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PATENT COOPERATION TREATY

INTERIM ADVISORY COMMITTEE FOR ADMINISTRATIVE QUESTIONS

Eighth Session

Geneva, October 10 to 18, 1977

PROGRESS REPORT ON BUDGETARY QUESTIONS

prepared by the International Bureau

1. At its seventh session, in November 1976, the PCT Interim Advisory Committee for Administrative Questions (hereinafter referred to as "the Interim Committee") had a first discussion of a preliminary study of the staff, equipment and budgetary requirements of the International Bureau in the year before and in the first year of effective operation of the PCT, prepared by the International Bureau (document PCT/AAQ/VII/12). It decided to include in its program for 1977 a continuation of the work on the budget study in the light of the advice of the Interim Committee provided during the discussions and extending the study to cover three years of operation of the PCT. It furthermore decided to establish a Working Group on Budgetary Questions (hereinafter referred to as "the Working Group") to study the budgetary questions connected with the implementation of the PCT in an initial period and referred further work concerning budgetary questions to that Working Group (paragraphs 159 and 160 of document PCT/AAQ/VII/19).
2. The Working Group held its first session in Geneva from February 28 to March 4, 1977. The following States, members of the Interim Committee, having expressed the wish to participate, were members of the Working Group: Austria, Brazil, France, Germany (Federal Republic of), Japan, Netherlands, Soviet Union, Spain, Sweden, Switzerland, United Kingdom, United States of America. All the members of the Working Group, except the Netherlands, were represented.
3. The Working Group considered the budgetary questions connected with the implementation of the PCT in an initial period on the basis of documents PCT/AAQ/VII/12 and PCT/AAQ/VII/19 and of additional documents presented to the Working Group, in particular a memorandum on the budgetary requirements of the International Bureau for an initial period of three years.
4. The report of the Working Group (document PCT/WG/BUD/I/6) annexed to this document reflects the conclusions reached by the Working Group after a general discussion of the budgetary questions connected with the implementation of the PCT in an initial period and a detailed consideration of the memorandum of the International Bureau submitted to the Working Group. The conclusions of the Working Group concerning expenditure and income of the International Bureau and the contribution scheme for the financing of the initial deficit as well as the estimated deficits during the initial period are contained in paragraphs 23 to 54 of the annexed report.

5. The Working Group agreed that, in view of the results of the discussions during the session, a further session did not appear to be necessary at the present time. It noted, however, a statement by the Director General that he might call a further session shortly before the first session of the Assembly of the PCT Union, if developments indicated the usefulness of such a session.

6. The Committee is asked to take cognizance of the conclusions reached by the Working Group.

[Annex follows]

PCT/AAQ/VIII/6
ANNEX

REPORT

INTRODUCTION

1. At its seventh session, in November 1976, the PCT Interim Advisory Committee for Administrative Questions (hereinafter referred to as "the Interim Committee") decided to establish a Working Group on Budgetary Questions (hereinafter referred to as "the Working Group") for the purpose of assisting in the preparation of a study on the budgetary questions connected with the implementation of the PCT in an initial period.
2. Pursuant to the decision of the Interim Committee, the Working Group held its first session in Geneva from February 28 to March 4, 1977.
3. The following States, members of the Interim Committee, having expressed the wish to participate, were members of the Working Group: Austria, Brazil, France, Germany (Federal Republic of), Japan, Netherlands, Soviet Union, Spain, Sweden, Switzerland, United Kingdom, United States of America. All the members of the Working Group, except the Netherlands, were represented. The list of participants is annexed to this report.

ADOPTION OF THE AGENDA

4. The Working Group unanimously adopted its agenda, as contained in document PCT/WG/BUD/I/1.Rev.2.

OPENING OF THE SESSION

5. The session was opened by the Director General of WIPO, Dr. Arpad Bogsch, who welcomed the participants in the Working Group.

ELECTION OF OFFICERS

6. The Working Group unanimously elected Mr. J.-L. Comte (Switzerland) as Chairman and Mr. L. E. Komarov (Soviet Union) and Mr. A. Bahadian (Brazil) as Vice-Chairmen. Mr. E. M. Haddrick, Head, PCT Division, WIPO, acted as Secretary to the Working Group.

