

Patent Cooperation Treaty (PCT) Working Group

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ESTABLISHING EQUIVALENT AMOUNTS FOR PCT FEES

Document prepared by the International Bureau

SUMMARY

1. The current processes for establishing equivalent amounts for PCT fees have significant delays built in. These were important due to IT systems in use at the time but result in large exposure to financial liabilities for the International Bureau as a result of fluctuations in exchange rates between the time that they are set and when the amounts paid for particular international applications are finally transferred. Improvements to electronic systems and familiarity with the processes by which equivalent amounts are calculated mean that it should now be safe to streamline the process.

BACKGROUND

2. The main PCT fees are set out in the PCT Regulations in Swiss francs (for fees for the benefit of the International Bureau) or established by Offices in a fixed currency (for fees for the benefit of those Offices). However, where fees are collected by an Office different from that which set them, they are payable in a currency prescribed by the collecting Office ("prescribed currency"). Where the prescribed currency is not the same as the currency in which the fees were established, an equivalent amount in the prescribed currency is required.

3. Where the prescribed currency is not freely convertible into Swiss francs or the fixed currency, as applicable, the collecting Office is responsible for collecting an appropriate amount and converting it into Swiss francs or the fixed currency, respectively. However, where the currencies are freely convertible, the International Bureau sets equivalent amounts according to directives set by the PCT Union Assembly (see Rules 15, 16, 45*bis*.3 and 57.2). The current directives were set by the fortieth session of the PCT Union Assembly and entered into force on July 1, 2010 (see Annex IV to document PCT/A/40/7).

4. New equivalent amounts are set for three reasons:
- (a) annually, based on the exchange rates in force on the first Monday of October, the new rates coming into force from January 1 the following year;
 - (b) when the exchange rate differs from that at which the equivalent amounts were set on more than four consecutive Fridays in a row; or
 - (c) whenever a new Swiss franc or fixed currency amount is set.

5. The applicant is required to pay fees based on the equivalent amounts in force on the international filing date¹. All the fees collected by an Office for the benefit of the International Bureau or a different Office in a month are transferred to the International Bureau in the prescribed currency in a collective payment the following month according to the procedures set out in Annex G of the Administrative Instructions, using the WIPO Fee Transfer Service. The International Bureau then transfers onwards the search fees in the fixed currency to the relevant Offices that acted as International Searching Authority.

ISSUE

6. The difficulty with this arrangement is that it can be many months between the date when an equivalent amount is set and the date when the equivalent amount is received by the International Bureau. In this time, the value of the prescribed currency compared to the fixed currency may have changed significantly. As a result, the International Bureau may receive more or less than the appropriate amount in Swiss francs for the filing and handling fees. The International Bureau is also liable for the difference between the amount it receives for search fees and the amount expected by the International Searching Authority in the fixed currency. As such, the International Bureau may make significant gains or losses on these transactions.

7. The International Bureau does not hold significant cash reserves in currencies other than the Swiss franc. Nor does it seek to profit by speculating on the timing of currency conversions. Any amounts held in currencies that are not expected to be needed for transactions in that currency in the near future are converted promptly back to Swiss francs. It is desired to find a system that provides a suitable degree of clarity for applicants and Offices, while minimizing the difference between the values of amounts expected in fixed currencies and the amount transferred by receiving Offices and International Preliminary Examining Authorities to the International Bureau. Consequently, the International Bureau wishes to reduce the delays inherent in the current system.

8. The differences in exchange rate arise due to changes during the time taken by three aspects of the system:

- (a) the time between the date on which the equivalent amount is set and the date of receipt of the international application (the amount due is the amount effective on that date);
- (b) the time between the date of receipt and the date on which the fee is paid (the fee is due within one month from the date of receipt, but may also be paid later, possibly incurring late payment fees); and

¹ Or the date of request for supplementary search in the case of supplementary search fees, or the date of submission of the demand in the case of handling fees. Filing and search fees make up the bulk of the fees concerned, but the same principles apply to the other fees for which equivalent amounts are established.

(c) the time between the date of payment to the Office responsible for collecting the fee and its transfer to the International Bureau (according to Annex G of the Administrative Instructions, this should occur in the second half of the month following the payment of the fee by the applicant).

9. To reduce exchange rate fluctuations to a minimum would require reducing the amount of time allowed for payment of fees, centralization of payment to the International Bureau, requiring fees to be paid in the currencies in which they were originally set, calculating equivalent amounts much more frequently (potentially in real time at the time of filing) and/or transfer of the fees by Offices to the International Bureau more quickly after their receipt from the applicant. However, such measures would significantly reduce the convenience of the PCT System for applicants, or else add a significant new administrative burden and amount of banking fees for Offices as a result of more frequent transfers.

