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ASSEMBLY

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AMENDMENT OF THE SCHEDULE OF FEES
ANNEXED TO THE PCT REGULATIONS

Memorandum prepared by the International Bureau

1. The biennial budget of the PCT Union for 1984-1985, as adopted by the Assembly of the PCT Union at its tenth session, held in Geneva from September 26 to October 4, 1983, was established on the basis of certain assumptions (see document AB/XIV/2, paragraph 49). In the light of the actual facts that occurred since the time when those assumptions were made, one of the most important of the said assumptions requires to be revised.

* *Editor's Note:* This electronic document has been created from the paper original and may contain errors. Please bring any such errors to the attention of the PCT Legal Division by e-mail at pct.legal@wipo.int

2. The assumption to be revised relates to the average number of designations in international applications,* namely, the number of designations of States** that are made in an international application and for which a designation fee is paid.*** At the time when the biennial budget for 1984-1985 was established, it was estimated that the average number of designations would be 4.9 in 1983, 5.0 in 1984 and 5.1 in 1985. In fact, it was only 4.2 in 1983 and it is now expected that it will be even less 4.15 in 1984 and only slightly more 4.25 in 1985 (the increase of 0.1 expected in 1985 over 1984 would result from the fact that the Republic of Korea will be a PCT Contracting State during the full year 1985 whereas it will be a Contracting State only during a few months in 1984). In other words, the number of designations is expected to be some 17% less than what was foreseen when the biennial budget was established. Under the budget, the income resulting from designation fees was estimated (taking into account a 10% fee increase as of January 1, 1985) to be 9,975,000 francs for the biennium but with the 17% decrease in, the average number of designations which is now expected, it is estimated that it will be only about 8,300,000 francs. This means that the income from designation fees for the biennium is expected to be some 1,675,000 francs less than was the assumption under the budget as prepared in 1983. When the budget of the PCT Union for the 1984-1985 biennium was prepared, it was expected that there would be a surplus of 391,000 francs (see document AB/XIV/2, paragraph 40). With the reduced income which is now to be expected from designation fees and assuming that there would be a 10% fee increase as of January 1, 1985, it is now estimated that there would be a deficit of about 1,280,000 francs for the biennium, consisting of a deficit of about 980,000 francs for 1984 and a deficit of about 300,000 francs for 1985.

3. There seem to be two main reasons why the average number of designations per international application was in 1983, and will be in 1984 and 1985 lower than expected. First, the expectations concerning new ratifications or accessions having an important impact on the number of designations were not fulfilled in particular, neither Canada nor Italy are yet party to the PCT or were fulfilled later than expected (in particular, the Republic of Korea), although the International Bureau made and continues to make vigorous efforts in order to obtain new ratifications or accessions and to obtain them in the shortest possible time. Second, applicants have become probably because of the general economic difficulties more economy minded than in earlier years when making designations in their international applications.

* The term "international applications" is, for the purposes of this document, to be understood as referring to record copies of international applications received by the International Bureau. As regards the number of international applications received by the International Bureau during a given year, it was 4,971 in 1983, instead of 5,400 as estimated at the time when the biennial budget for 1984-1985 was established. For 1984, the situation is improving so that it can reasonably be expected that the assumption for 1984 (5,950) is correct although the figures available at the time of drafting this document (June 1984) show that a slightly lower number might result. The assumption for 1985 (6,550) can be expected to be correct, subject to what is said in paragraph 4, below.

** Only one designation fee is due if the applicant wished to obtain a European patent, irrespective of the number of States designated for the purposes of obtaining a European patent. Similarly, only one designation fee is due where an OAPI patent is sought.

*** The term "designations" is, for the purposes of this document, to be understood as referring to designations for which a designation fee is paid.

