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Comment:

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The documents produced before 1969 cannot be provided in English as this was not an official language in the period before that date. These documents therefore are provided in French and German.

- Secretariat -

Concerns the English text only

CORRIGENDUM

to the Paper on guidelines for financial planning for
the European Patent Office and Annexes
/BR/GT I/34/70 of 3 February, 24 February and 6 March 1970⁷

1. Page 26, second paragraph, first sentence, should read as follows:

"As regards the revenue received in year 1, it is
assumed in column 2" (Remainder unchanged).

2. Page 26, third paragraph, first sentence, should read as follows:

"As regards the other procedural fees listed in Annex 14,
it is assumed in column 3" (Remainder unchanged).

INTER-GOVERNMENTAL CONFERENCE
FOR THE SETTING UP OF A EUROPEAN
SYSTEM FOR THE GRANT OF PATENTS

Brussels, 3 February 1970

BR/GT I/34/70

- Secretariat -

Paper

presented by the Chairman of Working Party I

on

Guidelines for financial planning for
the European Patent Office

Chapters I to III

BR/GT I/34 e/70 kcl/PA/ek

Introductory Note

At its second meeting on 13 to 16 January 1970, the Inter-governmental Conference for the setting up of a European system for the grant of patents confirmed the details of Working Party I's terms of reference and at the same time entrusted it with the preparation of guidelines for the financial planning of the European Patent Office. These will be made available to Working Party IV, which is responsible for drawing up the financial provisions of the Convention and for financial planning. The main points to be dealt with are an estimate of the number of patent applications to be expected by the European Patent Office, of the number of examiners and other staff required, and of the possible revenue from fees.

The Chairman of Working Party I undertook to attempt, in a paper, an initial estimate of the figures relevant to the financial planning. This paper is hereby submitted to Working Party I as a basis for discussion. The paper will be transmitted to the Working Party delegations in two parts, the first of these containing Chapters I to III.

The former EEC "Patents" Working Party had already worked on the preliminary questions relating to the financial planning for a European Patent Office, and on 24 October 1963 issued a report on an "Estimate of staff required for the European Patent Office" (No. 10687/IV/63). This report, which is made available to the delegations together with the present paper, deals with the estimated volume of work and staff requirements of the European Patent Office. Chapters I and II of the present paper are partly based on this report, which is referred to below as the "1963 Report".

Provisional contents of the paper

- I. Estimate of the volume of work which will devolve upon the European Patent Office
 1. Estimate of the number of applications reaching the European Patent Office
 2. Estimate of the number of applications dealt with by each examiner under the system for the grant of European patents
- II. Estimated number of staff required for the European Patent Office
- III. Estimated expenditure of the European Patent Office
 1. Personnel expenditure
 2. Material expenses
- IV. Estimated direct revenue of the European Patent Office
 1. Procedural fees
 2. Renewal fees for European patent applications
- V. Estimate of indirect revenue possibly accruing to the European Patent Office from contributions by the Contracting States
 1. Fees payable for the designation of Contracting States in a European patent application
 2. Renewal fees relating to the Community patent granted for the EEC States
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- VI. Sketch for budget of the European Patent Office
- VII. Principle of covering costs and balancing the budget by means of possible contributions from the Contracting States
- VIII. Problems raised by setting the European Patent Office up in stages
- IX. Financing of the expenditure of the European Patent Office until such time as its budget can be fully balanced

Contents of the Annexes to Chapters I to III

- Annex 1 : Extract from the BIRPI statistics for 1968
- Annex 2 : Calculation of the number of examiners required
- Annex 3 : Total numbers and grading of European Patent Office staff for a requirement of 390 examiners
- Annex 4 : Distribution of posts among employee Classes in the EPO as compared with that of the Commission of the European Communities
- Annex 5 : Distribution of EPO employees among the various grades
- Annex 6 : Grade structure of the EPO as compared with that of the Commission of the European Communities
- Annex 7 : Currency parities
- Annex 8 : Survey of the salaries of employees of the Commission of the European Communities
- Annex 9 : Calculation of the salaries to be paid to employees of the European Patent Office
- Annex 10 : Initial capital investment and recurring expenditure of the European Patent Office for a staff of 1,320

I. Estimate of the volume of work which will devolve upon the European Patent Office

The probable volume of work which will devolve upon the European Patent Office (EPO) depends firstly on the number of patent applications received by that Office and secondly on the structure of the system for the grant of patents. The system for the grant of patents will determine the nature and number of operations involved (examination for obvious deficiencies, examination for novelty, opposition, appeals) and will thus affect the number of operations to be carried out by each examiner. In this chapter we shall first attempt to estimate the probable number of applications reaching the EPO and then the probable number of operations per examiner.

1. Estimate of the number of applications reaching the European Patent Office

The estimate of the number of applications has been based on the statistics on patent offices published by the United International Bureaux for the Protection of Intellectual Property (BIRPI) in "Industrial Property/ La Propriété industrielle". The most recent issue (Supplement to the December 1969 edition) gives the number of applications filed in 1968. An extract from these figures is given in Annex 1.

In the 1963 Report (p. 3 et seq.) the Working Party concerned based its estimates on the "two States" theory. It was assumed under this theory that any applicant then seeking protection in at least two EEC States would, once European Patent Office had been set up, file an application for an EEC patent. It was further assumed that in that case an applicant from the EEC State would either dispense with

making a separate application in his own State, since the EEC patent would cover that State anyway, or, should double protection by the EEC patent and a national patent be permitted, file a national application in his own State in addition to the European application. Under this theory, the number of inventions in respect of which the applicant had filed at least two national applications in the EEC States was equal, for any given EEC State, to the number of applications filed by the nationals of that State in that one of the other EEC States in which they filed the greatest number. When this "two States" theory was applied to applications from non-EEC States, it led to the second-highest number being taken from the statistics, instead of the highest number, since the country of origin (e.g. the USA) did not count as a State under the "two-States" theory.

The 1963 Working Party chose the "two States" theory as a mean between two extremes (see 1963 Report, last paragraph of page 3). One extreme would have been to assume that every application then filed in an EEC State would in future be replaced by a European application, while the other extreme would have been to assume that only those inventions for which a national application had been filed in all the EEC States would in future give rise to a European application.

Since 17 or more Contracting States have to be taken into consideration in connection with the Convention establishing a European system for the Grant of Patents, the "two States" theory no longer offers a realistic basis for calculation. It would be more appropriate to adopt a "three States" theory. This means that any application originating in any of the future Contracting States

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- it has been assumed in this paper, for the sake of simplicity, that all the States at present taking part in the Conference will later become Contracting States to the Convention - should be considered as a probable European patent application if it is filed in two other Contracting States in addition to the original State. For applications originating outside the Contracting States, the theory would apply where such applications were filed in three Contracting States.

The relevant figures can be taken from the columns headed "second highest number" and "third highest number" in Annex 1. It should be noted, however, that these figures do not all represent identical applications, as would be required by the theory. The number of identical applications might be somewhat lower.

In these considerations, the fact that the creation of a unitary patent is envisaged for the EEC States, so that applicants may only designate the EEC States jointly, has not been taken into account. This fact will affect applicants' behaviour, but it was decided not to take it into account, since it would have led to considerable complications in making the estimates. The final results of the estimates will however, be little affected.

On the basis of the statistics for 1968 given in Annex 1, the number of applications which could be expected to reach the EPO would be:

from Contracting States	20,617
from third countries	15,354
Total	<u>35,971</u>

Since the estimates are based on statistics for 1968, whereas the EPO will only be opened in the seventies, these figures should be increased by a certain percentage although, because they do not all relate to identical applications, the figures taken from the statistics are already somewhat higher than those corresponding to the accepted "three States" theory. As assumed by the earlier Working Party in the 1963 Report (page 7), the percentage increase is here taken to be 10 %. This leads to a figure of 39,568 applications, which may be rounded up to 40,000.

This paper thus comes to the conclusion that a European Patent Office opening in the 1970s and operating in all areas of technology could expect to receive about

40,000 patent applications per year

2. Estimate of the number of applications dealt with by each examiner under the system for the grant of European patents

The 40,000 patent applications which the EPO can expect to receive will be subjected to the well-known operations entailed in the procedure for the grant of patents (examination for obvious deficiencies, examination for novelty and examination of oppositions) which are to be carried out by the EPO examiners. In Annex 2 an attempt is made to calculate how many examiners would be needed to deal with 100 applications. The conclusions from the 1963 Report ("Number of examiners required on the basis of the 1962 Draft") are set out alongside a new calculation ("Number of examiners required on the basis of the 1970 Draft"). In the new calculation, a deferred examination procedure with a "request period" of 7 years is compared with an identical procedure having a request period of 2 years. The time required

to deal with appeals under Article 108 (105) of the Preliminary Draft has not been taken into account in this calculation. Appeals are to be dealt with by the members of the Boards of Appeal, and not by the examiners. The number of Boards of Appeal required will therefore have to be estimated separately.

In the 1963 Report the earlier Working Party estimated that 281 examiners would be required to deal with 30,000 patent applications. In Annex 2 to the present paper, the first column contains a similar calculation, based on the same relative figures and working times as agreed upon then (see 1963 Report, especially pages 13, 17 and 18), for 40,000 applications; it gives the number of examiners required as 375.

On the basis of the relative figures and working times agreed upon in 1963, a calculation is attempted in the second and third columns of the number of examiners required to deal with 40,000 applications under the new examination procedure with the patent being granted before the beginning of the opposition procedure. In column two the calculation is made for a deferred examination procedure with a request period of 7 years, and in column three for a procedure with a request period of 2 years.

The first essential difference between the second and third columns, i.e. between a deferred examination procedure with a 7-year request period and one with a 2-year request period, is that the expected number of abandoned patent applications, for the 7-year request period a "drop-out" figure of 35 % of 80 = 28 applications is assumed, in respect of which no request for examination would be made, while for the 2-year request period this drop-out is only 6 % of 80 = 5 applications. This drop-out figure of 35 % of 80 applications

was assumed in the 1963 Report (page 12) on the basis of statistics for the life of patents (page 26 - Annex I - of the 1963 Report). Application of the same considerations to a request period of only two years, on the basis of these earlier life statistics, leads to a drop-out figure of not more than 6 % of 80, i.e. 5 applications. The gap between 80 and 100 is accounted for by cases where the patent application is withdrawn after receipt of an unfavourable report on the state of the art. In the 1963 Report (page 10), it was postulated that out of every 100 applications received, 5 would be abandoned during the examination for obvious deficiencies and 15 after receipt of an unfavourable report on the state of the art. Since, under a 2-year request period, the applicant would receive the report on the state of the art only a short while before the end of that period, the number of abandoned applications will not be significantly greater than 15. A good example of the reason for which a patent might be abandoned at this stage is the case of an applicant who, despite having received a favourable report on the state of the art, has in the meantime lost interest, for commercial reasons, in pursuing his application. It may however be doubted whether a request period running for 2 years from the date of filing the application would be long enough to produce this effect.

These considerations lead to the assumption that under a 7-year request period, 52 applications would lead to a request for examination, while under a 2-year request period, the corresponding number would be 75.

A further difficulty lies in the estimation of the number of opposition proceedings. For this, the experience of the German Patent Office, referred to on page 2 of the "Memorandum on the re-publication of the European patent application" (BR/GT I/22/69) of 18 November 1969, could be drawn upon. Furthermore, it should also be taken into account

that, in the 1963 Report (page 13), the number of patents finally granted under a system of deferred examination with a request period of about 7 years was put at 35. The earlier Working Party had in fact applied the experience of the earlier Dutch and German systems of immediate examination to a system of deferred examination. This was based on the consideration that the proportion of patents granted by the European Office should lie somewhat higher than that for national patent offices, in view of the better quality of the applications. This figure of 35 will therefore be retained as the final result, particularly as there are no national patent office statistics relating to the proportion of patents granted under a system of deferred examination. The gap remaining in the series 100-80-52 ... 35 could then be filled by assuming the grant of about 40 patents and estimating the number of opposition proceedings at about 10.

If this result is applied proportionally to the procedure with a 2-year request period, the series reads 100-80-75-58-51, with 14 oppositions. The difference between 35 and 51 in the final figure for patents granted could be explained by the fact that - assuming there is no back-log of work - an examination procedure with a 2-year request period leads to all the applications made in a particular year being dealt with earlier than does a procedure with a 7-year request period. Of the 51 patents which represent the result of the 2-year request period procedure however, a number would lapse before the end of the 7th year, so that by the end of that period the number of patents remaining would be nearer 35.

After having thus estimated the number of operations (examination for obvious deficiencies, examination for novelty and examination of oppositions), the time needed for each operation must be estimated. The earlier working time

of 0.5 examiner working days required for examination for obvious deficiencies has been retained here for the time being. However, in view of the experience of the German Patent Office in the meantime, this number does seem a little too high. Should experience in the Netherlands confirm this, the figure for this working time could be reduced.

The earlier working time of 3 examiner working days assumed for examination for novelty (2.3 for the first rapporteur and 0.7 for the second) has been reduced to 2.3 days. The reduction would appear to be justified since, on the one hand, third parties are no longer involved in the proceedings prior to the grant of the patent and, on the other hand, under the second sentence of Article 55 (2) (former Article 56 (2)) of the Convention, the proceedings prior to a final decision will, as a general rule, be entrusted to one Examining Division examiner. On these grounds it has been assumed that the first rapporteur would only need 1.8 instead of 2.3 days per application in view of the absence of third parties, and that the second rapporteur, of whom less would be required, would in most cases only need 0.5 instead of 0.7 days per application.

These assumptions lead to the result that 359 examiners would be required to deal with 40,000 applications with a 7-year request period, and 481 would be required with a 2-year request period.

As in the 1963 Report (page 18), this figure should be raised somewhat in view of holidays and the time needed to train new examiners. The earlier Working Party rounded its result up by about 7 %. A corresponding rounding up would lead to about 390 examiners for the procedure with the 7-year request period and to about 518 examiners for the 2-year procedure. The difference between the number of examiners required by the two systems would be about 128.

The calculations which follow are based on a requirement of

390 examiners.

II. Estimated number of staff required for the European Patent Office

Annex 3 gives, on the basis of a requirement of 390 examiners, the total numbers and grading of the EPO staff. The numbers of staff other than examiners have been estimated, on the lines of Annex II to the 1963 Report (page 27 et seq.), and using certain scales and figures obtained by experience, on the basis of 390 examiners. The necessary explanations may be found in Annex III itself.

The Service Regulations of officials of the European Communities have been taken as an example for the classification of staff careers (Classes A, B, C and D). This by no means prevents Working Party III from adopting other models for its work, or from working out entirely new Service Regulations. Neither is EPO examiners' remuneration prejudged by the provisional reference to the Service Regulations of officials of the European Communities. Working Party III has already been asked to make a comparative study of the remuneration of examiners and searchers in Europe, and to draw up corresponding proposals for the EPO. These proposals can in due course be incorporated into the financial planning by Working Party IV.

The calculations in Annex 3 lead to a total staff requirement for the European Patent Office of

1,320 persons.

III. Estimated expenditure of the European Patent Office

1. Personnel expenditure

Annexes 4 to 9 give the EPO's estimated expenditure on personnel.

To this end, an establishment plan showing the percentage distribution of posts among the four classes is given in Annex 4. The establishment plan of the Commission of the European Communities is given for comparison. The considerably larger proportion of class A posts in the EPO is explained by the fact that the work of the EPO will essentially be done by examiners, and that only a smaller proportion can be done by other staff. Examiners, however, as academically trained technical specialists, need to be paid class A salaries.

Annex 5 shows the distribution of employees within the classes in absolute figures.

Annex 6 shows the percentage breakdown of these numbers within the individual classes, thus enabling a comparison to be made with the Commission of the European Communities.

Annex 7 gives the currency parities used for the subsequent calculations. The US dollar has been taken as the basis for comparison. It would be advisable to take the currency of one of the Contracting States as the final basis for comparing the various currencies.

Annex 8 gives, for information, a survey of the salaries of officials of the Commission of the European Communities. The starting and final salaries in each grade,

are indicated by (a) and (b). Between these two figures there are a number of incremental steps.

Annex 9 shows total expenditure for personnel. For each grade it was necessary, as regards the family situation of employees, to assume a "standard employee", whose salary corresponds to the average salary of all officials in this grade. The standard adopted for each grade was that of an employee who is married, has 2 children of school age and has reached the third incremental step in his grade. It is estimated that 3/4 of the EPO's staff will be entitled to receive the expatriation allowance.

The calculation in Annex 9 of expenditure on personnel by the EPO gives an annual figure of \$ 12,249,000 for salaries and wages. To this sum should be added, as shown in Annex 10 (page 3), amounts to cover social security payments and health and accident insurance, etc., bringing the total annual expenditure on staff up to

\$ 13,357,000

2. Material expenses

Annex 10 (page 5 et seq.) contains an estimate of the material expenses of the EPO based on the practical precedents provided by the budget of the Commission of the European Communities. This estimate gives an annual total of

\$ 2,886,000 for material expenses

INTER-GOVERNMENTAL CONFERENCE
FOR THE SETTING UP OF A EUROPEAN
SYSTEM FOR THE GRANT OF PATENTS

Brussels, 24 February 1970

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- Secretariat -

Paper

presented by the Chairman of Working Party I

on

Guidelines for financial planning for
the European Patent Office

Chapters IV to VII

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Introductory Note

The delegations taking part in Working Party I will find attached a further part of the Chairman's paper on "Guidelines for financial planning for the European Patent Office", containing Chapters IV to VII.

A third and last part of the paper is to follow. It will deal with the problems of covering the recurring deficit of the European Patent Office and with the costs arising in the build-up and running-in period.

