# Stage 2 Cost Recovery Impact Statement

## Regulations to adjust Patent and Trade Mark fees, November 2018

# Agency Disclosure Statement

*This Cost Recovery Impact Statement has been prepared by the Ministry of Business, Innovation and Employment (MBIE). It provides an analysis of options to change the fees for patent and trade mark services provided by the Intellectual Property Office of New Zealand (IPONZ) under the Patent Regulations 1954, the Patent Regulations 2014, and the Trade Mark Regulations 2004.*

1. This statement provides an analysis of IPONZ's proposed changes to fees charged to patent and trade mark applicants and holders to recover its costs from financial year (FY) 2018/19 to FY 2023/24.

2. IPONZ's analysis has focused on ensuring that patent and trade mark fees are set at a level that will steadily reduce the current surplus in IPONZ's memorandum account, and avoid cross-subsidisation between trade mark and patent services. The analysis has also focused on how well the proposals align with the purposes of the Trade Marks Act 2002, Patents Act 1953 and Patents Act 2013, including:

    a. simplify procedures for registering a trade mark in order to reduce costs to applicants and reduce compliance costs generally; and

    b. providing an efficient and effective patent system that promotes innovation and economic growth, while providing an appropriate balance between the interests of inventors and patent owners and the interests of society as a whole.

3. Analysis of the impact of the proposals relies on volume-based forecasting, and historical analysis of volumetric data. Where new fees have been introduced, informed assumptions have been made about how these will impact applicant behaviour. While a range of possible economic scenarios have been forecasted and modelled in IPONZ's analysis, there is residual uncertainty about the impacts of these proposals.

4. IPONZ considered that the proposals met the cost recovery principles and objectives outlined in this document. The proposed fees meet these principles and objectives. In particular, the proposals are consistent with the authority to collect fees set out in the Patents Act 1953, the Patents Act 2013, and the Trade Marks Act 2002, and are sufficient to recover the costs of the patents and trade marks schemes without imposing undue costs on intellectual property rights holders.

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# Executive summary

IPONZ is a business unit within MBIE, and is responsible for administering New Zealand's intellectual property (IP) rights system. IPONZ charges a number of fees for its services. Third party fees are used because the primary beneficiaries of the examination and grant of IP rights are those who apply for IP rights.

Since 2013, the IPONZ memorandum account balance has been accumulating a significant surplus, which is projected to peak at around $30 million by financial year (FY) 2019/20. To address this, IPONZ undertook a review of the fees it charges for trade mark and patent services. One of the key drivers for the fees review was the need to ensure that the memorandum account surplus will trend steadily towards zero.

The fees review found that:

- Trade mark and patent revenue should be rebalanced to avoid cross-subsidisation between trade mark and patent services.
- The current memorandum account surplus should be reduced at a steady rate while avoiding or mitigating the risk of falling into deficit.
- The patent fee structure should be refined to better reflect the relative costs of patent services.
- The trade mark fee structure could be amended to make trade mark services more efficient and effective.

IPONZ has proposed a suite of changes to trade mark and patent fees to address these issues and opportunities:

- increasing patent renewal and application maintenance fees.
- increasing existing fees for certain high-cost patent services and introducing several new fees.
- incentivising efficient trade mark behaviour by introducing two new application fee options.
- simplifying options for trade mark pre-application advice by offering search advice and preliminary advice as a single bundled service.

As a whole, IPONZ expects the proposed fee changes to:

- Increase the complexity of the patent fee structure and the trade mark structure overall while making fees more effective, efficient and equitable.
- Rebalance trade mark and patent revenue and ensure a steady reduction in the memorandum account.
- Increase costs for patent applicants and patent holders without significant adverse effects on innovative activity.
- Reduce costs for trade mark applicants and trade mark holders.

Consultation with the industry was undertaken in July/August 2018 for a period of six weeks. Seven submissions were received. One submission was received from an industry body, and two submissions were received from IP rights holders. The remaining four submissions were received from IP agents.

On balance, taking in to account the feedback from submitters with the expectation that the scheme is adequately and equitably resourced, and that the memorandum account is appropriately managed, IPONZ recommends that the changes to patent and trade mark fees as outlined in tables 5 and 6 below are implemented.

# Context and status quo

1. IPONZ is a business unit within the Ministry of Business, Innovation and Employment (MBIE). IPONZ is responsible for administering New Zealand's intellectual property (IP) rights system. The IP rights administrated by IPONZ are trade marks, patents, designs, plant variety rights and geographical indications.

2. This fees review covers patent, trade mark and design fees. Fees for plant variety right services and geographical indication services were excluded from the scope of the review because:

    a. plant variety right services are partially funded by the Crown and are not covered by the IPONZ memorandum account;

    b. a review of the plant variety rights regime is planned for 2018/19, which will include review of fees; and

    c. fees for geographical indication services were set in 2017 and do not require review at this stage.

3. IPONZ has statutory responsibilities under the Patents Act 1953, the Patents Act 2013, and the Trade Marks Act 2002. These responsibilities include the registration of patents and trade marks, the administration of disputes relating to the registration of patents and trade marks, and meeting obligations under international IP frameworks such as the Madrid Protocol and the Patent Cooperation Treaty.

4. IPONZ recovers almost all of the cost of its total work programme through fees charged to IP rights holders. A small portion (approximately $85,000) is funded through Crown revenue, for the administration of plant variety rights.

5. Legislative authority to impose charges in relation to the administration of the trade marks scheme is provided under the Trade Marks Act 2002, and under the Patents Act 1953 and the Patents Act 2013 in relation to the administration of the patents scheme. The applicable fees for trade marks are prescribed under the Trade Marks Regulations 2003, and the applicable fees for patents are prescribed under the Patents Regulations 1954 and the Patents Regulations 2014.

6. The main fees currently charged by IPONZ include:

    a. application and registration fees – paid before a trade mark is registered or patent granted;

    b. renewal and maintenance fees – paid to maintain a trade mark or patent in force after it has been registered; and

    c. hearing and opposition fees – paid when a matter relating to a trade mark or patent is contested before the Commissioners of Trade Marks or Patents.

