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MATTERS CONCERNING THE PCT UNION

Memorandum by the Director General

INTRODUCTION

1. This document first describes the past and the expected growth in the activities of the PCT Union (paragraphs 2 to 6). It then describes the implications of that growth - in terms of staff posts required (paragraphs 7 to 14), the further development of computerization of PCT operations (paragraphs 15 to 21) and of an optical disc system (paragraphs 27 to 31), and requirements for office space and equipment (paragraphs 32 to 37). The document also summarizes the expected financial situation of the PCT Union (paragraphs 38 to 40), makes proposals concerning the reimbursement of PCT deficit-covering contributions made by 29 States during the first six years (1978-1983) of the operations of the PCT (paragraphs 41 to 45), and gives the basis for proposed fee increases for the PCT (paragraphs 46 to 52). The document also reports in connection with the computerization and optical disc systems on a study undertaken concerning the printing of PCT pamphlets (paragraphs 22 to 26).

GROWTH IN THE ACTIVITIES OF THE PCT UNION

2. The number of international applications (“record copies”) received by the International Bureau has been growing over the past years, and that growth is expected to continue in the

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foreseeable future. The following table shows the growth in the number of international applications for the past seven years and as forecast for 1989 and for the 1990-91 biennium (assuming that the growth continues at about 17% per year):

<u>Year</u>	<u>Number of International Applications</u>	<u>Percentage Increase Over Previous Year</u>
1982	4,675	
1983	4,971	+6.3%)
1984	5,719	+15.0%) average
1985	7,095	+24.1%) increase
1986	7,952	+12.1%) 17.3% per
1987	9,201	+15.7%) year
1988	11,996	+30.4%)
1989	14,000	
1990	16,400	
1991	19,600	

The forecasts for 1990 and 1991 are the basis of the calculations in the draft program and budget for the 1990-91 biennium (see document AB/XX/2, paragraph 62). It is to be noted that, based on the results of the first four months of 1989, the present forecast for, 1989 is 15,000, rather than 14,000, international applications (an increase of 25% over 1988).

3. It is, of course, difficult to estimate the evolution of the number of international applications; since such evolution depends to a large extent on the general economic situation in the world, which is itself notoriously difficult to predict. Adherence by further countries to the PCT will cause growth. Today, less than half (41) of the eligible (99) countries are party to the PCT, but the adherence in the not too distant future of several countries having relatively high numbers of patents (including Canada and Spain), may be expected. If the numbers of international applications were to grow at the, rate of 15%, per year after 1991 (which may well be a conservative figure, in the light of the growth rates shown in the table, in paragraph 2, above), then the number of applications for the medium term period 1992-95 and until the end of the century would be as shown in the following table:

<u>Year</u>	<u>Number of International Applications</u>
1992	22,500
1993	25,900
1994	28,900
1995	34,300
1996	39,400
1997	45,300
1998	52,100
1999	60,000
2000	69,000

(If, however, that growth were to be at 10% per year, there would be some 46,000 international applications for the year 2000, whereas if that growth were to be at 20% per year, there would be some. 101,000 international applications for the year 2000.)

4. The number of demands for international preliminary examination under Chapter II of the PCT (hereafter called "Chapter II demands") has also been growing rapidly and that growth is also expected to continue in the foreseeable future. The following table shows the growth in the number of such demands for the past seven years and as forecast for the 1990-91 biennium:

Year	Number of Chapter II Demands	Percentage Increase Over Previous Year	Number of Chapter II Demands as Percentage of Number of International Applications
1982	242		5.2%
1983	259	+7.0%	5.2%
1984	271	+4.6%	4.7%
1985	444	+63.8%	6.3%
1986	831	+87.2%	10.5%
1987	1,327	+59.7%	14.4%
1988	3,595	+170.9%	30.0%
1989	4,500		32.1%
1990	5,700		34.8%
1991	7,300		37.2%

The forecasts for 1990 and 1991 are the basis of calculations in the draft program and budget for the 1990-91 biennium (see document AB/XX/2, paragraph 62). It is to be noted that, based on the results of the first four months of 1989, the present forecast for 1989 is 6,000, rather than 4,500, Chapter II demands (-an increase of 67% over 1988).