Contents of Part 2 of the Paper

- IV. Estimated direct revenue of the European Patent Office
 - 1. The procedural fees
 - 2. The renewal fees for European patent applications
- V. Estimates of indirect revenue possibly accruing to the European Patent Office from contributions by the Contracting States
 - 1. Fees payable for the designation of Contracting States in a European patent application
 - 2. Payments by the EEC States for the special organs under the "Convention for the European Patent for the Common Market"
 - 3. The European Patent Office's share of renewal fees for granted patents
- VI. Outline budget for the European Patent Office
- VII. Problems raised by setting the European Patent Office up in stages

Contents of the Annexes
to Part 2 of the Paper

- Annex 11: Survey of the fees provided for under the First Preliminary Draft Convention for a European System for the Grant of Patents
- Annex 12: Procedural fees charged by the States participating in the Inter-governmental Conference
- Annex 13: Level of procedural fees assumed for the purposes of the present study
- Annex 14: Revenue of the European Patent Office from procedural fees
- Annex 15: Renewal fees for patents in the States participating in the Inter-governmental Conference
- Annex 16: Renewal fees for European patent applications
- Annex 17: Calculation of the percentage of European patent applications for which renewal fees can be expected to be paid to the European Patent Office
- Annex 18: Revenue of the European Patent Office from renewal fees
- Annex 19: Outline budget for the European Patent Office
- Annex 20: Revenue and expenditure of the European Patent Office with immediate full opening, until a normal budget is attained
- Annex 21: Revenue of the European Patent Office, assuming progressive build-up
- Annex 22: Revenue and expenditure of the European Patent Office, assuming progressive build-up, until a normal budget is attained

- Continuation of the Study -

Postscript to Chapter III:

After the first part of this study had been completed, new salaries and social security scales for employees of the European Communities were published in the "Official Gazette" of the European Communities" of 21 January 1970 (volume 13, No. L 15). The new rates are 6 to 7 % higher than the previous rates. It has therefore been necessary to increase the figure of \$ 13,357,000 given on page 14 of this study for expenditure on personnel, including social security contributions, by 6 %, i.e. to \$ 14,158,420.

It also seemed to be useful, in connection with the outline budget which is to be prepared, to give separate details of the personnel and material expenses for the special organs under the "Convention for the European Patent for the Common Market" (the so-called 2nd Convention). A quick calculation indicated that, of the total staff of 1,320 persons, about 40 people, i.e. slightly more than 3 %, will be employed in the special organs. Subject to the more accurate estimate which has still to be made by the EEC "Community Patent" Experts Working Party, it has therefore been provisionally assumed that for each item $40/1320 = 1/33$ of the personnel and material expenses will be expenditure for the special organs under the 2nd Convention.

The personnel and material expenses of the European Patent Office consequently appear as follows :

1. Personnel expenses	14 158 420	
of which, for special organs,	<u>429 043</u>	13 729 277
2. Material expenses	2 886 000	
of which, for special organs,	<u>87 455</u>	<u>2 798 545</u>
Expenses of the European Patent Office excluding special organs		16 527 822
3. Expenses for these special organs:		
Personnel expenses	429 043	
Material expenses	<u>87 455</u>	<u>516 498</u>
Total expenses of the European Patent Office		17 044 320

These amounts appear, correspondingly rounded up, in the "Outline Budget for the European Patent Office" (Annex 19).

IV. Estimated direct revenue of the European Patent Office

The European Patent Office will have several sources of income available. The only fees directly payable to it are the procedural fees falling due during the procedure for the grant of patents and the renewal fees for European patent applications. These fees are set out in Annex 11 where they are divided into three groups for the purposes of this study:

1. First, all fees which are "taken into consideration" in the following calculations.
2. Other fees indicated as "neutral", since it is assumed that these fees will later be regarded as a cost-covering equivalent for certain procedural operations, i.e. for the report on the state of the art and for printing the publication under Article 85 (Article 86a) and the patent specification.
3. Finally there is a series of other fees which are "not taken into consideration", since they do not affect total revenue. An annual amount of \$ 100,000 for these fees has been entered in the calculations ad referendum.

The so-called designation fee has also been included in Annex 11, since it is payable during the procedure, i.e. prior to the end of the priority year. From a systematic point of view, it is true that it is a fee which, unlike the other procedural fees, is not paid directly to the European Patent Office but to the States designated in the application. According to this point of view, the designation fee would be charged to the designated States as part of their contributions. On the other hand, however, as has been done in the Regulations under the "Patent Co-operation Treaty", (Rule 15.1) in

connection with the designation fees for the benefit of the International Bureau, these fees could also be allocated to the European Patent Office as direct income. This approach could be justified by the consideration that the work of the EPO benefits precisely those Contracting States which are designated in the application. For the time being, the designation fee has been placed in Chapter V as income accruing to the EPO.

1. The procedural fees

In order to obtain standards of comparison for fixing the procedural fees, the most important procedural fees charged by the Contracting States are collated in Annex 12, as far as this can be done on the basis of the available information, and on the basis of these figures certain fees are adopted in Annex 13 for the purposes of this study.

The application fee will be characterized by also incorporating a flat-rate fee for printing the publication under Article 85 (Article 86a). It is therefore composed of a nett application fee of \$ 75 and a flat-rate printing fee of \$ 25. The printing fee has been estimated on the basis of experience with the publications of the German Patent Office, taking into consideration the target sales for publications. For the purpose of calculating income, only the nett application fee has been taken into account; the proportion of \$ 25 for printing costs has been regarded as "neutral". No provision is made for printing costs in the calculation of expenditure (Annex 10).

The revenue from the procedural fees is calculated in Annex 14. The 100-52-40-10 series given in column 2 corresponds to the values given in Annex 2, page 1. The frequency of appeals in the examination procedure is

assumed to be 3 and in the opposition procedure, 1. The income from application fees (excluding the flat rate printing fee) amounts to \$ 3,000,000 per annum. The income from the other procedural fees amounts to \$ 2,840,000 but does not reach this level until the EPO has been operating for 8 years. In the running-in period, the EPO can therefore only expect a portion of these fees. It is assumed that it would receive one eighth of this sum in the first year, two eighth in the second year, etc. and that it would only receive the full amount from the eighth year onwards.

2. The renewal fees for European patent applications

In order to obtain a starting point for fixing the renewal fees for European patent applications, the renewal fees charged by the States participating in the inter-governmental Conference are collated in Annex 15, expressed in the various currencies and in US dollars. Where the term of a patent is less than 20 years in any State, the corresponding scale of fees is continued in 7.

The total of the renewal fees paid in the Contracting States is given in US dollars on page 4 of Annex 15. The last column contains a scale which corresponds to about 25 % of these totals. This scale is used in Annex 16 as the basis for the renewal fees adopted for the purposes of this study.

Since the study assumes in other places that of the 17 Contracting States, 8 will be designated in an average application, the applicant would on average have to pay, for a European application, approximately half of the renewal fees which he would have to pay for eight national applications or patents. With a larger number of designations the applicant would stand to gain more, and with a smaller number, less. On the designation of not more than three States having average fees, the total of the national fees would be less than the renewal fee

for a European application. In individual cases, however, it would depend on the level of fees in the particular States for which patents were requested. If these were countries with high fees, a European application would result in a saving of renewal fees with only a few States. If they were countries with low fees, this would only be the case with a higher number of designations.

In order to simplify the calculation it is assumed in this study that the renewal fee for European patent applications is a standard fee.

Before it was possible to calculate the EPO's income from the applications filed with it, it was necessary to produce an estimated scale, given in Annex 17, which indicates for how many of 100 originally filed applications a renewal fee may be expected from the third year of the patent's life onwards. For the 3rd to the 8th years (heavily outlined in column h) this scale is : 76-47-41-32-23-10. In certain cases the European Patent Office will continue to receive renewal fees after the 8th year, in particular where the request for examination is not made until the end of the 7-year period, and where an appeal follows the examination procedure. Such cases have not however been taken into account and the scale therefore ends at the 8th year.

In calculating the scale, it was assumed that the EPO can only charge renewal fees for applications still filed with it, i.e. which have neither been dealt with by an examination procedure (I. - columns b and d), nor eliminated by failure to pay a renewal fee (II - columns e and f). It is assumed in column b that in the first two years, either immediately on the filing of the application or after receipt of the report on the state of the art, 25 requests for examination

are made for every 100 applications. In column c it is assumed that all 25 of these applications would constitute a source of income for the EPO in the 3rd patent year, but no longer in the 4th patent year. This would be the case if the examination procedure lasted longer than 1 year, but less than 2 years, on average. On this assumption 1 renewal fee would be payable to the EPO after the request for examination was made, because the application would subsequently be either refused or withdrawn, or the European patent would be granted and the fee would be paid to the national offices. The number of applications indicated in column b, for which a request for examination is made, consequently appears with a time lag of 2 years in column c as "no longer existing". As regards the series of figures given in column b, it is assumed that after a peak in the number of requests for examination in the first two years (25) there is first a drop (2), then a steady level of applications (5-5-5) and finally another peak (10) in the 7th year. Column d gives the total of applications "no longer existing" for the European Patent Office, as the result of a request for examination being made, up to a given patent year.

Under II (columns e and f), an estimate is made of the loss of applications for which no request for examination is made. These applications are eliminated because of failure to pay a renewal fee, or on being withdrawn. The series of figures adopted in column e has been estimated on the basis of figures given by the Netherlands Patent Office from its own experience.

The total of columns d and f, in column g, gives the number of applications which are no longer pending, and the result of subtracting these figures from 100, given in column h, represents the number of applications still pending. The scale for calculating the income from renewal fees follows immediately from column h, patent years 3 to 8.

The renewal fees may now be calculated as in Annex 18. In the 8th year of its full operation, the EPO will reach its normal income from renewal fees, i.e.

\$ 5,494,000.

V. Estimate of indirect revenue possibly accruing to the European Patent Office from contributions by the Contracting States.

In addition to the procedural fees and renewal fees for European patent applications, the EPO will have other sources of income available, such as the fees for the designation of Contracting States under Article 67 (Article 68). The question whether these designation fees are to be regarded as procedural fees accruing directly to the EPO or as fees which are to be credited to the designated States and accounted for in their contributions, has already been discussed on page 16. Payments made by the EEC States on account of the special organs must also be counted as income for the EPO. Finally, however, one of the EPO's main sources of income will be its share of the renewal fees for granted European patents which will be collected either by the Patent Administration Division in respect of the EEC's Community patent or from the national patent offices of States not belonging to the EEC.

1. Fees payable for the designation of Contracting States in a European patent application

This study assumes that the EPO will receive 40,000 patent applications per annum. A considerable proportion of these applications could reach the EPO via the PCT route, either because the EPO is a receiving Office, or it is a designated Office, within the meaning of the PCT. In both cases the

States in question are designated under the PCT. In this case Rule 15.1 under the PCT states that the designation fee is to accrue to the International Bureau. Since there is at present no usable basis for estimating the number of European applications which will at the same time be international applications, it is assumed in this study that this figure will not be more than 50 % of the number of European applications.

The EPO might therefore receive no designation fees for half of the applications which it processes. Neither would designation fees be paid for every application under the other half of the total number of applications since, under Article 67 (Article 68a), these fees are only payable after the end of the priority period. It is assumed in this study that 5 % of applications will be eliminated as a result of examination for formal and obvious deficiencies in accordance with Article 77 (Article 76). On the assumption that a further 5 % of applications will drop out between the filing of the application and the end of the priority period for other reasons, in particular because the report on the state of the art is produced at an early date and gives a negative result, we come to the conclusion that the designation fee is only received in about 90 % of the cases under consideration. Of the 20,000 applications reaching the EPO other than via the PCT route, designation fees will therefore only be received in 18,000 cases.

It is difficult to estimate at present how many designations there will be for each application, on the average. In connection with the calculations made for the PCT procedure it was assumed that the average number of designations for an international application would be 7. This study assumes an average figure of 8 designations for the European procedure. It is assumed in this connection that the 2nd Convention, which does not permit the designation of individual EEC States,

but always requires that the whole Community should be designated, will lead to a higher number of designations.

It is assumed that the designation fee will be \$ 10. This is the minimum rate provided for in PCT Rule 15.2 (b)(i) (provisional figure : a fee between \$ 10 and \$ 12.50).

The EPO's income from designation fees may thus be calculated as $18,000 \times \$ 10 \times 8$, i.e.

\$ 1,440,000.

2. Payments by the EEC States for the special organs under the "Convention for the European Patent for the Common Market"

A first estimate of the cost of the special organs under the "Convention for the European Patent for the Common Market" (the so-called 2nd Convention) to be set up pursuant to Article 8 (Article 8a) has already been made on page 15. For the purposes of this study, these sums have no immediate significance, since it may be assumed that the entire costs of the special organs will be borne by the EEC States, from the income accruing from renewal fees for the Community patent. The equivalent of these costs has therefore been put at \$ 515,000 in the income of the EPO, as a reimbursement by the EEC States.

3. The European Patent Office's share of renewal fees for granted patents

The EPO will not be able to cover its costs without receiving a share of the renewal fees levied, on the one hand by the EEC States for the Community patent and, on the other hand, by the national patent offices of the other Contracting States for granted European patents.

Experience shows that, as a rule, the expenditure of a national patent office is only covered by the renewal fees to be paid for granted patents. Similarly, it will only be possible to cover the expenditure of the EPO if at least part of the renewal fees for granted European patents are employed for this purpose. Working Party I has already said as much in the second paragraph of the Introductory Note to Part VI, above Article 129 (Article 119), in the following terms :

"The European Patent Office cannot be financed solely by the fees charged for granting patents, unless these are fixed at a prohibitive level. The annual fees levied for patents issuing from the European procedure should therefore contribute, on a scale to be determined, to the financing of the European Office."

There are considerable difficulties involved in a calculation of these renewal fees, which would be collected on one hand by the Patent Administration Division as a special organ under the 2nd Convention, and on the other hand by the national patent offices. The principal difficulty is that the frequency of designation of the individual Contracting States, and therefore the number of patents granted for these States, is not known. In the last part of this study an attempt will be made to establish a formula which will make it possible to obtain at least an idea of the order of magnitude of this income.

In the "Outline budget for the European Patent Office" (Annex 19) no figure is shown for this income for the time being. The resulting deficit of \$ 3,754,000 in the EPO's budget shows the amount which the Contracting States still have to cover from the renewal fees for granted European patents. As for the proportion to be taken, it can only be said at present that it can be assumed to be a standard percentage, for all the Contracting States, of their income from renewal fees for

granted European patents. It would have to be possible for the Administrative Council to vary this percentage, in order to take account of changes in the EPO's requirements.

VI. Outline budget for the European Patent Office

The results obtained by estimating the individual items of revenue and expenditure of the EPO are combined in Annex 19 to give an "outline budget for the European Patent Office". This budget can be regarded as the "normal budget". It will be achieved when the EPO has reached the full extent of its income from procedural fees and renewal fees after a number of years, with a constant figure of 40,000 applications per annum. With a deferred examination procedure having a request period of 7 years, this would be the case after 8 years, if it is assumed that applications in respect of which the request for examination is not made until the end of the 7-year period are in fact dealt with in the 8th year. In order to simplify matters, no account has been taken of the cases in which the EPO is still collecting fees subsequent to the 8th year because of a longer examination and appeal procedure.

Annex 20 shows the budgets for the years prior to attainment of the normal budget. This calculation is based on the working hypothesis that the EPO will be opened in year 1 for all areas of technology. The special organs under the 2nd Convention are not taken into account, because it is assumed that their costs will be balanced out. The following details may be pointed out in Annex 20.

It is assumed that in the preparatory stage - indicated as year 0 - the EPO will have available the sum of \$ 4,000,000 for initial capital investment as estimated in Annex 10,

page 2, and also a full budget of \$ 16,528,000 i.e. a total of \$ 20,528,000.

As regards the revenue received in year 1, it is assumed in column 1 that in this year a full year's application fees ($40,000 \times \$ 75 = \$ 3,000,000$) will be received and half of the normal revenue from designation fees ($\$ 1,440,000/2 = \$ 720,000$), since the designation fees do not fall due until the end of the priority year. For the first year, a total of only $\$ 3,000,000 + \$ 720,000 = \$ 3,720,000$ is indicated for application fees and designation fees. From year 2 onwards, this income reaches its full constant level of \$ 4,440,000.

As regards the other procedural fees listed in Annex 14, it is assumed in column 2 that they only reach the full level of \$ 2,840,000 from year 8 onwards. For earlier years it is assumed that this income starts in the first year at one eighth of its final level, i.e. at \$ 355,000 and increases by a further eighth in each successive year until the full amount is reached in year 8.

Column 4 contains the income from renewal fees calculated in Annex 18, column 6. This income starts in year 3 and reaches its normal level of \$ 5,494,000 in year 8.

As shown in column 5, the EPO thus reaches its normal revenue of \$ 12,774,000 in year 8.

The expenditure in column 6 begins with that incurred in the preparatory period. This figure is followed by the figure for the normal expenditure which remains constant from year to year.

The budget deficit shown in column 7 drops until it reaches the normal deficit of \$ 3,754,000 in year 8.

Column 8 shows the total year-by-year deficit up to and

including year 7. After this, the build-up and running-in period is at an end; only the normal deficit will now occur. The total costs of the build-up and running-in period thus amount, in the event of immediate opening for all areas of technology in year 1, to \$ 80,678,000.

VII. Problems raised by setting the European Patent Office up in stages

In its 1963 Report (page 22), the earlier EEC "Patents" Working Party assumed that the EPO could not be opened for all areas of technology at one and the same time, but in 2-year steps of 10, 15, 20, 25 and 30 % respectively.