# Cost Recovery Principles and Objectives

7. IPONZ has identified the following principles to assess what level of fees would be most appropriate:

| # | Principle | Description |
|---|---|---|
| 1 | Effectiveness | Fees should contribute to the effectiveness of IPONZ and the IP regimes it administers. |
| 2 | Efficiency | Fees should be set at a level that is economically efficient. Fees should promote efficient production and consumption of IP services. IPONZ also needs to operate efficiently and offer its services at reasonable prices. |
| 3 | Equity | Fees should be as fair as possible. This includes both equity across IP regimes, and equity within IP regimes. |
| 4 | Simplicity and consistency | Fee structures should be kept as simple and consistent as possible. This helps ensure that it is relatively easy for fee payers to understand which fees they should pay. Consistency of fees over time also helps businesses plan effectively. |

8. IPONZ has also identified the following objectives that the cost recovery framework for trade mark and patent fees should fulfil. These objectives link the findings of the fees review to the specific fee change proposals. The objectives and relevant findings are outlined below.

| # | Objective | Relevant fees review findings | Relevant proposal |
|---|---|---|---|
| 1 | Restore parity between revenue from patent services and trade mark services | Patent and trade mark fees are not reflecting the costs of providing these services. If current fees are maintained, trade mark services would cross-subsidise patent services.<br><br>Parity between trade mark and patent services can be restored by setting fees at levels that make each IP regime's revenue roughly proportional to its share of IPONZ expenses. | Proposal 1<br><br>Proposal 2<br><br>Proposal 3 |
| 2 | Ensure a steady reduction in the memorandum account surplus | Fees should be set at a level that is economically efficient. Fees should promote efficient production and consumption of IP services. IPONZ also needs to operate efficiently and offer its services at reasonable prices. | Proposal 1<br><br>Proposal 2 |
| 3 | Maintain or enhance the current design of the patent fee structure | Overall design of the patent fee structure is sound, and should be maintained or strengthened by fee changes. Renewal fees are set above cost to incentivise allowing unused patents to lapse. Examination and other up-front fees are set below cost to ensure accessibility of patent | Proposal 1<br><br>Proposal 2 |

| | | | |
|---|---|---|---|
| | | system.<br><br>The significant difference between renewal fees under the Patents Act 2013 and the Patents Act 1953 may be a factor inhibiting innovation. | |
| 4 | Better reflect the cost of individual patent services | Fees for examinations and restorations are relatively low.<br><br>Options for pre-application trade mark advice could be simplified.<br><br>Efficiency of the trade mark system could be improved by incentivising applicants to make less time-consuming applications where appropriate. | Proposal 1<br><br>Proposal 2 |
| 5 | Improve the efficiency and effectiveness of the trade mark system | Options for pre-application trade mark advice could be simplified.<br><br>Efficiency of the trade mark system could be improved by incentivising applicants to make less time-consuming applications where appropriate. | Proposal 3<br><br>Proposal 4 |

# Reviews of cost recovery charges

9. The Treasury recommends that fees for cost recovered services are reviewed every four to five years. The fees for trade marks were last reviewed in 2012, and fees for patents were last reviewed in 2013.

10. The Patents Act 2013, which replaced the Patents Act 1953, came into full effect in September 2014. New patent fees were introduced as part of this change. At the time, IPONZ signalled that the next fees review may need to refine the new fees in light of experience. This need was the other major driver for the fees review. IPONZ now has enough data and practical experience to fully understand the costs of the regime and adjust patent fees accordingly.

11. Fee revenue covers the costs of IPONZ functions and services, including:

    a. examining and registering trade marks, patents, designs, plant variety rights, and geographical indications;

    b. conducting hearings on disputes relating to IP applications and registrations;

    c. improving awareness of IP in the marketplace and how it can be commercialised; and

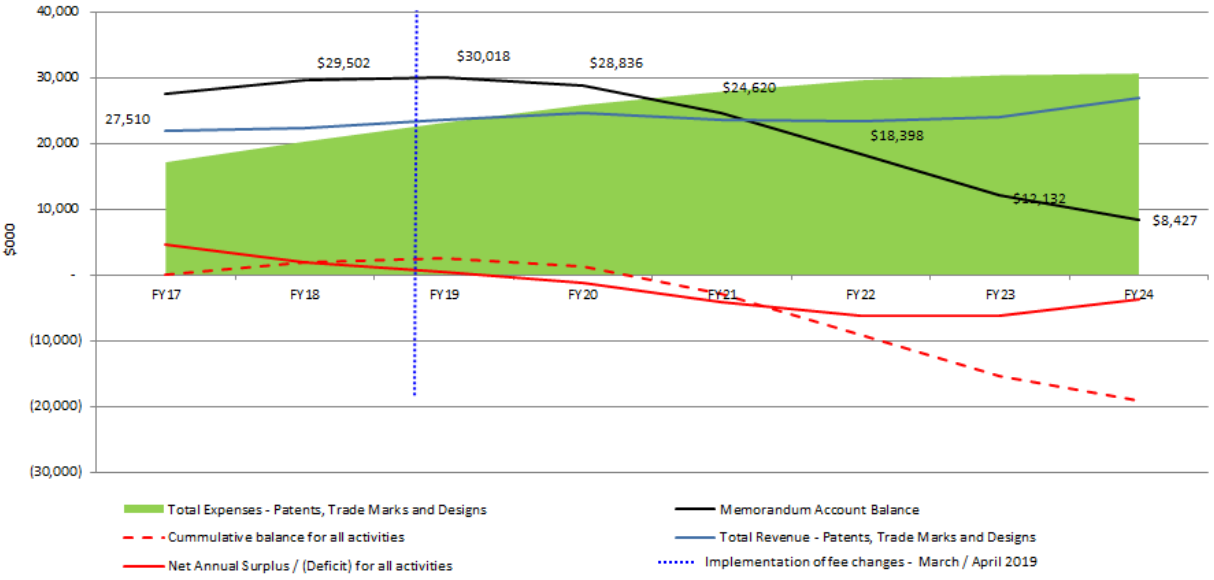
    d. fulfilling obligations under IP related international treaties and free trade agreements.

12. Total annual fee revenue is a function of application volumes, and varies from year to year. To smooth out these variances and avoid the need to adjust fees too frequently, IPONZ uses a ‘memorandum account’, against which IPONZ records its surpluses and deficits. Treasury’s *Guidelines for Setting Charges in the Public Sector* states that the balance of each memorandum account is expected to trend to zero over a realistic period of time.

13. Since 2013, the IPONZ memorandum account balance has been accumulating a steady surplus. This surplus is projected to peak at around $30 million by financial year (FY) 2019/20. One of the key drivers for the fees review was the need to ensure that the memorandum account surplus will trend steadily towards zero.

14. The memorandum account balance is projected to reduce relatively quickly under current fees due to increasing cost pressures, with some risk of falling into deficit by June 2024. A steady reduction in the memorandum account surplus can be ensured by rebalancing trade mark and patent revenue and by increasing overall IPONZ revenue slightly. Figure 1 below shows the projected memorandum account balance under the status quo.

**Figure 1: Memorandum account balance under status quo**




15. Our review of fees found that changes to trade mark and patent fees are required to address a range of issues and opportunities. These are:

    a. Trade mark and patent revenue should be rebalanced.