5. Rather than simply extrapolating the very high growth rates shown in the table in the previous paragraph, the following forecasts of numbers of Chapter II demands are based on the percentage of international applications that give rise to Chapter II demands. The following table shows the expected growth of that percentage, and (based on the projections given in the table in paragraph 3, above) the corresponding numbers of Chapter II demands for the medium term period 1992-1995 and until the end of the century:

<u>Year</u>	<u>Number of Chapter II Demands as Percentage of Number of International Applications</u>	<u>Number of Chapter II Demands</u>
1992	40%	9,000
1993	42%	10,900
1994	44%	12,700
1995	46%	15,800
1996	48%	18,900
1997	50%	22,700
1998	52%	27,100
1999	54%	32,400
2000	56%	38,600

(If the growth in numbers of international applications were to be higher or lower, or the percentage of international applications giving rise to Chapter II demands were to be higher or lower, the corresponding numbers of Chapter II demands would then also be higher or lower.)

6. The growth of the number of international applications and of Chapter II demands requires increased numbers of staff posts for the PCT, further developments in computerization and other advanced technologies, and more office space and equipment.

STAFF POSTS REQUIRED FOR THE PCT

7. In the budget for the 1988-89 biennium (document AB/XVIII/2, paragraph 55), it had been forecast that there would be 10,000 international applications and 2,700 Chapter II demands in 1988, and 57 PCT posts were authorized to handle the corresponding workload*. For 1989, 11,000 international applications and 3,000 Chapter II demands had been forecast, for which 63 PCT posts were authorized. According to the latter figures, an average of 5.7 PCT posts are required to handle every 1,000 international applications.

8. The number of PCT posts consists of 13 "fixed" posts plus "variable" posts directly related to numbers of international applications and of Chapter II demands. The 13 "fixed" posts consist of the Director, the Section Heads and secretariat of the PCT Administration Division, plus the staff of the PCT Legal Section. The numbers of "variable" posts required depends directly upon the numbers of international applications and Chapter II demands. This is because the amount of work required for each international application to input data into the PCT computer system to examine the application as to form, to prepare the necessary notifications and communications, to prepare the translation of the title and abstract, to prepare the translation of the international search report, to prepare the entry for the "PCT Gazette"/"Gazette du PCT" and to prepare the front page of the PCT pamphlet, and to prepare and print the PCT pamphlet remains the same per international application. The "variable" posts budgeted for 1989 consist of 47.5 posts to handle 11,000 international applications (or one post to handle every 232 international applications), plus 2.5 posts to handle 3,000 Chapter II demands (or one post to handle every 1,200 Chapter II demands).

9. For 1990, the forecast numbers of 16,400 international applications and 5,700 Chapter II demands would, using the numbers of posts approved for 1989, lead to a requirement for $(16,400 : 232 =) 71$ "variable" posts to handle the international applications plus $(5,700 : 1,200 =) 4.5$ "variable" posts to handle the Chapter II demands. It is further assumed that there would be one more "fixed" post required to assist in managing the increased numbers of PCT posts. There would therefore be a total of $(71 + 4.5 + 13 + 1 =) 89.5$ posts for 1990. For 1991 the forecast numbers of 19,600 international applications and 7,300 Chapter II demands

* In fact, for 1988, the International Bureau has had to recruit more staff than the 57 in posts in order to handle the higher actual level of PCT activity, which involved 11,996 international applications (rather than the 10,000 budgeted) and 3,595 Chapter II demands (rather than the 2,700 budgeted). Having the extra staff is consistent with the statement in the approved program and budget for the 1988-89 biennium that "If the increase in either or both of those numbers [that is, the number of international applications and the number Chapter II demands] were to be more than forecast in this budget, further posts would be created to handle the additional workload; they would be financed from the revenue additional to the revenue forecast in this draft budget". (See document AB/XVIII/2, Annex A, page 22).

would lead to a requirement for $(19,600 : 232 =)$ 84.5 “variable” posts to handle the international applications plus $(7,300 : 1,200 =)$ six “variable” posts to handle Chapter II demands. With 14 “fixed” posts, there would be a total of $(84.5 + 6 + 14 =)$ 104.5 PCT posts. The latter number would represent an increase of 41.5 posts over the number of 63 posts authorized for 1989, and would correspond to an average of 5.3 posts to handle every 1,000 international applications per year.

