

# US Copyright Office, Fee Study

QUESTION AND ANSWERS

*Prepared exclusively for United States Copyright Office*

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# 1. QUESTION AND ANSWER RESPONSE TO FEE STUDY PRESENTATION

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## 1.1 RRC Fees

1. **Question:** Is the suggestion of the team that the retrieval of record fee be an hourly fee that would also apply to the reproduction of the deposit. So, for example, if a book were being called up and it was anticipated that the retrieval would take 30 minutes and the copying would take 90 minutes that the fee would be \$400 (2 hours x \$200 per hour) or would it be \$200 flat or would it be \$100 (1/2 hour x \$200 per hour)?

**Response:** The recommendation from Booz Allen is that the retrieval of record fees remain an hourly fee that applies to all aspects surrounding the retrieval process. Under this recommendation, the same hourly rate would apply to both the retrieval and the reproduction as it is part of the overall process. Using the same example as above, the total cost would be \$400 and would include the time spent retrieving and copying the deposit.

2. **Question:** Is the estimated development for reproduction based on an hourly fee? If so, would it be reasonable to use a lower fee if the average estimate is actually a fraction of an hour's worth of work?

**Response:** The estimated development for reproduction is based on an hourly fee. The Booz Allen team derived this fee from guidance provided by the Records, Research and Certification (RRC) team. RRC identified that 99 hours per month are spent to perform this activity. We combined this direct cost with proxy volume data from the estimate development for search fee to determine a cost per volume. As this fee is similar in structure to the search fee, the same rate of \$200 per hour would apply. If the time spent on the task was less than 1 hour, then it should be applied in 15 minute increments.

3. **Question:** Within your report, are the certification of a search report and the certification of a record combined. Is it reasonable that you are suggesting the same fee structure of \$200 per hour for both these services? Same question for the expedited services—is that same fee being proposed for the expedited search and the expedited copy charge?

**Response:** The certification of a search report is combined with the certification of a record. These fees are similar in structure and designation and thus the same rate of \$200 per hour would apply to both. For expedited services, the same rate would apply to expedited search and expedited copy.

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## 1.2 Recordation Fees

1. **Question:** The Notice of Terminations is pricing significantly higher than the other recordation fees. Is there a reason that the team decided to not suggest a higher fee for that service?

**Response:** The Notice of Terminations (NOT) have a 2016 volume of 312 transactions. Given the low volume of NOT transactions, the calculated cost per volume is relatively high in comparison to other recordation fees at \$553. Booz Allen suggests that the Office raise NOT fees at the same level as recordation of document fees. Any large increases in NOT fees would result in a significant drop in volume and would not increase revenue significantly.

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## 1.3 Elasticity and Revenue

1. **Question:** Booz proposed fee changes increase cost recovery 51% to 67% and reduce demand by approximately 10% in the first year after the fee change. The Office is sometimes asked why it does not achieve full cost recovery through its fees.

Under this model, can you please estimate what the individual fees, and corresponding changes in forecasted volume would be if the fees were increased to achieve 100% cost recovery?

**Response:** Due to price elasticity of demand in our model, it is impossible to achieve a full 100% cost recovery. Since price and demand have an inverse relationship, as you increase price, demand decreases. Given this relationship, we can calculate the maximum amount of revenue possible. At this maximum revenue point the revenue projected is less than the projected cost and therefore the Office is unable to achieve full cost recovery. In the figure below we have mapped out the projected revenue and cost recovery for the Standard Application. As you can see the revenue peaks around \$113 and the cost recovery at that point is approximately 83% (for just Standard Application).