STUDY ON BUDGETARY QUESTIONS

7. The Working Group considered the budgetary questions connected with the implementation of the PCT in an initial period on the basis of documents PCT/AAQ/VII/12 and PCT/AAQ/VII/19, paragraph 159, and of documents PCT/WG/BUD/I/2 to 4.

8. The Director General introduced document PCT/WG/BUD/I/2, containing a memorandum on the budgetary requirements of the International Bureau.

General Discussion

9. The representative of the Federal Republic of Germany stressed that his country had always paid special attention to the importance of the PCT. That interest was clearly demonstrated by the fact that his country had been the second to meet with its ratification the requirements of Article 63(1)(a) of the PCT. He indicated that the Federal Republic of Germany was prepared to continue to make voluntary contributions, subject to obtaining the necessary budgetary authorization, since the PCT could not be expected to be a self-supporting system during its initial period. On the other hand, the system of international applications could not be subsidized indefinitely and it was therefore of paramount importance that the break-even point in the PCT budget be reached after a few years only. To achieve that aim, a reasonable balance between the necessary expenditures, kept at the lowest level possible, and the fees to be paid by the applicant had to be reached. The fees should be so calculated that applicants would be encouraged to use the PCT route. Once a balance between the expenditures and revenues had been achieved, the contributions paid by countries during the initial operation of the PCT should be reimbursed.

10. The representative of Austria, referring to his country's active participation in the PCT program from the outset, underlined that Austria was interested in contributing to solutions allowing the PCT to make a rapid and successful start. It was very important that the break-even point should be reached as soon as possible and that the costs of the operation be kept at the lowest level possible. Furthermore, since the success of the PCT depended on its use by the interested circles, the fees under the PCT should be fixed at a level making the use of the PCT system attractive to the user.

11. The representative of the United Kingdom underlined the interest of his country in bringing the PCT into effect soon. The costs to be borne by States during the initial period should be kept at an absolute minimum. In this context, it was important to ensure that the fees charged under the PCT were kept at a sufficiently low level to be attractive since only with low fees, with a sufficient number of countries adhering to the PCT and with a high number of applications obtained, could a successful implementation of the system be expected. If those States ratifying the PCT first were subject to higher contributions, that might be a discouraging factor leading to a delay in ratification. The financing of the initial period should therefore be planned in a way permitting the cost of the implementation of the PCT by the International Bureau to be shared by all signatory States rather than only by the more limited group of States which would ratify at the beginning.

12. The representative of Sweden, supporting most of the views expressed by previous speakers, recalled his country's substantial interest in implementing the PCT. He suggested that all efforts should be made to keep the cost at a minimum. The level of fees would undoubtedly have an influence on the attractiveness of the PCT and should therefore be carefully considered.

13. The representative of the Soviet Union stressed the importance of the study prepared for discussion by the Working Group. There was a necessity, however, for a further study in depth of all matters affecting both the financial situation during the period until the break-even point was reached and the subsequent operational period of the PCT. The representative pointed in particular to the importance of establishing financial conditions and fees that would ensure the attractiveness of the PCT procedure for the applicant in comparison with the existing procedures of filing applications and encourage an early ratification of the PCT by as many countries as possible. A comprehensive study was necessary of all the features of the PCT budget, taking different combinations of such features into account. Furthermore, an in-depth study of the needs and interests of potential users of the PCT route and their interest in the PCT publications as well as wider publicity for the Treaty and its application were desirable.

14. The representative of Spain stated that his country could agree with the approach in the preparatory document, i.e., that the initial financing of the PCT should not be borne solely by member States. However, lower financial burdens should be placed on those States making less use of the PCT route and participating for other reasons. The contributions made to that initial financing should be reimbursed to the States as soon as the financial situation permitted.

15. The representative of Japan said that his country appreciated the importance of the PCT and the urgent need for its entry into force. Therefore, the budgetary questions of the PCT should be given urgent and realistic consideration. The level of fees under the PCT should be fixed as low as possible since higher fees would reduce the number of applications, which would in turn affect the balance of revenue and expenditure. It should be clarified whether the basic contributions proposed were contributions under the PCT only to be paid by the Contracting States and what the nature of the obligations of non-member States paying voluntary contributions would be.

