MEMORANDUM

from Klaus-Heiner Lehne, MEP

Patent initiative for a new European patent law

1. Background

At the start of the last parliamentary term the European Commission, under the guiding hand of Commissioner Bolkestein, presented a proposal for a Regulation concerning the introduction of a single European patent.[1] This proposal is based on Article 308 EC Treaty, since it is concerned not with harmonisation but with the creation of a new legal device. Parliament's involvement in this legislation is therefore limited to the consultation procedure, and the Council has to decide by unanimity. Parliament (the rapporteur at the time was Ana Palacio) gave its views at the start of the last parliamentary term.[2] Since then the matter has been with the Council, which is unable to reach a decision. The problems were or are essentially as follows:

a) The problem of jurisdiction

The Commission proposed that patent infringement disputes should be referred to a new European tribunal.[3] A court of first instance and a court of second instance were to be set up in Luxembourg. They would be part of the European judicial system and have jurisdiction for all patent infringement disputes involving granted European patents. The European Patent Office (EPO) would be responsible for the registration and administration of the European patents[4]. Although the EPO is not a European Community or European Union body or institution, it was to be mandated with this task. Centralising the courts of first and second instance would have negative consequences, especially for Member States with courts highly specialised in

[1] Proposal for a Council Regulation on the Community patent, 1.8.2000; COM(2000) 412, OJ C 337 E, 28.11.2000, p. 278.
[2] Adopted text P5_TA(2002)0163, 10.4.2002.
[3] Article 30 ff. of the proposal for a Regulation COM(2000) 412.
[4] Article 1 of the proposal for a Regulation, COM(2000) 412.

and well regarded for the hearing of patent litigation cases. In any event, in formulating its opinion the European Parliament succeeded in gaining acceptance for an amendment whereby the national courts were to retain jurisdiction, at least at first instance.[5] The Council is, however, not bound by this opinion.

b) Language dispute

The second main problem was the question of the languages that were to be mandatory for the future European patent in the light of its legal effects in all the Member States. According to the original European Commission proposal, all patents had to be translated only into the three working languages of the European Patent Office as stipulated in the European Patent Convention, namely English, French and German.[6] This 'three-language regime' did not find favour with a majority even in the European Parliament of the time. Although the then rapporteur Ana Palacio had proposed that English be the only language used, ultimately agreement had to be reached on the language regime of the Office for Harmonization in the Internal Market (OHIM) in Alicante in order to secure a majority in Parliament at that time: OHIM uses both Italian and Spanish in addition to the three European Patent Office languages.[7] In the face of the need for unanimity under Article 308 EC Treaty, the Council gave its usual language response which had also proved an insurmountable barrier to other European legislative initiatives for which unanimity was required. There were various initiatives, e.g. by the Netherlands Presidency, to have English as the only language. France, on the other hand, insisted on French. This then led to the usual response whereby Germany, Italy, Spain, the Netherlands and so on all had their say until we ended up with Maltese as the 21st official language. The planned accession of Bulgaria and Romania will add two more languages, and future EU enlargements cannot be ruled out. A language regime with '21 plus x' official languages and translations into all these languages, at least in part, would

[5] Proposed amendment 10 of P5_TA(2002)0163, the text adopted by the European Parliament on 10.4.2002.

[6] Cf. Article 58 of the proposal for a Regulation, COM(2000) 412, and the Commission's notes on this point.

[7] Proposed amendments 2 and 22 of P5_TA(2002)0163, the text adopted by the European Parliament on 10.4.2002.

make the patent excessively expensive and lead to de facto two-tier patent protection. Small and medium-sized enterprises would be at a massive disadvantage by comparison with large enterprises, because the large enterprises would be more likely to be able to afford this more expensive European patent than inventors from SMEs. Yet most inventions come from small and medium-sized enterprises. These would then be dependent on the lower-quality national patent, while the big firms could have their inventions protected Europe-wide. The wider language regime would also be absurd if only because most patents come from Germany, the languages of patents are predominantly English and German, and all other languages have virtually no relevance in the patent system. In addition, we would lose quite a substantial competitive edge over America and the other economic areas of the world. Another negative factor would be the probable impossibility of reversing a language regime of this kind once it had been introduced.

