

# PPAC Public Hearing: Proposed Patent Fee Changes



**ERICSSON**

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# About Ericsson

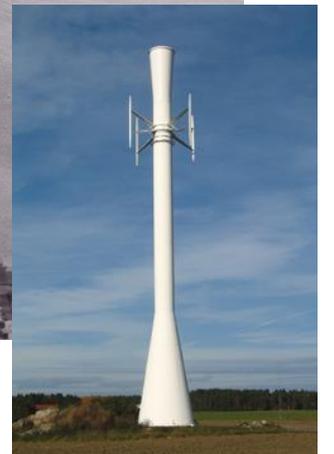
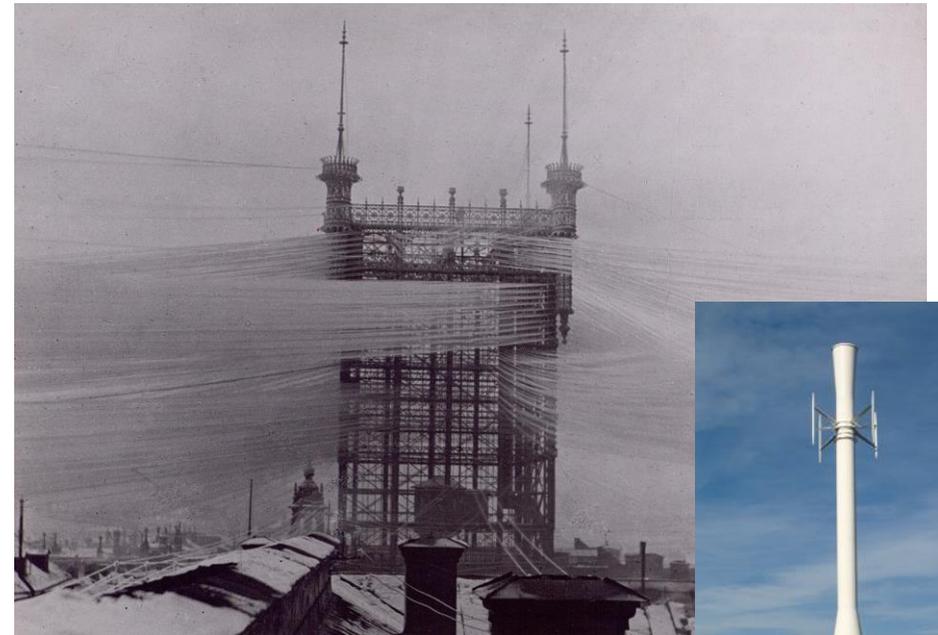


Ericsson (Telefonaktiebolaget L. M. Ericsson) is a Swedish multinational networking and telecommunications company headquartered in Stockholm.

The company was founded in 1876, employs 95,000 people, and operates in over 180 countries.

Ericsson is dedicated to research and innovation, leading the development of cellular technology – from 2G to 5G. Around 15 percent of Ericsson’s annual global revenue is invested in research and development and Ericsson has the largest portfolio in the industry, with over 45,000 granted patents (global).

Ericsson actively licenses its patent portfolio and is one of only a handful of companies to have booked over \$1 billion annually from patent licensing.



# Fee Structure Considerations



As stated in the Patent Fee Proposal Executive Summary (emphasis added): “Where appropriate, set fees so that, *during patent prosecution*, an applicant pays individual fees *at points in time where he/she has more information to make a decision about proceeding with the patent process.*”

**Comment:** It is no less important to set fees so that, *after allowance*, a patentee can pay fees at points in time *where sufficient information is available to make an appropriate decision about the commercial merits of obtaining/maintaining a patent.*

# Fee Structure Changes: Issue Fee



**Issue Fee Change:** According to the proposed fee structure, the fees to obtain a basic patent [file/search/exam/issue] will increase by 11%; “[to] encourage innovation, the entry fees [file/search/examination] will increase at a smaller rate (6%), with the larger portion of the increase [issue fee (20%)] only paid after a patent has been allowed.

**Comment:** Many applicants do not know whether an invention will have commercial value at the time of entry; that is often also true at the time of issue.

