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## Paper

### Deferral of fees for micro-entities – An alternative concept to fee discounts

Proposals have been made for a reduction/discount in fees for micro-entities, individuals, universities, non-profit public research organisations. The proposed approach is complex, poorly targeted, and susceptible to abuse, and at the expense of those who would pay full fees. As an alternative the following proposal addresses the needs of micro-entities, particularly start-ups, without the scope for abuse that a fee reduction would promote.

#### Background

Applicants (of whatever size) are affected not just by the level of fees, but also by their timing. Fees are payable on a patent application before an income arises from the underlying invention. Meeting the gap between expenditure and income is particularly important to micro-entities and the gap between income and expenditure in the early years of an innovation is frequently referred to by those advising innovators and start-ups as “the Valley of Death”.

#### The proposal

Micro-entities could be helped across this valley, for example, by deferring part of the fees until payment of the grant fee.

For micro entities a proportion of specified fees would be payable at the ordinary time, with the balance payable when paying the grant fee. This deferral of part of the fees would assist micro-entity cash flow.

For example (without being bound to a figure), deferring 30% of the search fee and 30% of the examination fee until grant would be equivalent to a loan of €990 in the early life of a patent, payable back when paying the grant fee.

Similarly, deferral of internal renewal fees would provide significant relief from expenditure for those products (most?) which take more than two years to generate significant income.

It would be preferable not to defer any part of the page fees or claims fees, so as not to reduce incentives to concise drafting of applications.

#### Who would be eligible for deferral?

The deferral would be available to:

1. micro-entities who have filed fewer than five European applications for which they are named as applicant during the last 5 calendar years, and who are not under an obligation to transfer or licence to an entity not entitled to fee deferral, and not part of a group that collectively would not be considered as a micro-entity.

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2. individuals who have filed fewer than five European applications for which they were named as inventor during the last 5 calendar years, and who are not under an obligation to transfer or licence to an entity not entitled to fee deferral.

3. institutes of higher learning or non-profit organizations in an EPC member state, for applications naming inventors who have each been named as inventor on fewer than five European applications within the last 5 calendar years.

The limitation on the number of filings is to minimise abuse or misdirection of support (for comparison: the USA have a lifetime limit for claiming micro-entity status of four applications).

Focussing the support for educational institutions in EP member states mirrors the US approach, where support for educational institutions is directed to US Universities only, and only where the inventors are not prolific inventors.

### **Claiming the deferral**

Deferral of a fee would be asked for when paying the fee or earlier.

### **False claims**

If it is suspected that a claim to deferral may have been falsely made, the Office should issue a request to the applicant to either:

- Pay the balance of the fee within a term set by the Office; or
- Provide justification for deferral showing that the applicant is entitled to deferral.

Failure to make the repayment or provide adequate justification would result in deemed withdrawal.

### **Repayment of deferred fees**

The balance of deferred fees would be payable on paying the fee for grant and the fees due would be listed in the Communication under Rule 71(3) EPC.

### **Transfer of applications or change of status**

For applications that were transferred to entities not entitled to a deferral, fees subsequent to transfer would be payable at the "normal" rate, and the fees deferred prior to transfer also payable on payment of the grant fee by the proprietor at that time.

Similarly, if by change of circumstance the applicant ceased to be eligible for deferral, fees subsequent to transfer would be payable at the “normal” rate.

### **Comparison with fee reduction proposal**

Unlike a general reduction in fees for micro-entities, which foregoes fees forever, a deferral of fees means that the full fee is only paid for those applications that at least have proceeded to a successful patentability check which also gives some more time to explore whether there is commercial interest in the invention. This could create a higher incentive especially for start-up companies to file European Patent applications in situations where they are not certain about either patentability of or the commercial viability of their innovative products in development.

Such a procedure would:

- be less costly in lost fees than a general reduction in fees for micro-entities;
- be less likely to distort applicant behaviour than a general reduction in fees for micro-entities;
- be less liable to abuse than a general reduction in fees for micro-entities;
- be independent of any support provided by other routes (e.g. national government, EU funding); and
- require minimal rule amendment and management than a system based on fee reductions.
- Could be extended later, if wished to other categories of applicants, e.g. all SMEs, where a need is identified.

**epi** would be happy to work with the EPO and member states to further elaborate the details of such a fee relief for limited groups of applicants in need thereof.

A handwritten signature in blue ink, appearing to read 'Peter R. Thomsen', with a long horizontal flourish extending to the right.

Peter R. Thomsen  
President