

Intellectual Property Legislation (Fees) Amendment Regulations 2002 (No. 1) 2002 No. 173

EXPLANATORY STATEMENT

STATUTORY RULES 2002 No. 173

Issued by the Authority of the Minister for Industry, Tourism and Resources

Designs Act 1906, Patents Act 1990, Trade Marks Act 1995

Intellectual Property Legislation (Fees) Amendment Regulations 2002 (No. 1)

Section 41 of the *Designs Act 1906*, subsection 228(1) of the *Patents Act* and section 231 of the *Trade Marks Act* provide that the Governor-General may make regulations for the purposes of those Acts, for prescribing matters necessary or convenient to be prescribed for carrying out or giving effect to the Acts and for the conduct of any business relating to the Designs, Patent and Trade Marks Offices respectively.

Section 42 of the *Designs Act* provides that prescribed fees are payable to the Registrar. Subsection 48(1) of the *Designs Act* provides that the Governor-General may make regulations declaring that a country specified in the *Designs Regulations 1982* is a Convention country for the purposes of the Act.

Section 227 of the *Patents Act* provides for the payment of the prescribed fees in accordance with the regulations, and subsection 227(3) provides that the regulations may provide for the consequences of failing to pay a fee. Schedule 1 to the *Patents Act* defines a Convention country as a foreign country declared by the *Patents Regulations 1991* to be a Convention country for the purposes of the Act.

Section 223 of the *Trade Marks Act* provides that the regulations may prescribe fees to be paid for the purposes of the Act. Section 225 of the *Trade Marks Act* provides that the *Trade Marks Regulations 1995* may declare a foreign country to be a Convention country for the purposes of the Act.

The main purpose of the Regulations is to amend the fees for various transactions with the Patent, Trade Marks and Designs Offices. These fee amendments have arisen from a recent comprehensive fee review, which found that the current fee arrangements could be improved, both from the perspective of customers and users of the intellectual property system, and as an instrument of government policy.

The Regulations would also include Tonga and Nepal in the lists of Convention countries scheduled to the *Patents, Trade Marks and Designs Regulations*. This will reflect the fact that these countries have acceded to the Paris Convention for the Protection of Industrial Property.

The regulations amend the *Patents, Trade Marks and Designs Regulations* to:

- update the list of Convention countries to include Nepal and Tonga by amending Schedule 2A to the *Designs Regulations*; Schedule 4 to the *Patents Regulations*; and Schedule 10 to the *Trade Marks Regulations* (items 1 and 2 of Schedules 1, 2 and 3 refer);
- amend the fees set out in Schedule 2 to the *Designs Regulations* (item 2 of Schedule 4 refers);

- amend the fees set out in Schedule 7 to the Patents Regulations (item 35 of Schedule 5 refers);
- amend the fees set out in Schedule 9 to the Trade Marks Regulations (item 9 of Schedule 6 refers);
- provide for the consequences of non-payment of the new fee for the acceptance of standard patent applications (items 23, 24 and 30 of Schedule 5 refer);
- provide that the new fee for the acceptance of standard patent applications does not apply to applications made before the commencement of Schedule 5 (item 17 of Schedule 5 refers);
- make an amendment to the Designs Regulations consequential on the renumbering of items in the fee schedule (item 1 of Schedule 4 refers);
- make amendments to the Patents Regulations consequential on the renumbering of items in the fee schedule (items 1 to 16, 18 to 22, 25 to 29 and 31 to 34 of Schedule 5 refer); and
- make amendments to the Trade Marks Regulations consequential on the renumbering of items in the fee schedule (items 1 to 8 of Schedule 6 refer).

Details of the Regulations are in Attachment 1.

A Regulation Impact Statement is at Attachment 2.

Schedules 1, 2 and 3 commence on gazettal.

Schedules 4, 5 and 6 commence on 1 September 2002 in order to allow IP Australia to update its administrative systems and give adequate notice to its Australian and international customers of the proposed fee changes.

Authority: Section 41 of the *Designs Act 1906*; section 228 of the *Patents Act 1990*; section 231 of the *Trade Marks Act 1995*

Attachment 1

Intellectual Property Legislation (Fees) Amendment Regulations 2002 (No. 1)

Details of the regulations are as follows:

Regulation 1 identifies the amending regulations as the *Intellectual Property Legislation (Fees) Amendment Regulations 2002 (No. 1)*.

Regulation 2 indicates that regulations 1 to 5 and Schedules 1, 2 and 3 commence on gazettal, and that Schedules 4, 5 and 6 commence on 1 September 2002.

Regulation 3 specifies that Schedules 1 and 4 amend the *Designs Regulations 1982*.

Regulation 4 specifies that Schedules 2 and 5 amend the *Patents Regulations 1991*.