16. The representative of the United States of America, agreeing with most of the general comments of previous speakers, underlined the importance of economic considerations in the decision of applicants to use the PCT route, which, notwithstanding certain advantages it offered such as delayed translation fees and delayed national fees, had to be more attractive than the traditional Paris Convention route in order to be accepted by the users. It was important, therefore, that the PCT route be made very attractive from the outset and that the fees to be paid should encourage the applicant to use that route. The representative referred to studies already made in his country and tentative levels established for receiving Office and international search fees. Furthermore, the prices of the pamphlet and the Gazette should be so fixed that potential competition by private firms copying the publication would not constitute a danger for the revenues derived from the sale of the PCT publications. In this context, the price of 10 francs for the pamphlet appeared too high. Information concerning the current intentions of the various countries as to the ratification of the PCT could be very useful in order to allow a more precise timing of the preparatory work still to be performed.

17. The Director General replied to various questions raised in the general discussion. In this respect he stated that it was a foreseen circumstance and clearly unavoidable that, at the beginning, the PCT would not be self-supporting. For its part the International Bureau desired, as did the Working Group, that the PCT be administered as economically as possible; a considerable effort in this direction had been made in the budgetary estimates, on which suggestions by the Working Group would be highly welcome.

18. As regards the initial period, the unknown factors, explained in detail in document PCT/WG/BUD/I/2, were many and important, which made all estimates highly uncertain and might necessitate a fundamental revision thereof. For example, the composition of the initial membership would have a significant influence on the number of international applications and the sale of PCT publications. Those factors had a decisive influence on the fee structure to be adopted eventually and on the time at which the break-even point could be reached. As regards the level of fees that might be adopted, the Director General would particularly welcome precise advice from the Working Group. As far as the cost of the PCT route for the applicant was concerned, international fees paid to the International Bureau were only one, and not even the most important, of the cost elements. The search fees, whose amount was to be determined by each of the Searching Authorities, constituted another and even more important cost element. Finally, in a comparison between the advantages of the PCT route and the traditional route, the effect of the fees of professional representatives weighed more heavily than that of the relatively less significant official fees.

19. In relation to the financing of the initial deficit, the Director General stated that a system of mixed contributions was proposed under which both the initial Contracting States and the non-Contracting States would contribute; it would be unjust to place the burden of financing the initial period on those States alone which were instrumental in bringing the PCT into effect. Nevertheless, having regard to the advantages that Contracting States would derive from the PCT it was thought proper that they should be expected to contribute at a somewhat higher level than non-Contracting States. At the same time, it could be envisaged that once the PCT had reached the stage of having a surplus, contributions provided to finance the initial period could be refunded.

20. In reply to the suggestion by the Soviet Union to publicize the use of the PCT, the Director General said that he shared that view and the necessary funds would come out of the common expenses but that any real propaganda would have to wait until the identity of the countries in which the PCT could be used were known and the amount of the fees payable to the International Bureau for the international search reports and to the designated Offices were also known.

21. The Chairman, in summarizing the general discussion, noted the general agreement of the Working Group as to the need for providing the necessary funds to enable the PCT to be financed until it reached the break-even point and the indications as to the general willingness to contribute. In this context, the Chairman drew attention to the need for careful consideration of the various elements influencing expenditure, income and the financing of the difference between expenditure and income.

Detailed Consideration of the Memorandum of the International Bureau

22. The Working Group reviewed the estimates set forth in Annex I of the Memorandum of the International Bureau (document PCT/WG/BUD/I/2) in relation to the budgetary requirements of the International Bureau for each of the various numbers of international applications per year referred to in that Annex. The following items were considered successively: expenditure, income, and difference between expenditure and income.

