

Patent Cooperation Treaty (PCT) Working Group

**Eleventh Session
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PROPOSAL ON A PCT FEE POLICY TO STIMULATE PATENT FILING BY UNIVERSITIES

Document submitted by Brazil

[This is a revised document affecting the English language version only. The version of document PCT/WG/11/18 originally published included errors in the proposal set out in item 7 of Annex II introduced by the International Bureau during formatting of the document, which erroneously stated that the fees were reduced by “50%” (it should have read “25%”) and erroneously referred to “States listed under item 5” (it should have read “States not listed under item 5”). Those errors have been corrected in item 7 as it appears in Annex II of the present document.]

SUMMARY

1. The Working Group is invited to discuss and approve a 50 per cent PCT fee reduction for universities from certain countries, notably developing and least developed countries, as well as a 25 per cent PCT fee reduction for universities from certain other countries, notably developed countries. The proposal aims at: (i) stimulating the use of the PCT System by universities, and (ii) increasing the geographic diversity in the demands for patent protection and of PCT international application filing activities.

BACKGROUND

2. The contribution of universities' research and development (R&D) to productivity growth in a country's economy is largely established in academic literature. Economists have consistently found that the knowledge generated by universities leverages industry's output, with a strong and positive spillover effect on innovation across the economy¹. Studies have also shown that universities' research has a substantial impact on industrial R&D in the manufacturing sector, particularly in the field of pharmaceuticals². Those findings were confirmed in different countries, underlining that universities are significant sources of knowledge that can be harnessed for innovation³.

3. Unsurprisingly, countries have adopted numerous policies directed at supporting universities. Some of them facilitate the commercialization of the intellectual property resulting from universities' R&D, such as the United States' Bayh-Dole Act of 1980 and similar legislation enacted in other Member States. Countries also adopt measures at patent Offices' level to reduce the cost of obtaining patent protection by universities, assisting their efforts to access the patent system. Examples of Offices that provide fee reduction to universities include, but are not limited to, the European Patent Office (EPO), the United States Patent and Trademark Office (USPTO) and the Brazilian National Institute of Industrial Property (INPI). Other programs, such as Australia's "Accelerating Commercialisation", reimburse universities' expenditures necessary to obtain patent protection, including filing fees, patent search and examination fees, and annual maintenance fees.

4. In WIPO, discussions on a PCT fee policy to stimulate patent filings by universities date back to the second session of the Working Group, held in 2009, when Members "agreed on the importance of fee reductions... and agreed that the relevant PCT bodies should prepare proposals, including fee reductions and capacity building measures, to increase access to the PCT for ... universities and research institutions, in particular from developing and least developed countries." (see paragraph 97 of document PCT/WG/2/14). The International Bureau presented a study to the third session, recognizing that "initial fees remain a significant barrier to entry to the system for some applicants". While referring to the small part of the total cost of seeking international patent protection constituted by international fees, the International Bureau stated that "an international application gives time before the greater costs need to be paid and may give assistance in finding such partners. Consequently, while a relatively small part of the total cost, accessibility to this stage of the patent procedure may be particularly important for some innovators" (see paragraphs 187 and 188 of document PCT/WG/3/2).

5. Following the request of Member States made during the fifth session of the Working Group, the International Bureau circulated a discussion paper for the sixth session of the Working Group regarding fee reductions (document PCT/WG/6/10). The document provided a general overview of the function of fees in the patent system, namely, to recover the costs incurred in the processing and examination of applications and to serve as a regulatory tool to influence patent filing behavior in a way that best serves society's interest. The International Bureau reviewed then-existing studies on fees and their impact on filing decisions, mentioning that "fee changes need to be sufficiently large for them to exert a substantial effect on filing volumes" (see paragraph 12 of document PCT/WG/6/10).

¹ Cohen, W. and Levinthal, D. (1989). "Innovation and Learning: the two faces of R&D". *The Economic Journal*, 99 (397), pp. 569–596.

² Cohen, W., Nelson, R., and Walsh, J. (2002). "Links and impacts: the influence of public research on industrial R&D". *Management Science*, 48(1), pp. 1-23.

³ Mohnen, P., Mairesse, J., and Dagenais, M. (2006). "Innovativity: A comparison across seven European countries". *Economics of Innovation and New Technology*, 15(4), pp. 391–413.