Regulation 5 specifies that Schedules 3 and 6 amend the *Trade Marks Regulations 1995*.

Items 1 and 2 of Schedule 1 amend Schedule 2A to the Designs Regulations to include Nepal and Tonga as Convention countries, in order to fulfil Australia's obligations under the Paris Convention for the Protection of Industrial Property (Paris Convention).

Items 1 and 2 of Schedule 2 amend Schedule 4 to the Patents Regulations to include Nepal and Tonga as Convention countries, in order to fulfil Australia's obligations under the Paris Convention.

Items 1 and 2 of Schedule 3 amend Schedule 10 to the Trade Marks Regulations to include Nepal and Tonga as Convention countries, in order to fulfil Australia's obligations under the Paris Convention.

Item 1 of Schedule 4 amends subregulation 4(1) of the Designs Regulations as a consequence of the amendments to the numbering of the fee items in Schedule 2 to the Designs Regulations made by item 2 of this Schedule.

Item 2 of Schedule 4 amends Schedule 2 to the Designs Regulations by substituting a new Schedule 2. This implements the new fees to be charged by the Designs Office with effect from 1 September 2002. Detailed description and analysis of the fee changes is included in the Regulation Impact Statement in Attachment 2.

Items 1 to 12 of Schedule 5 amend the provisions of the Patents Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

Item 13 of Schedule 5 amends paragraph 22.2(2)(b) as a consequence of the introduction of a new hearing fee for each day after the first day of a hearing. The fee for the first day of the hearing is payable immediately before the hearing and the fee for any subsequent days is payable immediately after the hearing.

This item amends paragraph 22.2(2)(c) as a consequence of the renumbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

This item also introduces new paragraph 22.2(2)(d) as a consequence of the introduction of a fee for the acceptance of a standard patent application. This acceptance fee is payable when the application is accepted.

Items 14 to 16 of Schedule 5 amend the provisions of the Patents Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

Item 17 of Schedule 5 inserts a new subregulation 22.2(5) to provide that the new fee for acceptance of a standard patent application does not apply to applications filed before the commencing date of this subregulation (i.e. 1 September 2002), or to international applications under the Patent Cooperation Treaty that met the requirements of subsection 89(3) of the *Patents Act 1990* before that date.

Items 18 to 22 of Schedule 5 amend the provisions of the Patents Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

Items 23 and 24 of Schedule 5 amend regulation 22.2F of the Patents Regulations to include new provisions to provide that the consequences of non-payment of the new acceptance fee do not apply if the Commissioner of Patents (the Commissioner) did not invite the applicant to pay the fee.

The consequences of non-payment of the acceptance fee are set out in new regulation 22.2I (item 30 of this Schedule). Where the Commissioner has failed to invite the applicant to pay the fee, the accepted application does not lapse, but the amount of the fee is recoverable as a debt due to the Commonwealth.

Items 25 to 29 of Schedule 5 amend the provisions of the Patents Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

Item 30 of Schedule 5 inserts new regulation 22.2I, which provides for the consequences of the non-payment of the new acceptance fee.

As indicated by the new paragraph 22.2(2)(d) (item 13 of this Schedule), the new acceptance fee would be payable when the application is accepted. On acceptance of the application, the Commissioner must advertise the acceptance in the *Official Journal*. If the fee is not paid at acceptance, the Commissioner can invite the applicant to pay the fee in the period of 3 months after the date of the advertisement. If the applicant fails to pay the fee in that period, the application lapses.

Items 31 to 34 of Schedule 5 amend the provisions of the Patents Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 7 to the Patents Regulations made by item 35 of this Schedule.

Item 35 of Schedule 5 amends Schedule 7 to the Patents Regulations by substituting new Parts 1, 2 and 3 for the existing Parts. This implements the new fees to be charged by the Patents Office with effect from 1 September 2002. Detailed description and analysis of the fee changes is included in the Regulation Impact Statement in Attachment 2.

Items 1 to 8 of Schedule 6 amend the provisions of the Trade Marks Regulations identified in each item as a consequence of the amendments to the numbering of the fee items in Schedule 9 to the Trade Marks Regulations made by item 9 of this Schedule.

Item 9 of Schedule 6 amends Schedule 9 to the Trade Marks Regulations by substituting a new Schedule. This implements the new fees to be charged by the Trade Marks Office with effect from 1 September 2002. Detailed description and analysis of the fee changes is included in the Regulation Impact Statement in Attachment 2.

Regulation Impact Statement

IP Australia

Review of Statutory Fees under the Patents, Trade Marks and Designs Acts

Background

Australia's economic well being depends, to a large extent, on capturing the benefits of increased innovation and creativity. In this context IP Australia's role is to provide a strong intellectual property system which promotes innovation, investment and trade.