Expenditure (Paragraphs 10 to 12 of the Memorandum)

23. The Working Group reviewed the principles for PCT publications recommended by the Working Group on Guidelines for Publication and for Drawings as far as their effect on the PCT budget was concerned. In particular, the following principles were noted with approval, taking into account the low volume of publications during the initial period of operation of the PCT:

(i) central publication of the international applications by the International Bureau, according to Article 21(1) of the PCT, it being understood that a rapid system of distribution of the publications to Contracting States should be instituted and that the question of the system of publication in German, Japanese and Russian required further study;

(ii) no computerized photocomposition of the totality of the pamphlet or the Gazette;

(iii) printing of the pamphlet on the basis of a master image of the front page prepared by the International Bureau (manual processing), and of the original documents filed by the applicant (description, claims and drawings) and drawn up by the International Searching Authority (international search report), by offset reproduction through a commercial printer;

(iv) computer-assisted photocomposition of the front page of the pamphlet and subsequent automatic production of Gazette entries and indexes should be further studied;

(v) the first section of the Gazette should contain A5-size entries two-by-two on an A4 page of the Gazette, arranged in ascending numerical order of the publication numbers of the corresponding published international applications.

24. It was noted that the expenditures set out in Annex I of the Memorandum in connection with the printing itself were based on the aforementioned principles. Those expenditures were considered acceptable by the Working Group.

Staff Costs and Common Expenses

25. With respect to the expenditure concerning the staffing of legal and technical services set forth in Annex I of the Memorandum, it was explained that the amount allotted corresponded to six posts in the "Professional" category and two posts in the "General Service" category. The Working Group noted that the staff was necessary for preparing and servicing all sessions of the various PCT bodies

and for work on the improvement of the Regulations and the Administrative Instructions, on coordination and harmonization of activities of international authorities, on minimum documentation, and on information and advice to countries interested in or desiring to become members of the PCT, as well as for participation in the administrative duties of the International Bureau under the PCT.

26. With respect to the further staff requirements set forth in Annex I of the Memorandum, it was stated that the proposed time of recruitment of such staff should be reviewed with a view to reducing the period of six months set aside for the training of some of the staff and to delaying recruitment, where practically no training was needed, until the actual work started.

27. With respect to common expenses, it was stated that they were rather high and that possibilities for making economies in this area should be explored. The Working Group noted, however, a statement by the Director General that the proposed share of the PCT in the common expenses followed the principles for the distribution of common expenses among the Unions approved by the Administrative Bodies of WIPO.

Income (Paragraph 13 of the Memorandum)

28. On a question as to the relationship between the amounts proposed for the basic fee and the designation fee, the Working Group noted a statement by the Director General that the relationship was the same as adopted in the PCT Regulations by the Washington Diplomatic Conference to the effect that the designation fee amounted to roughly one quarter of the basic fee. The Working Group did not object to maintaining this relationship.

29. It was suggested that the International Bureau should study the possibility of fixing the fees for the initial period of the PCT at a specially low level in order to increase the attractiveness of the system for the users, at least during that period, provided lower fees would not have very significant budgetary implications. Lower fees could contribute in an important way to a more rapid growth of the number of international applications filed.

30. In a discussion of the question concerning the international search fee to be charged by the various International Searching Authorities, it was agreed that the level of the international search fee was of particular importance to the applicant when determining whether the use of the PCT system was advantageous for him. The representative of the United States of America indicated that the proposals now published in his country for the fees to be charged by the United States Patent and Trademark Office as International Searching Authority and as receiving Office provided for an international search fee of US\$300 and for a transmittal fee of US\$35.

31. In reply to a question directed to him in his capacity of Chairman of the Fees Subcommittee of Working Party V of the Interim Committee of the European Patent Organisation, the representative of Sweden indicated that no decision had been taken by that Interim Committee with respect to the search fee to be charged by the European Patent Office for PCT searches, although it was expected that the basic search fee would be the same for European Patent searches and PCT searches to be carried out by the European Patent Office and that this fee would have to be paid only once in cases where a search by the European Patent Office served both the PCT and the European procedure. Where a PCT search was made by another International searching Authority, certain criteria were being developed in order to allow for a reduction in the European search fee of between 25 and 100 percent, depending on the amount of search work saved by the earlier search report. With respect to the international search fee to be charged by the Swedish Patent Office, the representative of Sweden added that no decision had been taken so far. Similar statements were made by the representatives of Austria, Japan and the Soviet Union.