4. For 1985, an additional concern was created by the decision, taken in June 1984 by the Administrative Council of the European Patent Organization to raise as from January 1985 by 23% and 84%, respectively, the amounts of the search fee and the preliminary examination fee charged by the European Patent Office (EPO) in its capacity as International Searching and Preliminary Examining Authority, with the result that the level of the fee for international search will now be 17% higher than that of the European search fee and that for international preliminary examination the same fee is asked as that for full European examination. There is a serious concern that such increase might have the result of significantly diminishing the expected increase in the number of international applications or, even worse, of decreasing that number and that, in particular, there might be an adverse effect on the use of Chapter II despite all the effort reflected in the changes approved by the Assembly in February 1984, to make this part of the PCT procedure more attractive. It would, however, be extremely difficult to quantify the consequences of this fee increase on the use of the PCT before the new PCT fee system of the EPO has been actually applied at least for a few months. Consequently, these possible consequences are not taken into account at this stage but they may make the above estimates too optimistic.

5. In order to counterbalance the negative effects on the revenues of the budget of the PCT Union resulting from the revised assumption referred to in paragraph 2, above, a reduction of the expenditures of the budget through further savings should be considered. It is to be noted that the operations of the International Bureau under the PCT have already been streamlined during the recent past. In particular, the computerization of certain operations allows savings resulting mainly in the possibility for the International Bureau to absorb a certain increase in the number of international applications without having to hire a corresponding number of new staff members. The main stages of those computerization efforts were as follows: in April 1982, Sections I (Published International Applications) and III (Weekly Indexes) of the PCT Gazette and the front pages of the PCT pamphlets were produced for the first time with the help of a computer in June 1983, the communication of the international applications under Article 20 of the PCT to the designated Offices started to be prepared with the help of the computer in January 1984, some PCT forms linked to the receipt by the International Bureau of the international applications and of priority documents started to be produced by the computer and a computerized monitoring system of certain time limits became operational, preparations for the computerized generation of statistics and handling of subscriptions and orders of PCT publications have started and should be completed late in 1984 or early in 1985, it should, however, be noted that the savings resulting from computerization were taken into account when the biennial budget of the PCT Union for 1984-1985 was established.

6. A careful survey was made of the possibilities of any additional savings. There seem to be at least in theory, two such possibilities which would be of importance financially and would neither risk to have adverse consequences on the use of the PCT by potential applicants nor involve transferring costs from the International Bureau to the Offices of member States. The other possibilities which were examined would have such undesirable effects and were therefore not further considered.

7. The first possibility would consist in replacing the present English and French editions of the PCT Gazette by a single bilingual edition.* Such bilingual edition would contain all texts in English and in French with the exception, however, of the abstract and any text matter pertaining to the drawings, which would appear in English only. The implementation of this possibility would entail substantial savings in staff and photocomposition costs. It would, however, necessitate an adaptation of the computerized system for the production of the Gazette which would make it difficult for the new system to become operational by January 1, 1985. It is estimated that the net saving would be in the order of 350,000 francs a year. The solution outlined in this paragraph would be economically worth while only if it were adopted for at least five years. If adopted, it should therefore not be reconsidered before 1989.

8. The second possibility would consist in changing the format of the PCT pamphlets other than those which are used for each application's communication to the designated Offices, under Article 20 of the PCT (the latter would continue to have the same format as they now have) whereas the front page would continue to have the same format as it now has, (i) the drawings would be printed recto-verso (instead of recto only), and (ii) all pages of the pamphlet other than the front page and the pages containing drawings would contain two pages of the international application with a 50% reduction in size. Furthermore, each page would no longer be marked with the international publication number and would show the international application number as marked by the receiving Office.** The implementation of this possibility would imply significant savings in printing and mailing costs. It is estimated that the net saving would be in the order of 360,000 francs per year.

9. The estimated savings that would result from the adoption of the two changes referred to in paragraphs 7 and 8, above, are not taken into account in the estimates contained in subsequent paragraphs. Should the Assembly decide either or both of the two changes the estimates would be revised accordingly.