IP Australia aims to achieve this by providing intellectual property services that are attuned to the needs of Australians and have the right balance of quality, cost and customer service. IP Australia works closely with industry groups and international organisations to encourage better and more cost effective intellectual property protection for Australians.

Under its financial framework agreed with the Department of Finance and Administration, IP Australia is required to review fees annually and set its fees and charges so that, over time, it recovers all costs. IP Australia's revenue comes mostly from fees levied under the Patents, Trade Marks and Designs Regulations.

The policy of recovering the cost of administering the system of granting patent, trade mark or design rights from the beneficiaries of those rights through fees has a long historical precedent and is adopted almost universally among the member States of the World Intellectual Property Organization. The validity of that approach on cost recovery principles has also been recognised in the Productivity Commission's report "Cost Recovery by Government Agencies" which under the proposed regulatory agency guidelines referred to patents as an example of the regulatory activity of issuing exclusive rights and privileges. The report indicated that:

"... the process of issuing patents, as with other exclusive rights, provides firms with an 'exclusive capturable commercial benefit'; therefore, where practical, those that obtain the exclusive right should pay for the cost of administering this regulation.

This 'exclusive capturable commercial benefit' means that cost recovery is unlikely to undermine the goals of the regulation. In most cases it is cost effective to charge for issuing an exclusive right because the recipient needs to apply for the right."

IP Australia's activities and associated costs are attributable almost exclusively to the administration of the patents, trademarks and designs system and consequently fees are set to meet a full cost recovery objective. Within that objective, fee structures are set with reference to the full cost of the service to which they are associated and also the broader considerations of government policy and Australia's international obligations. In this regard the fee structures are designed to recover the cost of regulation over the full life of the IP right. Keeping initial charges relatively low encourages entry into the IP system. On the other hand, renewal fees are relatively higher so as to impose much of the cost of regulation when the owner of the right is receiving a commercial benefit.

The last increase in Patents, Trade Marks or Designs fees occurred in 1994. In 1998 substantial fee reductions (equivalent to a 23% fall in revenue) were implemented to pass on the benefits of productivity improvements. Since that time fees have been stable with cost increases, service improvements and systems developments being funded by efficiency gains, retained revenue and, to some degree, revenue from increased demand.

Problem

The schedules of fees under the Patents, Trade Marks and Designs Acts are structured to achieve a number of policy objectives as well as being the basis on which IP Australia recovers the cost of its services. A review of the fee structures indicates that the current arrangements could be improved both from the perspective of customers and users of the intellectual property system and as an instrument of government policy. The review showed that:

- Current fees are predicated on paper based processing and inhibit the offering of improved electronic services in line with the realities of the rapidly changing market place, and with the government's on-line agenda;
- The fee schedules, while generally meeting the needs of users and being consistent with international norms, are complex and can be simplified further;
- While maintaining the policy of spreading costs over the life of an IP right, some realignment of the cost of individual processing steps and their associated fee is possible, and beneficial in assisting IP Australia to focus on the efficiency of its operations;
- The Intellectual Property and Competition Review Committee's (IPCRC) 2000 report suggests that current fees for the annual renewal of the patent rights may not sufficiently discourage the maintenance of "less innovative" patents;
- Some fees are uneconomic to collect and can be either eliminated or increased to better reflect the cost of the associated services;
- The implementation of government policy to strengthen patent examination and removing 'benefit of the doubt' will potentially increase examination effort and therefore costs; and
- IP Australia is currently undertaking significant capital investment to upgrade rundown 18 year old systems to ensure that customers continue to receive high quality services, that Australia's IP system is technologically and legally compatible with the international system and the systems of our trading partners, and to conform to Government on-line policies. While most of this investment is coming from IP Australia's reserves, there needs to be some increase in revenue to cater for the on-going provision of these services.

Objective

The objectives of these proposals are to:

- Provide a pricing structure which better fits the electronic environment in which IP Australia will increasingly work both domestically and internationally, while maintaining the ability to deal with customers in whichever medium they choose;
- Further simplify the fee schedule to benefit users and make processes more efficient;
- Ensure that IP Australia continues to provide users of the IP system, government and the Australian community generally, with high quality products and services; and
- Maintain the on-going viability of IP Australia while keeping the price of services internationally comparable.

Options and Impact Analysis

Impact group identification

The same groups would be affected by the implementation of either of the following options. These groups include:

- i. industry, business and the research sector including both users of the IP system and their competitors, and IP professionals such as patent attorneys and lawyers ('industry'); and
- ii. members of the public who require information on marks, designs, products and processes covered (or not covered) by IP rights, or on the IP system generally ('public')

In the 2000/01 financial year IP Australia granted approximately 14,000 patents and registered approximately 28,000 trade marks and 3,200 designs. It should be noted however that more than 50% of these right holders are foreign companies or individuals. More specifically, over 90% of patents, 40% of trade marks and 15% of designs rights are issued to foreign entities.