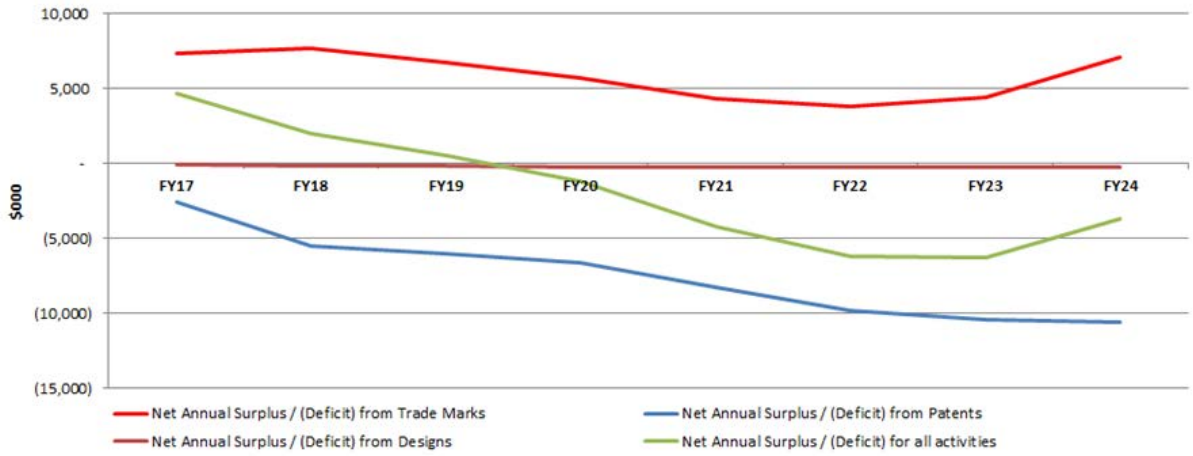
    b. The current memorandum account surplus should be reduced at a steady rate while avoiding or mitigating the risk of falling into deficit.

    c. The patent fee structure should be refined to better reflect the relative costs of patent services.

    d. The trade mark fee structure could be amended to make trade mark services more efficient and effective.

16. The review further found that cross-subsidisation between trade mark and patent services will occur if current fees are maintained. Cross-subsidisation occurs when the fee revenue from one type of service is put towards the cost of providing another type of service. In effect, continuing under the status quo would mean that users of trade mark services would be paying some of the cost of patent services, in the order of magnitude of millions of dollars (see Figure 2 below).

**Figure 2: Net annual surpluses / deficits for trade mark, patent and design services**




17. As part of the review, IPONZ assessed whether fees charged for design services are fit for purpose. IPONZ has not identified any issues or opportunities to improve the designs fee structure, and considers that there is no need for changes to the current fees. Design fees are currently operating at a small annual deficit. This is appropriate Given the surplus in the memorandum account.

# Policy Rationale: Why a user charge? And what type is most appropriate?

18. IPONZ's main role is to examine applications for registrable IP rights, and grant them where the criteria for grant are met. IP rights can be considered 'private goods', as they are rivalrous, and are excludable, in that the owner of an IP right can exclude others from commercially exploiting goods and services covered by that right.

19. There is a strong case for recovering the costs of a private good from those who benefit from it. In the case of patents and trade marks, the recovery of the costs takes the form of fees. Third party fees are used because the primary beneficiaries of the examination and grant of IP rights are those who apply for IP rights.

20. Third party fees for IP protection are a well-accepted cost of doing business, both in New Zealand and in other countries, and continue to be the most appropriate mechanism to best meet IPONZ's costs in administering the Patents Act 2013, and Trade Marks Act 2002.

21. IPONZ's fees are charged to all persons who wish to apply for a registrable IP right. These can include individuals and small businesses through to corporate entities and multinational organisations.

22. The third party fees are intended to recover all of the costs of IPONZ's patents, trade marks and designs activities. In practice, IPONZ's fees are only a small portion of the expenses involved in developing and commercialising IP. In general, professional fees charged by agents such as registered patent attorneys are significantly higher than IPONZ fees.

23. IPONZ has adopted the 'cost to serve whole register' approach when setting its fees. This approach allows IPONZ to ensure that IP fees contribute to the underlying policy objective of each regime. For example, the Patents Act 2013 and Trade Marks Act 2003 both allow IPONZ to set fees for renewal of IP rights at a level that provides an incentive for IP holders to allow their rights to lapse if they are not receiving sufficient benefit from their IP right. These provisions are intended to contribute to the efficiency and effectiveness of the trade mark regime and the patent regime.

# The level of the proposed fee and its cost components

24. A suite of changes have been developed to address the findings of the fees review and fulfil the fee change objectives. The changes have been grouped into four proposals:

    Proposal 1. increased patent renewal and maintenance fees

    Proposal 2. increased and new fees for high-cost patent services

    Proposal 3. new trade mark application fee options

    Proposal 4. simplified options for pre-application trade mark advice.

25. Further breakdown of the costs associated with each proposal is attached in annex 1. Forecasting of the revenue from the proposed fees is included in this document in the section titled 'Impact Analysis'.

**Proposal 1: increased patent renewal and maintenance fees**

26. Proposal 1 involves significant increases to patent renewal and application maintenance fees. The intent of these fee increases is to:

    a. recover a share of the increasing costs of providing patent services;

    b. provide a stronger incentive for holders of patents to allow them to lapse if they are not receiving enough benefit from the patent;

    c. provide a stronger incentive for applicants who are unlikely to commercially exploit their invention to abandon their application.

27. The fee changes that make up Proposal 1 are listed in Table 1 below, alongside the corresponding current fees.

**Table 1: Proposal 1 fee changes**

| Services under Patents Act 2013 | Current fee | Proposed fee | Percentage change | Cost per unit |
|---|---|---|---|---|
| Maintenance fee if paid within 3 months of anniversary | $100 | $200 | +100% | $95 |
| Maintenance fee if paid within 6 months of anniversary | $150 | $300 | +100% | $95 |

| | | | | |
|---|---|---|---|---|
| Renewal – 4th to 9th year | $100 | $200 | +100% | $95 |
| Renewal – 10th to 14th year | $200 | $450 | +125% | $95 |
| Renewal – 15th to 19th year | $350 | $1000 | +185% | $95 |
| Penalty for late payment of a renewal fee | $50 | $100 | +100% | $95 |

28. All of these fees (excluding the penalty for late payment) have been set significantly above the estimated cost per unit. Section 243(2)(a) of the Patents Act 2013 allows renewal and maintenance fees to be set at a level that recovers a share of the overall costs of the patent system. Section 243(2)(b) of the Patents Act 2013 allows renewal and maintenance fees to incentivise patent holders to allow unused patents to lapse, and patent applicants to abandon applications where they are not receiving, or will not receive, sufficient benefit from the patent.