2. Current state of proceedings

The European patent regulation has reached stalemate in Council, and that situation will not change. Germany, at least, will not agree to an exorbitant 21-language patent.

3. The new patent initiative – a new idea for a solution

The Commission, and with it the entire European Union, is under considerable pressure over the matter of patent legislation. A single European patent is one of the cornerstones of the Lisbon Agenda, and European Union officials never tire of stressing the importance of sound and appropriate intellectual property rights in a knowledge-based society. Europe is, moreover, scarcely capable of holding its own in negotiations with other economic areas for as long as we do not even have a single system in the important field of patent protection. Although the European Patent Convention provides something of a framework, it does not lead to a single European patent but only to the grant of a 'bundle' of national patents. These cannot replace a single European patent system. Furthermore, attempts by the European Commission to achieve partial harmonisation in tricky areas such as that of computer-implemented

inventions have failed in the legislative procedure as a result of totally opposed positions on certain substantive points. Since the Lisbon process is due to be completed in principle by 2010, and since this important area of the development of intellectual property rights appears to have reached an impasse, it is time for a new initiative. This could take the following shape:

First, the European Commission would have to withdraw its proposal for a single European patent regulation on the basis of Article 308 EC Treaty. Then it would have to present a new proposal for a harmonisation directive to unify national patent law within the European Union as a whole. The legal basis for this could be Article 95 EC Treaty (articles concerning the internal market). To ensure recognition of a granted European patent throughout the EU, the proposal for a directive should be based on the principle of mutual recognition. To make sure that individual patent offices in certain Member States do not have a tendency to grant cheap and meaningless patents with Europe-wide effect, mutual recognition would have to be made dependent on the European Patent Office either granting the patents itself or approving patents granted by national patent offices. Such a proposal for the harmonisation of patent law would have a number of advantages:

a) The decision-making procedure would be much simpler. Since the proposal would be based on Article 95 EC Treaty, codecision would apply, that is to say the European Parliament would be fully involved in the decision-making process at various stages in the legislative procedure. The Council would also no longer have to decide by unanimity but could do so with a qualified majority. This rules out a veto by individual Member States.

b) The national courts would retain all of their powers. Conversely, the European Court of Justice would be included in the decision-making procedures, since it would have ultimate power of interpretation in respect of the patent harmonisation directive, and the national courts would have to involve the European Court by ordering decisions to be referred to it. This would also ensure the uniformity of European Union case-law. To prevent forum shopping, consideration can perhaps be given to proposing an accompanying

jurisdiction regulation, although it is doubtful whether this is actually necessary because it has not been a problem so far.

c) The European Patent Office would also be included in this new European patent system and could, on the basis of mandated authority, operate as a kind of European agency in terms of both granting patents enjoying Europe-wide recognition and possibly authorising or approving patents as a requirement for Europe-wide recognition.

d) The language issue can also be resolved much more simply. Most Member States, and the majority of the European Parliament, would no doubt be prepared to agree to an arrangement that hugely simplifies the language regime. Examples of this can be found in other areas of legislation, such as that governing financial markets. The transparency directive stipulated, for example, that enterprises must publish information in the language of the home Member State and in 'a language that is customary in the sphere of international finance'.[8] Explicit mention of the English language was thus avoided, but the same end was essentially achieved by political means. Everyone was able to vote for this at the time. Judging by the mood in Council, it seems highly likely that the majority would be in favour of a comparable solution. Of course, this is dependent on the Commission presenting a proposal to this effect and on Parliament voting along the same lines. In practice, this would mean the patent being granted in the language of the applicant and having to be translated only into English. If, in the course of patent infringement proceedings, applicants were to assert claims in a State where a different language is officially used in the courts, they would naturally have to have all the requisite case documents translated into that language. That would not, however, pose a problem, since claimants would at least not be forced to have the texts translated into all 21 plus x official languages at the time of granting of the patent or shortly thereafter as a precautionary measure, as it were. Such patent infringement cases are, moreover, highly unlikely to reach the courts in relatively small markets within the European Union; this would be more likely to happen only in the

[8] Recital 24 and Article 20 of Directive 2004/109/EC on the harmonisation of transparency requirements, OJ L 390, 31.12.2004, p. 38.

large markets, if at all. The expenditure thus envisaged for any translations would remain within reasonable limits.