10. Recognizing the importance of fee amounts being known well in advance, a simple system and a reasonable time for applicants to pay fees, the costs resulting from the delays referred to in paragraphs 8(b) and (c), above, continue to be accepted. Improvements in the implementation of the WIPO Fee Transfer Service to avoid fees being transferred later than expected are desirable but are not further considered in this document.

11. However, it is considered that improved communications and the experience gained in the means of calculating equivalent amounts mean that the time before a new equivalent amount comes into force after a significant change in exchange rate can now be reduced without significant inconvenience to applicants or Offices.

RELATIONSHIP WITH CALCULATION OF FEES IN THE MADRID SYSTEM

12. The Working Group on the Legal Development of the Madrid System for the International Registration of Marks has recently recommended to the Madrid Assembly to amend its rules for calculating the amounts of individual fees in Swiss francs (see document MM/LD/WG/22/3 and paragraph 11 of document MM/LD/WG/22/15).

13. A major difference between the fee arrangements for the Madrid System and for the PCT is that in the Madrid System, almost all fees are collected by the International Bureau in Swiss francs (and those not collected by the International Bureau are required to be transferred from the Office that collected the fees to the International Bureau in Swiss francs). The interests of national Offices in being able to set new amounts in Swiss francs mean that the Madrid process includes monitoring two sets of criteria, with automatic changes if one trigger is met, but the possibility of national Offices manually triggering change if a lower level of trigger is met. This is not considered desirable for the PCT System.

REQUIREMENTS FOR SETTING EQUIVALENT AMOUNTS IN THE PCT SYSTEM

14. For the PCT, it is desired to agree a new system for setting equivalent amounts according to clear and transparent rules that allow for automation. The procedure should provide sufficient and effective notice to applicants and Offices of any change in equivalent amounts (as well as new amounts in the fixed currencies) but should not build in delays that extend more than necessary the time for which the International Bureau receives fee transfers in amounts of value differing significantly from the fixed currency.

STAGES OF THE CURRENT PROCESS

15. The stages of setting equivalent amounts as a result of exchange rate fluctuations at present are as follows:

(a) the exchange rates are checked every Friday at midday Geneva time;

- (b) if the exchange rate has changed by more than 5% from the rate previously used for five Fridays in a row, a change process is triggered;
- (c) a new proposed equivalent amount is established based on the exchange rate prevailing on the following Monday;
- (d) the proposed amount is sent for consultation to the Offices responsible for collecting the relevant fee in the relevant currency;
- (e) any feedback is taken into account;
- (f) a final equivalent amount is established and published in the Gazette; and
- (g) the new equivalent amount comes into effect two months after publication in the Gazette or on an earlier date if agreed with the relevant Offices.

16. Consequently, it is typically around three months between the conditions being met to establish a new amount and that amount coming into force. The long process is a result in particular of two factors that appeared important in 2009, but should be less relevant now:

- (a) a consultation process was desired to allow the equivalent amounts to be questioned, given that Offices did not have experience of the methodology that was being used for setting the amounts; and
- (b) a long period was needed between publication of the new amounts and their entry into force in order to ensure that all interested parties had sufficient opportunity to become aware of the new amounts.

17. In practice, the proposed amounts are never questioned. The methodology appears sufficiently well understood and robust to be implemented mechanically, without a consultation period concerning the amounts (though in certain cases, it may be desirable to consult on dates of entry into force, as discussed below).

18. Furthermore, it should be possible to reduce the time between setting a new amount and its entry into force. The current process is based on information flows that applied in 2009 and, in particular, reflects that at the time fee databases in client software needed to be updated. In fact, in the case of PCT-SAFE, database updates were released on a three-month cycle so even a two-month period after publication in the Gazette was not always sufficient to allow the new amounts to reach applicants' machines. ePCT calculates fees based on a database that can be updated with immediate effect (though records of fee amounts have start and end dates and are usually set at least a little way in advance). Most receiving Offices filing systems rely either on ePCT or systems with similar easily-updated databases to calculate the fee amounts indicated to applicants on the filing date. Consequently, a much shorter period of notice of changes to Offices and applicants should be acceptable.

19. For similar reasons, it does not appear necessary any longer for the annual round of setting equivalent amounts to occur as early in the year as the first Monday in October, meaning that by the time they come into force on January 1, the exchange rates are already nearly three months old.

EXCHANGE RATE USED

20. The exchange rate used for establishing equivalent amounts is taken from the publicly available feed at xe.com.

21. Consideration was given to using the United Nations Operational Rates of Exchange (UNORE) as the basis of equivalent amounts. UNORE rates are used by WIPO and other

United Nations agencies for certain accounting purposes. However, the UNORE rates are set only twice per month at timings that reflect the needs of United Nations accounting not relevant to the PCT. Working out how best to use this exchange rate was considered to involve unnecessarily complex analysis of the effects of using smaller numbers of sample points. Moreover, there have been no fundamental concerns about the basis of the current exchange rates, only the time involved in new amounts coming into force.