10. As already indicated, the budget for 1984-1985 was established on the assumption that the PCT fees would be increased by 10% in 1985. It is feared, however, that the number of international applications required to be received in 1985 by the International Bureau in order to ensure such result may not be reached if the PCT fees are increased by the planned 10% for 1985, since such a relatively high, percentage of increase may discourage applicants so that neither the expected number of applications nor the expected number of designations would in fact, be reached. This is particularly to be feared as regards international applications filed in the PCT Contracting States which are members of the European Patent Organization since those applications already have to bear the much higher search and preliminary examination fees which will have to be paid to the EPO as indicated in paragraph 4, above.

11. Consequently, it is proposed that the PCT fees be increased for 1985 only by 5% (instead of 10%). The Annex of this document shows the amounts in Swiss francs which would result from such a 5% increase.

* This would require to amend Rule 86 of the PCT Regulations.

** Presently, the International Bureau prints on the top of each page the international publication number and the international application number after having deleted the international application number as marked by the receiving Office.

12. A table of equivalent amounts in other currencies ("prescribed currencies"), as provided for under Rules 15.2 and 57.2 of the PCT Regulations will be submitted to the Assembly on September 24, 1984 on the basis of the then-prevailing exchange rates and in order to accomplish the consultation with each interested receiving Office and International Preliminary Examining Authority which is provided for in Rules 15.2(b) and 57.2(c) of the PCT Regulations.

13. In order to stimulate designations, one could perhaps consider a modification of the fee structure, at least for a trial period. The modification could consist in fixing a maximum for the designation fee, a maximum which would consist of the equivalent of 10 designations, which under the present proposal, would amount to 1,580 Swiss francs. Such a ceiling on the designation fees would mean that the applicant could, by paying ten designation fees, make designations higher in number than ten, all designations in excess of ten designations being free of charge. Item 2 of the Schedule of Fees as set out in the Annex of this document would then read as follows:

“2. Designation Fee: (Rule 15.2(a))	158 Swiss francs per designation for which the fee is due, with a maximum of 1,580 Swiss francs, any such designation in excess of 10 being free of charge”.
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14. If the Assembly pronounces itself in favor of a 5% increase, and assuming that in 1985 the average number of designations per international application would be 4.25 (see paragraph 2, above), the year 1985 would be expected to close with a deficit of about 700,000 francs and the biennial period 1984-1985 with a total deficit of about 1,680,000 francs rather than the 1,280,000 francs mentioned in paragraph 2, above, the difference being due to the fact that the fees would be increased by 5% instead of 10%. However, no payment of deficit-covering contributions by the member States is proposed. Instead, any and all deficit would be covered first by the working capital fund of the PCT Union, which should reach the amount of 1,000,000 francs by the end of 1985, and, if necessary, by a loan from the Madrid Union to be repaid with interest. (The latter would be in addition to the amount of 1,526,000 Swiss francs which is presently owed by the PCT Union to the Madrid Union).

15. The Assembly of the PCT Union is invited to amend, with effect as of January 1, 1985, the Schedule of Fees annexed to the PCT Regulations as set out in the Annex (possibly with the modification suggested in paragraph 13, above).

[Annex follows]

ANNEX

SCHEDULE OF FEES

<u>Fees</u>	<u>Amounts</u>
1. Basic Fee: (Rule 15.2(a))	
if the international application contains not more than 30 sheets	654 Swiss francs
if the international application contains more than 30 sheets	654 Swiss francs plus 13 Swiss francs for each sheet in excess of 30 sheets
2. Designation Fee: (Rule 15.2(a))	158 Swiss francs
3. Handling Fee: (Rule 57.2(a))	200 Swiss francs
4. Supplement to the Handling Fee: (Rule 57.2(b))	200 Swiss francs
<u>Surcharges</u>	
5. Surcharge for late payment (Rule 16bis.2(a))	Minimum: 248 Swiss francs Maximum: 624 Swiss francs

[End of Annex and of document]