# Fee Structure Changes: Maintenance Fees



**Maintenance Fee Changes:** Although, in total, maintenance fees are proposed to increase by *only* 7%, “1<sup>st</sup> stage maintenance fees will see the largest increase [25%], in order to help USPTO recover costs earlier in the life of the patent.” The 2<sup>nd</sup> and 3<sup>rd</sup> maintenance fees are proposed to increase by 4%.

**Comment:** Shifting a substantial portion of full-life maintenance fees to the 1<sup>st</sup> fee can force many patentees to incur substantial costs *prior to having* sufficient information to make an appropriate decision about the commercial merits of maintaining a patent. Weighting the increases more heavily to the 2<sup>nd</sup> and 3<sup>rd</sup> maintenance fees will result in the additional costs being borne more likely by those patentees who have realized commercial value from their patent(s).

## Proposed Changes to Issue/Maintenance Fees



Description	Current Fees	Proposed Fees	Increase/(Decrease)	Percentage Change
	Large Entity Fee	Large Entity Fee	Large Entity Fee	Large Entity Fee
Utility Issue Fee	\$1,000	\$1,200	\$200	20%
For Maintaining an Original or Any Reissue Patent, Due at 3.5 years	\$1,600	\$2,000	\$400	25%
For Maintaining an Original or Any Reissue Patent, Due at 7.5 years	\$3,600	\$3,760	\$160	4%
For Maintaining an Original or Any Reissue Patent, Due at 11.5 years	\$7,400	\$7,700	\$300	4%
<b>Total Maintenance Fees</b>	\$12,600	\$13,460	\$860	7%
<b>Total (Issue+Maintenance)</b>	\$13,600	\$14,660	\$1,060	8%

