

THE COMMUNITY PATENT AND THE EUROPEAN PATENT

The European Union, as it now called uniformly, has been around since 1957. The desire to have an EU wide unitary patent has been around for roughly the same length of time, with the Commission initiating talks in 1959¹. The history of failed attempts is well known, with the first proposal for the Community Patent Convention² in 1975, the second proposal for the Convention³ in 1989, the third proposal for a Community Patent Regulation⁴ in 2000 and the fourth proposal for a Community Patent Regulation⁵ in 2004. The Commission in its strategy paper of 2007⁶, after considerable consultation in 2005 and 2006, admitted defeat and launched a new approach. The position in the EU must be compared to that in the wider Europe where the European Patent Convention has been in operation since 1973, although this is not a unified patent system as the granting of a European Patent only results in the issuance of a bundle of national patents and, without a central litigation system these can be challenged in national courts. This paper will consider the reasons for these previous failures, the reasons for why the EPS is needed and the strategy adopted by the Commission to overcome these predominantly political problems.

Reasons for Previous Failure

The reasons for previous failure can be considered under three headings.

1. Costs of Translation

¹ A Brimelow, 'Not Seeing the Wood for the Trees: Is the Patent System Still Fit for Purpose' 2nd Annual Francis Gurry Lecture, delivered 1 March 2010 accessed 18 March 2010 at <http://www.epo.org/topics/news/2010/20100302a.html> at 34

² Convention 76/76/EEC for the European patent for the common market (Community Patent Convention) OJ 1976 L17/1

³ Agreement 89/695EEC relating to Community patents OJ 1989 L401/1

⁴ Commission proposal for a Council Regulation on the Community patent, COM(2000) 412 final OJ 2000 C337E/278

⁵ Council Presidency's proposal for a Council Regulation on the Community patent, Council Document 7119/04

⁶ Commission Communication on enhancing the patent system in Europe, COM(2007) 165 final

The four proposals up to 2004 were weighty documents that attempted to cover all bases. One of the repeated concerns, not only of Member States but also of industry was the high cost of translation arrangements⁷. The EU now has 27 Member States with 22 official languages. If a unitary patent is to be issued then it was considered that translation would be required in all official languages. If that was the case then the question turned to identifying who would pay for that. If it was the patent applicant then the cost of translation would mean that obtaining an EU patent would be inherently expensive for industry. If the cost was to fall on the patent authorities then the high costs of translation would fall on the State as a whole, with these costs being paid out of the revenues from general taxation. The result would be that individuals without any interest in the patent concerned would be paying for its translation. Of course the patent could be left in the original language of the patent holder and only translated if challenged in opposition or in infringement proceedings. That would return to the original problem that a unitary patent across the EU must be capable of being understood by everyone, unless it relinquishes any claims to legitimacy. Another solution could be to designate official languages and for the patent specification only to be translated into those at the patentee's expense. If further translation was required, either for a challenge to the grant of the patent or in opposition proceedings then the challenger could then pay for any extra translation costs.

2. Patent Litigation System

The original CPC envisaged a patent judicial system with two arms, national courts and the European Patent Convention, overseen by the European Court of Justice. This was considered a problem on two grounds. First a single national judgment invalidating a Community patent would invalidate it for the whole of the territory of the EU, having major implications economically and territorially. Second there was a danger that the length of legal proceedings in some national courts, with subsequent appeals, could significantly delay patent protection across the whole of the EU. There was a third, unspoken, ground of concern and that was over national sovereignty. A patent system has always been considered to be territorially defined such that it is designed to encourage and promote domestic innovations and

⁷ Ibid. at 3 and Commission Green Paper on the Community patent and the patent system in Europe: promoting innovation through patents, COM(1997) 314 final at 7

industry. There was disquiet among some Member States that national courts, possibly with little experience of patents or patent litigation, could invalidate a particularly important patent for another Member State.

The proposals for a Community Patent Regulation shifted the focus of the patent litigation system, seeking to establish a highly centralised jurisdictional system whilst incorporating the EPO's application procedures. This would have entailed the EU becoming a signatory to the European Patent Convention and the EPO's Boards of Appeal dealing with all examination and opposition proceedings prior to the grant of the patent. A single unitary Community intellectual property court would have had exclusive jurisdiction over all infringement and invalidity actions. This would have been set up as a judicial panel, attached to the Court of First Instance (now the General Court after Lisbon), with a right of appeal to the General Court and a final appeal to the ECJ on questions of law. The loss of local, national input to a system was considered to be a major concern.