**Proposal 2: increased and new fees for high-cost patent services**

29. Proposal 2 involves increasing existing fees for certain high-cost patent services and introducing several new fees. The intent of these fee changes is to better reflect the high overall costs of these services, and variations in the cost of individual requests. Table 2 below shows the fee changes under Proposal 2, with new fees listed in italics.

**Table 2: Proposal 2 fee changes**

| **Services under Patents Act 2013** | **Current fee** | **Proposed fee** | **Percentage change** | **Cost per unit** |
|---|---|---|---|---|
| Examination | $500 | $750 | +50% | $3112 |
| Examination under Patent Cooperation Treaty | | | | $2604 |
| Re-examination | | | | $2300 |
| *Examination of claims in excess of 29 (per 5 claims) (new fee)* | *N/A* | *$120* | *N/A (new fee)* | *$171* |
| Amendment after acceptance | $150 | $500 | +233% | $1168 |
| Request for restoration | $100 | $600 | +500% | $2153 |
| **Services under Patents Act 1953** | **Current fee** | **Proposed fee** | **Percentage change** | |
| Filing of complete specification | $250 | $500 | +100% | $1920 |
| *Amendment before acceptance (new fee)*[1] | $60 | *$150* | *+150%* | *$253* |
| *Amendment after acceptance (new fee)* | | *$500* | *+733%* | *$1168* |

[1] This is a change to the current fee structure in the Patents Regulations 1954. The current Patent Regulations 1954 include a single fee for amendment, before or after acceptance.

30. The rationale for the new fees listed above are:

    a. Excess claims fee: the design of the new excess claims fee has been adjusted by reducing the number of claims covered by the fee (from 10 claims to 5 claims) and the fee level (from $200 to $120). This change is in response to a submitter's comment that the proposed excess claim fee structure did not completely reflect the cost of examining applications with excess claims. For example an application with 30 claims would pay the same excess claim fee as one with 39 claims. The application with 39 claims has 30% more claims than the one with 30 claims.

    b. Amendment before acceptance, and amendment after acceptance: these fees have been introduced as a change to the current fee structure in the Patents Regulations 1954. The current Patent Regulations 1954 include a single fee for amendment, before or after acceptance, and is not representative of the costs of providing the service.

31. All of these new and increased fees have been set below the estimated cost per unit, for the following reasons:

    a. As noted under Proposal 1 above, renewal and maintenance fees recover a portion of the total cost of the patents system

    b. The IPONZ memorandum account is in surplus, so overall IPONZ revenue needs to be lower than overall expenses

    c. There are efficiency and effectiveness benefits from setting certain fees such as examination and amendment fees significantly below the estimated cost per unit, because patent applicants may be cost-sensitive before an invention has been patented and commercialised.

**Proposal 3: new trade mark application fee options**

32. IPONZ has identified an opportunity to incentivise efficient trade mark behaviour by introducing two new application fee options. These fee options would be alternatives to the current application fee (the standard application fee).

33. Applications that use the list of pre-approved classification terms (the classification picklist) would be charged a discounted fee of $70. This is intended to improve efficiency by creating an incentive for applicants to use the classification picklist, which makes applications faster to examine because less effort is required to confirm the classification of the goods and services covered by the proposed trade mark.

34. Applications that are based on pre-application advice (search advice and preliminary advice) would be charged a discounted fee of $50. This is intended to improve efficiency as applications that are based on both search advice and preliminary advice are much faster to examine than standard applications because this work has already been completed.

35. Table 3 below shows the comparison of current fees, proposed fees, and the percentage change.

| Table 3: Proposal 3 fee changes | | | | |
|---|---|---|---|---|
| **Services under the Trade Marks Act 2002** | **Current fee** | **Proposed fee** | **Percentage change** | **Cost per unit** |
| Application to register a trade mark – standard (per class) | $150 | $100 | -33% | $174 |
| *Application to register a trade mark – based on pre-application advice (per class) (new fee)* | | *$50* | -66% | $86 |
| *Application to register a trade mark – using picklist of pre-approved classification terms (per class) (new fee)* | | *$70* | -53% | $133 |
| Renewal of registration of a trade mark (per class, every 10 years) | $350 | $200 | -43% | $52 |

36. The rationale for the new fees listed above are:

    a. Discounted application fees: the propose changes includes introducing a reduced fee for trade mark applications that use the classification picklist, and introducing a reduced fee for trade mark applications based on pre-application advice. Both of these reduced fees are intended to incentivise applicants to submit trade mark applications which can be more efficiently examined, and have reduced costs associated with them.

**Proposal 4: simplified options for pre-application trade mark advice**

37. IPONZ has found that the current options for pre-application trade mark advice are ineffective and inefficient. IPONZ proposes simplifying these options by offering search advice and preliminary advice as a single bundled service, with a fee of $50.

38. This proposal is intended to simplify the trade mark fee schedule, and avoid unsuccessful trade mark applications that are based on only a search report or a preliminary advice report.

39. Table 4 below shows the comparison of current fees, proposed fees, and the percentage change.

| Table 4: Proposal 4 fee changes | | | | |
|---|---|---|---|---|
| **Service** | **Current fee** | **Proposed fee** | **Percentage change** | **Cost per unit** |
| Request for search advice (per class) | $40 | $50 | +25% | $120 |
| Request for preliminary advice (per class) | $40 | | | |

# Impact analysis

40. As a whole, IPONZ expects the proposed fee changes to:

    a. Increase the complexity of the patent fee structure and the trade mark structure overall while making fees more effective, efficient and equitable; and

    b. Rebalance trade mark and patent revenue and ensure a steady reduction in the memorandum account;

    c. Increase costs for patent applicants and patent holders without adverse effects on innovative activity;

    d. Reduce costs for trade mark applicants and trade mark holders.

**Increase complexity while improving effectiveness, equity and efficiency**

41. The introduction of several new fees is expected to increase the complexity of the patent and trade mark fee structures. The new fees could confuse some applicants, especially early in the implementation of the fees.

42. Overall, IPONZ considers that the increase in complexity is warranted because the new fees will improve the effectiveness, equity and efficiency of IPONZ services. Ultimately, these benefits flow to fee payers and the public in the form of better quality services, lower overall costs and a more fair distribution of the costs and benefits of IP protection.

**Rebalance trade mark and patent revenue and ensure a steady reduction in the memorandum account**

43. These fee changes are expected to restore parity between revenue from trade mark services and patent services, by making trade mark revenue and patent revenue roughly proportional to their share of IPONZ expenses. This impact would contribute to the equity and efficiency of the patents and trade mark systems.

44. The trade marks regime is projected to incur 36.5% of total IPONZ expenses between July 2019 and July 2024, and the patents regime is projected to incur 60.1%. Under the proposed fee changes, trade mark fees are forecast to make up 36.4% of total IPONZ revenue and patent fees are forecast to make up 60.6%.