4. Risks involved in a new patent initiative

a) The negative position adopted thus far with regard to the European patent law, especially the language regime, could be sacrificed in favour of other national requirements as part of an unsatisfactory deal. One way of preventing this would, in particular, be to talk to the relevant national government departments.

b) Risk of failure similar to that of the Directive on computer-implemented inventions

Of course, there is always the risk of failure. The debate on the Directive on computer-implemented inventions has shown the extent to which emotional arguments put forward by dubious representatives of pressure groups can affect voting on complex issues not readily comprehensible to all. It is therefore quite possible that this situation will recur with a new patent initiative designed to bring about harmonisation in patent law. On the other hand, the approach taken with such a patent initiative goes far beyond the field of computer-implemented inventions alone and, in general terms, harmonises different developments in legislation and case-law in the Member States. The topic of software inventions is, at best, only a subtopic and can possibly also be left out of the patent initiative proposal entirely.

c) The risk of defeat in the language dispute as the result of a majority decision

The possibility of a majority decision under Article 95 EC Treaty has advantages and disadvantages. In theory, it would also be possible for a 21-language regime to be accepted in the legislative procedure against individual national resistance. This is unlikely, however. Parliament and Council appear to be tired of the language dispute and would probably be prepared to agree on a 2-language regime (native language plus language customary in the

sphere of international patent systems = English). This has already happened in other legislative initiatives, for example in the case of the transparency directive as mentioned earlier. A harmonised patent is, after all, not a European patent but a national patent that is recognised in the other Member States of the European Union. Since a translation is nonetheless specifically required for the enforcement of this patent, e.g. in the course of patent infringement disputes, the language problem does not arise except in case of actual need.

5. Summary

- The European Commission proposal for a European patent regulation with a European patent as a new legal institution has failed owing to the dispute over the language issue. The development of patent law in the European Union occupies a key role in the Lisbon process. New initiatives are therefore urgently required.

- The way to a single European patent system can also be paved by a harmonisation directive based on Article 95 EC Treaty. National patents would then remain but would be subject to mutual recognition through the European Patent Office. The language regime could be radically simplified, which would appreciably reduce the cost of a patent. An internationally competitive patent would thus be created. In addition, leading legal centres in the Member States could still hear all patent infringement cases. The European Court of Justice would also have ultimate power of interpretation in respect of the directive, thus ensuring uniform case-law throughout the European Union.

- The risks involved in a new patent initiative are manageable, and the possible outcome of a legislative procedure is, in any case, likely to be more favourable for the beneficiaries than if the procedure for the patent regulation now under consideration were to reach a successful conclusion.

Brussels, 29 November 2005

(signed) Klaus-Heiner Lehne MEP

EUROPEAN COMMISSION
Internal Market and Services DG

Knowledge-based Economy
Industrial property

Brussels, 09/01/06

Questionnaire

On the patent system in Europe

INTRODUCTION

The field of intellectual property rights has been identified as one of the seven cross-sectoral initiatives for the Union's new industrial policy as set out in the Commission Communication launched on 5 October 2005. Stimulating growth and innovation means improving the framework conditions for industry, which include an effective IPR system.

In 1997, the Commission launched the idea of a Community Patent in its Green Paper on promoting innovation. This was taken up by Heads of State and Government in the conclusions of the Lisbon European Council of March 2000, who called for a Community patent to be available by the end of 2001. The Community Patent proposal, establishing a unitary system of patent protection for the single market, has formally been on the table of the Council since 2000 but overall agreement is yet to be achieved. The Commission remains convinced that an affordable Community Patent would offer the greatest advantages for business: we owe it to industry, investors and researchers to have an effective patent regime in the EU. Commissioner McCreevy has stated his intention to make one final effort to have the proposal adopted during his mandate. Until the time and conditions are ripe for that effort, the interim period should be used to seek views of stakeholders on en effective IPR system in the EU.

Views are therefore sought on the patent system in Europe, and what changes if any are needed to improve innovation and competitiveness, growth and employment in the knowledge-based economy.