3. Political

The process of creating a unitary European Union patent system demands a leap of faith from policy makers and politicians. In effect there requires a concerted decision to abandon the national system that has evolved and grown over many years (in the UK at least since the C14th). In the early years of the CPC there was considered to be no legal basis in the EEC Treaty for the creation of this unified system. Therefore Member States had to sign up to the Convention on the basis of international law and then ratify it by bringing into force in their domestic law. The UK did this in the Patent Act 1977 but many States refused to ratify it. The difficulties increased with the subsequent enlargements that meant the new accession States had to then accede and ratify the CPC themselves, a difficulty acknowledged in the 1989 proposal. The proposals for Regulations should have led to easier progress but the legal basis chosen was Article 308EC (now Article 352TFEU) that required unanimity for the Regulation to be adopted. As Alison Brimelow acknowledges⁸, where there is

⁸ Op. Cit. n.1 at 36

a requirement for unanimity, parties must come to the negotiating table willing to compromise.

From this brief analysis, it can be concluded that the substantive issues of a unified patent system are not significant problems. In effect the substantive patent law in the EPC, and confirmed internationally by the TRIPS Agreement, has been a settled and level playing field for many years, with some significant deviations (e.g. software and business method patents and biotechnology). Thus the reasons for failure must also contain the reasons for perseverance.

Reasons for a Unified EU Patent System

The 2007 Commission Communication⁹ sets out the reasons for the adoption of a Unified System, concentrating particularly on an integrated jurisdictional system.

1. Multiple Patent Litigation

This is a direct consequence of the EPC system of issuing a bundle of national patents rather than a single unified patent. The national patent then becomes subject to national patent rules and procedures. There is thus a risk of multiple patent litigation in a number of contracting States, on the same issue, that can lead to diverse findings and completely different conclusions on the validity of a patent. The point is well made by LJ Jacobs in Leo Pharma v Sandoz¹⁰.

2. Cost

There are significant costs for all sides for multiple litigation. These include national attorneys, that can in some countries involve both solicitors and barristers, expert

⁹ Op. Cit. n.6 at 5

¹⁰ Leo Pharma v Sandoz [2009] EWCA Civ 1188 (CA) (Jacobs LJ) para 77

witnesses and court fees. The Commission suggests¹¹ that this is not a significant problem for big businesses, although there is no doubt such a cost can militate against a European dimension for foreign companies. However, for SMEs this cost can be prohibitive, such that they could choose a number of options: not to patent the invention, keep it as close to a trade secret as possible and simply be first to market; to claim the patent and then license it to a larger market player; or, be forced, after spending considerable amounts of money to develop the invention and then attain a patent, to abandon enforcement of the patent. As the Commission notes this has the effect of emptying the patent of any practical value¹².

3. Different National Court Systems

The Commission notes the major differences between different national court systems. There can be different courts to hear different elements of a patent dispute in some States (e.g. Germany) whilst in others (e.g. UK) there are unified systems to decide the whole patent issue. Second there can be an adversarial system rather than an inquisitorial system. Finally there can be dissenting opinions in judgments, particularly in multiple judge appeal courts, whereas in other countries the judgment delivered is collegiate.

4. Expertise

The different national court systems can either be specialised patent courts or general courts that also hear patent cases. The consequence of this is that the level of expertise of the judiciary, both in their experience and qualifications, varies depending on the type of court hearing the case. Furthermore the expertise of expert witnesses will vary accordingly, a more inexperienced judge requiring greater explanation taking a longer period of time, thereby increasing the costs.

The Way Forward

¹¹ Op. Cit. n.6 at 6
¹² Ibid.

The conclusions of the Commission's consultations in 2005-2006 are interesting¹³. The EPO had also recognised the problem with multiple patent litigation and had set up a working party in 1999 that negotiated the Draft Agreement on the establishment of the European Patent Litigation System in 2004¹⁴ (henceforth EPLA) to set up a European Patent System¹⁵, that was revised in 2005¹⁶. Many of the stakeholders and Member States were in favour of the Commission adopting a legislative measure for the implementation of EPLA. However, the required unanimity could not be obtained, principally through the objection of France¹⁷. However, a system similar to EPLA that combined the positive elements of a local/national decentralised patent litigation system with central oversight was popular. Second it was discovered that more than 90% of patent litigation takes place before the tribunals of just four Member States (Germany, France, UK and the Netherlands)¹⁸. Third the Commission proffered an opinion, at the time only supported by circumstantial evidence, that a unified patent litigation system would result in significant savings¹⁹. That was confirmed in a subsequent study for the Commission by Harhoff²⁰, who suggested that private savings of between €148 and €289 million would result in 2013²¹.

The Result

¹³ Op. Cit. n.6

¹⁴ Draft Agreement on the establishment of a European patent litigation system 2004, accessed 18 March 2010 at <http://www.epo.org/patents/law/legislative-initiatives/epla.html>

¹⁵ Draft Statute of the European Patent Court 2004, accessed 18 March 2010 at <http://www.epo.org/patents/law/legislative-initiatives/epla.html>

¹⁶ Draft Agreement on the establishment of a European patent litigation system 2005, accessed 18 March 2010 at <http://www.epo.org/patents/law/legislative-initiatives/epla.html>

¹⁷ Op. Cit. n.6 at 10. See also J Pagenberg, 'Another Year of Debates on Patent Jurisdiction in Europe and No End in Sight?' (2007) 38 IIC 805 at 811

¹⁸ Ibid. at 7

¹⁹ Ibid. at 8

²⁰ T Harhoff, 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System', Final Report, 26 February 2009, accessed 11 March 2010 at

http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf

²¹ Ibid. at 5

The solution put forward by the Commission was ingenious and, in effect, split up the development of the European Union system into four parts, each of which must be adopted as a legislative measure before the European Union Patent System can come into force. It is suggested that the thinking behind this approach is to move forward incrementally. If Member States see two or three successfully negotiated parts then there will be a strong incentive to complete the process and the political will, lacking in the past, might see things through.