Options

Two options have been identified:

1. Implement the proposed restructured fee schedules; or
2. Maintain the existing fee schedules

Option 1 - Implement restructured fee schedules

The proposed fee restructure has a number of elements which are discussed below. Since the designs legislation is under review, the proposals do not cover main fee items under the Designs Act; although some designs fee items are included because it is preferable from a user perspective that they are made consistent with directly equivalent charges under the Patents and Trade Mark Acts. Similarly, no changes are proposed to the application, examination or renewal fees for Innovation Patents. This product has only been recently introduced. While there are indications that higher than predicted levels of examination are being requested and that therefore the cost structure will have to be reviewed it is considered too early to make changes to the charges for this new product.

What is proposed is a targeted revision of the fee schedules recognising the strength of existing arrangements and that the compliance burden for users in widespread changes could not be justified unless accompanied by considerable benefits. Similarly IP Australia recognises that, in an increasingly international IP environment, consistency with international norms and the fee practices of Australia's main trading partners has significant value for Australian business. Consequently, the fundamental structure of the schedules, and many specific fee items, remain unchanged and, for these, reference should be made to the relevant Regulations.

1. Encourage entry to the IP system by keeping initial filing fees low and removing unnecessary complexity

Initial application filing fees should be simple and set at a reasonably low level to encourage entry to the IP system.

Trade mark and innovation patent fees are currently \$150 per class and \$180 per application respectively. While a flat fee for trade mark applications was considered, it was viewed adversely by user groups on the basis that applicants may clog the system with speculative multi-class applications to the detriment of all users and raise IP Australia's costs. Trade mark and innovation patent fees, however, are still quite low and are not overly complex in comparison to standard patent fees. Hence change is proposed only for the standard patent filing fee:

For:	Current Fee:	Proposed Filing Fee:
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Standard Patents	\$280 + \$12 per sheet over 30 sheets OR ROM	\$1000 CD \$320 flat fee per application
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The purpose of the page fee has been as a proxy for work value. As the major value adding occurs at examination it is better cost recovery practice to apply an appropriate proxy at the time of acceptance (See section 3 below). Page fees are also incompatible with the electronic business environment being developed at IP Australia.

As most standard patent applications exceed 30 pages, the consequential effect is significantly lower filing fees on average and a large reduction in revenue collected up-front (\$4.7 million would have been the reduction if this new arrangement had been in place in 2000/2001).

	Cost	Benefit
Industry	<ul style="list-style-type: none"> Changes required to patent attorney systems 	<ul style="list-style-type: none"> Lower up front fees encouraging entry into the system of potentially valuable innovations Simpler fee schedules and certainty as to the fee payable. (Also a significant saving for IP Australia) Simpler accounting processes and minimisation of existing under or overpayment problems (Also a significant saving for IP Australia) Facilitates E-filing by applicant and their agents (Also a significant saving for IP Australia) Prospect of greater numbers of patent application and patents leading to greater transfer and availability of technology
Public		<ul style="list-style-type: none"> Prospect of greater numbers of patent applications and patents leading to greater transfer and availability of technology

2. Encourage customers to deal with IP Australia on-line and ensure that they benefit from any associated administrative savings.

Customers will receive many additional benefits in transacting business electronically with IP Australia, including access to expert systems in preparing their applications. The reduced administrative costs for IP Australia in handling electronic documents, compared with paper transactions, are recognised in a tangible way by this proposal. IP Australia will provide access to electronic filing facilities at each of its State Offices for customers who do not have their own access, and continue to accept customer documentation in the form preferred by the customer.

For applicants who transact with IP Australia via designated web interfaces, the following is proposed:

For:	Filing Fee - on paper:	Filing Fee - web interface:
Trade Marks	\$150 per class	\$120 per class
- for series applications	\$200	\$170
Innovation Patents	\$180	\$150
Standard Patents	\$320	\$290

Specifically tailored Business to Business (B2B) arrangements with attorneys and other agents are not included in these proposals as they are still being developed. However these proposals will be compatible with those arrangements when implemented.

CostBenefit

- | | |
|----------|--|
| Industry | <ul style="list-style-type: none">• Lower up front fees when using web interfaces• Encouraged to develop e-business capability |
| Public | <ul style="list-style-type: none">• Encouraged to use expert systems to help them meet legislative requirements• e-filing will assist the development of improved public access information systems |

3. Recover a greater proportion of costs where value adding occurs and the expenditure for the customer is discretionary

Significant value adding occurs in searching, examination and grant or registration of IP rights. Applicants benefit through a better understanding of the value of their mark or invention in the market place and assistance in ensuring that their application meets the legislative requirements. Importantly, they benefit ultimately from a registration or grant that has a presumption of validity and consequently a potentially significant economic value. Applicants can also choose whether to proceed and incur the cost of the particular processing step and in some cases the extent of those costs, for example, classes registered for Trade Marks.