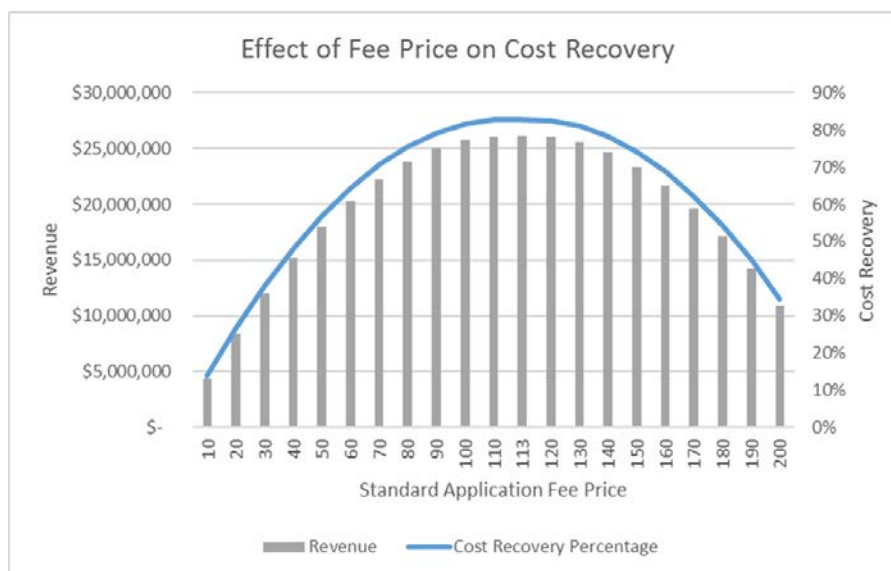


Figure 1: Effect of Fee Price on Cost Recovery and Revenue

The cited cost recovery percentages in the Office’s question are specific to registration. The maximum cost recovery is 76% for all registration fees combined, with fees of \$72, \$113, and \$175 for Single Applications, Standard Applications, and Paper Applications. These changes would lead to a large decrease of volume, with a drop of 34%. The maximum cost recovery overall is 70.4%, with revenue of \$47,735,256 and a 25% drop in overall volume.

A table of the maximized fees is below.

Table 1: Maximized Fees and Impacts

Fee Description	Current Fee	Current Volume	Calculated Transaction Cost	Proposed Fee	Revenue Maximzed Fee	Revenue Maximzed Volume
Total Single Application	\$35	143,863	\$86	\$45	\$72	94,942
Total Standard Application	\$55	348,620	\$91	\$75	\$113	230,065
Total Paper Application	\$85	24,549	\$118	\$125	\$175	16,202
Group Registration of Serials (paper)	\$25	6,603	\$101	\$70	\$70	2,768
Group Registration of Serials (electronic)	New Fee			\$35	\$35	
Group registration of daily	\$80	2,536	\$89	\$125	\$166	1,665

newsletters (paper)						
Group registration of daily newsletters (electronic)	\$80			\$95	\$136	
Group registration of newspapers (electronic)	\$80			\$95	\$95	
Group registration of published photographs	\$65	1,533	\$296	\$100	\$135	1,003
Group registration of updates and revisions to non-photographic databases (paper)	\$85	273	\$694	\$500	\$310	158
Group registration of updates and revisions to photographic databases (pilot program)	\$55			\$250	\$250	
Group registration of contributions to periodicals	\$85	15	\$71	\$85	\$182	10
Form RE	\$100	512	\$148	\$125	\$208	336
Addendum to Form RE	\$100	244	\$67	\$100	\$208	160
Preregistration of certain unpublished works	\$140	986	\$71	\$200	\$508	572
Form CA (paper application)	\$130	1,408	\$413	\$150	\$477	808
Form D-VH	\$400	19	\$6,529	\$500	\$828	13
Form DC	\$100	5	\$71	\$100	\$287	4
Examination fee for secure tests and items prepared for use in secure tests	\$250	152	\$900	\$250	\$934	86
Form GATT	\$85	113	\$380	\$100	\$180	73
Form MW	\$120	53	\$2,177	\$140	\$251	35
Special handling fee	\$800	2,281	\$67	\$1,000	\$2,932	1,309
Full-term retention of published copyright deposit	\$540			\$540	\$540	
Handling extra copy for certification	\$50			\$50	\$50	
First Request for Reconsideration	\$250	365	\$730	\$350	\$924	208
Second Request for Reconsideration	\$500	68	\$4,471	\$700	\$1,856	39
Recordation of document, including notice of intention to enforce	\$105	10,865	\$156	\$125	\$217	7,170
Recordation of Notice of Terminations	\$105	312	\$552	\$125	\$220	203
Additional titles	\$35	15,071	\$105	\$60	\$72	9,945