45. The fee changes are also expected to ensure a steady reduction in the memorandum account surplus under a range of scenarios. The fee changes are forecast to reduce the memorandum account balance to $9.9m by July 2024. There is little risk of the memorandum account falling into deficit under the proposed fees, even if IPONZ revenue is much lower than expected and expenses are higher than expected (projected account balance = $1.2m in July 2024). The proposed fees also ensure that the memorandum account would reduce steadily if revenue is much higher than expected and expenses are lower than expected (projected account balance = $18.3m in July 2024).

46. The figures below show the projected memorandum balance under a range of scenarios.

**Figure 3: Memorandum account balance under proposed fee scenario**

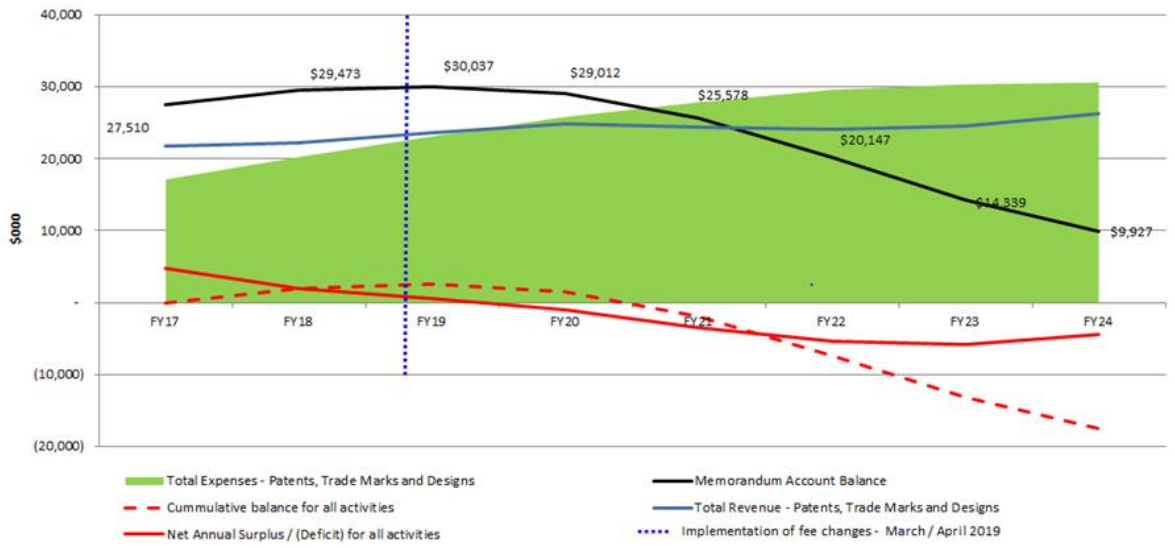



**Figure 4: Memorandum account balance with decreased revenue, 'downside scenario'**

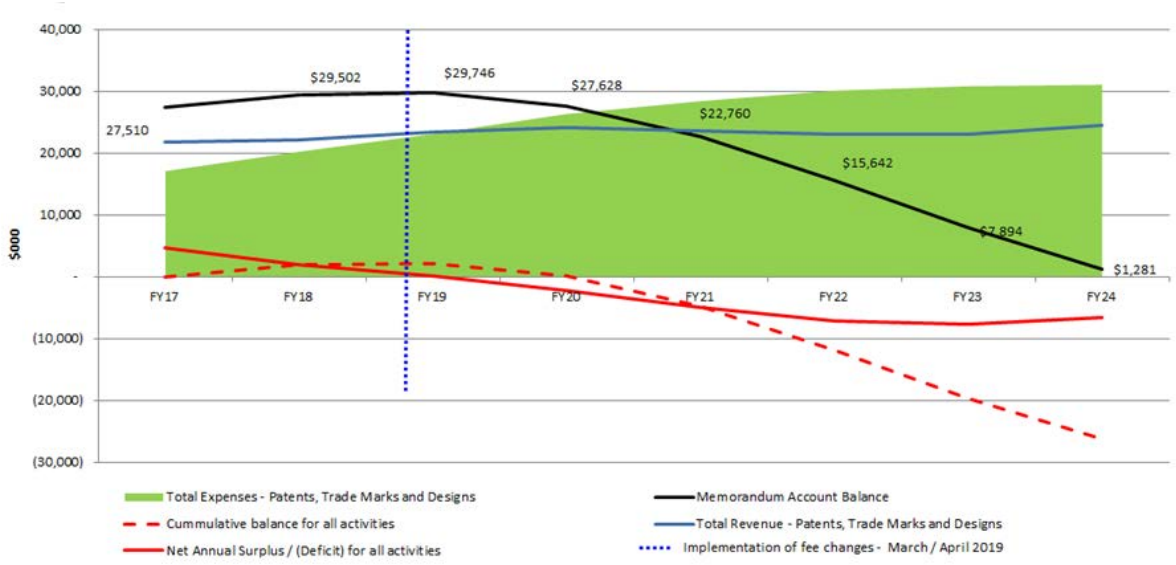
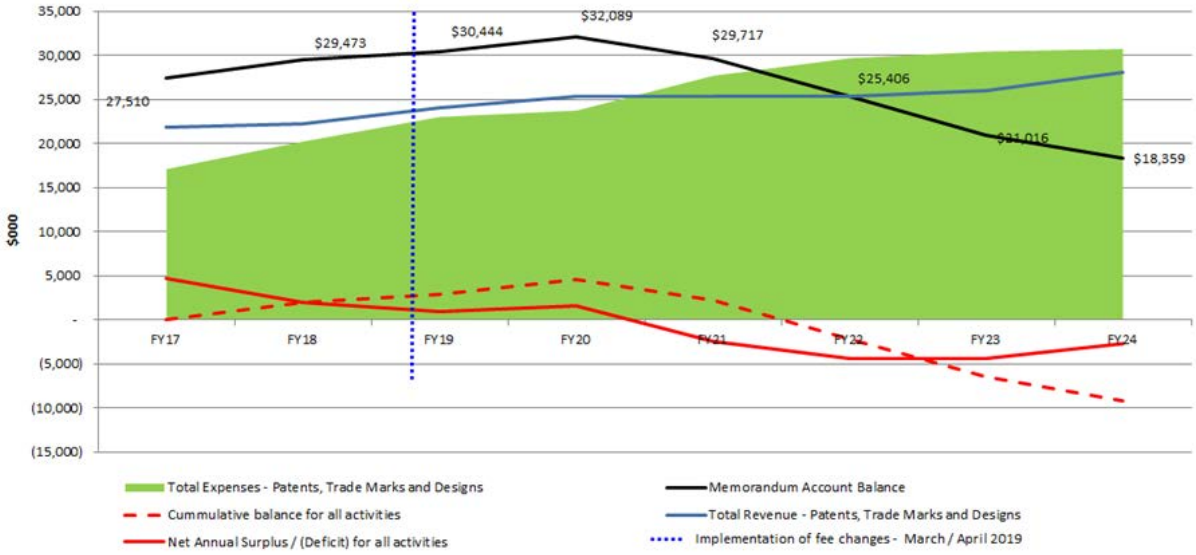