10. However, based on the experience of the last two years and assuming that computerization developments would continue (see paragraphs 19 and 20, below), it is now assumed that one “variable” post would be required to handle every 242 (rather than only 232) international applications, and that one “variable” post would be required to handle every 1,440 (rather than only 1,200) Chapter II demands. Those higher rates of productivity would mean that to handle the 16,400 international applications and 5,700 Chapter II demands forecast for 1990 would require 14 “fixed” posts plus $(16,400 : 242 =)$ 68 “variable” posts to handle international applications plus $(5,700 : 1,440 =)$ four “variable” posts to handle Chapter II demands giving a total of $(14 + 68 + 4 =)$ 86 PCT posts. For 1991, the 19,600 international applications and 7,300 Chapter II demands that are forecast would be handled by 14 “fixed” posts, plus $(19,600 : 242 =)$ 81 “variable” posts to handle international applications plus $(7,300 : 1,440 =)$ five “variable” posts to handle Chapter II demands, giving a total of $(14 + 81 + 5 =)$ 100 PCT posts.

11. The latter numbers of PCT posts are the numbers that appear in the draft budget for the 1990-91 biennium (see document AB/XX/2, paragraph 68 and Annex F); they constitute a gradual increase leading to a total of 37 new posts over the number of 63 PCT posts authorized for 1989. Accordingly and for 1991, there would be an average of 5.1 PCT posts per 1,000 international applications, which represents a productivity increase of 12% compared to the average of 5.7 PCT posts per 1,000 international applications budgeted for the 1988-89 biennium. It is to be noted that the said draft budget indicates that if the numbers that served for the calculation of the draft budget will, in fact, be less or more than forecast in that draft budget, the number of new posts will be reduced or increased accordingly and that any increase in the number of posts will be financed from the revenue additional to the revenue forecast in the draft budget. (See document AB/XX/2, Annex A, page 51.)

12. The 37 new posts would consist of six professional posts (one legal officer, three translators, one examination officer and one programmer/analyst) and 31 general service posts (three examiners, two secretaries, 18 clerks and eight reproduction equipment operators).

13. For the medium term of 1992-95 and until the end of the century, further PCT posts would be required if the growth of the use of the PCT were to be along the lines of the projections contained in the tables in paragraph 3 and 5, above. For the year 2000, if there were to be 69,000 international applications and 38,600 Chapter II demands, the number of PCT posts would increase from the 100 (asked for 1991) to some 300.

14. It is, of course, not possible to make accurate forecasts of the staff requirements so far in advance. The number of PCT posts would be even higher if the number of international applications were to grow at a higher rate. On the other hand, the number would be lower if the number of international applications were to grow at a lower rate or if the introduction of further computerization developments, and especially of a PCT optical disc system, were to increase productivity further.

DEVELOPMENT OF COMPUTERIZATION OF PCT OPERATIONS

15. Many aspects of the processing of international applications under the PCT are handled by, or managed by, a computer system. The data contained in the international applications received by the International Bureau, the data contained in Chapter II demands and the data contained in international search reports, are input to the computer system, which automatically carries out a number of validity checks (dates, country codes, etc.) in interactive mode. The system analyses time limits and generates lists of activities by their due dates, including detailed instructions for action (e.g., communication to designated Offices under Article 20 of the PCT). The system automatically generates and prints various forms for notifications to receiving Offices, designated Offices, International Searching Authorities, and applicants or their agents. The average number of copies of forms sent out per international application is estimated to be around 30 so that, for example, for 15,000 international applications the system generates some 450,000 notifications.

16. The PCT computer system also generates the magnetic tapes used for the photocomposition of the pages of the "PCT Gazette"/"Gazette du PCT" (for 15,000 applications, approximately 8,500 pages in English and the same number of pages in French) and for the front pages of the pamphlets containing the published international applications (in English, French or German). For that purpose, the system identifies international applications due to be published, according to dates (there are 26 publication dates per year) and other pertinent criteria, allocates publication numbers and carries out page-setting automatically. The system generates indexes for each issue of the Gazette as well as by calendar year, and produces various statistics. Copies of the said magnetic tapes are also sent to various users.