Additional transfers	New Fee			\$105	\$105	
Special handling of recordation of documents	\$550	467	\$92	\$700	\$2,041	265
Additional Certificate	\$40	2,489	\$272	\$75	\$83	1,640
Media fee	New Fee			\$12	\$12	
Retrieval of Record	\$200	1,218	\$341	\$200	\$413	804
Estimate of search fee	\$200			\$200	\$200	
Search report	\$200	370	\$689	\$200	\$414	244
Expedited report	\$500			\$500	\$500	
Form LS	New Fee		644	\$102	\$80	
Certification of search report (per hour)	\$200			\$200	\$200	
Receipt for deposit without registration	\$30			\$30		
Designation of agent under section 512(c)(2)	\$6	8,718	\$52	\$6	\$12	5,748
Notice to libraries and archives	\$50			\$50	\$50	
Service charge for Federal Express mailing	\$45			\$45		
Service charge for delivery of documents via fax	\$1			\$1		
Initial request to remove requested PII from online catalog	\$130			\$130		
Reconsideration of denied requests to remove PII	\$60			\$60		
Overdraft of deposit account	\$250	39	\$281	\$285	\$285	38
Dishonored replenishment check for deposit account	\$100	20	\$514	\$500	\$500	7
Uncollectible or nonnegotiable check	\$30	185	\$111	\$115	\$115	101

2. **Question:** We understand that, for standard registrations, the recommended fee increases are projected to result in a demand decrease of 10% in the first year after the fee change. What would the standard registration fees look like, respectively, if set at levels that resulted in a projected demand decrease of only 5% in the first year? Does the model reveal an amount that the standard registration fees could be increased while avoiding any projected demand decrease in the first year?

**Response:** According to the model, setting prices at \$40, \$63, and \$98 for Single, Standard, and Paper applications would lead to a demand decrease of 5%. This would generate an estimated \$28,720,303, which is less than the \$31,592,425 we project with the current recommended fee structure. There is no level of price increase that would result in no decline in projected demand.

3. **Question:** Booz has analyzed and provided recommendations on setting new fees for a variety of group registration options, generally ranging from \$75-100 (see, e.g., group registration of newsletters, newspapers, secure test items, unpublished photographs). We are interested in to what extent these recommendations and methodology can be applied to, or otherwise inform, the Office’s setting of fees for additional group registration options. For example, could the Office compare the activity cost for a hypothetical GR-NEW to that of an existing group registration to set a similar fee? Relatedly, in some cases, the Office knows that it will need to use the existing standard application form to accommodate new group registrations (such as GRSTQ), since it will not be possible to design a specially designated form in the current electronic system. In those cases, it would require extra communication with the applicant to collect extra money, which is likely inefficient and time-consuming. In those cases, should the Office adopt the same fee as the standard application?

**Response:** The group registrations are priced according to the resources performing the service as well as the volume of transactions performed. If the Office were to add a fee and the staff anticipated to perform the work were of similar grade and compensation level, then yes, the Office could leverage the existing fee structure to create a rate for a new group fee. In the scenario referenced above where additional communication is required, it is our suggestion that the Office adopt the same fee as the Paper Registration Application, \$125, which would account for the additional time involved in those transactions.

4. **Question:** Page 19. “Booz Allen expects revenue to increase by \$4.2 million ... “ Over what time frame?

**Response:** Revenue is expected to increase in the year following the price changes.

5. **Question:** I see cites to PTO 2014 documents on fee setting are cited in the Appendix. PTO did more fee setting in 2016 (at least on trademarks), and possibly even more recent studies. Did any of those reports have elasticity numbers that drastically varied from the 2014 documents?

**Response:** During the fee setting process for FY 2017, the USPTO did not calculate revised elasticity measures. They instead used the measures calculated in 2013 and referenced in our Fee Study.<sup>1</sup> In the cited document, the PTO says demand changed at a higher rate than they had projected, but attributed much of this change to unforeseen economic conditions, court decisions, and other factors.

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<sup>1</sup> United States Patent and Trademark Office. *Setting and Adjusting Patent Fees during Fiscal Year 2017—Description of Elasticity Estimates*. (Washington, DC: U.S. Patent and Trademark Office, 2017), 1-15 [https://www.uspto.gov/sites/default/files/documents/Description\\_of\\_Elasticity\\_Estimates.pdf](https://www.uspto.gov/sites/default/files/documents/Description_of_Elasticity_Estimates.pdf)

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