32. The Working Group agreed that a precise indication of the international search fee to be asked by various International Searching Authorities had become very urgent since the international search fee was an important element in the considerations of the applicant on whether and to what extent it was useful to make use of the PCT system. Another important question in this context was the extent to which PCT searches carried out by other International Searching Authorities would lead to an elimination or substantial reduction of search fees charged in the procedure before the designated Offices. It was recognized that the PCT system would only be viable if such reductions were offered to a large extent. Without a clarification of this question, no indications could be given to the prospective users of the system as to its cost implications.

33. With respect to the price of the PCT publications, it was felt that, in particular, the price proposed for the pamphlet was generally higher than the prices for comparable publications of national Patent Offices. A higher price could only be maintained if effective copyright protection could be enforced to ensure that copying of the pamphlet by private firms, combined with sales at a lower price, could be prevented. Similar considerations existed, although to a lesser extent, with respect to the Gazette. It was therefore agreed to ask the International Bureau to carry out a survey in a number of those countries which can be expected to be the most interested in PCT publications, to determine whether copyright protection existed on the basis of which the unauthorized reproduction and subsequent distribution of PCT publications, both as far as publication in the original language or in translation was concerned, could be prevented.

34. With respect to the Gazette, the estimates made in paragraph 13(iv) of the Memorandum were approved.

35. With respect to the assumptions contained in items (i) to (iii) and (v) of paragraph 13 of the Memorandum, the Working Group expressed its concern at the rather high amounts proposed for the basic and designation fees and the price of the pamphlet, but recognized that the decision on whether the said amounts were justified was intimately linked with the identity and number of the initial Contracting States of the PCT. The Working Group therefore agreed to accept the said assumptions as a budgetary working hypothesis, it being understood that the amounts would have to be reviewed once the identity and number of initial Contracting States were known. In any case, as far as the basic fee and the designation fee were concerned, no amounts higher than those indicated in the assumptions in paragraph 13 of the Memorandum should be used. It was hoped that the Assembly of the PCT Union would review the amounts with a view to fixing lower fees, at least for the initial period, if possible, in order to increase the attractiveness of the system for the user. The same applied with respect to the assumption for the price of the pamphlet contained in paragraph 13 of the Memorandum.

Difference Between Expenditure and Income (Paragraphs 14 to 17 of the Memorandum)

36. The Working Group agreed in the course of its consideration of paragraphs 14 to 17 of the Memorandum and its Tables I to IV, illustrating where the break-even points (expressed in terms of the number of applications) would be reached under different hypotheses, that those hypotheses which did not permit the attainment of a break-even point should not be retained. Otherwise, no conclusions deviating from the statements in the Memorandum were reached.

Intentions as to Ratification of the PCT

37. Taking into consideration the fact that the number and identity of the countries which would become members of the PCT Union would be of primary importance for any attempt to determine with more precision the financial implications of the PCT for Contracting States in the initial period, the Working Group considered it advisable to review the most recent available information on the intentions of those States represented in the Working Group regarding the ratification of the PCT.

38. The representative of Sweden stated that draft legislation on the ratification of the PCT was being completed by the Ministry of Justice and was expected to be presented to Parliament either in the spring of the current year or, at the latest, immediately upon the opening of the coming autumn session of Parliament.

39. The representative of the United Kingdom said that draft legislation, among other things adapting the patent law of the United Kingdom to the PCT, was presently before Parliament. It was expected that the parliamentary procedure would be completed during the summer of the current year. No indication as to the time of ratification could be given.

40. The representative of Austria said that a series of hearings with respect to draft PCT legislation had already taken place during the autumn of 1976 and that the reaction of the interested public was positive. It was expected that the draft legislation could be submitted to Parliament during its summer session, that the parliamentary procedure would take roughly six months and that ratification could follow as soon as possible thereafter.

41. The representative of France stated that draft legislation for the PCT had been submitted to Parliament, but that information as to the date of ratification was not available.

42. The representative of Japan stated that the Industrial Property Council, an advisory Committee to the Minister of International Trade and Industry, was studying the legislative changes necessary for adapting the Japanese national law to the requirements of the PCT and would submit its report to the Japanese Government in autumn 1977. Thereafter, a bill containing the approval of the PCT and the necessary implementing legislation would be submitted to Parliament in its 1977/1978 ordinary session.