It is appropriate then that a greater proportion of the costs of processing IP right applications be recovered for these activities.

For patents, the number of claims has been selected as a more appropriate proxy for the effort involved in examination work. This is consistent with the practice in many countries including the US, as well as in the European Patent Office. Given that applicants can readily add and delete claims during the examination process, claims are not a perfect indicator of work effort. However, experience in other countries suggest it is a workable fee and is favoured by user groups as a substitute for page fees.

It is proposed to lower the fee for modified examination to recognise that examination effort can be reduced because of work conducted and paid for by the applicant at a different stage or in another jurisdiction. Concerns expressed by some user groups about the role of modified examination should not override this pricing principle. Similarly an examination discount is proposed where an earlier international examination for the same invention was conducted by IP Australia.

For trade marks, the use of a flat fee per class better reflects the work effort involved in multi-class applications and is far simpler administratively.

Consequently, the following changes are proposed:

For:	Current Fee:	Proposed Fee:
Trade Marks		
-Registration	\$300 Initial class + \$260 subsequent class	\$300 per class
Innovation Patents		
- Examination	\$290	\$290
Standard Patents		
- Normal Examination	\$290	\$ 340
- Modified Examination	\$290	\$ 240

- Examination after AU IPER\$290		\$ 240
- Acceptance	NIL	\$ 140 + \$20 per claim over 20
- PCT/15(5) Search	\$800	\$1000
- PCT Exam	\$450	\$ 550
- PCT Exam without AU ISR \$450		\$1000

A significant issue in moving patent charges from filing to examination and acceptance is that applicants, and particularly standard patent applicants, who are in the system at the implementation date will be disadvantaged over those who file later or who had passed acceptance or registration before implementation, unless there is some transitional arrangement. Transitional arrangements will be developed to restrict the new acceptance fees to applications either filed or entering the national phase after implementation.

There are also issues as to the timing of the acceptance fee. The consultation process indicated strongly that the fee should apply from the date of advertisement of acceptance with a 3 month period for payment, corresponding to the period in which oppositions may be filed. This will be adopted.

	Cost	Benefit
Industry	<ul style="list-style-type: none"> Increased costs for searching, examination, acceptance and registration Systems need to be changed for new acceptance fee and cost of additional fee transaction 	<ul style="list-style-type: none"> Reduced fee for some services where benefit is obtained for work paid for previously Cross-subsidisation is reduced on the basis of application complexity Fee items including the acceptance fee are discretionary and can be avoided if the applicant decides not to continue, eg because the invention appears uneconomic Higher examination and registration fees may discourage competitors from pursuing uneconomic rights applications and may encourage applicants to limit TM classes
Public		<ul style="list-style-type: none"> Higher examination and registration fee may discourage applicants from pursuing uneconomic rights applications and may encourage applicants to limit TM classes

4. Simplify trade mark renewal fees, and introduce more steeply rising renewal fees for patents (in light of consideration of the relevant IPCRC recommendation)

The IPCRC in considering the economic impact of patents concluded that there may be a case for reducing the effective term "so that less innovative patents are likely to extract lower economic rent, by using more steeply rising renewal fees". Consequently the committee recommended that:

"the scope for, and impact of, implementing more steeply rising renewal fees for patents be considered by IP Australia".

The Government in its response to the IPCRC report indicated that this should be considered when IP Australia's fees were reviewed.

Generally the level of IP Australia's fees are extremely small in relation to the commercial value of a patent. On the other hand it may take a small business a number of years to realise the commercial benefit of its patent rights and renewal fees in that period may be an impost. In balancing those considerations and keeping in mind the policy objectives highlighted in the IPCRC report, moderate increases are proposed for patent renewal fees.

It is proposed to simplify trade mark renewal fees and align them with registration fees. Removing the differentiation between the first and subsequent classes also recognises that there is no difference between the economic impost in a subsequent class registration over the initial class:

For:	Existing Fee:	New Fee:
Trade Marks		
- Renewal	\$300 Initial class + \$150 subsequent class	\$300 per class (consistent with registration fee)
Innovation Patents		
- 2nd Anniversary	\$100	\$100
- 3rd Anniversary	\$100	\$100
- 4th Anniversary	\$165	\$165
- 5th Anniversary	\$200	\$200
- 6th Anniversary	\$235	\$235
- 7th Anniversary		
Standard Patents		
- 5th Anniversary	\$165	\$180
- 6th Anniversary	\$200	\$200
- 7th Anniversary	\$235	\$250
- 8th Anniversary	\$270	\$300
- 9th Anniversary	\$305	\$350
- 10th Anniversary	\$345	\$400
- 11th Anniversary	\$385	\$450
- 12th Anniversary	\$430	\$500
- 13th Anniversary		