Annexes 21 and 22 show how the EPO budget assumed in this study would develop with a progressive build-up of this type.

First, the revenue accruing to the EPO in the various stages is calculated in Annex 21. Since the last stage opens at the beginning of year 9, the full income level cannot be reached until year 16.

In Annex 22, the expenditure is set against the income calculated in Annex 21. Prior to the opening date, only half the normal budget figure is indicated as expenditure, in addition to the initial capital investment. As a general rule for calculating the expenditure, it is assumed that the level of expenditure runs ahead of the workload in such a way that, 2 years before a given stage opens, the EPO reaches half the corresponding expenditure level, and that it reaches the full expenditure level one year beforehand. The expenditure levels are calculated under "notes" in column 6.

With a progressive build-up of the type assumed here, the EPO

would reach its normal budget with the normal deficit of \$ 3,754,000 in year 16. The total deficit up to year 15 turns out to be \$ 105,162,400.

In the budget calculations both for immediate full opening of the Office (Annex 20) and for its progressive build-up (Annex 22), no account has yet been taken of income accruing to the EPO from the pre-emption of part of the renewal fees for granted patents. When corresponding figures can be included in the calculations, there will of necessity be a budget surplus after a certain time - depending on the proportion of the fee reserved for the EPO - which could be employed to repay to the Contracting States the sums made available in the build-up and running-in period.

- Secretariat -

Paper

presented by the Chairman of Working Party I

on

Guidelines for financial planning for
the European Patent Office

Chapters VIII to X

Introductory Note

The delegations taking part in Working Party I will find attached the third and last part of the Chairman's paper on "Guidelines for financial planning for the European Patent Office", containing Chapters VIII to X.

Pages II to V contain a full list of the contents of the paper with page indications, and a list of all the Annexes. The lay-out of the paper has been changed slightly during its preparation.

The Chairman apologizes for any inaccuracies and errors. The delegations are asked to inform the Secretariat of any discrepancies which they may find in studying the paper. If necessary a corrigendum could then be distributed at the beginning of the meeting on 1 to 3 April 1970.

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Annexes to the working document of 24 February 1970:

- Annex 11 : Survey of the fees provided for under the First Preliminary Draft Convention for a European System for the Grant of Patents
- Annex 12 : Procedural fees charged by the States participating in the Inter-governmental Conference

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- Annex 23 : Attempt to estimate the frequency of designation of the Contracting States
- Annex 24 : Attempt to calculate one national patent office's revenue from renewal fees, taking the Federal Republic of Germany as an example
- Annex 25 : Revenue and expenditure of the European Patent Office, taking into consideration a 75 % share in the renewal fees for granted European patents

- Annex 26 : Attempt to calculate contribution scales on the basis of gross national product and frequency of designation
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VIII. Balancing the budget of the European Patent Office by means of a percentage share in the renewal fees for granted European patents

It was stated in Chapter V.3. of this paper that the EPO will not be able to cover its costs without receiving a share of the renewal fees levied, on the one hand by the EEC States for the Community patent and, on the other hand, by the national patent offices of the other Contracting States for granted European patents.

The percentage of its revenue from renewal fees for granted European patents which each Contracting State would have to pay over to the EPO depends on the total revenue of all the Contracting States. This percentage must be set at such a level as to cover the total deficit arising until the normal budget is attained.

It is, at the present moment, difficult to calculate the annual revenue of each Contracting State, and thus the total revenue. Such a calculation requires that the following quantities are known for each Contracting State:

- (a) the number of European patents granted for that Contracting State;
- (b) the level of the renewal fees to be levied in that Contracting State in future;
- (c) the proportion of European patents continuing in existence in that Contracting State, i.e. the percentage of granted patents for which renewal fees are still levied during each year of the term of the patent's;
- (d) the legally determined maximum term of patents in that Contracting State.

In such a calculation the European Economic Community would have to be treated as a unit, on account of the "Convention for the European Patent for the Common Market" (the so-called 2nd Convention).

We will now attempt to construct a model for such a calculation of the revenue of the Contracting States. In this connection, it is necessary to specify the following details concerning the quantities mentioned under (a) to (d) above.

Ref. (a): We first attempt to estimate the number of patents granted for each State participating in the Inter-governmental Conference. Since this study has reached the conclusion that, out of a 100 patent applications, 40 lead to grant (page 10), we may conclude here that of all the applications in which the applicant designates a particular Contracting State, 40 % lead to the grant of a patent for that State. The number of patents granted for any given Contracting State is thus equal to 40 % of the number of applications in which this State is designated.

First of all, therefore an attempt is made in Annex 23 to estimate the frequency of designation of the Contracting States.

Column 1 lists the States participating in the Conference. In connection with the "Community patent", it is necessary to set up a special calculation for the EEC States at the bottom of the page.

An attempt is made in column 2 to estimate the frequency of designation of each State by its own nationals. It is assumed in this connection that every applicant from a Contracting State who files an application with the EPO includes his own

country in the list of States designated. The figures used for this purpose are taken from the middle column on page 1 of Annex 1.

The same assumptions are made in column 2a for the nationals of the EEC States. Since, pursuant to the 2nd Convention, the EEC States may only be designated jointly, the total of these designations by EEC nationals (12,678) should be multiplied by 6, giving a frequency of designation of the EEC by EEC nationals of 76,068.

An attempt is now made in columns 3 and 4 to estimate the frequency of designation of each State by foreigners. It is assumed in this connection that each national patent office will lose 80 % of its previous number of foreign applications, and that the Contracting State in question will instead be designated in European applications. Column 3 shows the number of foreign applications filed with the national offices in question during 1968. It is assumed in column 4 that the frequency of designation by foreigners is represented by 80 % of these figures.

The special calculation required for the EEC States is made in columns 3a and 4a. An estimate already having been made, in column 2a, of the frequency of designation of the EEC by EEC nationals, column 3a shows the number of foreign applications filed in the EEC States in 1968 by persons other than EEC nationals. As regards these figures in column 3a it is now necessary to estimate how many non-EEC nationals will designate the six EEC States jointly, i.e. will choose the EEC's Community patent. Since non-EEC nationals include both nationals of the other Contracting States, and nationals of non-Contracting States, it is assumed, in accordance with the "two States theory" for Contracting States and the "three States theory" for non-Contracting States, as employed in estimating the number of applications (pages 4 to 6 of this paper), that the number of times the EEC

is designated lies between the second highest figure (23,337) and the third highest figure (14,502) shown in column 3a. The number of non-EEC nationals choosing the Community patent is put at a round 20,000, as lying between these two figures. Since each of these applicants has to designate the six EEC States jointly, this leads to a figure of 120,000 designations of the EEC by non-EEC nationals.

Column 5 shows the total of the figures given in columns 2 and 4, i.e. the total number of designations on the basis of the figures for 1968.

The results obtained on the basis of the figures for 1968 require to be increased by 11.2 % in column 6, since the number of European patent applications estimated, with the aid of statistics for 1968, on page 6 of this paper to be 35,971 was increased by 11.2 % to 40,000. Column 6 therefore gives the frequency of designation of the Contracting States with a total of 40,000 applications. The average number of designations per application therefore turns out to be 7.8.

Of course, Annex 23 represents merely an attempt to estimate the frequency of designation of the Contracting States with 40,000 European applications. This estimate can only be used as the basis for further calculations with certain reservations.

Ref. (b): As far as the level of renewal fees is concerned, all that can be done in this study is to take the current renewal fee.

Ref. (c): The proportion of patents continuing in existence may vary from one Contracting State to another. It must be left to each Contracting State to estimate this proportion for the European patents granted for its territory.

Ref. (d): As regards the legally determined maximum term,

the calculations can be based either on a uniform term of 20 years or on the current term in each of the Contracting States.

An attempt is now made in Annex 24 to perform such a calculation of revenue on the basis of a model case, i.e. the Federal Republic of Germany. The Federal Republic of Germany is a hypothetical case, since it is a Member State of the EEC, and European patents cannot be granted for it separately.

The number of patents granted for Germany in this hypothetical example cannot be found by means of Annex 23, since the Federal Republic is there included with the EEC as a whole. This figure can however be estimated as follows, in accordance with the assumptions made in Annex 23 for the non-EEC States:

Designation by own nationals (Annex 1, page 1, middle column)	7,085
Designation by foreigners:	
Foreign applications 1968: 31,417	
80 % of this figure	<u>25,134</u>
Designations according to 1968 figures:	32,219
+ 11.2 % increase corresponding to Annex 23, column 6	<u>3,609</u>
	35,828

Of 35,828 designations of the Federal Republic of Germany in European patent applications, 40 %, i.e. 14,331, will result in the grant of European patents for Germany.

Columns 1 to 6 of Annex 24 contain a calculation of the revenue to be expected in the course of 20 patent years for a

constant figure of 14,331 patents granted each year.

In this model case, revenue from renewal fees commences in year 6, since it is assumed that European patents are on the average granted in year 5, and that renewal fees are payable to the national patent office from year 6 onwards. In actual fact, some of the revenue of the national patent offices will start to come in earlier than year 6 and some later.

The calculation is based on the current German renewal fees. Since the term of German patents is at present only 18 years, the German scale of fees is extended until year 20 according to its current progression.

As regards the continued existence figures in column 2, these are based on the average of the figures for patents filed with the German Patent Office in 1952, 1953 and 1954. For years 6 to 7 it is assumed that, above the normal drop-out figure of 4 patents, there is an additional drop-out of 5 patents as a result of the opposition procedure. The continued existence figures for years 19 and 20 are estimated.

The calculations in Annex 24 lead in column 6 to the result that, in the hypothetical case of the Federal Republic of Germany, the revenue from renewal fees 20 years after the opening of the EPO will be DM 42,354,775. In the period between year 6 and year 20 after the opening of the European Patent Office, before a complete "age pyramid" of granted European patents has been built up, the revenue from renewal fees will not reach this figure. The corresponding amounts may be read from column 6.

In order to obtain a reasonable reliable estimate of the total revenue of all the States participating in the Inter-governmental Conference, from renewal fees for granted European patents, the model thus set out for the hypothetical case of the Federal Republic of Germany would have to be tested, and the expected revenue of each Contracting State from renewal fees would have to be calculated. This is not possible in this paper. In order, however, to obtain some idea of how the EPO's budget can be balanced, we shall here assume a fictional amount for the sum of the revenue of all Contracting States from renewal fees. This fictional amount will be taken to be twice the revenue calculated for the hypothetical case of the Federal Republic of Germany. Although a very high designation frequency was assumed in this hypothetical case (35,828 designations for 40,000 European applications) and although the German Patent Office's renewal fees are relatively high, a figure of twice the revenue calculated for Germany should lead to an order of magnitude which could be reached later by the total revenue of all the Contracting States.

The revenue calculated for the sample case of Germany is first converted into US dollars in column 7 and is then doubled in column 8. The fictional total of the revenue of all the Contracting States from renewal fees for granted European patents will thus amount to \$ 23,144,686 as from year 20 after the opening of the EPO, the total revenue of all the Contracting States will in each case equal the amounts given in column 8.

Annex 25 shows the revenue and expenditure of the European Patent Office, taking into account a share in the Contracting

States' revenue from renewal fees for granted European patents. This Annex is a continuation of Annex 20, and is likewise based on the hypothesis of immediate full opening of the EPO, while not taking the special organs under the 2nd Convention into account.

The figures appearing in column 2 of Annex 25 are taken from column 7 of Annex 20, and therefore represent the EPO's budget deficit when a share of the renewal fees for granted patents is not taken into consideration.

From year 6 onwards, column 3 contains the sums which could accrue to the EPO as its share in the Contracting States' revenue from renewal fees for granted European patents, assuming that this share is set at 75 %. This relatively high figure will enable the EPO to attain a balanced budget as soon as possible, and to repay the costs of the build-up and running-in period. The figures in column 3 equal 75 % of the figures in column 8 of Annex 24, i.e. of the fictional total revenue of all the Contracting States from renewal fees for granted European patents. The figures increase from year 6 to year 20. From year 20 onwards the share will remain constant at \$ 17,359,000 per annum, as long as it continues at 75 %.

Column 4 shows the EPO's budget out-turn, taking into consideration its 75 % share in the renewal fees for granted patents. From year 10 onwards, the EPO will have a budget surplus which will enable it to repay the costs of the build-up and running-in period, i.e. the accumulated total of budget deficits up to year 9.

Column 5 shows how the total budget out-turn develops. It begins, as in Annex 20, column 8, with \$ 20,528,000 for the costs of the preparatory stage. This deficit increases continuously until it reaches a maximum of \$ 79,729,000 in year 9. This maximum debt of the EPO is not as great as would result from the continuation of column 8 of Annex 20 for year 9, since in Annex 24 the EPO's additional revenue from its share in the renewal fees for granted patents starts in year 6. In year 10 the EPO's debts begin to decrease on account of current repayments. Between years 19 and 20 the EPO would have fully repaid the Contracting States' contributions for the build-up and running-in period. In year 20 it would already reach a budget surplus of \$ 8,110,000.

From year 20 onwards it would be possible either to reduce the figure of 75 % or to reduce the procedural fees and renewal fees charged by the EPO for European applications, or to do both.

With a progressive build-up of the EPO, the calculation shown in Annex 25 would be moved back in time and would be extended by up to 8 years, i.e. the period assumed to elapse between the beginning of the first and last stages.

IX. Financing of the European Patent Office in its build-up and running-in period by contributions from the Contracting States

It has been possible to show in the previous chapter that the EPO will probably be able, with the assistance of a share in renewal fees for granted European patents, not only to attain a balanced budget, but also to achieve surpluses which will enable it to repay the costs of the build-up and running-in period. All that is required now is to consider by what scale of contributions the costs of the build-up and running-in period may be covered.

It also follows from the preceding considerations that it is not necessary to lay down a special scale of contributions for the future. The EPO's variable share in the Contracting States' revenue from granted European Patents can perform the function of a scale of contributions. The basis for the contribution made by any State will thus be its revenue from granted European patents. It would seem to be worth considering this method of evaluating contributions.

The Contracting States' income from granted European patents, which will depend firstly on the number of patents granted for these States and secondly on the level of their renewal fees, would therefore seem to be a possible future basis for evaluating the contributions which they are to pay to the EPO. These contributions would be determined as a percentage, which would be the same for all the Contracting States, of their revenue from granted European patents. If the EPO was faced with exceptional expenditure, this percentage could be provisionally increased and if a surplus had built up it could be provisionally reduced.

Although a suitable scale of contributions can be found in this way for the future, there is still a need for a provisional scale, i.e. a prior assessment scale, for the costs of the build-up and running-in period, i.e. for the first 20 years after the opening of the EPO. According to Annex 25, column 4, these costs amount to :

For the period prior to the opening of the EPO (indicated as year 0)	\$ 20,528,000
For budget year 1	\$ 12,453,000
" " " 2	\$ 11,378,000
" " " 3	\$ 9,959,000
" " " 4	\$ 8,664,000
" " " 5	\$ 7,243,000
" " " 6	\$ 5,130,000
" " " 7	\$ 3,058,000
" " " 8	\$ 1,231,000
" " " 9	\$ 85,000
Total	<u>\$ 79,729,000</u> =====

It will be necessary to raise this money in the first place, even though it will be possible to repay it later from the EPO's share in the Contracting States' revenue from granted European patents.

A different scale of contributions must therefore be found for raising these resources.

Certain scales of contributions will immediately be eliminated as unsuitable, such as the BIRPI scale and the Council of Europe's scale, which is based on population figures.

Other scales could however be taken into consideration, and a number of them are calculated in Annexes 26 and 27, and compared with each other in Annex 28. The scale based on gross national product (Annex 26 - I) seems to be less suitable, since the national product derives partly, in a proportion which varies from one State to another, from branches of the economy which have little to do with the patents field, such as agriculture or tourism. The scale based on frequency of designation (Annex 26 - II) appears to be unsuitable for the prior assessment which is in question here, since it is a hypothetical scale. Of the scales assembled in Annex 27, the scale based on the number of patents granted seems to be unsuitable, since it puts States with a system of registration at a disadvantage. There remain only the scales based on the number of patent applications, and of these the key based on the total number of applications (Annex 27, column 8 and Annex 28, column 6) could be the most suitable.

Annex 29 shows the payments made by one Contracting State in respect of the costs of the build-up and running-in period, and repayments to this State, taking the Federal Republic of Germany as an example. The scale of contributions chosen is based on the total number of patent applications in 1968. For the Federal Republic of Germany this key leads to a contribution of 19.64 %. In the preparatory stage (year 0) and in the first 9 years after the EPO is opened, the Federal Republic would have to make total payments of \$ 15,658,775. From year 10 onwards, these sums could be repaid. Up to and including year 20, the repayments would reach the total of \$ 17,251,580, and would thus already exceed the payments made.

In conclusion it must be pointed out once again that the considerations put forward in this third and last part of the paper are even more hypothetical than those contained in the first two parts. The Annexes to this last part are to be understood primarily as setting out thought patterns and methods of calculation which are to be tested and improved by the Working Party before Working Party IV can use them to make more accurate calculations.

X. Summary of the Paper

It is the task of Working Party I to work out guidelines for financial planning for the European Patent Office, and to make the results available to Working Party IV.

This paper assembles material which is intended to make it easier for Working Party I to estimate figures which Working Party IV can use as the basis for its calculations. It has not always been possible to make a clear distinction between considerations arising in the patents field in its narrow sense from purely financial considerations. It should however be sufficient for Working Party I to examine those considerations in this paper which come into the patents field, i.e. which fall under its terms of reference. Corresponding recommendations for Working Party IV can then be drawn from these considerations. Further work can be left to Working Party IV and, as far as it relates to personnel questions, to Working Party III.