43. The representative of Switzerland stated that ratification of the PCT by his country was possible within a few months but was subject to certain reservations with respect to the financial conditions of Switzerland's participation in the PCT system. Switzerland was interested in obtaining assurances that the amount of contributions payable would not substantially exceed the amount indicated in the message to Parliament and that later reimbursement of its financial contributions during the initial operational period was foreseen.

44. The representative of Spain indicated that the Patent Office of Spain was in the process of preparing a detailed report on the PCT for communication to the Ministry of Industry. It was to be noted, however, that accession by Spain to the PCT could not be expected before 1978.

45. The representative of the Soviet Union stated that, as indicated earlier, the State Committee for Inventions and Discoveries of the USSR Council of Ministers had basically prepared the necessary documents relating to ratification of the PCT for consideration by the Government. In view of the absence of the necessary data, the financial side of the question had not been sufficiently studied so far. That would be done taking into account the results of the deliberations of the Working Group.

Working Capital Fund (Article 57(7) of the PCT)

46. When discussing the possibility and need for establishing a working capital fund in accordance with Article 57(7) of the PCT, the Working Group noted a statement by the Director General of WIPO that he had no intention of inviting the Assembly to constitute such a fund in the foreseeable future.

Financing the Initial Deficit - Contribution Scheme (Paragraphs 23 to 29 of the Memorandum)

47. Discussion of this question took place on the basis of the proposed principles for a scheme set out in paragraph 27 of the Memorandum.

48. During the discussion, three major changes were decided upon by the Working Group. The first consisted in not fixing the same amount for the basic contributions for each of the three years but fixing a higher amount for 1979 than for 1978 and a higher amount for 1980 than for 1979 (see Principle No. 1). The second was that the share of any country becoming a Contracting State in the amount of the supplementary contributions for the year in which it became a Contracting State would depend on the length of the period during which it had been a member in that year: the share would be proportionate to the length of that period (see Principle No. 2). The third was that contributions paid for the three-year period would be reimbursed from the profits of later years (see Principle No. 7 (new)).

49. The modified principles, as adopted by the Working Group, are the following seven:

Principle No. 1: All countries at present making contributions (i.e., the countries included in the relevant recommendation of the Executive Committee of the Paris Union for 1977 plus Spain) will pay, as "basic" contributions for the years 1978 and 1979, the amounts of 1,795,000 Swiss francs and 1,935,000 Swiss francs, respectively, which have been tentatively shown for those years in the triennial budget, and, for the year 1980, the amount of 2,012,000 Swiss francs (which is 4% above the amount for 1979). Such amounts will be distributed among the said countries according to the same principles as have been applied to the

PCT contributions for 1977 and prior years but according to the 1975 statistics. Although the contributions of countries which are not Contracting States are voluntary, the contributions of the Contracting States are calculated on the assumption that the voluntary contributions will be paid.

Principle No. 2: In each of the said three years, a "supplementary" contribution will be paid by those countries which have deposited their instruments of ratification prior to or during that year. The supplementary contributions will cover the deficit attributable to the years 1978 to 1980 and not covered by the basic contributions; its total amount for the three-year period is estimated to be 450,000 francs; it will be payable at the rate of 150,000 francs per year. The amount of the supplementary contribution will be provisionally distributed among the countries concerned in the same proportion as exists between the numbers of their outgoing applications, as shown in the WIPO statistics for the year 1975, but ultimately in accordance with Principle No. 5 below. In its first year of paying contributions, a State's share will be proportionate to the period of time during which it has been a Contracting State.

Principle No. 3: If a country that is not in the list of basic contributors becomes a Contracting State, it will pay, for the year in which it deposits its instrument of ratification and any subsequent year of the said three years, an amount which will be the same as the contribution of a State which, having the same statistical parameters, has to make payments under Principles Nos. 1 and 2. (The calculations will be made with the necessary extrapolations.) Since the number of countries falling into this category will probably be very small, if not nil, their contributions will be additional to (and will not diminish) the contributions of the countries covered by Principles Nos. 1 and 2.