Anniversary	\$475	\$550
- 11th Anniversary	\$525	\$600
- 12th Anniversary	\$575	\$650
- 13th Anniversary	\$630	\$700
- 14th Anniversary	\$680	\$800
- 15th Anniversary	\$730	\$900
- 16th Anniversary	\$790	\$1000
- 17th Anniversary	\$790	\$1200
- 18th Anniversary	\$400	\$1000
- 19th Anniversary		
- Pharm Ext per Yr		
- Pharm Extn Appl.		

	Cost	Benefit
Industry	<ul style="list-style-type: none"> Increased costs for maintaining patents and trade marks Agents and end user systems need to be changed for new fee levels 	<ul style="list-style-type: none"> Simplified fee structure Competitors less likely to maintain uneconomic rights freeing up the market place and increasing access to technology
Public		<ul style="list-style-type: none"> Potentially lower level of renewals may allow others into the market with the prospect of lower prices

5. Make opposition and hearing fees more cost reflective

Opposition and analogous review processes under the Patents, Trade Marks and Designs Acts are an important element of the IP system and assist in mitigating the adverse economic impact of invalid IP rights. They are designed to provide competitors of IP rights holders or applicants with an inexpensive mechanism of review or dispute resolution before recourse to the judicial system.

Because of the significance of such actions and their relative complexity, the cost to IP Australia in providing this service considerably exceeds the revenue currently collected for it. As a matter of policy, it is important that access to such review mechanisms be as open as possible but without encouraging abuse by competitors seeking to delay the grant of valid rights.

Consequently, on balance, it is considered that modest increases are warranted in some areas but still below full cost. Full cost recovery is not proposed on the basis that IP rights holders are the ultimate beneficiaries of the system and should fund regulatory processes over the whole life of their IP rights.

A small number of new fees are proposed in patents for processes involving work requirements similar to oppositions but which have previously not attracted a fee, eg determination of ownership. Hearing appearance fees for patents, trade marks and designs will be per day or part thereof, but since multi-day hearings are rare, this will generally have little impact on users. In response to user group concerns, the initial day or part day fee will be payable prior to commencement of the hearing, with any subsequent day hearing fees payable at its conclusion.

The fee for taxing cost is no longer appropriate.

For:	Existing Fee:	Proposed Fee:
Patents, Trade Marks and Designs:		
- Hearing fee	\$500	\$500 per day or part thereof
- Taxing costs	\$65	NIL
Patents and Trade Marks:		
- Extension of time in opposition matters	\$65 per month	\$150 per month
Patents		
- Re-examination	\$1200	\$1300
- Opposition	\$500	\$550
- Dismiss opposition	\$65	\$550
- Request about ownership	NIL	\$550
- Release of micro-organism		
Trade Marks		
- advice of opposition	\$250	\$250
	\$300	\$300

- dismiss opposition

	Cost	Benefit
Industry	<ul style="list-style-type: none"> • Increased costs for opponents • Small possibility that invalid rights are not challenged and invalid IP rights affect commercial decisions • Systems need to be changed for new fee levels 	<ul style="list-style-type: none"> • Possibility of less frivolous oppositions • Opponents contribute more to the cost of the process • Parties will be encouraged to resolve disputes earlier and therefore the status and legal effect of the IP right is resolved at an earlier stage
Public	<ul style="list-style-type: none"> • Invalid rights not challenged leading to adverse economic impacts, eg higher prices 	<ul style="list-style-type: none"> • Parties will be encourage to resolve disputes earlier and therefore the status and legal effect of the IP right is resolved at an earlier stage

6. Simplify the schedules and improve the effectiveness of other fee items

A number of fee items have been identified which are no longer required and others which are necessary for orderly administration, such as extension of time fees, but which are set at levels that are ineffective or below the cost of collecting the fee. Hence it is proposed to delete a number of fee items or make adjustments so that they better reflect costs and are economic to collect.

Also a number of changes are proposed to improve consistency between the schedules.

