



April 13, 2015

Hon. Benoit Battistelli, President
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Hon. Jérôme DeBrull, Advisor General
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Via email: bbattistelli@epo.org
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RE: Unitary Patent Annuity Fees

Dear President Battistelli and Advisor General DeBrull:

IPO appreciated the opportunity to consult informally with the EPO on January 20 on the issue of annuity fees for the Unitary Patent. We have now received the EPO President's recent annuity fee proposal ("Proposal") to the Select Committee and are writing to follow-up with you on this issue.

More than two-thirds of all European Patents are validated in three countries or fewer. It is currently possible to save costs associated with annuities by dropping selected countries over time, or "thinning out" the portfolio. The Unitary Patent, however, will not permit saving costs in this manner. In turn, the risk-adjusted cost of annuities under the Unitary Patent will be higher than under the current European system, even when the amounts of the annuities are the same.

IPO believes that an effective patent system is beneficial not only for patent owners but for society as a whole. Patentees must not be discouraged from filing and maintaining patents due to excessive fees. Overly high fees associated with the Unitary Patent may cause patentees to stay with their current validation system. An optimal solution should balance reasonable fees for users with a workable income for the EPO and the national patent Offices. A so-called "TOP3" scenario, where the annuity fees of the Unitary Patent are more or less equal to the combined annuities for the top 3 validated Unitary Patent countries (Germany, France, and United Kingdom), would achieve these goals.

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We understand from the Proposal, however, that “TOP4” and “TOP5” scenarios are being considered. In the first scenario the annuities are more or less equal to the combined annuity fees of Germany, France, the UK, and the Netherlands. This is problematic because the annuities of the Netherlands are particularly high, especially when compared with the UK or France. This scenario could mean an increase over the TOP3 scenario of 50%, as indicated in the enclosed appendix.

A TOP4 scenario (let alone a TOP5 scenario) would be a strong disincentive for many patentees to switch over to the Unitary Patent because the marginal costs are too high when compared with a current European validation regime in three or fewer countries. Moreover, if the TOP4 scenario is kept over the lifetime of the patent, the extra costs associated with the inability to thin out the portfolio are especially disadvantageous.

We are concerned neither a TOP4 nor TOP5 scenario will meet the objectives of recital 4 of the Unitary Patent regulation to “foster scientific and technological advances and the functioning of the internal market by making access to the patent system easier, less costly and legally secure, and to improve the level of patent protection by making it possible to obtain uniform patent protection in the participating Member States and eliminate costs and complexity for undertakings throughout the Union.”

Although we believe the TOP3 scenario best achieves the goals of patentees and the Offices, a potential compromise could mix TOP3 and TOP4. In the initial years the annuities would reflect a TOP4 scenario and over time they would align to the TOP3 scenario. The enclosed appendix illustrates such a proposal for this mixed TOP3/TOP4 scenario, where for the first ten years the annuities are the same as the TOP4 but then gradually switch over to the TOP3, so that from year 15 onwards the annuities would be the same as the TOP3.

Such a scenario reflects the inability to thin out the portfolio and permits patentees to keep their patents longer than with a strict TOP4 scenario, thus potentially increasing the Office's income from annuity fees. If the Select Committee rejects outright the TOP3 scenario, we would ask for serious consideration of this compromise.

We are also concerned about two additional points in the Proposal that were not part of our earlier consultation with the EPO.

First, a system with relatively high annuities for large enterprises, but discounts for small and medium enterprises and/or universities, may create unintended administrative costs. If more than one annuity class is available, we recommend generous “after-payment” provisions to permit patent owners to correct errors. It should never be the case that a patent automatically becomes unenforceable due to an error in choosing annuity class.

Second, we disagree that the annuities in the first ten years should be the same as or aligned with the EPO annuities. Instead, the Unitary Patent annuities should be close to those of the member states, and follow the “TOPX” scenario for all years. It is incorrect that the annuities of the member states were set deliberately low in the early years to account for the fact that the patent is usually not

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granted during this time. In many countries, such as the UK or France, prosecution time is non-existent or very quick.

* * *

We thank you for considering IPO's concerns on this important issue for the Unitary Patent.

Very truly yours,



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APPENDIX:

In the following the annual fees in € for the “TOP3”, “TOP4” and a possible mixed scenario are shown:

Year	Annuities DE ¹	Annuities FR	Annuities GB ²	Annuities NL	TOP3	TOP4	Mixed TOP3/TOP4
3	70	36	0	0	106	106	106
4	70	36	0	40	106	146	146
5	90	36	90	100	216	316	316
6	130	72	120	160	322	482	482
7	180	92	150	220	422	642	642
8	240	130	175	280	545	825	825
9	290	170	200	340	660	1000	1000
10	350	210	230	400	790	1190	1190
11	470	250	255	500	975	1475	1375
12	620	290	280	600	1190	1790	1550
13	760	330	335	700	1425	2125	1705
14	910	380	390	800	1680	2480	1840
15	1060	430	470	900	1960	2860	1960
16	1230	490	550	1000	2270	3270	2270
17	1410	550	615	1100	2575	3675	2575
18	1590	620	680	1200	2890	4090	2890
19	1760	690	750	1300	3200	4500	3200
20	1940	760	800	1400	3500	4900	3500

In the “Mixed”-scenario the annuities until year 10 are the same as in the “TOP4”, then the following year the annuity fee is the “TOP3” + 80% of the difference between “TOP4” and “TOP3”. In year 12 the annuity fee is “TOP3” + 60% x (“TOP4”-“TOP3”) and so on until after the year 15 and following years the annuities are the same as the “TOP3”.

¹ All Data is taken from “National law relating to the EPC” on the EPO’s website

² Calculated with 1€= 0,75£ and rounded to the next 5€