Principle No. 4: Authority will be given to the International Bureau to contract loans to cover the deficiency in funds available to meet its expenditure in any year.

Principle No. 5: Once the break-even point is reached, the supplementary contributions will be recalculated in proportion to the total number of international applications emanating from the Contracting States during the period supplementary contributions have been paid (international applications filed with a national Office being regarded as "emanating" from the State of which that Office is the national Office, and international applications filed with a regional Office being regarded as "emanating" from the State of the applicant's residence). Any Contracting State which has paid supplementary contributions totalling more than its recalculated share will receive a corresponding refund and those States which have paid less will be required to make a corresponding additional payment.

Principle No. 6: The above principles will apply for 1978, 1979 and 1980. Even during that period, the financial situation will be reviewed at least once a year and necessary adjustment will be proposed. Should deficits continue beyond 1980, or should a surplus occur in or before that year, a modification of the principles will be proposed in due time.

Principle No. 7: Contributions paid under Principles Nos. 1, 2 and 3, as adjusted under Principle No. 5, 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.

50. The representative of Brazil stated that it was the position of his country, and he felt he was also expressing the feelings of other developing countries, that Principle No. 1 was not acceptable and that, consequently, it must be expected that developing countries not yet bound by the PCT would base their payments of basic contributions, which they would be invited to make in application of Principle No. 1, only on the amounts appearing in Annex II to the Memorandum. The representative of Spain indicated that his country did not favor Principle No. 1 in its finally agreed form but did favor the principle as originally proposed in paragraph 27 of the Memorandum.

51. The Working Group expressed itself in favor of interest being paid in respect of contributions made in accordance with the principles set out above. The Director General said that since the contributions were not in the nature of a loan, but in the nature of contributions to cover deficits, it did not seem to be justified to ask for interest. In conclusion, the Working Group invited the Director General to study the question whether such interest should be paid and, if so, at what rate.

Estimated Deficits during the Initial Period (Paragraphs 18 to 22 of the Memorandum)

52. Upon the basis of a detailed discussion of figures set out in document PCT/WG/BUD/I/2 in relation to estimated expenditure and income of the International Bureau in 1978, 1979 and 1980, the International Bureau amended those figures as follows:

(i) The estimated amount of income was increased by 226,000 francs as a result of the assumption that during the second half of 1978 international fees would be received for 500 (rather than 250) international applications. At the same time, the estimated amount of income was reduced by 20,000 francs on the assumption that the sale, if any, of pamphlets during the same period would be insignificant.

(ii) The estimated amount of expenditure attributable to the three-year period was reduced by 537,000 francs on account of the fact that recruitment for some of the new posts would occur on later dates, that a smaller number of copies would be printed of some of the publications and that some of the common expenses, mostly as a consequence of the said factors, could be reduced.

(iii) As a consequence of a net increase in income of 206,000 francs (see point (i) and a decrease in expenditure of 537,000 francs (see point (ii)), the deficit attributable to the initial three-year period would be 6,203,000 (rather than 6,946,000) francs.

(iv) Since the total of the basic contributions would, according to Principle No. 1, be 5,742,000 francs, and the total deficit would be 6,203,000 francs, the total of the supplementary contributions would be 461,000 francs. This amount was rounded off to 450,000 francs for the purposes of Principle No. 2.

53. The Director General said that all estimates were tentative for the reasons stated in document PCT/WG/BUD/I/2 and during the discussions of the Working Group; that they were liable to be influenced, in particular, by the identity of the initial Contracting States and the amounts of the fees and publication prices which would be set by the Assembly of the PCT Union; that the International Bureau would continue to study and re-check the estimates and might modify them for the 1978 PCT budget and for the Assembly of the PCT Union.

54. The Working Group agreed with the estimates contained in paragraph 52 and noted the statement of the Director General referred to in paragraph 53.

FURTHER WORK

55. The Working Group agreed that, in view of the results of the discussions during the session, a further session did not appear to be necessary at the present time. It noted, however, a statement by the Director General that he might call a further session shortly before the first session of the Assembly of the PCT Union, if developments indicated the usefulness of such a session.

56. This report was unanimously adopted by the Working Group at its closing meeting on March 4, 1977.

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