22. Consequently, it is proposed to continue using the xe.com rates for this purpose. In the event that xe.com ceases to provide a suitable public feed allowing the methodology in the directives to be followed for all relevant currencies, the Director General would notify Contracting States of any alternative source decided on.

OTHER ISSUES

23. New equivalent amounts in all relevant prescribed currencies must be set whenever an International Searching Authority sets a new fee amount in its fixed currency. In principle, such equivalent amounts should come into force on the same date as the amount in the fixed currency. However, while the Agreement between the International Bureau and each International Searching Authority specifies that Authorities must notify such fee changes at least two months before they come into force, in practice less notice is frequently given. As such, it would appear desirable to allow the Director General an opportunity to propose alternative dates of entry into force where insufficient notice has been given.

24. In some cases, a strict reading of the directives may result in equivalent amounts being set that are superseded by another amount after just a few days (notably, if the exchange rate trigger is met late on in the year such that the new equivalent amount would come into force towards the end of December or if an International Searching Authority directs that a new amount in the fixed currency should apply from a date in early January but not January 1). It is proposed that the Director General should have the discretion not to promulgate new equivalent amounts that would be in force for a period of less than two weeks.

PROPOSAL

25. Consequently, it is proposed to modify the directives relating to the establishment of equivalent amounts of further fees with the following changes:

Annual Changes

(a) New equivalent amounts for all relevant fees would be set based on the exchange rates of the final Monday of November, instead of the first Monday of October, with effect from January 1 of the following year.

Changes Following Exchange Rate Fluctuations

(b) The trigger for setting new equivalent amounts based on changes in the exchange rate should be four Mondays in succession with a difference of more than 5% from the previous rate, rather than "more than four Fridays".

(c) The new equivalent amount should be based on the exchange rate on the final Monday of the trigger, rather than the Monday following the final Friday (meaning that exchange rates would only need to be sampled and recorded once a week for all purposes).

(d) The new equivalent amount should be promulgated automatically in accordance with the directives, without the need for consultation (though Offices could still raise concerns if they believed that the directives had not been followed properly and the Director General would promptly take steps to correct any mistakes that were found to have been made).

(e) The new equivalent amount should come into force four weeks after the date referred to in paragraph (c).

New Amounts in Swiss Francs or in the Fixed Currency

(f) Where a new amount is set for a fee in Swiss francs or in the fixed currency, this shall be taken into account in the annual changes if it is to come into force in January. In other cases, the equivalent amount shall be set according to the rate on the Monday on or immediately preceding the day four weeks prior to the date of entry into force of the new amount.

Changes For Short Periods

(g) The Director General may direct that an equivalent amount should not be updated if a change is mandated that would be superseded by a second change less than two weeks later.

26. The Annex to this document sets out proposed modifications to the directives to implement these changes.

INFORMATION TO OFFICES AND APPLICANTS

27. Noting that the periods of notice of changes to Offices and applicants would be shortened by this proposal, it is essential that the information flows are reliable and useful. The official record of changes will be the publication of a notice in the PCT Gazette, which should normally occur by the Thursday of the week following the establishment of a new fee. However, it is proposed also to improve the information available through other means including:

- (a) email notifications of changes to all Offices affected by a new fee amount, going to the email addresses currently used for consultations (which can be updated as required)
- (b) an improved web site showing current fee amounts in fixed currencies and equivalent amounts, together with forthcoming changes and information on exchange rate fluctuations to help determine whether changes are likely in the near future; and
- (c) a machine-readable version of the fee amounts, showing current and future fees in all relevant currencies, including start and end dates, allowing national Office databases to be updated automatically based on updates in that information.

28. The Working Group is invited to consider the proposed directives set out in the Annex to document PCT/WG/18/12.

[Annex follows]

DRAFT DIRECTIVES OF THE PCT ASSEMBLY RELATING TO THE ESTABLISHMENT OF EQUIVALENT AMOUNTS OF CERTAIN FEES²

The Assembly establishes in the following terms the directives relating to the establishment of equivalent amounts of the international filing fee, the handling fee, the search fee and the supplementary search fee (see Rules 15.2(d)(i), 16.1(d)(i), 45bis.3(b) and 57.2(d)(i)), it being understood that, in the light of experience, the Assembly may at any time modify these directives:

Establishment of Equivalent Amounts

(1) The equivalent amounts in prescribed currencies of the international filing fee and the handling fee in any currency other than Swiss franc, and of the search fee and the supplementary search fee in any currency other than the fixed currency, shall be established by the Director General in accordance with these directives, ~~in the case of:~~