17. The PCT computer system is run on two outside IBM computers (IBM 3081 and 3090), installed at the International Computing Centre (ICC), which is located in Geneva. The ICC is a co-operative, non-profit undertaking funded by the United Nations and a number of organizations of the United Nations system of organizations including WIPO, for which it provides relatively low-cost computer facilities and services. The ICC reports to a Management Committee, one of whose members is appointed by WIPO. The equipment installed at WIPO for the PCT computer system includes, at the present moment, 31 terminals and six printers, including two laser printers. In addition, there is an electronic publishing system used for producing certain non-computer-generated parts of the "PCT Gazette"/"Gazette du PCT."

18. The first part of the PCT computer system, which involves the publication of the "PCT Gazette" /"Gazette du PCT" and the front pages of the published international applications, was implemented in 1982. The second part of the system, which involves the production of certain forms and monitoring reports was implemented in 1984. Additional functions, such as the production of Chapter II forms and the processing of additional characters, were developed in 1987 and 1988. Further functions (for example, monitoring of Chapter II time limits accounting for the funds received from receiving Offices and certain changes to the publications module) are under development.

19. A number of important major changes are now needed in the PCT computer system. In particular, the system was originally developed to handle up to about 10,000 international applications per year. There are now many more international applications per year, and the data base system upon which the original system was developed must be modernized in order

to cope with the necessary expansion and to adapt to the ICC's on-going technical development (e.g., a different telecommunications software). Development of the publications part of the system is also needed to enable Spanish accents, and Cyrillic and Japanese characters to be produced for the PCT pamphlets. Other necessary changes include improving access to records, streamlining certain data input procedures and improving the processing of Rule I6bis (insufficient payment of fees) cases.

20. Provision is made under item REG.01 of the draft program and budget for the 1990-91 biennium (document AB/XX/2) for consultant assistance for the said development of the PCT computer system. Provision is also included there for the on-going running costs of the PCT computer system for handling the forecast workload; those costs include ICC operating costs, equipment maintenance charges, and the purchase of additional computer terminals and printers.

21. There is no doubt that significant further investments for computer equipment will be needed in later years for the expansion and development of the PCT computer system in order to handle the expected growth in numbers of international applications in the most cost-effective manner, and in order to incorporate new PCT developments and technology changes.

PRINTING OF PCT PAMPHLETS

22. At the 1987 session of the PCT Assembly, the Director General undertook to carry out a study to compare the cost of printing the PCT pamphlets in-house with that of printing using an outside printer, in order to see if any savings could be made, taking into account the fact that international applications had to be kept secret until their publication. (See document AB/XVIII/14, paragraphs 132 and 133.)

23. The above-mentioned study was undertaken by a consultant (a retired high official of the Swiss Federal Intellectual Property Office), who concluded that a carefully selected printing firm could satisfy the requirements of the International Bureau concerning the confidential nature of the international application, the printing quality and the time limits.

24. The consultant obtained offers from several outside firms for the printing and mailing of the PCT pamphlets" and compared those with his estimate of the International Bureau's costs for undertaking those activities. On a cost per page basis, the results were:

Company A	7.09 Swiss centimes/page
Company B	5.59 Swiss centimes/page
Company C	4.93 Swiss centimes/page
International Bureau	5.04 Swiss centimes/page.

The consultant also consulted the Geneva Section of the Swiss Association of Graphic Arts (Section genevoise de l'Association suisse des arts graphiques). That Section indicated that it should be possible to obtain a cost of about 4.57 Swiss centimes/page. Those cost estimates suggest that a saving of approximately 2% to 9% (or some 30,000 to 150,000 Swiss francs per year) might be obtainable by having the printing and mailing of the PCT pamphlets made by an outside printing firm.

25. However, taking into account those limited savings which could be expected from a transfer of the printing and mailing of the PCT pamphlets to an outside printer, and in view of the administration and legal problems involved, the consultant recommended not to undertake such a transfer immediately, but to investigate other printing technologies before making any decision on this matter.