1. The European Union Patent

This was the least controversial aspect of the process. The starting point for negotiations was the 2004 proposal for a Community patent²² with the latest revised text for a Regulation on 27 November 2009²³.

2. The European and EU Patents Court (EEUPC)

This is likely to be a significant building block for the successful culmination of the process. Although some working papers had been made available to the public, the first document that presented the full draft Regulation and also included the Draft Statute of the Court appeared on 19 March 2008²⁴ that eventually resulted in the text of 8 January 2009²⁵. The positive response to this draft persuaded the Council, in principle, to agree to request an Opinion from the ECJ as to the compatibility of the draft Regulation with the Treaties²⁶ and the Council Legal Service made such a reference on 18 June 2009²⁷. The ECJ's answer in Opinion 1/09 is awaited eagerly. The latest version of the text, now called the Agreement on the EEUPC was issued on 23 March 2009²⁸ and a working paper on the first part of the draft Rules of Procedure for a Unified Patent Litigation System was issued on 9 July 2009²⁹. More

²² Op. Cit. n.5

²³ Council Document 16113/09 Add 1

²⁴ Council Document 7728/08

²⁵ Council Document 5072/09. This is analysed by TT Jaeger, RM Hilty, J Drexler, H Ullrich, 'Comments of the Max Planck Institute for Intellectual Property, Competition and Tax Law on the 2009 Commission Proposal for the Establishment of a Unified European Patent Judiciary' (2009) 40 IIC 817

²⁶ Council of the European Union, Conclusions of the Competitiveness Council of 27-28 May 2009, Council Document 10306/09 at 9

²⁷ Council Document 11183/09

²⁸ Council Document 7928/09. See T Jaeger, 'The EU Patent: *Cui Bono Et Quo Vadit?*' (2010) 47 CMLRev 63

²⁹ Council Document 11813/09

direction was provided by the Competitiveness Council's Conclusions of December 2009³⁰.

3. Translation

Little work has yet to appear in public over translation arrangements. Two Council Presidency working papers³¹ were issued in early 2008 and the Competitiveness Council of December 2009³² mentioned the requirement for a Regulation on translation arrangements but did not go any further. The second working paper did identify three different aspects of translation that would need to be resolved³³: the filing of the application³⁴; the publication of the application and grant of the patent³⁵; and, legal disputes³⁶. It is submitted that this is likely to be the most difficult stage of the process to develop to a successful outcome as languages go to the very heart of national sovereignty, and are fiercely protected by nation States.

4. The Enhanced Partnership

Similar to the translation arrangements little has been forthcoming from the EU. The Competitiveness Council in December 2009³⁷ provided some direction though this is predominantly to take place within the EPO³⁸. The aim of Enhanced Partnership is to enhance the capabilities of the EPO during the process of granting a patent through partnership with national patent offices.

The final element in the creation of the European Union Patent System will occur once the other elements have been slotted into place. This will take the form of amendments to the EPC, to enable the EU to accede to the EPC. As the Competitive

³⁰ Council of the European Union, Conclusions of the Competitiveness Council of 3-4 December 2009, Council Document 10306/09, expanded in Council Document 17229/09

³¹ Council Documents 6985/08 and 8928/08

³² Op. Cit. n.29 at 10

³³ Op. Cit. n.31 at 3

³⁴ The suggestion is that the applicant can file in any language with the national patent office translating into one of the languages of the EPO. Costs would be reimbursed by the EU patent system

³⁵ Automated technical translations to be employed

³⁶ Full translation costs to be borne by the patent holder or applicant but should be limited as the machine translation would already be available and so only revision and approval by a translator would be required

³⁷ Op. Cit. n.29 at 11

³⁸ See EPO Documents CA/120/06, CA/122/06, CA/153/09 and CA/PL 8/09

Council³⁹ makes clear this will be merely procedural and will not result in any revision of substantive patent law.

Conclusion

The creation of a Unified European Patent System appears to be seen as an important priority for Member States, with the Commission's new strategy having the prospects of a fair degree of success. The relationship between the EPO and the EPS will be complimentary with, in effect, the EPO dealing with applications and the granting of patents and the EEUPC dealing with patent litigation. There is a danger of contradictory developments as non-EU EPO contracting States will still be able to hear European Patent cases in their own national courts. However, the creation of the EPS has a long way to go and anybody expecting a swift resolution of 51 years of debate is likely to be disappointed.

³⁹ Op. Cit. n.29 at 13