At its meeting on 1 to 3 April 1970, Working Party I should therefore arrive at conclusions as regards the following questions, stated in the order in which they are dealt with in this study, and should produce recommendations for Working Parties III and IV.

I.1. How many patent applications will be filed with a European Patent Office opening in the mid-seventies, on the assumption that the national patent offices will continue to exist and that it will continue to be possible to request patent protection in Europe at the purely national level?

Basis of discussion:

Paper, p. 4 to 7

Annex 1.

2. How many examiners will be required to process these applications on the basis of the procedure now provided for in the Draft? The Working Party can answer this question separately, in accordance with Article 88 (2) of the Draft, for deferred examination procedures with differing request periods (2-5-7 years).

Basis of discussion:

Paper, p. 7 to 12

Annex 2.

II. What recommendations can the Working Party give to Working Parties III and IV, - on the basis of the number of examiners thus determined - as regards the composition of the total staff of the EPO ? In this connection answers would need to be found to the following questions in particular:

- (a) How many Patent Divisions and thus how many Chairmen of Divisions will be required?
- (b) How many Boards of Appeal will be required?
- (c) How many senior technical officials will be required for work other than the examination of patent applications, in particular for classification and documentation work?

Basis of discussion:

Paper, p. 12

Annex 3.

III. 1. Since it is the task of Working Party III to make proposals for examiners salaries and, on the basis thereof, for the remuneration of other staff, it is not necessary for the Working Party to adopt any position.

Basis of discussion:

Paper, p. 13 to 14

Annex 5 to 9.

2. The material expenses of the EPO are only included in this paper in order to give some idea of the probable magnitude of the EPO's budget and of the possibilities of balancing it. It is the task of Working Party IV to estimate these expenses and Working Party I need not adopt any position on this.

Basis of discussion:

Paper, p. 14

Annex 10.

- IV.1. (a) Which procedural fees may provisionally - subject to final determination in the Rules relating to fees - be taken as the basis for financial planning?
- (b) Which income key (cf. Annex 14, column 2) is to be adopted for this purpose? The key depends on the length of the request period (Article 88).

Basis of discussion:

Paper, p. 16 to 18

Annexes 11 to 14.

2. (a) What renewal fees for European patent applications may provisionally - subject to final determination in the Rules relating to fees - be taken as the basis for financial planning?
- (b) Which income key (cf. Annex 18, column 2) is to be adopted for this purpose? The key depends on the length of the request period.

Basis of discussion:

Paper, p. 18 to 21

Annexes 15 to 18.

V.1. (a) Is the designation fee to be included among the procedural fees as a fee accruing directly to the EPO, as in the PCT Rules, or is it to be included in the budget as a fee falling due to the designated Contracting States?

(b) What level of designation fees is provisionally to be taken as a basis for financial planning - subject to final determination in the Rules relating to fees?

(c) From how many designation fees can the EPO expect to draw an annual income?

Basis of discussion:

Paper, p. 21 to 23

Annex 22 (Estimate of frequency of designation)

2. It does not appear to be necessary to include the special organs under the 2nd Convention in the financial planning at present, since it may be assumed that the EEC States will cover the costs of these organs.

VI. The outline budget for the EPO (Annex 19) does not give rise to any questions on which the Working Party has to reach a conclusion, since this outline only constitutes a summary of the individual estimates of revenue and expenditure.

VII. Should Working Party IV also include the case of a progressive build-up of the EPO in its calculations?

In this case, what area and what time interval should be assumed for the individual stages?

Basis of discussion:

Paper, p. 27 and 28

Annexes 21 and 22.

VIII. As already indicated in the introductory note above Article 129 (119), the EPO can only balance its normal budget with the assistance of a share in the Contracting States' revenue from renewal fees for granted European patents.

Can Working Party I give any ideas on how to calculate the Contracting States' revenue from renewal fees for granted European patents?

Basis of discussion:

Paper, p. 23 to 25 and 29 to 37

Annexes 23 to 25.

IX. Can Working Party I give Working Party IV any recommendation for the choice of a scale of contributions, based on patent considerations?

Does it seem to be appropriate to make a distinction between a scale of contributions for the future and a prior assessment scale for the costs of the build-up and running-in period?

Basis of discussion:

Paper, p. 38 to 41

Annexes 24 to 29.

It is of course open to the Working Party not to answer individual questions, and also to adopt a position as regards questions which have not been put above.

- Secretariat -

A N N E X E S 1 to 10

to the Paper by the Chairman of Working Party I on the
guidelines for financial planning for the European Patent Office

Contents of the Annexes to Chapters I to III

- Annex 1: Extract from the BIRPI statistics for 1968
- Annex 2: Calculation of the number of examiners required
- Annex 3: Total numbers and grading of European Patent Office staff for a requirement of 390 examiners
- Annex 4: Distribution of posts among employee Classes in the EPO as compared with that of the Commission of the European Communities
- Annex 5: Distribution of EPO employees among the various grades
- Annex 6: Grade structure of the EPO as compared with that of the Commission of the European Communities
- Annex 7: Currency parities
- Annex 8: Survey of the salaries of employees of the Commission of the European Communities
- Annex 9: Calculation of the salaries to be paid to employees of the European Patent Office
- Annex 10: Initial capital investment and recurring expenditure of the European Patent Office for a staff of 1,320

E x t r a c t

from the BIRPI statistics for 1968 (Patent Table I b)

Industrial Property/La Propriété industrielle - December 1969 Supplement

Highest Second highest Third highest

number of patent applications filed in 1968 in the
States participating in the Inter-governmental
Conference, with the ICIREPAT code for country of
destination (1)

Country of origin

States participating in the
Inter-governmental Conference

Federal Republic of Germany	9,444 FR	7,085 GB (2)	5,855 IT
United Kingdom	4,074 DT	3,790 FR	2,468 IT
France	3,200 DT	2,777 GB	2,544 IT
Switzerland	2,474 DT	2,272 FR	1,884 GB
The Netherlands	1,413 DT	1,278 FR	933 BE
Italy	1,341 FR	1,032 DT	874 GB
Sweden	1,066 DT	954 GB	803 FR
Belgium	660 FR	471 NL	408 DT
Austria	599 DT	336 FR	328 CH
Denmark (3)	355 GB	291 DT	211 FR
Spain	220 FR	150 IT	125 DT
Norway	105 DT	97 GB	54 FR
Ireland	56 GB	18 DT	12 FR
Luxembourg	36 DT	35 FR	26 BE
Portugal	19 ES	19 GB	16 FR
Greece	12 FR	12 DT	6 GB
Turkey (4)	--	--	--

Total for all participating states

25,074

20,617

16,547

Highest Second highest Third highest

Country of origin

number of patent applications filed in 1968 in the States participating in the Inter-governmental Conference, with the ICIREPAT code for country of destination (1)

Third countries

USA	13,961 GB	12,083 DT	11,392 FR
Japan	2,360 DT	2,331 GB	1,715 FR
East Germany	1,413 DT(5)	590 FR	472 GB(2)
Canada	586 GB	235 DT	223 FR
USSR	561 DT	542 FR	508 GB
Czechoslovakia	447 DT	345 GB	312 FR
Australia	249 GB	87 DT	65 FR
Hungary	151 DT	129 OE	119 FR
Liechtenstein	149 FR	132 CH	122 DT
South Africa	132 GB	54 DT	47 FR
Finland (3)	101 DT	81 GB	45 FR
Poland	83 DT	79 FR	77 GB
Rumania	64 DT	63 FR	56 GB
Israel	61 GB	29 DT	23 FR
New Zealand	46 GB	7 DT	3 IT/NL
Bulgaria	35 FR	30 DT	29 IT
Yugoslavia	28 BE	25 DT	20 OE
India	26 GB	17 DT	15 FR
Monaco	25 FR	5 IT	4 GB
Panama	24 GB	15 FR	15 CH
Argentina	22 DT	20 IT	16 FR
Brazil	12 DT	12 IT	10 GB
Rhodesia	11 GB	3 DT	2 FR u.a.
Mexico	9 GB	9 ES	7 DT
Other third countries	264 GB	104 FR	57 NL
Total for all third countries	20,820	17,027	15,354

Grand Total	45,894	37,644	31,901
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Key

(1) ICIREPAT country code:

BE = Belgium
CH = Switzerland
DK = Denmark
DT = Federal Republic of Germany
ES = Spain
FR = France

GB = United Kingdom
IT = Italy
NL = The Netherlands
NO = Norway
OE = Austria
SF = Finland
SW = Sweden

- (2) This is an estimated figure. The United Kingdom reported a total of 7,557 applications originating in the Federal Republic and East Germany. It was assumed that the proportion originating in East Germany was the same as for France (16:1), i.e. 472 applications.
- (3) Account must be taken of the fact that, within Scandinavia, use is first made of the Nordic Patent. For this reason, only the non-Scandinavian figures have been taken from the series of 355 GB, 291 DT, 260 SW, 211 FR, for Denmark, 130 SW, 105 DT, 97 GB, 79 DK, 54 FR for Norway and 163 SW, 101 DT, 81 GB, 68 NO, 49 DK, 45 FR for Finland.
- (4) There are no individual figures available for Turkey. They are included in the total for other third countries.
- (5) This figure has been taken from the statistics of the German Patent Office.

Calculation of the number of examiners required

On the basis of the 1962 Draft	On the basis of the 1970 Draft	
	I. Out of 100 patent applications	
	under a system of deferred examination with a 7-year request period	under a system of deferred examination with a 2-year request period
80 lead to a provisional European patent; according to the 1963 Report (p. 12 below) 35 % of these are abandoned before request for examination is made; thus under deferred examination, 28 applications would be dropped, leaving	80 applications are neither withdrawn or refused during examination for obvious deficiencies nor abandoned following an unfavourable report on the state of the art; with a request period of about the same length as for 1962, about 28 applications would be dropped, leaving	80 applications reach the stage indicated in the previous column; as the result of a considerably shorter request period than for 1962, only 6 % would be dropped before a request for examination was made; the drop-out figure is thus reduced to 5, leaving
52 leading to a request for examination, of which 17 are eliminated in examination proceedings with third party participation, leaving	52 leading to a request for examination, of which 12 are eliminated in examination proceedings without third party participation, leaving	75 leading to a request for examination of which 17 are eliminated leaving
	40 leading to the grant of a European patent, of which	58 leading to the grant of a European patent, of which
	10 give rise to opposition; of these, 5 are eliminated, leaving	14 give rise to opposition; of these, 7 are eliminated, leaving
35 leading to a final European patent	35 valid European patents	51 valid European patents

II. This leads to the following amount
of work for 100 applications

1962 Draft		1970 Draft	
		7 year period	2 year period
1. 100 examinations for obvious deficiencies		1. 100 examinations for obvious deficiencies	1. 100 examinations for obvious deficiencies
2. 52 examinations for novelty		2. 52 examinations for novelty	2. 75 examinations for novelty
		3. 10 examinations of opposition	3. 16 examinations of opposition

Examiner's time required at each operation for this volume of work:

according to 1963 Report (p. 17):

1. 0.5 working days for examination for obvious deficiencies
2. 3.0 working days for examination for novelty
of which
2.3 days by the 1st rapporteur
0.7 days by the 2nd rapporteur

according to new estimates:

1. 0.5 working days for examination for obvious deficiencies
2. 2.3 working days for examination for novelty,
of which
1.8 days by the 1st rapporteur
0.5 days by the 2nd rapporteur
3. 3 working days for examination of opposition,
of which
2.3 days by the 1st rapporteur
0.7 days by the 2nd rapporteur

III. Thus the following number of examiners are required:

1962 Draft		1970 Draft	
		7-year period	2-year period
1. $100 \times 0.5 = 50$ days		1. $100 \times 0.5 = 50$ days	1. $100 \times 0.5 = 50$ days
2. $52 \times 3 = 156$ days		2. $52 \times 2.3 = 119.6$ days	2. $75 \times 2.3 = 172.5$ days
		3. $10 \times 3 = 30$ days	3. $14 \times 3 = 42$ days
100 applica- tions re- quire	206 examiner working days	199.6 examiner working days	264.5 examiner working days
on the basis of 220 working days per year per examiner, processing 100 applications calls for			
0.94 examiners		0.91 examiners	1.20 examiners
this corresponds to an annual workload per examiner of			
106.80 applications		111.32 applications	83.18 applications
for 40,000 applications, the number of examiners required would be:			
375		359	481

Total numbers and grading of
European Patent Office staff for a
requirement of 390 examiners

The staff needed for the EPO has been grouped into four classes (A, B, C and D), as provided, for example, in the Service Regulations of officials of the European Communities.

(A) Class A employees

I. Office of the President of the EPO

- 1 President
- 3 Vice-Presidents, each responsible for a Directorate General
- 1 Principal Private Secretary
- 2 Officials

7

II. Directorate General I

(Examination, grant and administration of patents)

1. Patent Divisions

According to Annex 2, the EPO would need 390 examiners. The Chairman has assumed that the Examining Sections and Examining Divisions would be placed together for administrative purposes in Patent

carry forward:

7

brought forward: 7

Divisions composed of 15 examiners. Accordingly 26 Chairmen would be needed for the Patent Divisions. The total number of Class A employees required for all the Patent Divisions would thus be

416

2. Patent Administration Division (1)

1 Head of Division

2 Jurists

3

III. Directorate General II

(Boards of Appeal and Revocation Boards) (1)

9 Board Chairmen

36 Members

45

IV. Directorate General III

(Administration)

1. Budget, Personnel, Organisation and General Services Division

1 Head of Division

1

(a) Budget Section

1 Head of Section

2 Officials

3

(b) Personnel Section

1 Head of Section

1 Official

2

carry forward: 477

(1) It has been assumed that expenditure relating to these bodies will be borne by the EEC states.

brought forward: 477

(c) Organisation Section

1 Head of Section

2 Officials

3

(d) General Services Section (receipt of applications, equipment, etc)

1 Head of Section

1

2. Classification and Documentation Division

1 Head of Division

1

(a) Library

1 Chief Librarian

1

(b) Classification and Documentation Section

1 Head of Section

12 Classifiers

5 Officials

18

In establishing these figures, account has been taken of the division of tasks between the International Patent Institute and the EPO.

3. Legal Division

(Legal studies; participation, where appropriate, in the decisions of the Examining Divisions)

1 Head of Division

12 Jurists

13

carry forward: 514

brought forward: 514

4. Translation Department

1 Head of Translation Department

47 Translators and interpreters

48

Total number of Class A employees needed for the EPO:

562

(B) Class B employees

1. (a) For the "procedural" Divisions (Examining Sections, Examining Divisions, Boards of Appeal and Revocation Boards), in the ratio of 1:6 to Class A employees (461)

77

(b) Patent Administration Division

15

2. For the President's Office and the Directorate General of Administration (excluding the Translation Department)

45

3. For the Translation Department, in the ratio of 1:10 to Class A employees (48)

5

Total number of Class B employees needed for the EPO

142

(C) Class C employees

1. Typing Pool

The number of typists depends on the number of Class A and Class B employees (704).

In certain national patent offices and at the Commission of the European Communities the ratio seems to be 1:3. Other national patent offices employ fewer typists. In the 1963 Report the earlier Working Party was of the opinion that the minimum ratio to be adopted for the EPO should be 1:4.

The number of typists needed will therefore be

176

2. (a) Archives of the "procedural" Divisions

There should be one filing clerk to each Class B employee in the procedural Divisions. Even if a modern centralized filing system is installed in the EPO for all the procedural Divisions, or at least for each of the Patent Divisions and for the Boards of Appeal and Revocation Boards together, it seems hardly possible to reduce the ratio of 1:1.

The number of Class B employees in the procedural Divisions being 77, it is suggested that the number of filing clerks should also be put at 77

77

(b) Archives of the Patent Administration Division

7

3. Administration archives, clerical services, particularly in the Preliminary Examination Division,
Library assistants, cashiers, telephonists, caretakers and porters

carry forward:

260

brought forward: 260

As the administrative departments of the EPO will be equipped with modern office machines and equipments, the number of Class C employees needed for the administrative services would be relatively low.

Number proposed 210

4. Translation Department

The Translation Department would appear to need about 5 Class C employees

5

Total number of Class C employees needed by the EPO

475

(D) Class D employees

The estimate of the number of Class D employees needed for the EPO is as follows:

Messengers 30

Duplicating services 26

Maintenance staff, drivers and porters 40

Documentation 10

Auxiliary general service staff (including filing) 35

Total number of Class D employees needed by the EPO

141

(Note: cleaning would be undertaken by an office cleaning agency)

Total number of staff required for the EPO

1,320

Distribution of posts among employee classes in the EPO as compared
with that of the Commission of the European Communities

Class	<u>EPO</u>		<u>Commission of the European Communities</u>	
	(excluding Translation Department)		(excluding Translation Department)	
	number of posts	percentage of total posts	number of posts 1969	percentage of total posts
A (Administrative)	514	40.7 %	1,363	30.8 %
B (Executive)	137	10.9 %	911	20.6 %
C (Clerical)	470	37.2 %	1,898	42.9 %
D (Operative)	141	11.2 %	254	5.7 %
Total	1,262	100 %	4,426	100 %
	<u>Translation Department</u>		<u>Translation Department of the</u>	
	<u>of the EPO</u>		<u>Commission of the European Communities</u>	
	number of posts	percentage of total posts at the EPO	number of posts 1969	percentage of total posts at the Commission
	58	4.4 %	487	9.9 %
Total number of posts	1,320		4,913	-

Distribution of EPO employees among the various grades

Class and grade	Function	Number of permanent posts after the setting up of the EPO		
		excluding the Translation Department	including	Total
A 1 plus allowance	President	1	-	1
A 2 plus allowance	Vice Presidents	3	-	3
A 2	Board Chairmen, Principal Private Secretary	10	-	10
A 3	Board members, Chairmen of Patent Divisions, Heads of Division	66	1	67
A 4)	128	7	135
A 5)	127	16	143
A 6) Examiners, jurists and other academically	127	13	140
A 7) trained officials	52	11	63
A 8)	-	-	-
Class A total		514	48 (1)	562
B 1	Executive officer	38	1	39
B 2	Chief inspector	38	1	39
B 3	Chief inspector	43	3	46
B 4	Inspector	18	-	18
B 5	Inspector	-	-	-
Class B total		137	5	142

(1) This distribution corresponds to the table for grades A 3 - A 7 in use by the European Communities in 1969 (1:15:33:28:23).