26. In accordance with the consultant's recommendation, the International Bureau is now, with the help of another consultant, carrying out a feasibility study of the use of optical disc technology for the processing and publication of international applications (see paragraphs 27 to 31, below).

DEVELOPMENT OF PCT OPTICAL DISC SYSTEM

27. The growth of the level of PCT activity has led to rapid increases in the numbers of files of international applications circulating in the PCT Administration Division of the International Bureau at any time, and of files that have to be archived (Rule 93.2 of the Regulations under the PCT provides that such files shall be retained for 30 years). Moreover, that growth has led to a rapid growth in the number of PCT pamphlets produced every two weeks with an average of three postal sacks of PCT pamphlets being sent at a cost of some 12,500 Swiss francs per mailing every two weeks to the PCT administrations. At the same time, the growing numbers of PCT pamphlets produced leads to increased storage requirements and a growing workload for filling individual orders for PCT pamphlets.

28. In order to improve the corresponding operations, it is considered that it would be appropriate to develop an optical disc system for PCT purposes. Such a system would improve the file storage and the organization of workflows within the PCT Administration Division. The said optical disc system could be used to produce the photocomposed pages of the "PCT Gazette"/"Gazette du PCT" and the pages of the PCT pamphlets more rapidly and more cost-effectively than at present. Moreover, with the pages of the PCT pamphlets stored on the optical disc system, it would no longer be necessary to have extensive storage space for paper copies of the PCT pamphlets, and individual orders for PCT pamphlets could be filled by using the optical disc system to print the PCT pamphlets as they were ordered.

29. Having the pages of the PCT pamphlets stored in optical disc format would make possible a major development for the national and regional Patent Offices participating in the PCT system: instead of the PCT pamphlets sent to them every two weeks consisting of enormous volumes of paper, those PCT pamphlets could be distributed in an optical disc format, such as a CD-ROM ("Compact Disc, Read Only Memory"). This would lead to significant savings for the International Bureau as compared to the present costs for printing and mailing the PCT pamphlets (including staff costs as well as the costs of paper, photocopying and postage). And, from the perspective of the said national and regional Patent Offices, as each optical disc sent to them could also contain a complete indexing, including by IPC symbol, of the PCT pamphlets it contained, the access to the PCT pamphlet information would be significantly facilitated.

30. An optical disc system would consist of several input devices ("scanners") for entering the image of paper pages; a "juke-box" changer for the discs, including laser read-write heads (which cut the microscopic-size pits into the discs, and also read information from the discs); a "server" station to manage the storage and retrieval of images; a number of work stations

with high definition screens, enabling the visual consultation of any page whose image is stored; printers/photocomposers producing the printing masters, including the drawings, for the pages of the "PCT Gazette"/"Gazette du PCT", as well as copies of PCT pamphlets as ordered; and a communications network connecting those devices. The optical disc system would include the appropriate software for the necessary linkages with the PCT computer system, for managing storage and retrieval operations, and for "electronic publishing".

31. Provision is made under item REG.01 of the draft program and budget for the 1990-91 biennium (document AB/XX/2) for the amount of 2,300,000 francs in respect of the equipment and consultant costs expected to be associated with the development of the PCT optical disc system. There is no doubt that there will be further significant costs in later years for the expansion and development of that system.

REQUIREMENTS FOR OFFICE SPACE AND EQUIPMENT

32. As noted in document AB/XX/2, Annex A, item GSS.27, and in document AB/XX/11, the office and other space available in the W~PO and BIRPI Buildings is expected to be sufficient only until the end of the 1990-91 biennium, to house the additional staff required to handle the growth in activities of the PCT Union (see paragraphs 10 and 11, above) and of the Madrid and Hague Unions (see documents MM/A/XX/1 and H/A/X/I, respectively), along with their associated equipment.

33. It is clear that the expected continuing growth of the activities of the Registration Unions involving, in particular, a projected, increase of more than 250% in PCT international applications from 1991 until the end of the century, and an increase of more than 400% in Chapter II demands over the same period (see paragraphs 2 to 5, above), will require a considerable increase in space for the additional staff and equipment.

34. In order to provide for the necessary space until the end of the century which will require an additional building contact have already begun with the Swiss authorities, and it is proposed to constitute a Headquarters Committee, as noted in document AB/XX/11.