Please note that this consultation focuses on the overall legal framework. Accompanying measures, such as information, awareness raising or support training, are outside the scope of consultation.

The document that follows contains a number of questions: In answering them we would invite you to be as detailed as you can. Supporting evidence and statistics are also welcome.

On the basis of the feedback the Commission intends to organise a hearing in Brussels in early summer 2006.

This consultation is open to all, and will be closed on **31 March 2006**.

The Commission services will publish a report on the outcome of this consultation. It will be available on the Internal Market and Services Directorate's General website.

Please either email us at:

Markt-D2-patentstrategy@cec.eu.int

Or send your response by post to:

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Belgium

PRIVACY STATEMENT

Please be sure to **indicate** if you **do not consent** to the **publication** of your personal data or data relating to your organisation with the publication of your response.

The contact data provided by the stakeholder make it possible to contact the stakeholder to request a clarification if necessary on the information supplied.

By responding to this consultation you automatically give permission to the Commission to publish your contribution unless your opposition to publish your contribution is explicitly stated in your reply. The Commission is committed to user privacy and details on the personal data protection policy can be accessed at:

http://europa.eu.int/geninfo/legal_notices_en.htm#personaldata

For further information please contact Ms Grazyna PIESIEWICZ at grazyna.piesiewicz@cec.eu.int or at +32.2.298.01.24.

Section 1 - Basic principles and features of the patent system

The idea behind the patent system is that it should be used by businesses and research organisations to support innovation, growth and quality of life for the benefit of all in society. Essentially the temporary rights conferred by a patent allow a company a breathing-space in the market to recoup investment in the research and development which led to the patented invention. It also allows research organisations having no exploitation activities to derive benefits from the results of their R&D activities. But for the patent system to be attractive to its users and for the patent system to retain the support of all sections of society it needs to have the following features:

- clear substantive rules on what can and cannot be covered by patents, balancing the interests of the right holders with the overall objectives of the patent system
- transparent, cost effective and accessible processes for obtaining a patent
- predictable, rapid and inexpensive resolution of disputes between right holders and other parties
- due regard for other public policy interests such as competition (anti-trust), ethics, environment, healthcare, access to information, so as to be effective and credible within society.

1.1 Do you agree that these are the basic features required of the patent system?

1.2 Are there other features that you consider important?

1.3 How can the Community better take into account the broader public interest in developing its policy on patents?

Section 2 – The Community patent as a priority for the EU

The Commission's proposals for a Community patent have been on the table since 2000 and reached an important milestone with the adoption of the Council's common political approach in March 2003 [http://register.consilium.eu.int/pdf/en/03/st07/st07159en03.pdf; see also http://europa.eu.int/comm/internal_market/en/indprop/patent/docs/2003-03-patent-costs_en.pdf]. The disagreement over the precise legal effect of translations is one reason why final agreement on the Community patent regulation has not yet been achieved. The Community patent delivers value-added for European industry as part of the Lisbon agenda. It offers a unitary, affordable and competitive patent and greater legal certainty through a unified Community jurisdiction. It also contributes to a stronger EU position in external fora and would provide for Community accession to the European Patent Convention (EPC). Calculations based on the common political approach suggest a Community patent would be available for the whole of the EU at about the same cost as patent protection under the existing European Patent system for only five states.

Question

2.1 By comparison with the common political approach, are there any alternative or additional features that you believe an effective Community patent system should offer?

Section 3 – The European Patent System and in particular the European Patent Litigation Agreement

Since 1999, States party to the European Patent Convention (EPC), including States which are members of the EU, have been working on an agreement on the litigation of European patents (EPLA). The EPLA would be an *optional* litigation system common to those EPC States that choose to adhere to it.

The EPLA would set up a European Patent Court which would have *jurisdiction* over the validity and infringements of European patents (including actions for a declaration of non-infringement, actions or counterclaims for revocation, and actions for damages or compensation derived from the provisional protection conferred by a published European patent application). National courts would retain jurisdiction to order provisional and protective measures, and in respect of the provisional seizure of goods as security. For more information see [http://www.european-patent-office.org/epo/epla/pdf/agreement_draft.pdf]

Some of the states party to the EPC have also been tackling the patent cost issues through the London Protocol which would simplify the existing language requirements for participating states. It is an important project that would render the European patent more attractive.

