent if the patent application has been amended during the examination process such that the number of excess claims or excess pages has increased.
- 7.5 The annual renewal fees payable to keep a granted patent in force are being increased by £10, but only from year 12 of the patent's life onwards. Limiting the increase to only the later years of the patent will ensure that the impact is only felt by those with patents considered commercially successful enough to continue to renew.

Consolidation

- 7.6 No consolidation of the Patents Fees Rules is planned at present. An informal consolidated text is available to the public for free on the gov.uk website.³ The new fees will also be displayed on the IPO's part of the gov.uk website.

8. Consultation outcome

- 8.1 A public consultation took place from 13 April 2017 to 6 June 2017. A total of 23 responses were received, including responses from representative organisations, patent attorneys, businesses, a University, and individuals.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf

² Claims are an essential part of the patent application. They are legal statements which define the patent monopoly.

³ www.gov.uk/government/publications/the-patents-rules-2007-and-patents-fees-rules-2007

- 8.2 65% of respondents were supportive of the proposed increase to the application fee and 87% expressed support for the proposed increases to the basic search and examination fees. However there was a lack of support for the excess claims and pages fees proposed in the consultation document. The excess claims and pages fees have therefore been significantly adjusted to address the concerns raised. In particular, the excess claims fee has been reduced by a third and both the excess claims and excess pages fees will apply to fewer patent applications.
- 8.3 Many respondents were supportive of the proposal to make small increases to post-grant renewal fees, if accompanied by smaller increases to the fees for processing patent applications (56% expressed support or neutrality). This proposal is not being pursued in full. However to account for the adjustments to the excess claims and pages fees, post-grant renewal fees are being increased by £10 from year 12 onwards. The £10 increase is below the rate of inflation.
- 8.4 A more detailed analysis of the consultation outcome is available on the gov.uk website.⁴

9. Guidance

- 9.1 Guidance will be provided on the gov.uk website, including updates to existing IPO guidance for users. The IPO will also be publicising the changes to users and stakeholders using various channels of communication.

10. Impact

- 10.1 The impact on business, charities or voluntary bodies is estimated to be a cost of £4.1m per year. This has been calculated based on estimates as to likely changes in patent filing behaviours as a result of the fee increases. The impact is restricted to those businesses and individuals (not just from the UK, but from around the world) who make a business choice to apply for a UK patent, or to maintain the UK patent once granted.
- 10.2 The impact on the public sector is estimated to be a benefit to the IPO of around £3.8m.
- 10.3 An Impact Assessment is submitted with this memorandum and will be published alongside the Explanatory Memorandum on the legislation.gov.uk website.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 No specific action is proposed to minimise regulatory burdens on small businesses.
- 11.3 Statutory patents fees are consistent for all applicants, whatever the size of their business. Otherwise some businesses would, in effect, subsidise the patenting activities of their competitors. Consequently all types of businesses that apply for or own patents will be in scope, whatever their size.
- 11.4 To minimise the impact on small businesses, the changes maintain the long-standing principle that fees for the processing of patent applications are kept relatively low. This ensures that the intellectual property system is widely accessible to small businesses for them to protect their ideas.

⁴ www.gov.uk/government/consultations/proposed-changes-to-statutory-patents-fees

11.5 The increased discount for the use of the IPO's electronic filing services also helps minimise the administrative burdens on all our customers, including small businesses.

12. Monitoring & review

12.1 The changes will be continuously monitored through our well-established customer feedback mechanisms and quarterly stakeholder meetings.

12.2 In addition, the IPO plans to conduct a post-implementation review of the changes, which will be completed by April 2023. The review will involve monitoring filing behaviour using relevant administrative data in order to evaluate the effect of the changes.

13. Contact

13.1 Sarah Barker at the Intellectual Property Office, Telephone: 01633 814807 or email: sarah.barker@ipo.gov.uk can answer any queries regarding the instrument.