Class and grade	Function	Number of permanent posts after the setting up of the EPO		
		excluding the Translation Department	including	Total
C 1	Principal secretary	71	1	72
C 2	Secretary	117	1	118
C 3	Secretary	235	3	238
C 4	Assistant	42	-	42
C 5	Assistant	5	-	5
Class C total		470	5	475
D 1	Supervisor	71	-	71
D 2	Chief operative	56	-	56
D 3	Chief operative	14	-	14
D 4	Operative	-	-	-
Class D total		141	-	141
Total		1,262	58	1,320

Grade structure of the EPO as compared
with that of the Commission of the European Communities

Annex 6, page 1

Class and grade; (1) function	<u>European Patent Office</u>		<u>Commission</u>	
	(excluding Translation Department)		(excluding Translation Department)	
	number of posts	percentage of total posts in Class	number of posts in 1969	percentage of total posts in Class
A 1 plus allowance President/Director General	1	-	23	-
A 2 plus allowance Vice-President	3	-	-	-
A 2 Board Chairman, Principal Private Secretary/Director	10	2 %	96	7.1 %
A 3 Board member, Chairman of Patent Division, Head of Division/Head of Division	66	13 %	253	18.9 %
A 4 Examiner/Principal administrator	128	25 %	312	23.3 %
A 5 Examiner/Principal administrator	127	25 %	340	25.4 %
A 6 Examiner/Administrator	127	25 %	178	13.3 %
A 7 Examiner/Administrator	52	10 %	161	12.0 %
A 8 Examiner/Assistant administrator	-	-	-	-
Class A total (excluding President and Vice- Presidents)	510	100 %	1340	100 %

(1) This column first gives the descriptions adopted for the EPO, followed by those in use at the Commission of the European Communities.

Class and grade; function	<u>European Patent Office</u> (excluding Translation Department)		<u>Commission</u> (excluding Translation Department)	
	number of posts	percentage of total posts in Class	number of posts in 1969	percentage of total posts in Class
B 1 Executive officer	38	28 %	254	27.9 %
B 2 Chief inspector	38	28 %	257	28.2 %
B 3 Chief inspector	43	31 %	285	31.3 %
B 4 Inspector	18	13 %	86	9.4 %
B 5 Inspector	-	-	29	3.2 %
Class B total	137	100 %	911	100 %
C 1 Principal secretary	71	15 %	286	15.1 %
C 2 Secretary	117	25 %	464	24.4 %
C 3 Secretary	235	50 %	958	50.5 %
C 4 Assistant	42	9 %	170	9.0 %
C 5 Assistant	5	1 %	20	1.0 %
Class C total	470	100 %	1898	100 %
D 1 Supervisor	71	50 %	127	50.0 %
D 2 Chief operative	56	40 %	102	40.2 %
D 3 Chief operative	14	10 %	25	9.8 %
D 4 Operative	-	-	-	-
Class D total	141	100 %	254	100 %

Currency parities

This Annex gives the currency parities used in the calculations in the following annexes. The table below has been taken from a table drawn up by the Deutsche Bundesbank (Vs 801) giving the currency parities as at 12.00 noon on 27 October 1969, as agreed by the various States with the International Monetary Fund.

Country	Monetary unit (m.u.)	Abbreviation used	US Dollar equivalent	
			US cents per m.u.	m.u. per US \$
Belgium	Belgian franc	bfrs	2.00000	50.000000
Federal Republic of Germany	Deutsche Mark	DM	27.32240	3.660000
Denmark	Danish krone	dkr	13.33333	7.500000
France	French franc	F	18.00440	5.554190
Greece	Drachma	Dr	3.33333	30.000000
United Kingdom	Pound Sterling	£	240.00000	0.416667
Ireland	Irish pound	£	240.00000	0.416667
Italy	Italian lira	Lire	0.16000	625.000000
Luxembourg	Luxembourg franc	lfrs	2.00000	50.000000
The Netherlands	Netherlands florin	hfl	27.62430	3.620000
Norway	Norwegian krone	nkr	14.00000	7.142860
Austria	Austrian schilling	S	3.84615	26.000000
Portugal	Escudo	Esc	3.47826	28.750000
Sweden	Swedish krone	skr	19.33040	5.173210
Switzerland	Swiss franc	Fr	22.86850	4.372830
Spain	Peseta	Ptas	1.42857	70.000000
Turkey	Turkish pound	£	11.11110	9.000000

S u r v e y

of the salaries of employees of the Commission of the
European Communities

The figures indicate the salary of a married employee with two children of school age, employed elsewhere than in his country of origin; in each case the figures corresponding to the first and last incremental steps of the grade are indicated by (a) and (b) respectively.

In this survey, the salaries of officials of the Commission of the European Communities are shown free of tax, since it is assumed that the salaries of employees of the EPO will not be taxed.

kel/PA/mrk

Grade (a)first incre- mental step (b)last incre- mental step	Basic sal- ary	Family allow- ance (5% of column 2, but not less than 900 bfrs)	Child- ren's allow- ance (1,400 bfrs per child)	School fees allow- ance (800 (1) bfrs per child)	Expat- riation allow- ance (16% of columns 2 to 4, but not less than 2,500 bfrs)	Gross sal- ary (columns 2 to 6)	Health insur- ance (1.5% of col. 2, but not more than 1,150 bfrs) and accident insurance (0.1% of col.2)	Pension contri- bution (6% of col.2)	Total deduc- tions (cols.8 and 9)	Net monthly salary (col.7 minus col.10)	
	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	\$
1	2	3	4	5	6	7	8	9	10	11	12
<u>C l a s s A</u>											
A 1 a)	74 950	3747.5	2800	1600	13039.6	96137.1	1199.20	4497	5696.20	90440.90	1808.82
b)	97 450	4872.5	2800	1600	16819.6	123542.1	1247.45	5847	7094.45	116447.65	2328.95
A 2 a)	65 550	3277.5	2800	1600	11460.4	84687.9	1048.80	3933	4981.80	79706.10	1594.12
b)	86 800	4340.0	2800	1600	15030.4	110570.4	1236.80	5208	6444.80	104125.60	2082.51
A 3 a)	53 450	2672.5	2800	1600	9427.6	69950.1	855.20	3207	4062.20	65887.90	1317.76
b)	78 300	3915.0	2800	1600	13602.4	100217.4	1228.30	4698	5926.30	94291.10	1885.82
A 4 a)	44 750	2237.5	2800	1600	7966.0	59353.5	716.00	2685	3401.00	55952.50	1119.05
b)	62 950	3147.5	2800	1600	11023.6	81521.1	1007.20	3777	4784.20	76736.90	1534.74
A 5 a)	36 500	1825.0	2800	1600	6580.0	49305.0	584.00	2190	2774.00	46531.00	930.62
b)	52 600	2630.0	2800	1600	9284.8	68914.8	841.60	3156	3997.60	64917.20	1298.34
A 6 a)	31 050	1552.5	2800	1600	5664.4	42666.9	496.80	1863	2359.80	40307.10	806.14
b)	44 000	2200.0	2800	1600	7840.0	58440.0	704.00	2640	3344.00	55096.00	1101.92
A 7 a)	26 150	1307.5	2800	1600	4841.2	36698.7	418.40	1569	1987.40	34711.30	694.23
b)	33 650	1682.5	2800	1600	6101.2	45833.7	538.40	2019	2557.40	43276.30	865.53

(1) School fees allowances are calculated according to the following flat rates: for children aged 6-11, 450 bfrs; children aged 11-18, 625 bfrs; for children in higher education, 1,250 bfrs. The calculations given above are based on 1/3 of the total of these allowances (775 bfrs, rounded up to 800 bfrs).

Grade	Basic	Family	Child-	School	Expat-	Gross	Health	Pension	Total	Net monthly	
(a)first	sal-	allow-	ren's	fees	riation	sal-	insur-	contri-	deduc-	salary	
incre-	ary	ance	allow-	allow-	allow-	ary	ance	bution	tions	(col.7 minus	
mental		(5%. of	ance	ance	ance	(columns	(1.5%	(6% of	(cols.8	col.10)	
step		column	(1,400	(800 ⁽¹⁾	(16% of	2 to 6)	of col.	col.2)	and 9)		
(b)last		2, but	bfrs per	bfrs	columns		2, but not				
incre-		not less	child	per	2 to 4,		more than				
mental		than		child)	but not		1,150				
step		900 bfrs)			less than		bfrs) and				
					2,500 bfrs)		. accident				
							insurance				
							(0.1% of				
							col.2)				
	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	\$	
1	2	3	4	5	6	7	8	9	10	11	12

C l a s s B

B 1 a)	31 050	1552.5	2800	1600	5664.4	42666.9	496.8	1863	2359.8	40307.1	806.14
b)	44 000	2200.0	2800	1600	7840.0	58440.0	704.0	2640	3344.0	55096.0	1101.92
B 2 a)	26 350	1317.5	2800	1600	4874.8	36942.3	421.6	1581	2002.6	34939.7	698.79
b)	36 150	1807.5	2800	1600	6521.2	48878.7	578.4	2169	2747.4	46131.3	922.63
B 3 a)	21 350	1067.5	2800	1600	4034.8	30852.3	341.6	1281	1622.6	29229.7	584.59
b)	29 750	1487.5	2800	1600	5446.0	41083.5	476.0	1785	2261.0	38822.5	776.45
B 4 a)	17 850	900.0	2800	1600	3448.0	26598.0	285.6	1071	1356.6	25241.4	504.83
b)	25 200	1260.0	2800	1600	4681.6	35541.6	403.2	1512	1915.2	33626.4	672.53

(1) see footnote to page 2

Grade (a)first incre- mental step (b)last incre- mental step	Basic sal- ary	Family allow- ance (5% of column 2, but not less than 900 bfrs)	Child- ren's allow- ance (1,400 bfrs per child)	School fees allow- ance (800 (1) bfrs per child)	Expat- riation allow- ance (16% of columns 2 to 4, but not less than 2,500 bfrs)	Gross sal- ary (columns 2 to 6)	Health insur- ance (1.5% of col. 2, but not more than 1,150 bfrs) and accident insurance (0.1% of col.2)	Pension contri- bution (6% of col.2)	Total deduc- tions (cols.8 and 9)	Net monthly salary (col.7 minus col.10)	\$
	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	
1	2	3	4	5	6	7	8	9	10	11	12

C l a s s C

C 1 a)	18 200	910.0	2800	1600	3505.6	27015.6	291.2	1092	1383.2	25632.4	512.65
b)	24 850	1242.5	2800	1600	4622.8	35115.3	397.6	1491	1888.6	33226.7	664.53
C 2 a)	15 100	900.0	2800	1600	3008.8	23408.0	241.6	906	1147.6	22260.4	445.21
b)	21 400	1070.0	2800	1600	4043.2	30913.2	342.4	1284	1626.4	29286.8	585.74
C 3 a)	13 850	900.0	2800	1600	2808.0	21958.0	221.6	831	1052.6	20905.4	418.11
b)	19 100	955.0	2800	1600	3656.8	28111.8	305.6	1146	1451.6	26660.2	533.20
C 4 a)	12 100	900.0	2800	1600	2528.0	19928.0	193.6	726	919.6	19008.4	380.17
b)	17 000	900.0	2800	1600	3312.0	25612.0	272.0	1020	1292.0	24320.0	486.40
C 5 a)	10 700	900.0	2800	1600	2500.0	18500.0	171.2	642	813.2	17686.8	353.74
b)	12 650	900.0	2800	1600	2616.0	20566.0	202.4	759	961.4	19604.6	392.09

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(1) see footnote to page 2

kel/PA/mrk

Grade (a)first incre- mental step (b)last incre- mental step	Basic sal- ary	Family allow- ance (5% of column 2, but not less than 900 bfrs)	Child- ren's allow- ance (1,400 bfrs per child)	School fees allow- ance (800 ⁽¹⁾ bfrs per child)	Expat- riation allow- ance (16% of columns 2 to 4, but not less than 2,500 bfrs)	Gross sal- ary (columns 2 to 6)	Health insur- ance (1.5% of col. 2, but not more than 1,150 bfrs) and accident insurance (0.1% of col.2)	Pension contri- bution (6% of col.2)	Total deduc- tions (cols.8 and 9)	Net monthly salary (col.7 minus col.10)	
	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	\$
1	2	3	4	5	6	7	8	9	10	11	12

C l a s s D

D 1 a)	12 750	900.0	2800	1600	2632.0	20682.0	204.0	765	969.0	19713.0	394.26
b)	18 350	917.5	2800	1600	3530.8	27198.3	293.6	1101	1394.6	25803.7	516.07
D 2 a)	11 200	900.0	2800	1600	2500.0	10000.0	179.2	672	851.2	9148.8	182.98
b)	16 100	900.0	2800	1600	3168.0	24568.0	257.6	966	1223.6	23344.4	466.89
D 3 a)	10 100	900.0	2800	1600	2500.0	17900.0	161.6	606	767.6	17132.4	342.65
b)	14 650	900.0	2800	1600	2936.0	22886.0	234.4	879	1113.4	21772.6	435.45

(1) see footnote to page 2

Calculation
of the salaries to be paid to employees of the EPO

(Basis of calculation: Salaries - from Service Regulations of the European Communities - in each case, for a married official with two school-age children in the third incremental step of his grade; Number of employees receiving expatriation allowance equal to $\frac{3}{4}$ of total number)

Grade	Number of posts		Salary for <u>one</u> employee										Total annual salaries	
	<u>with- out expatri- ation allowance</u>	<u>with</u>	Basic monthly salary at third incre- mental step	Family allo- wance (5% of column 2, but not less than 900 bfrs)	Child- ren's allo- wance (1,400 bfrs per child)	School fees allowance (800 bfrs (1)per child)	Total excluding expat- riation allowance (columns 4 to 7)		Expatriation allowance (16 % of columns 4 to 6, but not less than 2,500 bfrs)		Total including expatriation allowance		(col. 2 x col.9 + col. 3 x col. 13)	
			bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
A 1	-	1	83950	4197.5	2800	1600	92547.5	1110570	14551.6	174619.2	107099.1	1285189.2	1285189.2	
A 2	3	10	74050	3702.5	2800	1600	82152.5	985830	12888.4	154660.8	95040.9	1140490.8	14362398.0	
A 3	17	50	60550	3027.5	2800	1600	67977.5	815730	10620.4	127444.8	78597.9	943174.8	61026150.0	
A 4	34	101	49950	2497.5	2800	1600	56847.5	682170	8839.6	106075.2	65687.1	788245.2	102806545.2	
A 5	36	107	41100	2055.0	2800	1600	47555.0	570660	7352.8	88233.6	54907.8	658893.6	91045375.2	
A 6	35	105	34750	1737.5	2800	1600	40887.5	490650	6286.0	75432.0	47173.5	566082.0	76611360.0	
A 7	16	47	29150	1457.5	2800	1600	35007.5	420090	5345.2	64142.4	40352.7	484232.4	29480362.8	
Total A	141	421	373500	18675.0	19600	11200	422975.0	5075700	65884.0	790608.0	488859.0	5866308.0	376617380.4	
B 1	10	29	34750	1737.5	2800	1600	40887.5	490650	6286.0	75432.0	47173.5	566082.0	21322878.0	
B 2	10	29	29150	1457.5	2800	1600	35007.5	420090	5345.2	64142.4	40352.7	484232.4	18243639.6	
B 3	11	35	23750	1187.5	2800	1600	29337.5	352050	4438.0	53256.0	33775.5	405306.0	18058260.0	
B 4	4	14	19950	997.5	2800	1600	25347.5	304170	3799.6	45595.2	29147.1	349765.2	6113392.8	
Total B	35	107	107600	5380.0	11200	6400	130580.0	1566960	19868.8	238425.6	150448.8	1805385.6	63738170.4	

(1) School fees allowances are calculated according to the following flat rate: for children aged 6 - 11, 450 bfrs; children aged 11 - 18, 625 bfrs; for children in higher education, 1, 250 bfrs. The calculations given above are based on 1/3 of the total of these allowances (775 bfrs. rounded up to 800 bfrs).

