

Testimony of James Love Representing Knowledge Ecology International (KEI) regarding the opportunities to use differential USPTO fees to achieve additional social objectives

USPTO Patent Public Advisory Committee
Public Hearing on the Proposed Patent Fee Schedule¹

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Introduction

Knowledge Ecology International (KEI) is a non profit organization that searches for better outcomes, including new solutions, to the management of knowledge resources. KEI is also focused on social justice, particularly for the most vulnerable populations, including low-income persons and marginalized groups.

There are different rationales for the system of granting patents on inventions. Section 8 of the U.S. Constitution gives Congress the power “to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Exclusivity is often emphasized as the key feature of the patent system, but patents are often licensed on a non exclusive basis, and in many cases, are more valuable to society when non exclusive licenses are available.

The current fee structure for obtaining and maintaining patent protection makes distinctions based upon the size of the patent holder, with different fees for large, small and micro entities, but not on how patented inventions are licensed or managed. In my testimony, I will suggest four areas where patent fees can provide incentives to make the patent system work better for society, and conclude with a proposal for graduating fees based upon the value of patents.

¹ FR 88 FR 24392, <https://www.regulations.gov/document/PTO-P-2023-0017-0001>

1. License of Right endorsements

Several governments provide a significant discount on fees for patents that have a voluntary License of Right (LOR) endorsement. The most common discount is 50 percent, which is used, for example, by Germany², Spain, the UK,³ Ireland, Italy, Singapore and other countries, although the new European Unitary Patent will only provide a much smaller 15 percent discount.

The LOR endorsement means that anyone can license the patent, and in the absence of an agreement, a third party has the authority to grant a license.

Governments have different ways to implement the system. The third party empowered to grant a license could be the patent office (Germany, Spain), patent comptroller (UK, Ireland), patent register (Singapore), or by arbitration (Italy) or a court.

There are areas where a License of Right endorsement is useful, including but not limited to where patented inventions are critical for standards or platform technologies.

2. Research licenses

There are other areas where an LOR would have social value. For example, the US government does not have a broad research exception.⁴ The patent office could have a surcharge on or subsidy for patents fees in order to induce a narrow LOR option for research purposes.

This could complement or even overcome the restrictions in the Bayh-Dole Act, 35 U.S. Code § 202(f) on the Disposition of rights in a standard Bayh-Dole funding contract, and also create a broader incentive that goes to inventions not funded by the federal government.

3. A social licensing discount: Licensing medical inventions in developing countries

In the past, the USPTO Patents for Humanity program has recognized the importance of licensing inventions to the Medicines Patents Pool (MPP), in order to address the objective of access to medicine for all. If patent holders endorse a LOR for a sufficiently robust voluntary license for developing countries, the USPTO could then implement the discount in the US patent fees.

Licenses on medicines managed by the Medicines Patent Pool typically enable the supply of generic versions of licensed products to 90 to 115 countries with incomes significantly lower than the U.S. USPTO could delegate to the MPP a recommendation to determine if a license should

² Licenses of right in German are called a Lizenzbereitschaft, with provisions and incentives similar to those provided for under the UK law." Id., at p. 280, citing German Patent Law, Section 23.

³ <https://www.ipo.gov.uk/p-dl-licenceofright.htm>

⁴ Tanuja V. Garde, Supporting Innovation in Targeted Treatments: Licenses of Right to NIH-Funded Research Tools, 11 Mich. Telecomm. & Tech. L. Rev. 249 (2005). Available at: <http://repository.law.umich.edu/mttlr/vol11/iss2/3>

benefit from a fee waiver, or create a standard that patent holders could endorse when filing patent applications or seeking renewal fees.

4. Transparency

In 2019, the World Health Assembly adopted the resolution WHA72.8, on “Improving the transparency of markets for medicines, vaccines, and other health products.”⁵

This resolution called upon WHO members to “progressively enhance the publicly available information on inputs across the value chain of health products, the public reporting of the relevant patents and their status, and the availability of information on the patents landscape covering a particular health product as well as its marketing approval status;”

The USPTO could create a public repository of patent licenses, and provide a surcharge on patent fees for patent holders that do not publish patent licenses in the repository.

5. Graduated fees based upon value of inventions

In order to have patent fees depend upon on the commercial value of patents, USPTO could require patent holders to self assess the value of the patents, to be used for a graduated fee schedule.

The assessment could be done in fairly large categories, such as inventions worth more than \$10 million, \$100 million, \$500 million, or \$1 billion. A self valuation system would allow the patent rights to be acquired at the self assessed value category value.

Self valuation has been used in some jurisdictions as a basis of property tax assessments.⁶

Alternatively, if licensed, a company could elect to report royalty income.

6. International implementation

The USPTO should engage the relevant WIPO committees to bring some of these ideas to the The Patent Cooperation Treaty (PCT) and the WIPO Patent Law Treaty (PLT), or to the members of the European Patent Organisation (EPO) and other regional organizations to coordinate and thus enhance the value of any new such incentives.

⁵ https://apps.who.int/gb/ebwha/pdf_files/WHA72/A72_R8-en.pdf

⁶ Swartz, T. R., and Lawrence C. Marsh. “A Self-Assessed Property Tax Revisited Once Again.” Proceedings of the Annual Conference on Taxation Held under the Auspices of the National Tax Association-Tax Institute of America 70 (1977): 191–99. <http://www.jstor.org/stable/42911730>.