

Patent Cooperation Treaty (PCT) Working Group

**Tenth Session
Geneva, May 8 to 12, 2017**

FEE REDUCTIONS FOR CERTAIN APPLICANTS FROM CERTAIN COUNTRIES, NOTABLY DEVELOPING AND LEAST DEVELOPED COUNTRIES

Document prepared by the International Bureau

SUMMARY

1. The Working Group is invited to continue its discussions on proposed measures to clarify the eligibility for fee reductions and, consequently, to reduce the number of fee reductions being claimed by applicants not intended to be eligible. The present document sets out requested information concerning the likely impact of charging a fee for changes under Rule 92*bis* which would result in the addition of applicants who had not been eligible for a fee reduction. However, it is not proposed to further consider any such measure at this stage.

BACKGROUND

2. At its ninth session held in May 2016, the Working Group discussed document PCT/WG/9/10, prepared by the International Bureau, setting out two proposals intended to reduce the number of fee reductions being claimed by applicants not intended to be eligible for the reduction, namely:

- (a) the proposal to add a proviso to item 5 of the Schedule of Fees that there be “no beneficial owners of the international application who would not satisfy the criteria in sub-item (a) or (b)”, accompanied by an Understanding to be adopted by the Assembly “that the fee reduction in item 5 of the Schedule of Fees is intended to apply only in the case where the applicants indicated in the request are the sole and true owners of the application and under no obligation to assign, grant, convey or license the rights in the invention to another party which is not eligible for the fee reduction”; and

(b) the proposal to amend Rule 92*bis* so as to provide for a fee, equivalent to the reduction which had been accorded at the time of filing, to be payable in the case where a request for the recording of a change in the person of the applicant is made which would result in the applicant no longer being eligible for the fee reduction or, if there are several applicants, not all of them being eligible for the fee reduction.

3. The discussions by the Working Group on both proposals during its ninth session are set out in the report of the session, document PCT/WG/9/28, paragraphs 123 to 146. In summary, all delegations which took the floor during the discussions recognized that there was a need to clarify the criteria for eligibility for the fee reduction for certain applicants from certain countries and there was wide support for the proposal to amend the Schedule of Fees and adopt an Understanding by the Assembly on the subject. There was, however, no agreement on the proposal to amend Rule 92*bis*.

4. Recognizing that the Working Group could not agree on the proposed amendments to Rule 92*bis*, the Delegation of Brazil requested that the discussions on the proposed changes to the Schedule of Fees should be postponed in order to allow the Secretariat to revise the document to take into account concrete measures taken by Member States and the International Bureau to address the issues raised in the document (see the report of the session, document PCT/WG/9/28, paragraph 145).

5. Upon request of the Delegation of Brazil, the Working Group invited the Secretariat to provide additional information, for consideration by the Working Group at its next session, on the potentially positive impact on PCT fee income should the proposed change to Rule 92*bis* be adopted, that is, the annual average level of loss of income which could be avoided (see the report of the session, document PCT/WG/9/28, paragraph 146).

6. That additional information is set out in the present document.

POTENTIAL IMPACT ON PCT FEE INCOME SHOULD THE PROPOSED AMENDMENT TO RULE 92*BIS* BE ADOPTED

7. At the outset, it is to be noted that the data held by the International Bureau concerning nationality and residence of applicants before and after a Rule 92*bis* change is not held in a manner which makes it practical to determine *exactly* in how many cases the International Bureau recorded, under Rule 92*bis*, a change in the person of the applicant from an applicant who, at the time of filing of the international application, was eligible for the fee reduction under item 5 of the Schedule of Fees to an applicant who would have not been eligible to such fee reduction without reviewing each case individually.

8. However, the available data show that, out of the 5,361 international applications filed in the period between July 1, 2014, to June 30, 2015¹, which benefitted from the 90 per cent fee reduction, only 247 international applications were the subject of Rule 92*bis* changes which resulted in the addition of a legal entity as applicant which clearly would have not been eligible for the fee reduction. There may be a number of other international applications in respect of which changes of applicants were made such that the resulting applicants were not eligible for other reasons, but these should be relatively few in number.

9. As had been observed in paragraph 13 of document PCT/WG/9/10, some of the changes in the person of the applicant to applicants not eligible for the fee reduction may represent successes of the international patent system, where a lone inventor has used the fact of filing an international application to secure a subsequent agreement with a company able to exploit the invention. Others, believed to be a significant majority, appear to be cases where the initial

¹ A sample period for which the period of 30 months from priority, within which any Rule 92*bis* change must be requested, has expired for almost the entire population.

filing was made by an employee of the company specifically for the purpose of receiving the fee reduction.

CLARIFYING ELIGIBILITY FOR FEE REDUCTIONS

10. The numbers of international applications in respect of which a change in the person of the applicant is recorded in the international phase so as to add an applicant who would not have been eligible for the reduction are small relative to the numbers of international applications in respect of which it appears that individuals act as an applicant on behalf of a legal entity which is the real “beneficial owner” without requesting any change in the person of the applicant during the international phase.