- ~~(i) — the international filing fee, after consultation with each receiving Office which prescribes payment of that fee in such currency;~~
- ~~(ii) — the search fee, after consultation with each receiving Office which prescribes payment of that fee in such currency;~~
- ~~(iii) — the handling fee, after consultation with each International Preliminary Examining Authority which prescribes payment of that fee in such currency.~~

~~In the case of the international filing fee, the search fee and the handling fee, the equivalent amounts shall be established according to the exchange rates prevailing on the day preceding the day on which the consultations are initiated by the Director General. In the case of the supplementary search fee, the equivalent amounts shall be established according to the exchange rates prevailing on the day on which the Director General receives the notification of the amount of the supplementary search fee or prevailing on the day two months prior to the entry into force of the supplementary search fee, whichever is the later.~~

- (2) The amounts so established shall be the equivalent, in round figures,
- (i) of the amount of the international filing fee and of the handling fee, respectively, in Swiss franc set out in the Schedule of Fees;
 - (ii) of the amount of the search fee and the supplementary search fee (if applicable) established by the International Searching Authority in the fixed currency.

They shall be notified by the International Bureau to each receiving Office, International Searching Authority and International Preliminary Examining Authority, as applicable, prescribing payment or establishing fees in the currency concerned and shall be published in the Gazette.

~~Establishment of New Equivalent Amounts Consequential on Changes in the Amount of the Fee Concerned~~

~~(3) — Paragraphs (1) and (2) shall apply mutatis mutandis where the amount of the international filing fee, the handling fee, the search fee or the supplementary search fee is changed. The new equivalent amounts in the prescribed currencies shall be applied from the same date as the changed amount of the international filing fee or of the handling fee set out in the amended~~

² Changes are shown using underline and strikethrough compared to the directives in force since July 1, 2010.

~~Schedule of Fees, or from the same date as the changed amount of the search fee or the supplementary search fee in the fixed currency.~~

~~Establishment of New Equivalent Amounts Consequential on Changes in Exchange Rates~~

Annual Establishment of New Equivalent Amounts

~~(43) In the month of October of~~ On the final Monday of November each year, the Director General shall, ~~where applicable, after consultations with the Offices or Authorities referred to in paragraph (1),~~ establish new equivalent amounts of the international filing fee, the handling fee, the search fee and the supplementary search fee according to the exchange rates prevailing at midday Geneva time on that day ~~on the first Monday in the month of October.~~ Unless otherwise decided by the Director General, any adjustment under this paragraph shall enter into force on the first day of the subsequent calendar year.

Establishment of New Equivalent Amounts Consequential on Changes in Exchange Rates

~~(54) Where, for more than~~ four consecutive ~~Fridays~~ Mondays (midday, Geneva time), the exchange rate between Swiss franc (in the case of the international filing fee and the handling fee) or the fixed currency (in the case of the search fee and the supplementary search fee) and any applicable prescribed currency is by at least 5% higher, or by at least 5% lower, than the last exchange rate applied, the Director General shall, ~~where applicable, after consultations with the Offices or Authorities referred to in paragraph (1),~~ establish new equivalent amounts of the international filing fee, the search fee, the supplementary search fee and/or the handling fee, as applicable, according to the exchange rate prevailing on the first at midday on the final Monday ~~following the expiration of the period referred to in the first sentence of this paragraph.~~ The newly established amount shall become applicable ~~two months~~ four weeks after the date of its establishment ~~publication in the Gazette, provided that the receiving Offices or the International Preliminary Examining Authorities concerned, as applicable, and the Director General may agree on a date falling during the said two-month period, in which case the said amount shall become applicable from that date.~~

Establishment of New Equivalent Amounts Consequential on Changes in the Amount of the Fee Concerned

(5) Where the amount of the international filing fee or the handling fee in Swiss francs, or the amount of the search fee or the supplementary search fee in the fixed currency, is changed, the Director General shall establish equivalent amounts in the prescribed currencies according to the exchange rates prevailing at midday Geneva time on the Monday on or immediately preceding the day four weeks before the entry into force of the new amount, or the Monday immediately preceding receipt of the notification of the new fee amount, whichever is the later. The newly established equivalent amount shall become applicable on the same date as the change in the amount in Swiss francs (in the case of the international filing fee or handling fee) or in the fixed currency (in the case of the search fee or the supplementary search fee) unless the Director General decides otherwise in the case where a notification is received less than four weeks before entry into force of the new amount.

Changes for Short Periods

(6) The Director General may decide not to update an amount in accordance with paragraphs (3) to (5), above if the resulting equivalent amount would be superseded less than two weeks later by a further change.

[End of Annex and of document]