For:	Existing Fee:	Proposed Fee:
Patents, trade marks and designs:		
- Extensions of time	\$65 or \$65 per month depending on the circumstances	\$100 or \$100 per month depending on the circumstances
- Extension late fee	\$85 or \$90	NIL
- Late renewal	\$65 per month (per TM class)	\$100 per month (per TM class)
- Certified copy	\$15	\$25
- Photocopies	\$10 or 15	\$25
Patents and designs:		
- Duplicate deed or certificate of registration	\$65	\$250
Trade Marks		
- Transmission of	\$65	\$100

international

renewal fees	\$65	\$100
- Search photocopies Patents		
- Request direction exam	\$65	\$100
- Restore lapsed application	\$90	\$100
- Response fees	\$65 per month	\$100 per month
- Leave to amend	\$105	\$200
- Leave to amend innovation		
patent to standard patent	\$105	\$140
- Request for information		
- Request for printout	\$65	NIL
- Request for search results	\$10	NIL
- Filing abstract	\$65	NIL
- Filing substitute pages	\$65	NIL

.within 3 months of

direction	\$65	NIL
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.after 3 months	\$100	\$200
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	Cost	Benefit
Industry	<ul style="list-style-type: none">• Increased costs for some products and processes• Systems need to be changed for new fee levels	<ul style="list-style-type: none">• Reduced costs for some products and processes• Simplified schedule, particularly in the removal of extension of time late fees• Fees economic to collect• Applicants who meet time limits are rewarded• Encourages status of competitors rights to be resolved earlier
Public	<ul style="list-style-type: none">• Increased photocopy charges	<ul style="list-style-type: none">• Information provided free on-line• Increased extension of time and similar fees will encourage status of applications to be resolved earlier

7. Revise patent and trade mark attorney regulation fees

IP Australia provides services in relation to the regulation of attorneys under the Patents and Trade Marks Acts which provide for registration and discipline through the Professional

Standards Board. With the move away from Board exams to accredited courses in higher education institutions, revenue from examinations will eventually disappear and the activity will fall further below cost recovery. Hence it is proposed to increase annual registration fees. Other fees will be unchanged.

In relation to concerns expressed by professional groups it is noted that attorneys are significant beneficiaries of the regulation scheme and that that these fees are already low in comparison to those paid by other professional groups.

For:	Existing Fee:	Proposed Fee:
- Annual registration Trade Mks	\$150	\$250
- Annual registration Patents	\$250	\$350
- Annual registration as both	\$320	\$450
Cost		Benefit
Industry•	Attorneys face increased costs•	Regulatory process is more adequately funded
Public		

8. Meet the full cost of IP Australia on an accrual basis

The proposal outlined above seeks to meet a number of policy objectives including the implementation of more appropriate cost recovery principles. The revenue generated by those charges very much depends on the level of demand for IP Australia's services which has proven very difficult to predict, particularly for trade mark activity. IP Australia has now developed better predictive models based on economic data and it is estimated that, if the fee proposal is implemented, full cost recovery will be achieved over the 5 year planning period. Of course this will be affected by demand fluctuations and cost variations and hence IP Australia closely monitors its cost recovery position including the annual review of prices required under its financial framework.

IP Australia's costs are associated with its five major outputs:

- Patents
- Trade Marks
- Designs
- Public information and awareness
- Program development

Aside from routine processing of IP rights applications and provision of information services, these outputs reflect IP Australia role in implementing government policy in the IP field and particularly in encouraging better and more cost effective intellectual property protection for Australians. In carrying out this role there are a number of major directly related activities, which include:

- Development and implementation of new and revised intellectual property systems (including a new design system,) to deliver world class search, examination and supporting services that are competitive in cost and quality with those offered by other Intellectual Property Offices;

- Development and implementation of modern, efficient and effective information management systems to allow delivery of a wide range of services to customers, wherever they are located;
- Maintenance and re-enforcement of programs to improve awareness, understanding and effective use of intellectual property and intellectual property systems;
- Strengthening the examination of patent novelty and inventive step so that these criteria for patentability are more closely aligned with international standards;
- A multi-disciplinary Intellectual Property Research Centre to assist intellectual property policy formulation and the understanding and development of best commercial practice in the use of intellectual property;
- Multi-lateral and regional activities in various areas of intellectual property development and protection to assist trade, science, research and innovation.

It is clear that to achieve these objectives IP Australia will be required to make a considerable investment of resources, including capital investments, particularly in relation to the development of effective information management systems. The fee changes itemised above will provision IP Australia's activities and assist it to reach its full cost recovery objective. On the other hand, retention of the current charging regime would significantly restrain IP Australia's ability to implement its development program with adverse impacts on users and the government's ability to deliver IP policy reform.

IP Australia's costing model allocates total costs to the five outputs. The public awareness and program development outputs are funded from revenue relating to the grant of patent, trade mark and design rights. As IP Australia operates within an international intellectual property system its costs and fees are benchmarked against other intellectual property offices and a systematic benchmarking process has been in place for a number of years.

