

September 13, 2004

The Honorable Jon Dudas
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
2121 Crystal Drive
Crystal Park II, Suite 906
Arlington, VA 22202

Dear Mr. Under Secretary,

I am writing on behalf of the American Intellectual Property Law Association to express our strong opposition to the proposal by the World Intellectual Property Organization (WIPO) to raise the International Filing Fee by 12% beginning January 1, 2005 (document PCT/A/33/5).

The proposal recalls that the PCT fees were modified just last year by the PCT Assembly: fixing the new International Filing Fee at 1,400 Swiss francs (replacing the former basic fee and designation fee); decreasing the handling fee from 233 to 200 Swiss francs; introducing a reduction of the International Filing Fee in cases where the international application or parts thereof were filed by electronic means; and, extending the 75% reduction of the International Filing Fee to all applicants from least developed countries.

The Director General stated his intention to consult with Member States and to review the actual usage of the new PCT arrangement. On the basis of this work, he indicated that he would propose a readjustment of the PCT fees, if necessary, next year. While document PCT/A/33/5 states that, at the time of its preparation, information on actual use of the PCT under the new arrangements shows that the International Filing Fee, if not readjusted now, would result in a significant shortfall of the PCT income, no details are proffered in that document.

Without a convincing justification, AIPLA must oppose the proposal for increasing the International Filing Fee at this time. Specifically, we base our opposition on the following considerations:

1. Last year, when increases were approved, the number of international filings had decreased relative to previous years. The International Bureau (IB) reported that this decrease would result in a reduction of income from PCT fees. Currently, however, PCT filings have increased to an annual growth rate of approximately 4%.
2. With implementation of the electronic filing system in the PCT operations in the IB, there has been a concomitant increase in electronic filings which should have resulted in higher efficiencies and a more productive staff.
3. When the PCT fee increases were instituted at the end of 2003, there was an increase in the filing fees relating to Chapter I, with only a minor reduction in the handling fee for entry into Chapter II. With PCT applicants now having 30 months under Chapter I before entering into the national stage, relatively few applicants are now using Chapter II. Thus, PCT gained from the increases in fees for applicants entering Chapter I, and we expect has only experienced minimal

loses from the reductions in the handling fee for Chapter II. The end result is that the total dollar amount per PCT application that applicants pay has increased as a result of last year's PCT fee adjustments. This should be generating more income from PCT fees, not less.

4. The proposal to increase the International Filing Fee does not contain any analysis evidencing a shortfall of PCT income. To justify the proposed increase, an accounting of the costs of the PCT operation, the income realized from PCT fees, and the use to which PCT fee revenue is put should be provided. The proposal lacks any such information.

5. As noted above, the Director General stated his intention to consult with Member States and review the actual usage of the new reformed PCT during this past year. As we understand it, no such consultations have yet taken place. Thus, users are unable to learn from their national and regional offices what the situation actually is regarding PCT fee income and its use.

We are aware that PCT funds are used to subsidize other WIPO programs. Indeed, it is our understanding, based on document WO/PBC/7/2, that PCT is expected to generate 505,719,000 Swiss francs for the 2004 – 2005 biennium, but will only receive 124,603,000 Swiss francs of this total. While AIPLA is keenly interested in some of these other activities, we believe this difference exceeds the limit as to how much PCT applicants should reasonably be expected to subsidize the other activities of WIPO.

For all of these reasons, AIPLA urges that the proposal to increase the International Filing Fee at the upcoming PCT Assembly Meeting should be tabled and not adopted until and unless the International Bureau can justify the proposed increase.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael K. Kirk". The signature is fluid and cursive, with a large initial "M" and "K".

Executive Director
AIPLA