35. The cost of the construction of a new building has been very tentatively estimated at 130 million francs. It is hoped that the Swiss authorities would advance the major part of that amount, through a long-term loan at a very concessional rate of interest, through the "Fondation des immeubles pour les organisations.internationales" (FIPOI).

36. The remaining part would be covered from the expected surpluses of the PCT, Madrid and Hague Unions (see paragraphs 39 and 40, below, for the PCT Union, and documents.MM/A/XX/1 and H/A/X/1, respectively for the Madrid and Hague Unions). At the present time, it is considered that the contribution of the PCT Union for that purpose should be about 18 million francs, whereas the contributions of the Madrid and Hague Unions could total approximately 12 million francs.

37. Moreover, there will undoubtedly be considerable further investments (presently estimated at about 10 million francs) required for equipping the said new building with office equipment, such as furniture and personal computers and word-processing stations. The share of the PCT Union in those investments is expected to be about six million francs.

FINANCIAL SITUATION OF THE PCT UNION

38. As of December 31, 1987 (i.e., at the end of the 1986-87 biennium), the reserve fund of the PCT Union amounted to 1,991,009 francs.

39. For the 1988-89 biennium, a surplus of 2,904,000 francs was budgeted for the PCT Union (see document AB/XVIII/2, paragraph 50). However, as a result of the higher-than-expected growth in the level of PCT activities during that biennium, that surplus is now tentatively forecast to be of the order of 10 million francs. (That forecast is necessarily tentative not only because one-third of the biennium remains at the time of writing this document, but also because the allocation of certain "common expenses" among the various Unions can only be made at the end of each financial period.) If a surplus of that magnitude in fact materializes, 'the level of the reserve fund of the PCT Union as of December 31, 1989 (i.e., at the end of the 1988-89 biennium), would rise to approximately 12 million francs.

40. For the 1990-91 biennium, a surplus of 17,734,000 francs is budgeted for the PCT Union (see document AB/XX/2, paragraph 55). It is reasonable to assume that there would also be surpluses beyond 1991.

REIMBURSEMENT OF PCT DEFICIT-COVERING CONTRIBUTIONS

41. When the Patent Corporation Treaty was signed, it was evident that the income (mainly coming from fees paid by applicants) in the first years would not suffice to cover the expenses of the PCT Union. This is why the Treaty itself provides, in its Article 57(5), that "(a) should any financial year close with a deficit, the Contracting States shall, subject to the provisions of subparagraphs (b) and (c), pay contributions to cover such deficit". Subparagraph (b) of the said Article provides for the calculation of the amount due by each Contracting State, whereas subparagraph (c) provides for the possibility of carrying forward deficits from one year to the other. Subparagraph (d) of the said Article of the PCT provides that "If the financial situation of the Union so permits, the Assembly may decide that any contributions paid under subparagraph (a) be reimbursed to the Contracting States which have paid them."

42. The PCT entered into force in 1978. It ended that year and the subsequent five years with deficits. Contributions to cover such deficits were solicited from, and paid by, States for those 'six years (1978 to 1983). Since not all States adhered at the same time not only those States that were members of the PCT Union when it entered into force but also other States, interested in the PCT paid contributions to cover the deficits. The deficits not covered by such contributions were covered by a loan from the Madrid Union, which was finally completely repaid in the 1986-87 biennium from the ordinary income of the PCT Union. The total of the said contributions paid by 29 States amounts to 10,580,819 francs. The amount paid by each State is indicated in Annex I. The decisions concerning the share of each State are reflected in documents PCT/WG/BUD/I/2 and 6(1977), AB/VIII/16 (1977), AB/XI/2 and 9(1980), AB/XII/2 and 21 (1981). In 1977, the Executive Committee of the Paris Union (since at that time the PCT Assembly did not yet exist) took the following decision: "Contributions ... will be reimbursed from any excess of income over expenditure after the break-even point is reached. Such reimbursement shall be made by installments as decided by the Assembly of the PCT Union. Each country's share in each installment shall be proportionate to its share in the total of the said contributions". (Documents AB/VIII/2, Annex H, paragraph 1, and AB/VIII/16, paragraph 218(ii)).