Grade	Number of posts		Salary for <u>one</u> employee								Total including expatriation allowance		Total annual salaries (col. 2 x col.9 + col. 3 x col. 13)
	with- out expatri- ation allowance	with	Basic monthly salary at third incre- mental step	Family allo- wance (5% of column 2, but not less than 900 bfrs)	Child- ren's allo- wance (1,400 bfrs per child)	School fees allo- wance (800 bfrs (1)per child)	Total excluding expat- riation allowance (columns 4 to 7)	Expatriation allowance (16 % of columns 4 to 6, but not less than 2,500 bfrs)	per month	per year	per month	per year	
			bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs	bfrs
1	2	3	4	5	6	7	8	9	10	11	12	13	14
C 1	18	54	20100	1005	2800	1600	25505	306060	3824.8	45897.6	29329.8	351957.6	24514790.4
C 2	29	89	16900	900	2800	1600	22200	266400	3296.0	39552.0	25496.0	305952.0	34955328.0
C 3	59	179	15350	900	2800	1600	20650	247800	3048.0	36576.0	23698.0	284376.0	65523504.0
C 4	11	31	13500	900	2800	1600	18800	225600	2752.0	33024.0	21552.0	258624.0	10498944.0
C 5	1	4	12000	900	2800	1600	17300	207600	2512.0	30144.0	19812.0	237744.0	1158576.0
Total C	118	357	77850	4605	14000	8000	104455	1253460	15432.8	185193.6	119887.8	1438653.6	136651142.4
D 1	18	53	14350	900	2800	1600	19650	235800	2888	34656	22538	270456	18578568
D 2	14	42	12600	900	2800	1600	17900	214800	2608	31296	20508	246096	13343232
D 3	3	11	11400	900	2800	1600	16700	200400	2500	30000	19200	230400	3135600
Total D	35	106	38350	2700	8400	4800	54250	651000	7996	95952	62246	746952	35057400
Total	329	991	597300	31360	53200	30400	712260	8547120	109181.6	1310179.2	821441.6	9857299.2	612064093.2
1320			add annual entertainment allowance of 100,000 bfrs (2) each for the President and the three Vice-Presidents.										400000.0
Total in bfrs												612464093.2	
												12249281.9	

(1) See footnote (1) on page 2

(2) Chairman's proposal

kel/PA/bm

Initial capital investment and recurring expenditure
of the European Patent Office for a staff of 1,320

Introductory note: Expenditure has been estimated on the basis of practical figures taken from the budget of the Commission of the European Communities for 1969 (Official Gazette of the European Communities No. L 36 of 12 February 1969, pp. 126 ff.). As the number of staff at the EPO will be 27 % of that employed by the Commission, the figures taken for the EPO are as a general rule equal to 27 % of the figures for the corresponding items in the Commission's budget. Where a different amount has been entered, this is expressly mentioned for each item. Expenditure has been rounded up to the nearest \$ 1,000.

Key : p.m. = token entry

General estimate of expenditure

1. Initial capital investment by the EPO

Estimated sum

4 000 000 \$
=====

2. Recurring expenditure of the EPO

Title I Salaries; allowances and expenses on taking up
employment, leaving the service and on transfer
(see pages 3 and 4)

13 589 000 \$

Title II Buildings, equipment and other material expenses
(see pages 5 - 10)

2 866 000 \$

Total

16 555 000 \$
=====

TITLE I

SALARIES; ALLOWANCES AND EXPENSES ON TAKING UP EMPLOYMENT,
LEAVING THE SERVICE AND ON TRANSFER

CHAPTER II - STAFF

Article	item	Description of expenditure	Appropriation \$
CHAPTER II			
20	201 - 203	<u>Established and unestablished employees occupying posts provided for in the establishment plan</u> - see calculation in Annex 9 -	12 249 000
21	211, 212	<u>Social security</u> - pensions, widows' and orphans' pensions; the appropriation amounts to 27 % of the corresponding appropriation for officials and other employees of the Commission (\$ 1,427,616) -	385 000
22	221, 222	<u>Health and accident insurance</u>	387 000
23	231, 232	<u>Other allowances and grants</u> - grant on the birth of a child, payment in the event of death, annual leave travel allowance -	128 000
24	242 - 245	<u>Other staff</u> - The EPO will probably employ considerably fewer other staff (auxiliary staff, local staff, special advisers) than the Commission. The expenditure on other staff has been estimated at 5 % only of the corresponding appropriation in the Commission's budget.-	117 000
25	-	<u>Overtime</u> -It has been assumed that, as is the case at the Commission, Class C and Class D employees will be paid overtime. As the number of Class C and Class D employees at the EPO is 29 % of those at the Commission, 29 % of the Commission's appropriation has been entered.-	91 000
CHAPTER II TOTAL			<u>13 357 000</u> =====

CHAPTER III - ALLOWANCES AND EXPENSES ON TAKING UP EMPLOYMENT, LEAVING
THE SERVICE AND ON TRANSFER

Article	item	Description of expenditure	Appropriation \$
		CHAPTER III	
30	302	<u>Travel expenses</u> - The Appropriation is 27 % of the Commission's appropriation, as reduced by \$ 33,480 for the travel expenses of employees affected by the temporary special measures (redundancy).-	9 000
31	312	<u>Installation, resettlement and transfer allowances</u> - The appropriation is 27 % of the Commission's appropriation, as reduced by \$ 265,625 for the resettlement allowances for employees affected by the temporary special measures.-	26 000
32	322	<u>Removal expenses</u> - The appropriation is 27 % of the Commission's appropriation, as reduced by \$ 162,200 for the removal expenses of employees affected by the temporary special measures.-	81 000
33	332	<u>Temporary subsistence allowances</u> - severance grants, duty allowances -	111 000
34	341	<u>Allowances payable to employees detached from active service, removed from their post, or whose employment is terminated</u>	5 000
CHAPTER III TOTAL			232 000 =====
TITEL I TOTAL			13 589 000 =====

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TITLE II

BUILDINGS, EQUIPMENT AND OTHER MATERIAL EXPENSES

CHAPTER IV - BUILDINGS

Article	item	Description of expenditure	Appropriation \$
		CHAPTER IV	
40	-	<u>Rents</u> - It has been assumed that the EPO will be housed in a single building. It will thus have a lower rent to pay than the Commission, which rents several buildings in different countries. Rent for the EPO has been estimated at about \$ 1,000,000, or 18 % of the Commission's corresponding appropriation.-	1 000 000
41	-	<u>Insurance</u> - As in the case of rents, the figure is only 18 % of the Commission's appropriation.-	6 000
42	-	<u>Water, Gas, Electricity, Heating</u> - As in the case of rent, the figure is only 18 % of the Commission's appropriation.-	142 000
43	-	<u>Cleaning and Maintenance</u> - As in the case of rent, the figure is only 18 % of the Commission's appropriation.-	195 000
44	-	<u>Minor office alterations</u> - As in the case of rent, the figure is only 18 % of the Commission's appropriation.-	34 000
45	-	<u>Other current operating expenses</u> - Street cleaning and refuse disposal rates, paint, watchmen. As in the case of rent, the figure is only 18 % of the Commission's appropriation.-	14 000
CHAPTER IV TOTAL			1 391 000 =====

CHAPTER V - FURNITURE, EQUIPMENT, TECHNICAL INSTALLATIONS:
MAINTENANCE AND REPLACEMENT

Article	item	Description of expenditure	Appropriation \$
		CHAPTER V	
50	-	<u>Replacement of office machines</u>	8 000
51	-	<u>Replacement of furniture</u>	4 000
52	-	<u>Replacement of equipment and technical installations</u> - telephones and tape-recorders, duplicating machinery -	27 000
53	-	<u>Vehicle replacement</u>	14 000
54	541, 543,544	<u>Hire charges</u> - The appropriation is equal to 27 % of the Commission's appropriation for the hire of office equipment for special purposes, hire charges for punched card installations, including the acquisition of the necessary materials, and the use of taxis and hired cars in Brussels and Luxembourg (\$ 836,500). -	226 000
55	551-554	<u>Maintenance, operation and repair</u>	74 000
		CHAPTER V TOTAL	353 000 =====

CHAPTER VI - CURRENT OPERATING EXPENSES

Article	item	Description of expenditure	Appropriation \$
CHAPTER VI			
60	601 -603	<u>Stationery and office supplies</u>	292 000
61	611,612	<u>Postage, telephone and delivery charges</u>	394 000
62	621-629	<u>Sundry operating expenses</u> - public relations (travel); translations, typing and similar work done outside; service uniforms; language courses and further training; petty expenses -	129 000
CHAPTER VI TOTAL			815 000 =====

Description of expenditure	Appropriation \$
CHAPTER VII	
- Expenditure on this item has been estimated at 10 % only of the corresponding Commission appropriation.-	21 000 =====
CHAPTER VIII	
- Expenditure on this item has been estimated at 10 % only of the corresponding Commission appropriation.-	180 000 =====
CHAPTER IX	
- It is not yet certain whether the EPO will need funds for this purpose. -	p.m. =====

CHAPTER X - EXPENDITURE ON PUBLICATIONS AND INFORMATION

Article	item	Description of expenditure	Appropriation \$
CHAPTER X			
100	1001	<u>Printing costs for patent specifications and documents open to public inspection</u> - Printing costs are to be wholly covered by fees paid; for this reason no appropriation has been envisaged for this item.-	p.m.
101	-	<u>Official Journal and European Patent Bulletin</u> - Costs of printing and publication will be wholly covered by proceeds from sales; for this reason no appropriation has been envisaged for this item.-	p.m.
102	1021	<u>Expenditure on public information</u> - The appropriation covers the cost of keeping the public informed of the functions and aims of the EPO (Explanatory notes, Patent Rules, etc.).-	17 000
CHAPTER X TOTAL			17 000

CHAPTER XI - SOCIAL EXPENDITURE

Article	item	Description of expenditure	Appropriation \$
CHAPTER XI			
110	-	<u>Special grants</u> - Intended for employees in particularly difficult social circumstances.-	6 000
111	-	<u>Staff clubs</u>	24 000
112	-	<u>Canteen and social centre</u> - Maintenance and servicing of equipment available; replacement and acquisition of kitchen equipment.-	16 000
113	-	<u>Medical rooms</u> - Surgery, medicines and bandages, doctors' fees, particularly in respect of medical examination of all employees (cf. Article 59 (4) of the EEC Service Regulations).-	16 000
114	-	<u>Other expenditure</u> - For employees cultural and sporting activities and professional activities.-	27 000
CHAPTER XI TOTAL			89 000 =====
TITLE II TOTAL			2 866 000 =====

INTER-GOVERNMENTAL CONFERENCE
FOR THE SETTING UP OF A EUROPEAN
SYSTEM FOR THE GRANT OF PATENTS

Brussels, 24 February 1970

BR/GT I/34/70

- Secretariat -

A N N E X E S 11 TO 22

to the Study by the Chairman of Working Party I on the
guidelines for financial planning for the European Patent Office

Contents of the Annexes to Chapters IV to VII

- Annex 11: Survey of the fees provided for under the First Preliminary Draft Convention for a European System for the Grant of Patents
- Annex 12: Procedural fees charged by the States participating in the Inter-governmental Conference
- Annex 13: Level of procedural fees assumed for the purposes of the present study
- Annex 14: Revenue of the European Patent Office from procedural fees
- Annex 15: Renewal fees for patents in the States participating in the Inter-governmental Conference
- Annex 16: Renewal fees for European patent applications
- Annex 17: Calculation of the percentage of European patent applications for which renewal fees can be expected to be paid to the European Patent Office
- Annex 18: Revenue of the European Patent Office from renewal fees
- Annex 19: Outline budget for the European Patent Office
- Annex 20: Revenue and expenditure of the European Patent Office with immediate full opening, until a normal budget is attained
- Annex 21: Revenue of the European Patent Office, assuming progressive build-up
- Annex 22: Revenue and expenditure of the European Patent Office, assuming progressive build-up, until a normal budget is attained

S u r v e y
of the fees provided for under the First Preliminary Draft
Convention for a European System for the Grant of Patents

Fee	Provision in Draft - new <u>[former]</u> Article No.	Significance of the fee for estimating the revenue of the EPO
1. Application fee, to cover	Art. 66(3) <u>[68(2)]</u>	
(a) processing of the European patent application up to the beginning of examination for novelty;		taken into consideration
(b) printing costs for publication pursuant to Article 85 <u>[86a]</u>		neutral
2. Designation fee	Art. 67(2) <u>[68a(2)]</u>	taken into consideration
3. Fee for obtaining a report on the state of the art	Art. 79(1) <u>[78(1)]</u>	neutral
4. Fee for obtaining an additional report on the state of the art	Art. 79(5) <u>[78(3)]</u> Art. 82(3) <u>[81(3)]</u> Art. 93(2) <u>[94(3)]</u> Art. 113(3) <u>[110(3)]</u>	neutral
5. Examination fee	Art. 88(2)	taken into consideration
6. Renewal fees for the European patent application, due in respect of the third year and each subsequent year, calculated from the date of filing the application	Art. 129(1) <u>[119(1)]</u>	taken into consideration
7. Additional fee payable in the event of belated payment of renewal fees	Art. 130(2) <u>[120(2)]</u>	not taken into consideration

Fee	Provision in Draft - new <u>former</u> Article No.	Significance of the fee for estimating the revenue of the EPO
8. Fee for the grant of a patent	Art. 97(1) <u>96(1)</u>	taken into consideration
9. Fee for printing the European patent specification	Art. 97(1) <u>96(1)</u>	neutral
10. Fee for printing a new specification of the European patent	Art. 105(3) <u>101(3)</u>	neutral
11. Opposition fee	Art. 101(1) <u>96d(1)</u>	taken into consideration
12. Fee for appeal	Art. 111 <u>108</u>	taken into consideration
13. Fee for requesting the recording of the assignment of a European patent application	Art. 23(2) <u>25(3)</u>	not taken into consideration
14. Fee for requesting the recording of the grant of a licence in respect of a European patent application	Art. 28(2) <u>29(3)</u> in conjunction with Art. 23(2) <u>25(3)</u>	not taken into consideration
15. Fee payable for requesting the recording of the assignment of a licence in respect of a European patent application	Art. 28(2) <u>29(3)</u> in conjunction with Art. 23(2) <u>25(3)</u>	not taken into consideration
16. Fee for the delivery of an extract from the Register of European Patents	Art. 59(2) <u>60(2)</u>	not taken into consideration
17. Fee for inspection of files	... cf. Art. 23(3) <u>25(4)</u> Art. 62(1) <u>64(1)</u>	not taken into consideration

Procedural fees charged by the States participating in the Inter-governmental Conference

(Basis for calculation: 17 pages of description, with a maximum of 10 claims, of which at most 5 are subsidiary claims, plus 3 pages - size DIN A4 - of drawings).

Fee for		Belgium		Federal Republic of Germany		Denmark		France		Greece	
		bfrs	\$	DM	\$	dkr	\$	F	\$	Dr	\$
Applic- ation	Basic fee	50	1.00	50	13.66	400	53.33	50 ⁽⁴⁾	9.00	100	3.33
	Additional fees	290 ⁽¹⁾	5.80	-	-	-	-	29 ⁽⁵⁾	5.22	-	-
	Total	340	6.80	50	13.66	400	53.33	79	14.22	100	3.33
Examination		-	-	200 ⁽³⁾	54.66	-	-	-	-	-	-
Grant	Basic fee	-	-	-	-	-	-	-	-	-	-
	Additional fees	60 ⁽²⁾	1.20	-	-	-	-	-	-	-	-
	Total	60	1.20	-	-	-	-	-	-	-	-
Opposition		-	-	-	-	-	-	-	-	-	-
Appeal		-	-	150	40.98	400	53.33	- ⁽⁶⁾	-	-	-

- (1) 50 bfrs for lengthy documents (5 bfrs per page of description in excess of 10, and for each page of drawings) and 240 bfrs for stamp duty on the first page of the description and on each page of drawings (60 bfrs per page).
- (2) For stamp duty on the first page of the patent certificate.
- (3) Reduced fee if a prior request for search has been made.
- (4) Reduced fee if documents are suitable for offset printing.
- (5) 14 F for lengthy documents (1 F for each supplementary page of description or drawings in excess of 6) and 15 F for any priority right claimed. A sum of 30 F is payable for each priority right claimed. In the calculation, it is assumed that a priority right would only be claimed in respect of one application in two.
- (6) Appeals against the decisions of the Director of the National Industrial Property Office may be lodged with the Court of Appeal. It is not apparent from the French Patents Acts and the corresponding Rules relating to fees, whether appeal is subject to the payment of a fee and, if so, what fee is payable.

Fee for		United Kingdom		Ireland		Italy		Luxembourg		The Netherlands					
		£	s.	£	£	Lire	£	frs	frs	fl	fl				
Applica- tion	Basic fee	15.0.	(1)	36	10	(4)	24	2 000	3.20	100	2	120	33.15		
	Additional fees	-	-	-	-	-	-	1 400	(7)	2.24	-	-	75	(9)	20.71
	Total	15.0.	-	36	10	-	24	3 400	-	5.44	100	2	195	-	53.86
Examination		-	-	-	-	-	-	-	-	-	-	-	150	-	41.44
Grant	Basic fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Additional fees	3.0.	(2)	7.2	3	(5)	7.2	400	(8)	0.64	-	-	-	-	-
	Total	3.0.	-	7.2	3	-	7.2	400	-	0.64	-	-	-	-	-
Opposition		2.10.	-	6.0	2	-	4.8	-	-	-	-	-	100	-	27.62
Appeal		-	(3)	-	-	(6)	-	1 500	-	2.40	-	-	100	-	27.62

(1) £ 1 for the provisional specification and £ 14 for the complete specification.

(2) For the request for sealing the patent.

(3) Appeals against the decisions of the Comptroller may be lodged with the Appeal Tribunal. It is not apparent from the British Patents Acts or the Patents Rules what fees are levied by the Appeal Tribunal.

(4) £ 2 for the provisional specification and £ 8 for the complete specification.

(5) For sealing the patent.

(6) Appeals against the decisions of the Controller may be lodged with the High Court. It is not apparent from the Irish Patents Acts or from the Patents Rules whether appeals are subject to the payment of a fee, and, if so, what fee is payable.