**Figure 5: Memorandum account balance with increased revenue, 'upside scenario'**



**Increase patent costs without affecting innovation**

47. IPONZ expects the fee changes to increase costs for patent applicants and patent holders, but does not expect any substantive adverse effects on innovation as a result.,

48. The whole of life fees for a complete specification under the Patents Act 2013 would increase from $4100 to $9450 (excluding any excess claims fees). This cost increase is expected to affect around 10,000 patent fee payers a year. The whole of life fees for a single divisional application under the Patents Act 1953 would increase from $2300 to $3080, affecting only 300-500 fee payers a year.

49. IPONZ considers that these overall cost increases are unlikely to affect levels of innovation in New Zealand or internationally. This is because:

    a. Costs are distributed across the life of a patent, with lower up-front costs when applicants are undertaking innovative activity and unlikely to be profiting from their inventions. Patent applications have an average lifespan of 6 years.

    b. IPONZ fees are only a small portion of the expenses involved in developing and commercialising an invention, and in obtaining patent protection. For example, 98% of patent applications are made by patent attorneys and other agents. In general, the professional fees charged by patent attorneys are significantly higher than IPONZ patent fees.

    c. Both New Zealand and international patent applicants are likely to be paying fees in other jurisdictions, which in general are similar to the proposed fees. 85-90% of patent applications received by IPONZ are from overseas applicants.

    d. The proposals for amendments to fees under the Patents Act 1953 may support innovation by reducing the incentive for continued divisional applications under the 1953 Act.[2]

50. The overall cost increase is necessary because current fees significantly under recover costs, meaning the patents regime is running at a significant deficit.

**Reduced costs for trade mark applicants and holders**

51. Under the proposed fees, the total cost of applying for and holding a single trade mark for 20 years would decrease from $850 to $500. This reduction in cost is small in magnitude but may be of benefit to small businesses, community groups and other trade mark applicants that are cost sensitive. IPONZ expects that the cost savings will benefit around 15,000 trade mark fee payers a year, including new applicants and existing trade mark holders.

52. The reduction in costs may lead to a moderate increase in volumes of domestic trade mark applications – for example, cost sensitive applicants may apply across more classes than they would have under previous fees. To the extent that cost sensitive applicants actually need and use trade mark protection, this could be seen as a benefit of the proposal. IPONZ considers that this effect is likely to be small in magnitude, as the

[2]Applicants with pending applications under the Patents Act 1953 can 'divide' their existing application into one or more separate applications, with priority rights and other dates being kept from the original filing date. These applications are referred to as 'divisional applications', and are charged the standard 1953 fee for filing of a complete specification ($250). Divisional applications can be filed up to 20 years after the filing of the original application (referred to as the 'parent application').

cost of the current fees is likely to be insignificant compared to the benefits of protecting their IP through trade marks.

# Consultation

53. IPONZ undertook public consultation through the release of a discussion document on the proposed fee changes. The discussion document sought feedback on the proposed options for fee changes and the impacts on the fee changes on the patents and trade marks system.

54. Information about the consultation was posted on MBIE's and IPONZ's websites. IPONZ also contacted key stakeholders (e.g. The New Zealand Institute of Patent Attorneys) to make them aware of the consultation.

55. Seven submissions were received in total. One submission was received from an industry body, and two submissions were received from IP rights holders. The remaining four submissions were received from IP agents.

56. Most submitters supported the overall proposal of increasing maintenance fees and renewal fees under the Patents Act 2013 and Patents Act 1953. Several submitters suggested more moderate increases to renewal fees, on the basis that the proposed fee increases could discourage New Zealand businesses from obtaining patent protection.

57. Submissions on Proposal 2 were mixed. One submitter (Fisher & Paykel) supported Proposal 2 fully and considered that these fee increases would have a relatively minor impact on overall costs to patentees. The other two submitters who commented directly on Proposal 2 supported it to some degree, but suggested more moderate fee increases and raised concerns about some specific fee changes under the proposal.

58. Three submitters supported Proposal 3, and two submitters were concerned that the proposed reduced fees encourage the use of the classification picklist and pre-application advice, which could disadvantage applicants who take proper legal advice.

59. Two submitters made a submission on Proposal 4, and both were in support. Submitters noted the usefulness of pre-application advice to self-filing applicants, who are likely to have a limited understanding of the requirements for the registration of a trade mark.

# Conclusions and recommendations

60. On balance, taking in to account the feedback from submitters with the expectation that the scheme is adequately and equitably resourced, and that the memorandum account is appropriately managed, IPONZ recommends that the changes to patent and trade mark fees as outlined in tables 5 and 6 below are implemented.

61. Fees not listed in tables 5 and 6 will remain the same. These fees are outlined in Annex 2.

| Table 5: Proposed changes to patent fees (GST exclusive) | | |
|---|---|---|
| **Service (Patents Act 2013)** | **Current fee** | **Proposed fee** |
| Request for examination (including PCT examinations and re-examinations) | $500 | $750 |
| *Examination of patent specification with 30 claims or more (per 5 claims) (new fee)* | *No fee* | *$120* |
| Request for leave to amend complete specification after acceptance | $150 | $500 |
| Application maintenance fee if paid within 3 months of anniversary | $100 | $200 |
| Application maintenance fee if paid within 6 months of anniversary | $150 | $300 |
| Annual renewal fee – 4th to 9th year | $100 | $200 |
| Annual renewal fee – 10th to 14th year | $200 | $450 |
| Annual renewal fee – 15th to 19th year | $350 | $1000 |
| Penalty payable for request to extend the period for payment of a renewal fee | $50 | $100 |
| Request for restoration of patent or patent application | $100 | $600 |
| **Service (Patents Act 1953)** | **Current fee** | **Proposed fee** |
| On filing complete specification | $250 | $500 |
| *Application to amend complete specification before acceptance (new fee)* | *$60* | *$150* |
| *Application to amend complete specification after acceptance (new fee)* | | *$500* |

| Table 6: Proposed changes to trade mark fees (GST exclusive) | | |
|---|---|---|
| **Service** | **Current fee** | **Proposed fee** |
| Request for search advice (per class) | $40 | $50 for search and preliminary advice |
| Request for preliminary advice (per class) | $40 | |

| | | |
|---|---|---|
| Application to register a trade mark – standard (per class) | $150 | $100 |
| *Application to register a trade mark – based on pre-application advice (per class) (new fee)* | | *$50* |
| *Application to register a trade mark – using picklist of pre-approved classification terms (per class) (new fee)* | | *$70* |
| Renewal of registration of a trade mark (per class, every 10 years) | $350 | $200 |

# Implementation plan

62. IPONZ proposes to proactively release the Cabinet paper and Summary of Submissions in order to notify fee payers of the fee changes. This timing is intended to allow fee payers ample time to adjust to the amended and new fees. IPONZ proposes that the new fees would come into force in early to mid-2019.