The European Community is not a party to the European Patent Convention. However there is Community law which covers some of the same areas as the draft Litigation Agreement, particularly the "Brussels" Regulation on Recognition and Enforcement of Judgments (Council Regulation no 44/2001) and the Directive on enforcement of intellectual property rights through civil procedures (Directive 2004/48/EC). [http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_195/l_19520040602en00160025.pdf] It appears that there are three issues to be addressed before EU Member States may become party to the draft Litigation Agreement:

(1) the text of the Agreement has to be brought into line with the Community legislation in this field

(2) the relationship with the EC Court of Justice must be clarified

(3) the question of the grant of a negotiating mandate to the Commission by the Council of the EU in order to take part in negotiations on the Agreement, with a view to its possible conclusion by the Community and its Member States, needs to be addressed.

Questions

3.1 What advantages and disadvantages do you think that pan-European litigation arrangements as set out in the draft EPLA would have for those who use and are affected by patents?

3.2 Given the possible coexistence of three patent systems in Europe (the national, the Community and the European patent), what in your view would be the ideal patent litigation scheme in Europe?

Section 4 –Approximation and mutual recognition of national patents

The proposed regulation on the Community patent is based on Article 308 of the EC Treaty, which requires consultation of the European Parliament and unanimity in the Council. It has been suggested that the substantive patent system might be improved through an approximation (harmonisation) instrument based on Article 95, which involves the Council and the European Parliament in the co-decision procedure with the Council acting by qualified majority. One or more of the following approaches, some of them suggested by members of the European Parliament, might be considered:

(1) Bringing the main patentability criteria of the European Patent Convention into Community law so that national courts can refer questions of interpretation to the European Court of Justice. This could include the general criteria of novelty, inventive step and industrial applicability, together with exceptions for particular subject matter and specific sectoral rules where these add value.

(2) More limited harmonisation picking up issues which are not specifically covered by the European Patent Convention.

(3) Mutual recognition by patent offices of patents granted by another EU Member State, possibly linked to an agreed quality standards framework, or "validation" by the European Patent Office, and provided the patent document is available in the original language and another language commonly used in business.

To make the case for approximation and use of Article 95, there needs to be evidence of an economic impact arising from differences in national laws or practice, which lead to barriers in the free movement of goods or services between states or distortions of competition.

Questions

4.1 What aspects of patent law do you feel give rise to barriers to free movement or distortion of competition because of differences in law or its application in practice between Member States?

4.2 To what extent is your business affected by such differences?

4.3 What are your views on the value-added and feasibility of the different options (1) – (3) outlined above?

4.4 Are there any alternative proposals that the Commission might consider?

Section 5 – General

We would appreciate your views on the general importance of the patent system to you.

On a scale of one to ten (10 is crucial, 1 is negligible):

5.1 How important is the patent system in Europe compared to other areas of legislation affecting your business?

5.2 Compared to the other areas of intellectual property such as trade marks, designs, plant variety rights, copyright and related rights, how important is the patent system in Europe?

5.3 How important to you is the patent system in Europe compared to the patent system worldwide?

Furthermore:

5.4 If you are responding as an SME, how do you make use of patents now and how do you expect to use them in future? What problems have you encountered using the existing patent system?

5.5 Are there other issues than those in this paper you feel the Commission should address in relation to the patent system?

(1) If you would like the Commission to be able to contact you to clarify your comments, please enter your contact details.

(a) Are you replying as a citizen / individual or on behalf of an organisation?

(b) The name of your organisation/contact person:

(c) Your email address:

(d) Your postal address:

(e) Your organisation's website (if available):

(2) Please help us understand the range of stakeholders by providing the following information:

(a) In which Member State do you reside / are your activities principally located?

(b) Are you involved in cross-border activity?

(c) If you are a company: how many employees do you have?

(d) What is your area of activity?

(e) Do you own any patents? If yes, how many? Are they national / European patents?

(f) Do you license your patents?

(g) Are you a patent licensee?

(h) Have you been involved in a patent dispute?

(i) Do you have any other experience with the patent system in Europe?

Please either email us at:

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Or send your response by post to:

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