(7) 1,000 Lire for the warrant and 400 Lire stamp duty.

(8) Stamp duty.

(9) A renewal fee of 75 fl. is payable annually after the end of the second year from the date of filing the application.

Fee for		Norway		Austria		Portugal		Sweden		Switzerland	
		nkr	\$	S	\$	Esc	\$	skr	\$	Fr	\$
Applic- ation	Basic fee	275	38.50	250	9.62	30	1.04	400	77.32	60	13.72
	Additional fees	-	-	-	-	-	-	-	-	-	-
	Total	275	38.50	250	9.62	30	1.04	400	77.32	60	13.72
Examination		-	-	-	-	-	-	-	-	-	-
Grant	Basic fee	-	-	-	-	10 ⁽²⁾	0.35	-	-	-	-
	Additional fees	-	-	-	-	1 ⁽³⁾	0.03	-	-	-	-
	Total	-	-	-	-	11	0.38	-	-	-	-
Opposition		-	-	250	9.62	-	-	-	-	-	-
Appeal		250	35	300 ⁽¹⁾	11.54	- ⁽⁴⁾	-	300	57.99	50	11.43

(1) Appeal fee in proceedings not involving third parties. Otherwise three times this fee is levied.

(2) For completion of the deed.

(3) Stamp duty.

(4) Appeals may be lodged with the Lisbon District Court against decisions by which patents are granted or refused. It is not apparent from the Portuguese Patents Acts whether appeal is subject to the payment of a fee and, if so, what fee is payable.

Fee for		Spain		Turkey		Procedural fees of the States taking part in the Conference
		Ptas	\$	£	\$	
Applic- ation	Basic fee	77	1.10	150	16.67	336.64
	Additional fees	-	-	45 ⁽¹⁾	5.00	38.97
	Total	77	1.10	195	21.67	375.61
Examination		-	-	-	-	96.10
Grant	Basic fee	412	5.89	-	-	6.24
	Additional fees	-	-	-	-	16.27
	Total	412	5.89	-	-	22.51
Opposition		-	-	-	-	48.04
Appeal		-	-	-	-	240.29

(1) Stamp duty.

Level of procedural fees assumed for the purposes of the present study

Fee for	Fee adopted for the purpose of estimating the revenue of the European Patent Office	Notes
Application (excluding flat-rate fee for printing costs)	\$ 75	The application fee will cover (a) processing the European patent application up to the beginning of the novelty search and (b) printing costs for the publication pursuant to Article 85 (86a). The part of the application fee referred to under (a) has been taken as one fifth of the total application fees at present payable in the States taking part in the Inter-governmental Conference (\$ 376 - see Annex 12). The gross application fee could be set at \$ 100; taking into account a flat-rate printing fee of \$ 25 - the amount suggested by the experience of the German Patent Office.
Request for examination	\$ 100	The proposed fee roughly corresponds to the sum of the examination fees at present levied in the Netherlands and the Federal Republic of Germany (\$ 41 + \$ 55 - see Annex 12).
Grant of the patent	\$ 25	The fee set roughly corresponds to the sum of the fees at present payable on the grant of a patent in the States participating in the Inter-governmental Conference (\$ 23 - see Annex 12).
Appeal	\$ 100	This fee is the same as that for the request for examination. It amounts to 40 % of the appeal fees ascertained in the States participating in the Inter-governmental Conference (\$ 240 - see Annex 12).
Opposition	\$ 25	The fee set equals about half of the fees for opposition at present levied in the States participating in the Inter-governmental Conference (\$ 48 - see Annex 12).

Revenue of the European Patent Office from procedural fees

Fee for	Number of cases out of 100 where fees are paid	Number of fees paid for 40,000 patent applications	Amount of the fee \$	Total revenue from fees (col.3 x col.4)	
1	2	3	4	5a	5b
Application (excluding flat-rate printing fee)	100	40,000	75		3,000,000
Request for examination	52	20,800	100	2,080,000	
Grant of the patent	40	16,000	25	400,000	
Appeal during examination procedure	3	1,200	100	120,000	
Opposition	10	4,000	25	100,000	
Appeal during opposition procedure	1	400	100	40,000	
Belated payment of renewal fees, and other fees not taken into consideration (see Annex 11)					
- Token entry				100,000	2,840,000
Total revenue from procedural fees					5,840,000 =====

Renewal fees for patents in the States participating in the Inter-governmental Conference ⁽¹⁾

year since application filed	Belgium		Federal Republic of Germany		Denmark		France		Greece	
	bfrs	\$	DM	\$	dkr	\$	F	\$	Dr	\$
1.	100	2	-	-	100	13.33	-	-	-	-
2.	200	4	-	-	100	13.33	30	5.40	150	5.00
3.	300	6	50	13.66	100	13.33	35	6.30	150	5.00
4.	400	8	50	13.66	200	26.67	40	7.20	150	5.00
5.	550	11	80	21.86	200	26.67	45	8.10	150	5.00
6.	700	14	125	34.15	200	26.67	50	9.00	250	8.33
7.	850	17	175	47.81	300	40.00	65	11.70	250	8.33
8.	1 000	20	250	68.31	300	40.00	80	14.40	250	8.33
9.	1 150	23	325	88.80	300	40.00	95	17.10	250	8.33
10.	1 300	26	400	109.29	500	66.67	110	19.80	250	8.33
11.	1 500	30	525	143.44	500	66.67	125	22.51	350	11.67
12.	1 700	34	675	184.43	500	66.67	140	25.21	350	11.67
13.	1 900	38	825	225.41	700	93.33	155	27.91	350	11.67
14.	2 100	42	1 000	273.22	700	93.33	170	30.61	350	11.67
15.	2 300	46	1 175	321.04	700	93.33	185	33.31	350	11.67
16.	2 500	50	1 350	368.85	900	120.00	200	36.01	[450]	15.00
17.	2 700	54	1 525	416.67	900	120.00	215	38.71	[450]	15.00
18.	2 900	58	1 700	464.48	[900]	120.00	230	41.41	[450]	15.00
19.	3 100	62	[1 875]	512.30	[1 100]	146.67	245	44.11	[450]	15.00
20.	3 300	66	[2 050]	560.11	[1 100]	146.67	260	46.81	[450]	15.00
Total	30 550	611	14 155	3867.49	10 300	1373.34	2475	445.60	5850	195.00

(1) For those countries in which the term of a patent does not extend to 20 years, corresponding amounts have been inserted for the missing years. These amounts have been calculated by extending the progression shown by the fees actually paid.

Renewal fees for patents in the States participating in the Inter-governmental Conference ⁽¹⁾

year since app- lication filed	United Kingdom ⁽²⁾		Ireland ⁽²⁾		Italy		Luxembourg		The Netherlands ⁽³⁾	
	£	\$	£	\$	Lire	\$	lfrs	\$	hfl	\$
1.	-	-	-	-	1 000	1.6	200	4	-	-
2.	-	-	-	-	2 000	3.2	300	6	-	-
3.	-	-	-	-	3 000	4.8	400	8	-	-
4.	-	-	-	-	4 000	6.4	500	10	150	41.44
5.	8	19.2	7	16.8	5 000	8.0	550	11	175	48.34
6.	9	21.6	8	19.2	8 000	12.8	600	12	200	55.25
7.	12	28.8	9	21.6	9 000	14.4	650	13	225	62.15
8.	13	31.2	10	24.0	10 000	16.0	700	14	250	69.06
9.	14	33.6	12	28.8	12 000	19.2	750	15	280	77.35
10.	17	40.8	14	33.6	15 000	24.0	800	16	310	85.64
11.	20	48.0	16	38.4	18 000	28.8	850	17	340	93.92
12.	22	52.8	18	43.2	21 000	33.6	900	18	370	102.21
13.	24	57.6	20	48.0	25 000	40.0	950	19	405	111.88
14.	26	62.4	20	48.0	30 000	48.0	1 000	20	440	121.55
15.	28	67.2	22	52.8	35 000	56.0	1 050	21	475	131.22
16.	30	72.0	22	52.8	[40 000]	64.0	1 100	22	510	140.88
17.	[32]	76.8	[24]	57.6	[45 000]	72.0	1 200	24	550	151.93
18.	[34]	81.6	[24]	57.6	[50 000]	80.0	1 300	26	590	162.98
19.	[36]	86.4	[26]	62.4	[55 000]	88.0	1 400	28	630	174.03
20.	[38]	91.2	[26]	62.4	[60 000]	96.0	1 500	30	670	185.08
Total	363	871.2	278	667.2	448 000	716.8	16 700	334	6570	1814.91

- (1) For those countries in which the term of a patent does not extend to 20 years, corresponding amounts have been inserted for the missing years. These amounts have been calculated by extending the progression shown by the fees actually paid.
- (2) Renewal fees are payable in respect of each year after the filing of the complete specification. Since in principle the complete specification must be filed within 12 months, it is assumed in the calculation that the first fee will fall due in the fifth year after the filing of the application.
- (3) Renewal fees are payable in respect of each year subsequent to the grant of the patent. It is assumed in the calculation that the first renewal fee will fall due in the fourth year after the filing of the application.

Renewal fees for patents in the States participating in the Inter-governmental Conference (1)

Year since application filed	Norway		Austria (2)		Portugal (3)		Sweden		Switzerland (4)	
	nkr	\$	S	\$	Esc	\$	skr	\$	Fr	\$
1.	-	-	-	-	-	-	50	9 67	-	-
2.	-	-	320	12.31	50	1.74	50	9.67	-	-
3.	100	14	320	12.31	50	1.74	100	19.33	80	18.29
4.	150	21	350	13.46	50	1.74	100	19.33	100	22.87
5.	200	28	390	15.00	50	1.74	100	19.33	125	28.59
6.	250	35	450	17.31	50	1.74	150	29.00	150	34.30
7.	300	42	550	21.15	50	1.74	200	38.66	175	40.02
8.	350	49	700	26.92	50	1.74	250	48.33	200	45.74
9.	400	56	900	34.62	50	1.74	300	57.99	250	57.17
10.	450	63	1 100	42.31	50	1.74	350	67.66	300	68.61
11.	500	70	1 400	53.85	50	1.74	400	77.32	350	80.04
12.	600	84	1 800	69.23	50	1.74	450	86.99	400	91.47
13.	700	98	2 300	88.46	50	1.74	500	96.65	475	108.63
14.	800	112	2 800	107.69	50	1.74	550	106.32	550	125.78
15.	900	126	3 800	146.15	50	1.74	650	125.65	625	142.93
16.	1 000	140	4 900	188.46	50	1.74	750	144.98	700	160.08
17.	1 100	154	6 000	230.77	[50]	1.74	850	164.31	800	182.95
18.	[1 200]	168	8 000	307.69	[50]	1.74	[950]	183.64	900	205.82
19.	[1 300]	182	10 000	384.62	[50]	1.74	[1 050]	202.97	[1 000]	228.69
20.	[1 400]	196	[12 000]	461.54	[50]	1.74	[1 150]	222.30	[1 100]	251.55
Total	11 700	1638	58 080	2233.85	950	33.06	8 950	1730.10	8 280	1893.53

- (1) For those countries in which the term of a patent does not extend to 20 years, corresponding amounts have been inserted for the missing years. These amounts have been calculated by extending the progression shown by the fees actually paid.
- (2) Renewal fees are payable in respect of each year after the publication of the application. It is assumed in the calculation, that the first fee will fall due in the second year after the filing of the application.
- (3) Renewal fees are payable in respect of each year subsequent to the grant of the patent. It is assumed in the calculation, that the first renewal fee will fall due in the second year after the filing of the application.
- (4) Fees for patents which have undergone preliminary examination.

(1)

Renewal fees for patents in the States participating in the Inter-governmental Conference

Year since application filed	Spain (2)		Turkey		Renewal fees in the participating States	25 % of the renewal fees in the particip- ating States
	Ptas	\$	£	\$	\$	\$
1.	12	0.17	25	2.78	33.55	8
2.	24	0.34	25	2.78	63.77	16
3.	36	0.51	25	2.78	126.05	32
4.	48	0.69	25	2.78	200.24	50
5.	90	1.29	25	2.78	272.70	68
6.	108	1.54	25	2.78	334.67	84
7.	126	1.90	25	2.78	412.94	103
8.	144	2.06	25	2.78	481.87	120
9.	162	2.31	25	2.78	563.79	141
10.	180	2.57	25	2.78	678.80	170
11.	264	3.77	25	2.78	789.91	198
12.	288	4.11	25	2.78	912.11	228
13.	312	4.46	25	2.78	1 073.52	268
14.	336	4.80	25	2.78	1 211.89	303
15.	360	5.14	25	2.78	1 383.96	346
16.	384	5.49	1-25-7	2.78	1 585.07	396
17.	408	5.83	7-25-7	2.78	1 769.09	442
18.	432	6.17	7-25-7	2.78	1 982.91	496
19.	456	6.51	7-25-7	2.78	2 228.22	557
20.	480	6.86	7-25-7	2.78	2 442.04	611
Total	4 650	66.42	500	55.60	18 547.10	4 637

(1) For those countries in which the term of a patent does not extend to 20 years, corresponding amounts have been inserted for the missing years. These amounts have been calculated by extending the progression shown by the fees actually paid.

(2) Renewal fees are payable in respect of each year subsequent to the grant of the patent. Since there is no examination for novelty, it is assumed in the calculation that the first fee will fall due in the first year after the filing of the application.

Renewal fees for European patent applications

Year since application filed	25 % of the renewal fees in the partici- pating States	Scale of fees adopted for estimating the revenue of the EPO	Annual increase
	\$	\$	\$
1.	8	-	-
2.	16	-	-
3.	32	35	-
4.	50	50	15
5.	68	65	15
6.	84	80	15
7.	103	100	20
8.	120	120	20
9.	141	140	20
10.	170	170	30
11.	198	200	30
12.	228	230	30
13.	268	270	40
14.	303	310	40
15.	346	350	40
16.	396	400	50
17.	442	450	50
18.	496	500	50
19.	557	550	50
20.	611	600	50
Total	4 637	4 620	

Calculation of the percentage of European patent applications for which renewal fees can be expected to be paid to the European Patent Office

The figures relate to 100 originally filed applications. The calculation is based on a deferred examination procedure with a 7-year request period.

Patent year	I. Elimination as a result of examination proceedings			II. Elimination as a result of failure to pay renewal fees, etc.		Percen- tage of appli- cations elimin- ated - total of cols. d & f	Percentage of remain- ing appli- cations for which renewal fees are due: 100 - g	Patent year
	Filing of request	Elimination effected	Total of eliminated applic- ations under col. c	Non-payment and elimin- ation	Total of pa- tents elimin- ated under col. e			
a	b	c	d	e	f	g	h	i
1	25	-	-	5	5	5	95	1
2		-	-	15	20	20	80	2
3	2	-	-	4	24	24	76	3
4	5	25	25	4	28	53	47	4
5	5	2	27	4	32	59	41	5
6	5	5	32	4	36	68	32	6
7	10	5	37	4	40	77	23	7
8	-	5	42	8	48	90	10	8
9	-	10	52	-	48	100	0	9
	52 requests for examin- ation in total			48 applications eliminated without any request for examination being made				

Revenue of the European Patent Office from renewal fees

The calculation is based on a deferred examination procedure with a 7-year request period

Fee for	Number of cases out of 100 where fees are paid	Number of fees paid for 40,000 patent applications	Amount of the fee	Total revenue from fees (col. 3 x col. 4)	Running total of all revenue from fees (col. 3 running total)
			\$	\$	\$
1	2	3	4	5	6
3rd patent year	76	30 400	35	1 064 000	1 064 000
4th patent year	47	18 800	50	940 000	2 004 000
5th patent year	41	16 400	65	1 066 000	3 070 000
6th patent year	32	12 800	80	1 024 000	4 094 000
7th patent year	23	9 200	100	920 000	5 014 000
8th patent year	10	4 000	120	480 000	5 494 000

Outline budget for the European Patent Office (in US Dollars)

I. Expenditure:

1. Expenditure of the EPO, excluding special organs:

(a) Personnel expenses	13 729 000	
(b) Material expenses	2 799 000	16 528 000

2. Expenditure for the special organs under the 2nd Convention

516 000

Total expenditure

17 044 000 17 044 000

II. Revenue:

1. Direct revenue

(a) Application fees	3 000 000	
(b) Other procedural fees	2 840 000	
(c) Renewal fees	5 494 000	11 334 000

2. Indirect revenue

(a) Designation fees	1 440 000
(b) EEC Member States' payments for the special organs	516 000
(c) Share of renewal fees for EEC Community patent	---
(d) Share of the renewal fees levied by the other Contracting States for the patents granted by the European Patent Office	---

1 956 000

Total revenue

13 290 000 13 290 000

Deficit

3 754 000

=====

Revenue and expenditure of the European Patent Office with immediate full opening,
until a normal budget is attained
- without special organs -

Year	Application and design- nation fees	Other proce- dural fees	Renewal fees for applic- ations	Total income	Expenditure	Budget deficit	Running total of deficit to be covered un- til year 8
1	2	3	4	5	6	7	8
0	-	-	-	-	20 528 000(1)	20 528 000	20 528 000
1	3 720 000	355 000	-	4 075 000	16 528 000	12 453 000	32 981 000
2	4 440 000	710 000	-	5 150 000	16 528 000	11 378 000	44 359 000
3	4 440 000	1 065 000	1 064 000	6 569 000	16 528 000	9 959 000	54 318 000
4	4 440 000	1 420 000	2 004 000	7 864 000	16 528 000	8 664 000	62 982 000
5	4 440 000	1 775 000	3 070 000	9 285 000	16 528 000	7 243 000	70 225 000
6	4 440 000	2 130 000	4 094 000	10 664 000	16 528 000	5 864 000	76 089 000
7	4 440 000	2 485 000	5 014 000	11 939 000	16 528 000	4 589 000	80 678 000
8	4 440 000	2 840 000	5 494 000	12 774 000	16 528 000	3 754 000 (2)	84 432 000

(1) The EPO should have put at its disposal an amount to cover the initial capital investment (\$ 4 million) and a full budget (\$ 16,528,000) for personnel and material expenses during the preparatory stage prior to opening.