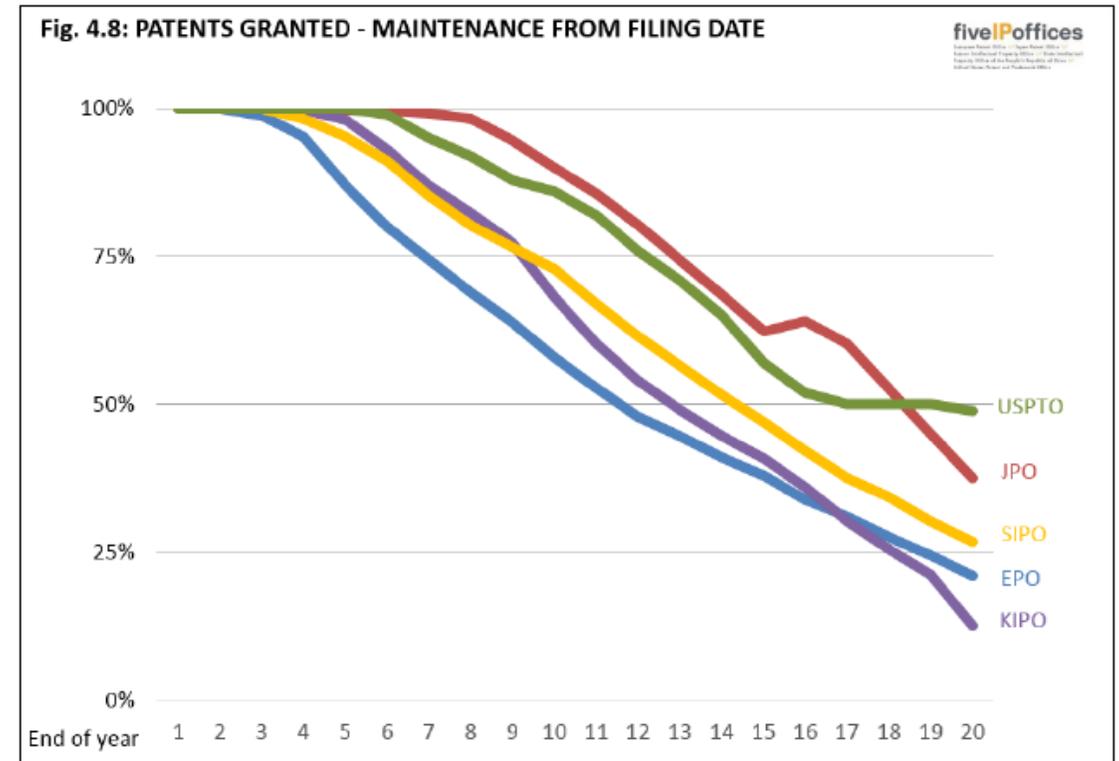
## Alternative Proposal

Description	Current Fees	Alternative Proposed Fees	Increase/(Decrease)	Percentage Change
	Large Entity Fee	Large Entity Fee	Large Entity Fee	Large Entity Fee
Utility Issue Fee	\$1,000	\$1,070	\$70	7%
For Maintaining an Original or Any Reissue Patent, Due at 3.5 years	\$1,600	\$1,680	\$80	5%
For Maintaining an Original or Any Reissue Patent, Due at 7.5 years	\$3,600	\$3,850	\$250	7%
For Maintaining an Original or Any Reissue Patent, Due at 11.5 years	\$7,400	\$8,060	\$660	9%
<b>Maintenance Fees</b>	\$12,600	\$13,590	\$990	8%
<b>Total (Issue+Maintenance)</b>	\$13,600	\$14,660	\$1,060	8%

# Consideration of Impact of Non-Payment of Maintenance Fees



- Many patentees forego the payment of maintenance fees when a patent no longer has actual or potential commercial value.
- Figure 4.8 from the IP5 Statistics Report (2016) illustrates the proportions of patents granted by each office (USPTO, JPO, SIPO, EPO and KIPO) that are maintained for differing lengths of time from filing date. The EPO proportion represents a weighted average ratio of the maintenance of the validated European patents in the 38 EPC states.
  - Over 50 percent of the patents granted by the USPTO are maintained for at least 19 years from filing, compared to 18 years at the JPO, 14 years at the SIPO, 12 years at the KIPO and 11 years at the EPO.
  - In addition to patentees' behavior, the differences can be partially explained by differences in the procedures, such as a multinational maintenance system (EPO), deferred examination (JPO, KIPO, SIPO) and a stepped maintenance payment schedule (USPTO).
  - The USPTO payment schedule is somewhat hidden because the data are shown on a time basis (by year after application) that is different from the time basis used for collection of the fees (by year after patent grant).





# Impact of Alternative Proposed Fees as a Function of Weighted Percentages of Issue/Maintenance Fee Payments

Description	Current Fees	Proposed Fees	Alternative Proposed Fees				Difference Between Proposals		
	Large Entity Fee	Large Entity Fee	Percentage Paid	Weighted Average	Large Entity Fee	Percentage Paid	Weighted Average	Dollars	Percentage
Utility Issue Fee	\$1,000	\$1,200	100%	\$1,200	\$1,070	100%	\$1,070	(\$130)	-13%
For Maintaining an Original or Any Reissue Patent, Due at 3.5 years	\$1,600	\$2,000	95%	\$1,900	\$1,680	95%	\$1,596	(\$304)	-19%
For Maintaining an Original or Any Reissue Patent, Due at 7.5 years	\$3,600	\$3,760	75%	\$2,820	\$3,850	75%	\$2,888	\$68	2%
For Maintaining an Original or Any Reissue Patent, Due at 11.5 years	\$7,400	\$7,700	50%	\$3,850	\$8,060	50%	\$4,030	\$180	2%
<b>Maintenance Fees</b>	\$12,600	\$13,460		\$8,570	\$13,590		\$8,514	(\$57)	-1%
<b>Total (Issue+Maintenance)</b>	\$13,600	\$14,660		\$9,770	\$14,660		\$9,584	(\$187)	-1%

# Summary



**Proposal:** Shift greater burden of issue and maintenance fee increases to 2<sup>nd</sup> and 3<sup>rd</sup> maintenance fees.

## **Benefits:**

- 1) Patentees are more likely to have realized commercial value of invention (sale/licensing) when larger fees are due.
- 2) Patentees, particularly those having large portfolios, can avoid substantial costs associated with an additional portfolio pruning process within only a few years after issue.
- 3) Aggregate issue + maintenance fee revenue should be substantially equal to that achievable under the proposed fee changes.



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