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ASSEMBLY

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FLEXIBILITY FORMULA FOR ADMINISTRATION OF THE PCT

Document prepared by the International Bureau

SUMMARY

1. Since the program and budget of the 1990-91 biennium, the budget for the administration of the PCT has been subject to a “flexibility formula” which allows for the number of posts to be varied in response to unbudgeted variations in the number of PCT international applications received at the International Bureau. In recent years, automation and efficiency gains at the International Bureau have resulted in adjustments to the application of the flexibility formula so that fewer posts have been allocated than in the past. The increasing reliance on outsourcing of translation work since 2005 has created a financial impact of unbudgeted variations in PCT filings. This document presents a revised PCT flexibility formula, taking into account the effects of efficiency gains, automation and outsourcing.

BACKGROUND

2. The flexibility formula for PCT administration was originally described in document PCT/A/XVI/1 and implemented for the program and budget of the 1990-91 biennium (document AB/XX/2). The flexibility formula takes into account the number of PCT posts required to process the normal workload (fixed posts) and the number of additional posts

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required to handle an increase in workload (variable posts). In 1990, one variable post was required for every additional 242 PCT international applications and one variable post for every additional 1,440 Chapter II demands. The number of posts created as a consequence of the application of the flexibility formula was distributed between the PCT administration activities and supporting activities of WIPO in proportions of 75% and 25% respectively.

3. Since the 1990-91 biennium, the application of the flexibility formula has been adjusted to take into account the efficiency gains of increased automation and process re-design in the administration of the PCT. In the 2006-07 biennium, the formula applied was one additional post for every additional 500 unbudgeted applications. Since the reform of the PCT and changes to the rules governing Chapter II of the Treaty, the flexibility formula for Chapter II demands has not been applied. However, the increase in translation workload resulting from the reform of the PCT and the decision to establish a Written Opinion/IPRP (Chapter I) for every international application, which must be translated into English where it has not originally been prepared in that language, was dealt with exclusively through outsourcing rather than through the creation of new posts.

4. The flexibility formula allows equally for increases or decreases in the number of posts.

5. The process of outsourcing additional translation workload by the International Bureau started in 2005. As at July 2007, 45% of abstracts and 87% of patentability reports are translated by external contractors. As a result of outsourcing, the International Bureau has severely limited the recruitment of additional staff to handle increases in the translation workload, but the financial resources allocated to translation have increased significantly. It must also be noted that the effect of outsourcing on internal workload is not neutral, since staff must be allocated for management of the outsourcing contracts and for quality control. To date, this workload has been handled without increasing the overall number of staff in the translation area.

REVISED FORMULA

6. As described above, unbudgeted variations in the number of PCT international applications now have an impact on financial resources, as well as the number of staff posts required to process the workload. The following paragraphs describe a proposed revised flexibility formula for PCT, taking into account the circumstances facing the PCT in the 2008-09 biennium.

7. The staff allocated to the PCT Administration budget are assigned to a number of different tasks. Some of those tasks are relatively independent of the number of PCT international applications while others are directly affected by unbudgeted variations in the workload. The staff of the PCT Processing Service, of which there were 217 full-time staff equivalent at the end of 2006, are the best available measure of the variable staff component in PCT Administration. Those staff processed 147,859 PCT international applications in 2006, a ratio of 1.46 full-time staff equivalent per 1000 applications (equivalent to 1 full-time staff equivalent per 683 applications). At an average rate of 140,000 CHF per year for a post graded at the G6 level, this is the equivalent of 204,400 CHF per 1000 unbudgeted applications.

8. The variable component of the non-staff resources required for PCT processing is made up of the cost of outsourcing translation, costs of storage (documents must be stored for

30 years according to the PCT Regulations) and costs of printing and mailing. The details of these costs are shown in the tables and paragraphs below.

Table 1 – Translation Costs (CHF)

Publication Language	% of filings (2009 estimate)	Abstract translation into English	Abstract translation into French	Patentability Report	Search Report (average)	Total
Chinese	4.5%	65.00	38.00	65.00	0.00	168.00
English	60.1%		38.00			38.00
French	3.3%	38.00		160.00	9.50	207.50
German	11.2%	38.00	38.00	160.00	9.50	245.50
Japanese	19.7%	65.00	38.00	125.00	28.00	256.00
Russian	0.5%	38.00	38.00	160.00	9.50	245.50
Spanish	0.7%	38.00	38.00	160.00	9.50	245.50
Total Weighted Average:						118.20

9. Although 45% of abstracts and 87% of patentability reports are outsourced, 100% of unbudgeted variations need to be outsourced, and so the variable translation cost of unbudgeted variations is 118.20 CHF per PCT international application.

10. Storage costs per PCT International Application, for 30 years, amount to 12.63 CHF. Printing and mailing costs amount to 6.64 CHF per application.

11. The variable non-staff costs for unbudgeted variations in the number of PCT international applications is therefore 137,470 CHF per 1000 applications.

12. The total cost, staff and non-staff, of unbudgeted variations in the number of PCT international applications is therefore (204,400 + 137,470) 341,870 CHF per 1000 applications.

13. It is therefore proposed that the flexibility formula for the 2008-09 biennium be adjusted to reflect a budget variation of 341,870 CHF per 1000 unbudgeted PCT international applications. Instead of linking the variations in demand to variations in the number of posts, as in the past, it is proposed to vary the total resources allocated to the programs directly involved in PCT administration. Those additional resources may consist either of personnel resources (such as allocation of posts, short-term employees or Special Service Agreements) or non-personnel resources (such as outsourcing contracts or consultants).

14. Taking into account efficiency gains in general administrative activities it is further proposed to allocate the flexibility posts to PCT administration and supporting WIPO activities at a ratio of 87.5% to 12.5% respectively.

15. The Assembly is invited to approve the revision of the flexibility formula so that it is applied on the basis of 341,870 CHF for every variation of 1,000 international applications from the budgeted number of international applications.

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