11. To illustrate this point, the following table shows the number of international applications filed in the years 2012 to 2016 which benefitted from the 90 per cent fee reduction under both items 5(a) and 5(b) of the PCT Schedule of Fee (the numbers of applications benefitting from the fee reductions under item 5(b), that is, filed by applicants from least developed countries, is almost negligible), categorized according to the number of cases in which fee reductions have been granted to the same applicant during a given calendar year.

# IAs per applicant	Year				
	2012	2013	2014	2015	2016
Up to 5	3,896 (84.1%)	4,115 (74.2%)	4,297 (79.9%)	4,588 (75.9%)	5,398 (50.8%)
6 to 10	313 (6.8%)	331 (6.0%)	294 (5.5%)	290 (4.8%)	615 (5.8%)
11 to 20	227 (4.9%)	228 (4.1%)	321 (6.0%)	453 (7.5%)	751 (7.1%)
20 to 50	138 (3.0%)	151 (2.7%)	234 (4.4%)	641 (10.6%)	2,032 (19.1%)
51 or more	61 (1.3%)	723 (13.0%)	229 (4.3%)	69 (1.1%)	1,835 (17.3%)
<i>Total</i>	<i>4,635</i>	<i>5,548</i>	<i>5,375</i>	<i>6,041</i>	<i>10,631</i>

12. The model used for the establishment of the above table provides a very simplistic grouping of applications per applicant – it is highly likely that some applications were not recognized as being part of a group and some applications should in fact be represented in lower rows of the table than they actually are. In addition, it is clearly not possible to say whether or not an applicant is standing in place of a “beneficial owner” solely based on whether or not he has filed more or fewer international applications than any particular cut-off number. However, it would appear clear from the above figures that an increasing proportion of applications in respect of which fee reductions have been granted are filed by applicants who have filed a number of other international applications in a given year well beyond what would be possible for a genuine individual applicant to invent and describe without corporate support.

13. The numbers set out in the above table point to an urgent need clarify the matter of eligibility by adding a proviso to item 5 of the Schedule of Fees, as had been proposed in document PCT/WG/9/10, further amended by the words “at the time of filing of the international application” (as had been suggested by the Delegation of the United States of America and agreed by the Working Group at its ninth session; see document PCT/WG/9/28, paragraph 127). For ease of reference, the proposal to amend item 5 of the PCT Schedule of Fees as originally set out in the Annex to document PCT/WG/9/10, further amended as indicated above, is reproduced in the Annex to the present document.

14. In addition, as has been proposed in document PCT/WG/9/10, it is proposed that the Assembly adopt an Understanding in the following terms:

“It is the understanding of the PCT Assembly that the fee reduction in item 5 of the Schedule of Fees is intended to apply only in the case where the applicants indicated in the request are the sole and true owners of the application and under no obligation to assign, grant, convey or license the rights in the invention to another party which is not eligible for the fee reduction.”

15. Given that the numbers of international applications in respect of which it appears that individuals act as an applicant on behalf of a legal entity which is the real “beneficial owner” without requesting any change under Rule 92*bis* in the person of the applicant during the international phase (as set out in the table in paragraph 11, above) are significantly larger than the numbers of international applications in respect of which a change in the person of the applicant is actually recorded under Rule 92*bis* to include a non-eligible applicant, it would appear that efforts aimed at influencing applicants’ behaviour in respect of requesting Rule 92*bis* changes during the international phase are of less importance than clarifying the eligibility for fee reductions on the international filing date. Consequently, as had already been indicated in paragraph 143 of document PCT/WG/9/28, the International Bureau sees no need to amend Rule 92*bis* at this point.

16. *The Working Group is invited:*

(i) to take note of the additional information set out in paragraphs 7 to 12 of the present document;

(ii) to continue its consideration of the proposed amendments to Schedule of Fees set out in the Annex to the present document.

[Annex follows]

PROPOSED AMENDMENTS TO THE PCT REGULATIONS²

SCHEDULE OF FEES

Fees

Amounts

1. to 3. [No change]

Reductions

4. [No change]

5. 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 90% if the international application is filed by:

- (a) [No change] an applicant who is a natural person and who is a national of and resides in a State that is listed as being a State whose per capita gross domestic product is below US\$ 25,000 (according to the most recent 10-year average per capita gross domestic product figures at constant 2005 US\$ values published by the United Nations), and whose nationals and residents who are natural persons have filed less than 10 international applications per year (per million population) or less than 50 international applications per year (in absolute numbers) according to the most recent five-year average yearly filing figures published by the International Bureau; or
- (b) [No change] an applicant, whether a natural person or not, who is a national of and resides in a State that is listed as being classified by the United Nations as a least developed country;

provided that, at the time of filing of the international application, there are no beneficial owners of the international application who would not satisfy the criteria in sub-item (a) or (b) and provided that, if there are several applicants, each must satisfy the criteria set out in either sub-item (a) or (b). The lists of States referred to in sub-items (a) and (b)³ shall be updated by the Director General at least every five years according to directives given by the Assembly. The criteria set out in sub-items (a) and (b) shall be reviewed by the Assembly at least every five years.

[End of Annex and of document]

² Proposed additions and deletions are indicated, respectively, by underlining and striking through the text concerned.

³ *Editor's Note:* The first lists of States were published in the Gazette of February 12, 2015, page 32 (see www.wipo.int/pct/en/official_notices/index.html).