(2) The normal budget will be attained in year 8.

Revenue of the European Patent Office, assuming progressive build-up, by steps of
10 % + 15 % + 20 % + 25 % + 30 % at two year intervals (in US \$)

Year	Step	Step I 10 %	Step II 15 %	Step III 20 %	Step IV 25 %	Step V 30 %	Total income
of column 5 of Annex 20							
1		2	3	4	5	6	7
1	I	407 500	-	-	-	-	407 500
2		515 000	-	-	-	-	515 000
3	II	656 900	611 250	-	-	-	1 268 150
4		786 400	772 500	-	-	-	1 558 900
5	III	928 500	985 350	815 000	-	-	2 728 850
6		1 066 400	1 179 600	1 030 000	-	-	3 276 000
7	IV	1 193 900	1 392 750	1 313 800	1 018 750	-	4 919 200
8		1 277 400	1 599 600	1 572 800	1 287 500	-	5 737 300
9	V	1 277 400	1 790 850	1 857 000	1 642 250	1 222 500	7 790 000
10		1 277 400	1 916 100	2 132 800	1 966 000	1 545 000	8 837 300
11		1 277 400	1 916 100	2 387 800	2 321 250	1 970 700	9 873 250
12		1 277 400	1 916 100	2 554 800	2 666 000	2 359 200	10 773 500
13		1 277 400	1 916 100	2 554 800	2 984 750	2 785 500	11 518 550
14		1 277 400	1 916 100	2 554 800	3 193 500	3 199 200	12 141 000
15		1 277 400	1 916 100	2 554 800	3 193 500	3 581 700	12 523 500
16		1 277 400	1 916 100	2 554 800	3 193 500	3 832 200	12 774 000

Revenue and expenditure of the European Patent Office, assuming progressive build-up
until a normal budget is attained

(in US \$)

- without special organs -

Year	Income as in Annex 21, col. 7	Expendi- ture	Budget deficit	Total of deficits to be covered	Notes
1	2	3	4	5	6
0	-	12 264 000 (*)	12 264 000	12 264 000	(1) Expenditure as in normal budget
1	407 500	2 892 400 (1)	2 484 900	14 748 900	10 % + 1/2 of 15 % = 17.5 %
2	515 000	4 132 000 (2)	3 617 000	18 365 900	(2) 10 % + 15 % = 25.0 %
3	1 268 150	4 958 400 (3)	3 690 250	22 056 150	(3) 25 % + 1/2 of 20 % = 30.0 %
4	1 558 900	7 437 600 (4)	5 878 700	27 934 850	(4) 25 % + 20 % = 45.0 %
5	2 728 850	9 503 600 (5)	6 774 750	34 709 600	(5) 45 % + 1/2 of 25 % = 57.5 %
6	3 276 000	11 569 600 (6)	8 293 600	43 003 200	(6) 45 % + 25 % = 70.0 %
7	4 919 200	14 048 800 (7)	9 129 600	52 132 800	(7) 70 % + 1/2 of 30 % = 85.0 %
8	5 737 300	16 528 000 (8)	10 790 700	62 923 500	(8) 70 % + 30 % = 100 %
9	7 790 000	16 528 000	8 738 000	71 661 500	(*) In the event of progressive build-up, an amount to cover the initial capital investment (\$ 4 million) and half the normal budget (\$ 8,264,000) for personnel and material expenses should be made available to the EPO during the preparatory stage prior to opening.
10	8 837 300	16 528 000	7 690 700	79 352 200	
11	9 873 250	16 528 000	6 654 750	86 006 950	
12	10 773 500	16 528 000	5 754 500	91 761 450	
13	11 518 550	16 528 000	5 009 450	96 770 900	
14	12 141 000	16 528 000	4 387 000	101 157 900	(**) The normal budget will be attained in year 16.
15	12 523 500	16 528 000	4 004 500	105 162 400	
16	12 774 000	16 528 000	3 754 000 (**)	108 936 400	

INTER-GOVERNMENTAL CONFERENCE
FOR THE SETTING UP OF A EUROPEAN
SYSTEM FOR THE GRANT OF PATENTS

Brussels, 6 March 1970
BR/GT I/34/70

- Secretariat -

A N N E X E S 23 to 29

to the Paper by the Chairman of Working Party I on the
Guidelines for financial planning for the European Patent Office

Contents of the Annexes to Chapters VIII to X

- Annex 23: Attempt to estimate the frequency of designation of the Contracting States
- Annex 24: Attempt to calculate one national patent office's revenue from renewal fees, taking the Federal Republic of Germany as an example
- Annex 25: Revenue and expenditure of the European Patent Office, taking into consideration a 75 % share in the renewal fees for granted European patents
- Annex 26: Attempt to calculate contribution scales on the basis of gross national product and frequency of designation
- Annex 27: Attempt to calculate contribution scales on the basis of "patent intensity"
- Annex 28: Comparison of the calculated contribution scales
- Annex 29: Payment and repayment of one Contracting State's contributions to the costs of the build-up and running-in period of the European Patent Office, taking the Federal Republic of Germany as an example.

Attempt to estimate the frequency of designation of the Contracting States

Contracting States	Frequency of designation by own nationals (basis 1968)	Number of foreign applications 1968	Frequency of designation by foreigners 80 % of column 3	Total frequency of designation (basis 1968) columns 2 + 4	Frequency of designation (basis 40,000 European applications) column 5 increased by 11.2%
1	2	3	4	5	6
Denmark	291	5 588	4 470	4 761	5 294
Spain	150	9 388	7 510	7 660	8 518
Greece	6	1 208	966	972	1 081
Ireland	18	1 427	1 142	1 160	1 290
Norway	97	4 262	3 410	3 507	3 900
Austria	336	10 246	8 197	8 533	9 489
Portugal	16	1 304	1 043	1 059	1 178
Sweden	954	13 338	10 670	11 624	12 926
Switzerland	2 272	13 609	10 887	13 159	14 633
Turkey	5	545	436	441	490
United Kingdom	3 790	35 284	28 227	32 017	35 603
EEC States:	2a	3a	4a		
Belgium	471	8 510			
FR Germany	7 085	25 328			
France	2 777	23 337			
Italy	1 278	14 502			
Luxembourg	35	724			
The Netherlands	1 032	9 879			
EEC States	12 678 x 6 = 76 068	+	20 000 x 6 = 120 000	196 068	218 028

Total designations: 312 430

ern/PA/mrk

Average number of designations per application:

7,8

Attempt to calculate one national patent office's revenue from renewal fees,
taking the Federal Republic of Germany as an example

Patent year	Percentage of patents maintained, of an original 35,828 applications	Absolute number of patents maintained	German renewal fee for the patent year in question	Total revenue from the fee (column 3 x column 4)	Total of all revenue (running total from column 5)	Conversion of column 6 into US \$	Total revenue of the Contracting States estimated at twice column 7
			DM	DM	DM	\$	\$
1	2	3	4	5	6	7	8
6	40	14 331	125	1 791 375	1 791 375	489 447	978 894
7	31,0	11 106	175	1 943 550	3 734 925	1 020 471	2 040 942
8	27,3	9 781	250	2 445 250	6 180 175	1 688 572	3 377 144
9	23,8	8 527	325	2 771 275	8 951 450	2 445 751	4 891 502
10	20,5	7 345	400	2 938 000	11 889 450	3 248 484	6 496 968
11	17,7	6 342	525	3 329 550	15 219 000	4 158 197	8 316 394
12	15,2	5 446	675	3 676 050	18 895 050	5 162 582	10 325 164
13	12,8	4 586	825	3 783 450	22 678 500	6 196 311	12 392 622
14	10,5	3 762	1 000	3 762 000	26 440 500	7 224 180	14 448 360
15	8,5	3 045	1 175	3 577 875	30 018 375	8 201 742	16 403 484
16	6,4	2 293	1 350	3 095 550	33 113 925	9 047 520	18 095 040
17	4,9	1 756	1 525	2 677 900	35 791 825	9 779 187	19 558 374
18	3,9	1 397	1 700	2 374 900	38 166 725	10 428 067	20 856 134
19	3,5	1 254	1 875	2 351 250	40 517 975	11 070 485	22 140 970
20	2,5	896	2 050	1 836 800	42 354 775	11 572 343	23 144 686

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Revenue and expenditure of the European Patent Office (in US dollars)
taking into consideration a 75 % share in the renewal fees for granted European patents

- immediate full opening; excluding special organs -

Year	Budget deficit without 75 % share Annex 20, column 7	75 % share from Annex 24, column 8	Budget out-turn with 75 % share - deficit + surplus	Running total of budget out- turn - deficit + surplus
1	2	3	4	5
0	20 528 000	-	- 20 528 000	- 20 528 000
1	12 453 000	-	- 12 453 000	- 32 981 000
2	11 378 000	-	- 11 378 000	- 44 359 000
3	9 959 000	-	- 9 959 000	- 54 318 000
4	8 664 000	-	- 8 664 000	- 62 982 000
5	7 243 000	-	- 7 243 000	- 70 225 000
6	5 864 000	734 000	- 5 130 000	- 75 355 000
7	4 589 000	1 531 000	- 3 058 000	- 78 413 000
8	3 754 000	2 533 000	- 1 231 000	- 79 644 000
9	3 754 000	3 669 000	- 85 000	- 79 729 000
10	3 754 000	4 873 000	+ 1 119 000	- 78 610 000

Year	Budget deficit without 75 % share Annex 20, column 7	75 % share from Annex 24, column 8	Budget out-turn with 75 % share - deficit + surplus	Running total of budget out- turn -deficit + surplus
1	2	3	4	5
11	3 754 000	6 237 000	+ 2 483 000	- 76 127 000
12	3 754 000	7 744 000	+ 3 990 000	- 72 137 000
13	3 754 000	9 294 000	+ 5 540 000	- 66 597 000
14	3 754 000	10 836 000	+ 7 082 000	- 59 515 000
15	3 754 000	12 302 000	+ 8 548 000	- 50 967 000
16	3 754 000	13 571 000	+ 9 817 000	- 41 150 000
17	3 754 000	14 669 000	+ 10 915 000	- 30 235 000
18	3 754 000	15 642 000	+ 11 888 000	- 18 347 000
19	3 754 000	16 606 000	+ 12 852 000	- 5 495 000
20	3 754 000	17 359 000	+ 13 605 000	+ 8 110 000

Attempt to calculate contribution scales

on the basis of gross national product (I) and frequency of designation (II)

Contracting States	I. Based on gross national product (GNP)			II. Based on frequency of designation		Notes
	GNP ⁽¹⁾ 1967 national currency in 1000 millions	in 1000 millions \$	contribution scale %	figures from Annex 23, column 6	contribution scale %	
1	2	3	4	5	6	7
Denmark	84.3 dkr	11.2	2.03	5 294	1.69	(1) These figures are taken from the "Statistischen ...", (Statistical Yearbook for the Federal Republic of Germany 1969) page 129. They are based on OECD figures.
Spain	1616.5 Ptas	23.1	4.18	8 518	2.73	
Greece	213.4 Dr	7.1	1.29	1 081	0.34	
Ireland	1.1 £	2.7	0.49	1 290	0.41	
Norway	59.5 nkr	8.3	1.50	3 900	1.25	
Austria	276.5 S	10.6	1.92	9 489	3.04	
Portugal	132.8 Esc	4.6	0.83	1 178	0.38	
Sweden	123.8 skr	23.9	4.33	12 926	4.14	
Switzerland	68.9 Fr	15.8	2.86	14 633	4.68	
Turkey	95.4 £	10.6	1.92	490	0.16	
United Kingdom	39.6 £	95.0	17.21	35 603	11.40	
EEC States						
Belgium	977.1 bfrs	19.5	3.53			
Federal Republic of Germany	485.1 DM	132.5	24.00			
France	537.7 F	96.8	17.53			
Italy	41849.0 Lire	67.0	12.14			
Luxembourg	36.1 lfrs	0.7	0.13			
The Netherlands	82.3 hfl	22.7	4.11			
EEC States		339.2	61.44	218 028	69.78	
		552.1	100 %	312 430	100 %	

Attempt to calculate contribution scales
on the basis of "patent intensity",

i.e. the figures for national applications, foreign applications, total applications and for patents granted in 1968, taken from the 1969 BIRPI statistics, "Patents" table I a

Contracting States	P a t e n t a p p l i c a t i o n s						Patents granted	
	national	%	foreign	%	Total	%	Total	%
1	2	3	4	5	6	7	8	9
Denmark	827	0.75	5 588	2.51	6 415	1.92	1 987	0.89
Spain	3 792	3.44	9 388	4.21	13 180	3.96	9 585	4.31
Greece	1 323	1.20	1 208	0.54	2 531	0.76	2 481	1.11
Ireland	168	0.15	1 427	0.64	1 595	0.48	760	0.34
Norway	987	0.89	4 262	1.91	5 249	1.58	1 635	0.73
Austria	2 486	2.25	10 246	4.60	12 732	3.82	9 160	4.12
Portugal	95	0.09	1 304	0.58	1 399	0.42	1 149	0.52
Sweden	4 742	4.30	13 338	5.99	18 080	5.43	8 430	3.79
Switzerland	5 928	5.37	13 609	6.11	19 537	5.86	17 450	7.85
Turkey	87	0.08	545	0.24	632	0.19	470	0.21
United Kingdom	26 711	24.21	35 284	15.84	61 995	18.61	43 038	19.35
EEC States:								
Belgium	1 466	1.33	16 068	7.21	17 534	5.26	17 456	7.85
Federal Republic of Germany	34 005	30.82	31 417	14.10	65 422	19.64	21 169	9.52
France	17 561	15.91	36 095	16.20	53 656	16.11	47 990	21.58
Italy	7 604	6.89	24 152	10.84	31 756	9.53	35 247	15.85
Luxembourg	81	0.07	2 463	1.11	2 544	0.76	2 100	0.94
The Netherlands	2 477	2.25	16 420	7.37	18 897	5.67	2 324	1.04
EEC Total	63 194	57.27	126 615	56.83	189 809	56.97	126 286	56.78
Total for all Contracting States	110 340	100 %	222 814	100 %	333 154	100 %	222 431	100 %

Contracting States	I. Based on gross national product Annex 26 column 4	II. Based on frequency of designation Annex 26 column 6	III. Based on number of applications Annex 27			IV. Based on number of patents granted Annex 27 column 9
			col. 3 national	col. 5 foreign	col. 7 total	
1	2	3	4	5	6	7
Denmark	2.03	1.69	0.75	2.51	1.92	0.89
Spain	4.18	2.73	3.44	4.21	3.96	4.31
Greece	1.29	0.34	1.20	0.54	0.76	1.11
Ireland	0.49	0.41	0.15	0.64	0.48	0.34
Norway	1.50	1.25	0.89	1.91	1.58	0.73
Austria	1.92	3.04	2.25	4.60	3.82	4.12
Portugal	0.83	0.38	0.09	0.58	0.42	0.52
Sweden	4.33	4.14	4.30	5.99	5.43	3.79
Switzerland	2.86	4.68	5.37	6.11	5.86	7.85
Turkey	1.92	0.16	0.08	0.24	0.19	0.21
United Kingdom	17.21	11.40	24.21	15.84	18.61	19.35
EEC States:						
Belgium	3.53		1.33	7.21	5.26	7.85
Federal Republic of Germany	24.00		30.82	14.10	19.64	9.52
France	17.53		15.91	16.20	16.11	21.58
Italy	12.14		6.89	10.84	9.53	15.85
Luxembourg	0.13		0.07	1.11	0.76	0.94
The Netherlands	4.11		2.25	7.37	5.67	1.04
EEC States	61.44	69.78	57.27	56.83	56.97	56.78
Total for all Contracting States	100 %	100 %	100 %	100 %	100 %	100 %

Payment and repayment of one Contracting State's contributions
to the costs of the build-up and running-in period of the European Patent Office,
taking the Federal Republic of Germany as an example, with a scale of contributions of 19.64 %,
based on the total number of patent applications (Annex 28 column 6)

- immediate full opening; excluding special organs -

Year	P a y m e n t s 19.64 % of the figures from Annex 25 column 4		Year	R e p a y m e n t s 19.64 % of the figures from Annex 25 column 4	
	in US-Dollar	in DM		in US-Dollar	in DM
1	2	3	4	5	6
0	4 031 699	14 756 018	10	219 772	804 366
1	2 445 769	8 951 515	11	487 661	1 784 839
2	2 234 639	8 178 779	12	783 636	2 868 108
3	1 955 948	7 158 770	13	1 088 056	3 982 285
4	1 701 610	6 227 893	14	1 390 905	5 090 712
5	1 422 525	5 206 442	15	1 678 827	6 144 507
6	1 007 532	3 687 567	16	1 928 059	7 056 696
7	600 591	2 198 163	17	2 143 706	7 845 964
8	241 768	884 871	18	2 334 803	8 545 379
9	16 694	61 100	19	2 524 133	9 238 327
			20	2 672 022	9 779 601
	15 658 775	57 311 118		17 251 580	63 140 784