Cost	Benefit
Industry• Increase cost of participating in IP system	• Improved IP system
Public	<ul style="list-style-type: none"> • Better IP services • Improved IP system • Better IP services

Option 2 - Continue to apply the current fee schedules

Specific costs and benefits of a no change option will be apparent from the analysis above. In particular, the per page fee for patents will be virtually unworkable in the electronic environment. In general:

Cost	Benefit
Industry• Fee schedules remain complex	• IP Australia charges do not increase.
<ul style="list-style-type: none"> • Limited improvement in the quality of IP Australia's services • e-business with IP Australia is complex • Retention of some 	<ul style="list-style-type: none"> • Reminder and accounting systems operated by patent attorneys and agents do not need to be changed

inappropriate cross-subsidisation

- Unable to benefit from cost reductions in some areas
- Public
- Limited improvement in the quality of IP Australia's services

Small Business Impact

The impact of Option 1 fee changes on small business will be the same as that identified for the industry group as a whole. Consequently the proposal will in general have a negative impact in terms of increased costs for a number of IP Australia services. On the other hand Australian small business will be the one of the primary beneficiaries of IP Australia's improved services and information systems. It will also benefit from the simplification of the fee structures and specific fee reductions. For example, the web filing discount and reduced examination fees where an earlier international examination was conducted in Australia.

Consultations

IP Australia has consulted with the following user groups and advisory bodies:

- Law Council of Australia;
- AMPICTA, (the industry association representing owners of IP rights);
- Institute of Patent and Trade Mark Attorneys of Australia (IPTA);
- Fédération Internationale des Conseils en Propriété Industrielle (FICPI) - Australia, and
- Advisory Council on Intellectual Property (ACIP).

The Law Council did not indicate concerns with any of the proposals. Other groups in general accepted the need for fee revision and were positive about some aspects of the proposal including the simplification and improved consistency of the schedules and supported many measures such as the removal of patent page and extension late fees. Other aspects initially proposed were not supported and Option 1 has been adapted in response to many of these concerns. The most significant were objection to a flat filing fee for trademarks which was abandoned, and the timing of the patent acceptance fee on which agreement has been reached along the lines suggested by user groups. Other suggestions adopted include:

- Increasing the patents modified examination fee (although not to the extent suggested)
- Reduction of hearings late fee to \$150
- Subsequent day hearing fee not to be required in advance
- Patents response fee to be \$100 as per other extension fees
- Common fee of \$200 for leave to amend innovation and standard patents

Concerns expressed during the consultation but which after further consideration have not been incorporated into Option 1 include:

- Increased patent and trade mark attorney registration fees would increase the cost structure of attorney companies, with a particularly strong impact on small companies.

Registration fees should not be used as the prime source of funding the registration scheme as there is a large public interest factor;

- Proposed discount for filings using IP Australia web interface discriminates against those unable to have access to the web interface;
- While the concept of a fee based on number of claims instead of pages was accepted, the fee of \$20 per claim over 20 was considered too high;
- Discounted fees should not be set to encourage the use of modified examination;
- Requesting a certificate fee is set too low;
- Differential between first and subsequent class fees for trade mark registration should be retained;
- The increase in international search fees is too high; and
- The basis for rejection of these views is generally indicated in the discussion of Option 1.

Conclusion and Recommended Option

Clearly, any increase in fees under the Patents, Trade Marks or Designs Acts will have an adverse cost impact on users of the system and may in some cases act as a disincentive for businesses to seek intellectual property protection. The requirement for attorneys and agents to alter their administration and accounting systems is also a significant impost. On the other hand, the implementation of government policy in the area of innovation and IP, including improved quality and other enhancements of IP Australia's services, will provide industry with considerable benefits as was recognised, for example, in the government's major science, research and innovation initiative, *Backing Australia's Ability*.

While IP Australia must continue to strive for greater levels of efficiency, it is apparent that the improvements in quality and the significant service enhancements called for by the innovation sector will require an investment in the short term over and above that which can be provided by productivity improvements alone. This appears to be generally accepted by user groups who have tended to focus on the mechanics of particular fee proposals rather than the level of cost recovery. Similarly a number of recent reviews have highlighted user preferences for high quality services over lower priced alternatives. For example, the IPCRC in its report under the heading quality of granted patents cited an ACIP submission which indicated that:

"ACIP is particularly interested to ensure that the quality of intellectual property rights granted is not compromised by an over-concentration on fee reductions. In the end there must be a balance between the fee charged and the provision of adequate services leading to clear enforceable rights. Granting quick, cheap but weak intellectual property rights will not enhance innovation or competition. A weak intellectual property right may also disadvantage the consumer, as increased uncertainty can lead to increased costs."

It is recommended that the government endorse the fee changes identified in Option 1.

Implementation and Review

Amendments to the Patents, Trade Marks and Designs Regulations will be required to implement the fee changes highlighted in Option 1.

IP Australia has an obligation to review fees annually and to operate on a cost recovery basis.