6. At the seventh session of the Working Group, the International Bureau presented a study with a first ever estimate of the overall fee elasticity of PCT applications, that is, how an applicant's choice on whether to use the PCT or the Paris route for filing patent applications abroad is affected by changes in the international filing fee. It showed that universities and public research organizations are more price sensitive than other applicants (see document PCT/WG/7/6). This is particularly the case with institutions located in developing countries.
7. At the eighth session of the Working Group, the International Bureau confirmed the finding that universities and public funded research institutions from developing countries are most price sensitive (see document PCT/WG/8/11). The Secretariat estimated that a 50 per cent fee reduction would generate 139 additional filings per year by universities from developing countries (see Table 4 of document PCT/WG/8/11). The Chair of the Working Group "invited any Member State to come forward with proposals in this context for discussion at a future session of the Working Group" (see paragraph 19 of document PCT/WG/8/25).
8. Responding to the invitation by the Chair, at the ninth session of the Working Group, the Delegation of Brazil circulated a proposal for a fee reduction of at least 50 per cent for universities from certain countries (see document PCT/WG/9/25). The document received general support from potential beneficiary countries. Others demonstrated openness for discussing a broader fee reduction that included developed countries. Some delegations expressed concerns regarding the definition of "public research organization" and the financial impact of the fee reduction.
9. In light of the comments received in the preceding session, the Delegation of Brazil circulated a revised proposal at the tenth session of the Working Group that limited the benefit to universities (see document PCT/WG/10/18). The revised proposal introduced a ceiling of 20 applications per year per institution, addressing concerns with the financial impact of the fee reduction. Benefiting countries renewed their support to the document, describing it as a low-cost and useful policy to stimulate innovation in countries with limited capacities, enhancing their ability to participate in the PCT System. In particular, members of four Regional Groups declared their approval of the proposed fee reduction, raising the number of Members supporting the proposal to 109 countries, or more than two thirds of the 152 PCT Contracting States.
10. The second supplement to the "Estimating a PCT fee elasticity" study (document PCT/WG/10/2) provides simulations of foregone income for various levels of discounts for universities. Estimates by the Secretariat indicate that total income loss of a 50 per cent fee reduction for universities from developing countries would amount to 660,000 Swiss francs (see Table 3b of the document), if a ceiling of 20 applications is applied. The cost of a 25 per cent reduction for universities from developed countries is estimated to be 780,000 Swiss francs, in case a ceiling of five applications is applied (see Table 3a of the document).
11. In March 2018, the Director General announced a surplus of 80 million Swiss francs for WIPO in the 2016/2017 biennium. The Program and Budget for the 2018/2019 biennium approved by Member States estimate income from fees collected by the PCT System in 2018 to be 312.2 million Swiss francs (see Annex VI of document A/57/6). In this context, the possible loss of revenue would represent a small fraction of the projected income and surplus, with concrete and positive effects for filings by universities.

PROPOSAL

12. Given the broad support to the proposal from benefitting countries, notably developing countries, and the openness of other countries to consider a fee reduction that would also be applied to universities in developed countries, an amendment is proposed to the Schedule of Fees establishing a fee reduction of at least 50 per cent for universities from certain countries, notably developing and least developed countries listed in item 5(a) of the Schedule of Fees,

taking advantage of the current country-based criteria used for fee reductions (see Annex I). Countries listed under item 5(b) already enjoy a general 90% fee reduction for all applicants and, as they graduate from least-developed country status, would fall under the category of item 5(a).

13. For those countries not listed under item 5 of the Schedule of Fees, Member States could provide a 25 per cent fee reduction for their universities (see Annex II). The smaller discount is due to the different fee elasticity in countries identified by the WIPO studies, which show that, in comparison with developing countries, a fee reduction for developed countries would have a diminished, if positive, effect in terms of increased PCT filings. The different rate also has the additional benefit of reducing budgetary impact, since universities from developed countries file a much larger number of applications per year.

14. Both reductions include a ceiling of applications per university per year. For universities from developing countries, the ceiling is of 20 applications. In the case of developed countries, such limit is of five applications, considering the larger cost of fee reductions to developed countries. The goal is to further reduce the financial impact to WIPO, maintaining overall budgetary balance in light of the participation of PCT fees in total revenue. The estimated impact of both proposed reductions amounts to 0.46 per cent of the PCT income for 2018.

15. The footnotes under the proposed new items 6 and 7 of the Schedule of Fees aim at providing clarity as to the applicants eligible to enjoy the fee reduction. To the best of our knowledge, all Member States provide a governmental mechanism for the recognition of higher education institutions, usually under the purview of a Ministry of Education or similar organ. Through Circulars, the International Bureau could request yearly updates of the list of universities in Member States. Alternatively, the UNESCO-based International Universities Bureau elaborates an annual compilation of universities, available at the "World Higher Education Database", from information made available by the national competent bodies in each country. Furthermore, both public and private universities are proposed to enjoy the reduction in order to avoid undue discrimination and unnecessary complexity to the work of the International Bureau and receiving Offices.

16. In order to accommodate concerns about long-term overall budgetary balance of the proposal, the fee reductions should be reviewed at least every five years by the PCT Assembly. Members could also propose other measures to compensate costs as they deem necessary.

17. The Working Group is invited to consider the proposal set out in the present document and the amendments to the Schedule of Fees contained in the Annexes.

[Annexes follow]

PROPOSED AMENDMENT TO THE PCT REGULATIONS

SCHEDULE OF FEES

Fees

Amounts

1. to 3. [No change]

Reductions

4. [No change]

5. [No change]

6. The international filing fee under item 1 (where applicable, as reduced under item 4), the supplementary search handling fee under item 2 and the handling fee under item 3 are reduced by 50% if the international application is filed by an applicant who is a university¹ from a State that is listed under item 5(a), provided that the applicant has filed fewer than 20 international applications in the year. The criteria set out in this item shall be reviewed by the Assembly at least every five years.

[Annex II follows]

¹ For the purposes of this item, a university is understood as a higher education institution providing post-secondary education and research that is recognized by the competent authority of a Party as belonging to its system of higher education.

PROPOSED AMENDMENT TO THE PCT REGULATIONS

SCHEDULE OF FEES

Fees

Amounts

1. to 3. [No change]

Reductions

4. [No change]

5. [No change]

6. [\[As contained in Annex I\]](#)

7. [The international filing fee under item 1 \(where applicable, as reduced under item 4\), the supplementary search handling fee under item 2 and the handling fee under item 3 are reduced by 25% if the international application is filed by an applicant who is a university¹ from a State that is not listed under item 5, provided that the applicant has filed fewer than five international applications in the year. The criteria set out in this item shall be reviewed by the Assembly at least every five years.](#)

[End of Annex II and of document]

¹ For the purposes of this item, a university is understood as a higher education institution providing post-secondary education and research that is recognized by the competent authority of a Party as belonging to its system of higher education.