43. It is now proposed that the reimbursement of the said contributions by installments start and that the PCT Assembly decide that, unless otherwise decided in the future, each yearly installment, to be covered from the reserve fund of the PCT Union, be 1,000,000 francs and that the yearly share of each country be credited, on January 1 of each calendar year, against the contributions that that State owes under the Paris Union to WIPO for that year. Should, for any State, the amount to be so credited exceed the amount that it owes on account of its membership in the Paris Union, the difference will be transferred to it by WIPO on the said date. Any State could declare that, instead of being credited as indicated above, it wishes that its share in any installment be transferred to it; in that case, the International Bureau will effectuate the transfer as soon as that State owes no contributions to the Paris Union. Finally, it is proposed that if the fees are fixed as indicated in Annex II, the yearly installment for 1990 and 1991 be 2,000,000 (rather than 1,000,000) francs.

44. The amounts that each of the 29 States would be entitled to in the 1990-91 biennium under the proposal contained in the preceding paragraph are shown in Annex I.

45. The reason for which installments of 1,000,000 francs per year are proposed is that there will be important other demands on the expected surpluses. They are the following:

- (i) the requirement for investments in the further development of the PCT computer system and PCT optical disc system (see paragraphs 21 and 31 above);
- (ii) the requirement for investment in the cost of a new building (see paragraph 36, above);
- (iii) the requirement for investments to equip and furnish the additional space (see paragraph 37, above).

However, if the Assembly approves the fee increases proposed in Annex II, the yearly reimbursement could, for the years 1990 and 1991, be doubled, that is, become 2,000,000 francs per year.

FEE INCREASES

46. The present amounts of the PCT "basic fee" and "designation fee" are 706 francs and 171 francs, respectively. The draft program and budget for the 1990-91 biennium is based on the assumption that the amount of those fees would be increased by 10% effective January 1, 1990 (see document AB/XX/2, paragraph 62 and Annex A, item REG.01), so that, as of that date, the basic fee would become 777 francs and the designation fee would become 188 francs. At the same time, three other fees (the "handling fee", the "supplement to the handling fee" and the "surcharge for late payment") would also be increased by 10%.

47. As the last PCT fee increase (of 8%) became effective on January 1, 1986, the said 10% increase would correspond to an average increase of 2.5% per year since that date.

48. The said 10% fee increase is required in order to provide funds for the reimbursement of deficit-covering contributions and the other requirements referred to in paragraph 45, above.

49. It is to be noted that even if the fees, in Swiss francs, are increased by 10% (from 706 to 777 francs for the basic fee), for most applicants, in their own currencies, there would be no or only a very small (much smaller than 10%) increase. This is so because the exchange rate of most convertible currencies has increased in relation to the Swiss franc. The following table shows the results for four of the most used currencies:

	Basic fees in Swiss francs <u>(present amount)</u>	Equivalent in other currencies in <u>mid-1988</u>	Basic fee in Swiss francs <u>(proposed amount)</u>	Equivalent in other currencies in <u>mid-1989</u>
Swiss francs	706		777	
US dollar (US\$)		485		460
Yen		64,300		61,700
UK pound sterling (£)		281		275
Deutsche Mark (DM)		870		875

In other words, for applicants paying their fees in the above currencies, a 10% increase in Swiss francs would, in their own currencies, mean a decrease of 5.2% (US \$), 4.0% (Yen), 2.1% (£) and an increase of 0.6% (DM) only.

50. The said 10% increase (in Swiss francs) of PCT fees as of January 1, 1990, would result in an estimated total PCT income of 67,088,000 francs for the 1990-91 biennium and a surplus of 17,734,000 francs (see document AB/XX/2, paragraph 55). If, alternatively, the increase of PCT fees were to be 5%, instead of 10%, the total PCT income for 1990-91 biennium would become 64,346,000 francs and the surplus would become 14,992,000 francs (both figures being therefore 2,742,000 francs lower). If, furthermore, there were to be no increase in fees, the total PCT income for the 1990-91 biennium would become 61,603,000 francs and the surplus would become 12,249,000 francs (both figures being therefore 5,485,000 francs lower than in the case of a 10% fee increase).