# Monitoring, evaluation and review

63. Once the proposed fees take effect IPONZ will evaluate the efficiency and effectiveness of the fee changes by identifying benchmarks and indicators that correspond to the objectives and policy intent of the fee changes, and proactively monitoring those benchmarks and indicators on an ongoing basis. The necessary data will be collected through IPONZ's examination framework and associated IT systems.

64. For example, the objective of "better reflect the cost of individual patent services" would be quantified against timesheet data which allows IPONZ to measure the cost of individual patent services.

65. There is no legislative requirement for the review frequency of this scheme. In order to ensure that the scheme is adequately resourced and operating efficiently, and that over-recovery or under-recovery is minimised, IPONZ intends to carry out a fees review in 4-5 years' time, in accordance with Treasury guidance. This review is likely to include consideration of:

    a. the trend in the memorandum account balance;

    b. parity between trade mark and patent revenue levels; and

    c. impacts on application volumes and types as a result of new and amended fees.

66. However, IPONZ may carry out a fees review earlier if it considers an out-of-cycle review is warranted. For example, economic conditions impact on patent and trade application volumes, or fluctuations in the memorandum account balance indicate a large deficit or surplus is likely.

## Annex 1: Costs recovered by proposed fees

The tables in this annex set out estimates of the costs recovered by all proposed patent, trade mark, and design fees. Fees that would remain the same under the proposals in this document are included and highlighted in **grey**. All fees listed are exclusive of GST.

The estimated per unit costs in the table below are based on FY 2021/22. Per unit costs grow across the forecast period, so costs in FY 2021/22 are the best available estimate of the average costs between implementation (mid 2018/19) and the end of the forecast period (2023/24).

**Table 1: Forecasted costs recovered by proposed patent fees**

| Service | Current fee | Proposed fee | Personnel costs[3] | Operating costs[4] | Capital and asset costs[5] | Corporate costs[6] | TOTAL forecasted cost |
|---|---|---|---|---|---|---|---|
| Application accompanied by a provisional specification | $100 | $100 | - | $61 | $20 | $14 | $95 |
| Application accompanied by a complete specification (incl. convention applications) | $250 | $250 | $43 | $63 | $20 | $45 | $171 |
| Application for entry into the national phase of a PCT application | $250 | $250 | $22 | $62 | $20 | $29 | $133 |
| Transmittal fee for filing of PCT applications | $180 | $180 | $216 | $71 | $20 | $168 | $475 |
| Request for examination | $500 | $750 | $1773 | $137 | $20 | $1282 | $3212 |
| Request for examination of application under PCT | $500 | $750 | $1427 | $122 | $20 | $1034 | $2604 |

[3] Personnel costs represent the estimated cost of staff time spent on each unit.

[4] Operating costs represent the estimated cost of internal IPONZ operating expenses such as IT systems and travel .

[5] Capital and asset costs represent the cost of capital invested in IPONZ assets, including depreciation of assets and the 'capital charge'.

[6] Corporate costs represent overhead costs, including office space and support from central services such as HR and legal.

| Table 1: Forecasted costs recovered by proposed patent fees | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Service** | **Current fee** | **Proposed fee** | **Personnel costs[3]** | **Operating costs[4]** | **Capital and asset costs[5]** | **Corporate costs[6]** | **TOTAL forecasted cost** |
| Request for re-examination | $500 | $750 | $1254 | $115 | $20 | $911 | $2300 |
| Amendment before acceptance | $60 | $150 | $92 | $65 | $20 | $76 | $253 |
| Request for leave to amend after acceptance | $150 | $500 | $745 | $80 | $20 | $323 | $1168 |
| Additional fee for examination of patent with 30 claims or more (per 5 claims) | - | $200 | $43 | $63 | $20 | $45 | $171 |
| Application maintenance – within 3 months | $100 | $200 | - | $61 | $20 | $14 | $95 |
| Application maintenance – within 6 months | $150 | $300 | - | $61 | $20 | $14 | $95 |
| Annual renewal fee – 4th – 9th year | $100 | $200 | - | $61 | $20 | $14 | $95 |
| Annual renewal fee – 10th – 14th year | $200 | $450 | - | $61 | $20 | $14 | $95 |
| Annual renewal fee – 15th – 19th year | $350 | $1000 | - | $61 | $20 | $14 | $95 |
| Late payment penalty | $50 | $100 | - | $61 | $20 | $14 | $95 |
| Request for restoration of a patent or patent application | $100 | $600 | $1566 | $89 | $20 | $478 | $2153 |
| Notice of opposition | $350 | $350 | $1554 | $61 | $20 | $14 | $1639 |
| Request for a hearing | $850 | $850 | $1554 | $61 | $20 | $14 | $1639 |
| Application to revoke a patent | $350 | $350 | $1554 | $61 | $20 | $14 | $1639 |
| Filing complete specification (Patents Act 1953) | $250 | $500 | $1038 | $106 | $20 | $756 | $1920 |
| Periodic renewal fee – 4th year (Patents Act 1953) | $170 | $170 | - | $61 | $20 | $14 | $95 |

| Table 1: Forecasted costs recovered by proposed patent fees | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Service** | **Current fee** | **Proposed fee** | **Personnel costs[3]** | **Operating costs[4]** | **Capital and asset costs[5]** | **Corporate costs[6]** | **TOTAL forecasted cost** |
| Periodic renewal fee – 7th year (Patents Act 1953) | $340 | $340 | - | $61 | $20 | $14 | $95 |
| Periodic renewal fee – 10th year (Patents Act 1953) | $540 | $540 | - | $61 | $20 | $14 | $95 |
| Periodic renewal fee – 13th year (Patents Act 1953) | $1000 | $1000 | - | $61 | $20 | $14 | $95 |