51. The amended Schedule of Fees annexed to the PCT Regulations, resulting from the said 10% increase, is reproduced in Annex II.

52. A table of equivalent amounts in other currencies ("prescribed currencies") of the fees for 1990 will be submitted to the Assembly on September 25, 1989, 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.

53. The Assembly of the PCT Union is invited:

(i) to note the information contained in this document,

(ii) to approve the proposal concerning the repayment of PCT deficit-covering contributions contained in paragraph 43, above, and

(iii) to amend the Schedule of Fees annexed to the PCT Regulations as set out in Annex II.

[Annex I follows]

ANNEX I

Country	Amount Paid for the Period 1978-1983 (Swiss francs)	Percentage of Total	Share in Two Million franc Reimbursement in the 1990-91 Biennium: One Million francs on January 1, 1990, and One Million francs on January 1, 1991 (Swiss francs)	Share in Four Million franc Reimbursement in the 1990-91 Biennium: Two Million francs on January 1, 1990, and Two Million francs on January 1, 1991 (Swiss francs)	Approximate Amounts of Paris Union Contributions Due on each of January 1, 1990 and January 1, 1991 (Swiss francs)
Australia	294,802	2.786%	55,724	111,448	362,800
Austria	178,495	1.687%	33,740	67,480	241,900
Belgium	63,420	0.599%	11,988	23,976	362,800
Brazil	172,304	1.628%	32,570	65,140	72,600
Canada	246,316	2.328%	46,560	93,120	362,800
Cuba	3,000	0.028%	568	1,136	24,200
Denmark	172,846	1.634%	32,672	65,344	241,900
Egypt	5,166	0.049%	976	1,952	72,600
Finland	111,552	1.054%	21,086	42,172	241,900
France	756,895	7.153%	143,070	286,140	604,700
Germany (Fed. Rep.)	1,222,996	11.559%	231,172	462,344	604,700
Hungary	78,652	0.743%	14,866	29,732	120,900
Ireland	24,687	0.233%	4,666	9,332	241,900
Israel	22,391	0.212%	4,232	8,464	72,600
Japan	1,511,631	14.287%	285,730	571,460	604,700
Liechtenstein	5,528	0.052%	1,044	2,088	24,200
Luxembourg	20,442	0.193%	3,864	7,728	24,200
Monaco	285	0.003%	54	108	24,200
Netherlands	308,269	2.913%	58,270	116,540	362,800
Norway	119,949	1.134%	22,672	45,344	241,900
Philippines	3,410	0.032%	644	1,288	72,600
Romania	20,782	0.196%	3,928	7,856	72,600
Soviet Union	881,110	8.327%	166,548	333,096	604,700
Spain	74,643	0.705%	14,110	28,220	241,900
Sweden	480,012	4.537%	90,732	181,464	362,800
Switzerland	424,194	4.009%	80,182	160,364	362,800
United Kingdom	900,120	8.507%	170,142	340,284	604,700
United States of America	2,468,666	23.332%	466,630	933,260	604,700
Yugoslavia	8,256	0.078%	1,560	3,120	72,600
	<u>10,580,819</u>	<u>100.000%</u>	<u>2,000,000</u>	<u>4,000,000</u>	

ANNEX II

SCHEDULE OF FEES APPLICABLE FROM JANUARY 1, 1990

<u>Fees</u>	<u>Amounts</u>
1. Basic Fee: (Rule 15.2(a))	
if the international application contains not more than 30 sheets	777 Swiss francs
if the international application contains more than 30 sheets	777 Swiss francs plus 15 Swiss francs for each sheet in excess of 30 sheets
2. Designation Fee: (Rule 15.2(a))	188 Swiss francs per designation for which the fee is due, with a maximum of 1,880 Swiss francs, any such designation in excess of 10 being free of charge
3. Handling Fee: (Rule 57.2(a))	238 Swiss francs
4. Supplement to the Handling Fee: (Rule 57.2(b))	238 Swiss francs
<u>Surcharges</u>	
5. Surcharge for late payment: (Rule 16 <i>bis</i> .2(a))	Minimum: 295 Swiss francs Maximum: 741 Swiss francs

[End of Annex II and of document]