| Table 2: Forecasted Costs recovered by proposed trade mark fees | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Service** | **Current fee** | **Proposed fee (per class)** | **Est. personnel costs** | **Est. operating costs** | **Est. capital and asset costs** | **Est. corporate costs** | **TOTAL forecasted cost** |
| Request for search and preliminary advice | $40 | $50 | $40 | $26 | $16 | $38 | $120 |
| Trade mark application – standard | $150 | $100 | $72 | $27 | $16 | $59 | $174 |
| Trade mark application – based on pre-application advice | $150 | $50 | $20 | $25 | $16 | $25 | $86 |
| Trade mark application – using classification picklist | $150 | $70 | $48 | $26 | $16 | $43 | $133 |
| Renewal of registration of trade mark | $350 | $200 | - | $24 | $16 | $11 | $52 |
| Notice of opposition to registration of a trade mark | $350 | $350 | $1143 | $24 | $16 | $11 | $1195 |
| Hearing by Commissioner for each party | $850 | $850 | $1143 | $24 | $16 | $11 | $1195 |
| Application for revocation of registration of trade mark | $350 | $350 | $1143 | $24 | $16 | $11 | $1195 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Application for declaration of invalidity of registration | $350 | $350 | $1143 | $24 | $16 | $11 | $1195 |

| Table 3: Forecasted costs recovered by design fees (no changes proposed) | | | | | | |
|---|---|---|---|---|---|---|
| **Service** | **Proposed fee** | **Est. personnel costs** | **Est. operating costs** | **Est. capital and asset costs** | **Est. corporate costs** | **TOTAL forecasted cost** |
| Application for registration | $100 | $68 | $71 | $53 | $86 | $278 |
| First renewal fee (for 5 years) | $100 | $6 | $68 | $53 | $41 | $169 |
| Second renewal fee (for 5 years) | $200 | $15 | $69 | $53 | $47 | $184 |
| Notices of opposition | $300 | $1250 | $68 | $53 | $41 | $1412 |
| ○ Hearing fee for each party | $750 | $1250 | $68 | $53 | $41 | $1412 |

## Annex 2: Summary of current patent, trade mark and design fees

Below are tables setting out the current fees under the Trade Marks Act 2003, the Patents Act 2013, the Patents Act 1953 and the Designs Act 1953. All fees are GST exclusive. Fees that would remain the same under the proposals in this document are highlighted in **grey**.

**Table 1: Current fees under Trade Marks Act 2003**

| Activity title | Description of activity | Fee |
|---|---|---|
| Request for search advice (per class) | Examiners search the trade marks register to see if the trade mark is already in use. | $40 |
| Request for preliminary advice (per class) | Examiners provide preliminary advice on the registrability of the trade mark. | $40 |
| Application for a trade mark (per class) | Application for examination and registration for a trade mark in one class of goods or services. | $150 |
| Renewal of registration of trade mark (per class) | Fee for renewing the registration of a trade mark for a period of 10 years. | $350 |
| Notice of opposition to registration of a trade mark | Fee for submitting a motion to oppose the registration of a trade mark. | $350 |
| Hearing by Commissioner for each party | Fee imposed when a hearing takes place. | $850 |
| Application for revocation of registration of trade mark | Fee for submitting a motion to revoke a registered trade mark. | $350 |
| Application for declaration of invalidity of registration | Fee for submitting a motion to declare a registered trade mark invalid. | $350 |

**Table 2: Current fees under Patents Act 2013**

| Activity title | Description of activity | Fee |
|---|---|---|
| Application accompanied by a provisional specification | A provisional application for a patent that is less detailed than a standard application. This is often used to buy more time for research and development. | $100 |
| Application accompanied by a complete specification | A standard application for a patent. This fee covers the filing of the patent specification but not examination of the specification. | $250 |

| Activity title | Description of activity | Fee |
|---|---|---|
| Application made under the Paris Convention | An application based on the first application for an invention filed in a Paris Convention country. | $250 |
| Application for entry into the national phase of a Patent Cooperation Treaty (PCT) application | An international application which is being filed in a large number of jurisdictions simultaneously under the Patent Cooperation Treaty. In New Zealand this activity is treated as a patent application accompanied by a complete specification. | $250 |
| Transmittal fee for filing of PCT applications | An application by a New Zealand applicant for their patent specification to be filed in a large number of jurisdictions simultaneously under the PCT. | $180 |
| Request for examination or re-examination | A request for examining a patent or re-examining a patent once changes have been made. | $500 |
| Amendment by applicant of complete specification before acceptance | Amending the specification of a patent to overcome an objection raised in examination, or to overcome an opposition to registration. | $150 |
| Request for leave to amend complete specification after acceptance | Amending the specification of a patent after the patent has been accepted for granting. | $150 |
| Application maintenance fee if paid within 3 months | A fee paid to extend the time for an existing application or on lapsed applications approved for restoration. | $100 |
| Application maintenance fee if paid within 6 months | As above, but including an additional charge for late payment under regulation 9(1)(b) of the Patent Regulations 2014. | $150 |
| Renewal fee (4th – 9th year) | Annual fee to keep a granted patent on the patents register. | $100 |
| Renewal fee (10th – 14th year) | Annual fee to keep a granted patent on the patents register. | $200 |
| Renewal fee (15th – 19th year) | Annual fee to keep a granted patent on the patents register. | $350 |
| Late payment penalty | Penalty for renewal fees paid after the due date. | $50 |
| Request for restoration of a patent or patent application | Request to restore a lapsed patent application or patent due to non-payment of maintenance or renewal fees. | $100 |
| Notice of opposition | Fee for submitting a motion to oppose the grant of a patent. | $350 |

| Activity title | Description of activity | Fee |
|---|---|---|
| Request for a hearing | Fee for requesting a hearing on opposition to or revocation of a patent. | $850 |
| Application to revoke a patent | Fee for submitting a motion to revoke a registered patent. | $350 |

**Table 3: Current fees under Patents Act 1953**

| Activity title | Description of activity | NZ fee (exclusive of GST) |
|---|---|---|
| Filing complete specification | The standard application fee for a patent, including examination of the patent. Divisional applications are charged this fee. | $250 |
| Application to amend complete specification (before or after acceptance) | Amending the specification of a patent before or after the patent has been accepted for granting. | $60 |
| Renewal fee: 4th year | Fee to keep a granted patent on the patents register. | $170 |
| Renewal fee: 7th year | " " | $340 |
| Renewal fee: 10th year | " " | $540 |
| Renewal fee: 13th year | " " | $1000 |

**Table 4: Current fees under Designs Act 1953**

| Activity title | Description of activity | NZ fee (exclusive of GST) |
|---|---|---|
| Application for registration | Application and examination fee for registering a design. | $100 |
| First renewal fee | Fee for renewing the registration of a design. | $100 (for 5 years) |
| Second renewal fee | Fee for renewing the registration of a design. | $200 (for 5 years) |

| | | |
|---|---|---|
| Notice of opposition by opponent | Fee for submitting a motion to oppose a registration of a design. | $300 |
| Hearing fee for each party | Fee imposed when a hearing takes place. | $750 |
| Notices of opposition to correction to error | Fee for submitting a motion to oppose a correction of an error in a design. | $300 |