Toward an effective Europe-wide patent system

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For nearly 30 years, European countries have been considering whether and how to establish a system that would go beyond the system administered by the European Patent Office in streamlining the processes for obtaining, enforcing and challenging patent rights in countries that make up the European Union. A March 2003 agreement from the European Council brings this long-awaited development a step closer.

Early attempts
The Luxembourg Convention on the Community Patent, originally signed in 1975, would have created a system for a single patent enforceable in all of the EU Member States. Because it was not ratified by all Member States, however, it never went into force. Even if it had done so however, the Luxembourg Convention would not have alleviated all of the problems with the current system, as patents covered by the convention would have been required to be translated into every Community language, leading to exorbitant costs. Additionally, a judge in a court of a Member State would have had the authority to declare a Community Patent invalid with effect for the entire territory of the EU.

In 1997, the European Commission reinvigorated the efforts to create a Community Patent. After a 1999 Green Paper, the Council in 2000 issued a Proposal for a Council Regulation on the Community Patent. The proposed regulation would:
• create Community-wide patent protection through a single application and a single resulting patent
• simplify patent application procedures and reduce fees and costs
• establish a central patent court with judgments effective throughout the EU.

Under the proposal, the EU would become a participating member of the EPO by acceding to the Convention on the Grant of European Patents (the ‘Munich Convention’), which is the instrument that established the EPO. Thus, the procedure for obtaining a Community Patent would involve applying for and obtaining an European patent from the EPO with the EU listed as a designated state. This mechanism would leverage the existing procedures for obtaining European patents and render unnecessary the provision of a new legal framework regulating the application and issue process for Community Patents.

Under the law applying in the EU, the provisions of the proposed regulation would automatically become law in all EU Member States once passed following a consultation with the European Parliament and the unanimous approving vote of the European Council. The proposal nevertheless led to disagreements within the

1 The EPO member states comprise, in addition to the current Member States of the EU, Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Liechtenstein, Monaco, Romania, Slovak Republic, Slovenia, Switzerland and Turkey. National patent offices usually require the translation of key patent documents, for example, the granted European Patent, into the national language. Moreover, maintenance and other fees in connection with a European Patent have to be paid to the EPO as well as, in most instances, the national patent offices of the states designated in the corresponding patent application. A European Commission study estimated the total average cost of obtaining and maintaining a European Patent as being approximately five times the corresponding figure in the US and approximately three times the corresponding figure in Japan. Proposal for a Council Regulation on the Community Patent, COM(2000) 412 final. According to the estimate, translation and maintenance fees for the EPO comprise approximately 60% of the total average cost, while the corresponding figures for the US and Japan are approximately 26% and 36%, respectively. The courts of some EU Member States have, in certain special cases, allowed cross-border jurisdiction in respect of actions for infringement or declaratory actions for non-infringement. However, such actions comprise only a small percentage of patent litigation within the Community. Agreement Relating to Community Patents, December 15, 1975, European Economic Community, amended December 15, 1989, 89/695/EEC, L401 Official Journal of the European Union 1-27 (1989). Green Paper on the Community Patent and the Patent System in Europe, COM(97) 314 final. Proposal for a Council Regulation on the Community Patent, COM(2000) 412 final.
European Council on a number of issues. Some Member States objected to the designation of English or any other Member State language as the sole language(s) for use in Community Patent applications. There was also disagreement over the proposal to create a central court with exclusive jurisdiction to hear and decide Community Patent disputes. Some member states were also concerned about the prospective obsolescence of their national patent offices.

**Promising development**

However, on March 3, the European Council resolved key issues that had been blocking progress toward an effective system for European Union-wide patents, known as Community Patents. The Council agreed that:

- starting in 2010, a centralized Community court specialized in patent matters would have exclusive jurisdiction in the first instance to hear disputes involving Community Patents
- initial applications for Community Patents could be filed in English, German or French
- upon grant of a Community Patent, only the claims would have to be translated into all languages of the EU.

Important steps must still be taken before an effective EU-wide patent system will be achieved, including the revision of the convention establishing the EPO, but the new agreement is a significant step forward in a long-delayed process.

**What does it cover?**

The Council’s new agreement provides guidelines for modifying the 2000 proposed regulation and addresses many of these issues.

**Judicial system**

The agreement provides that a unitary court, to be known as the Community Patent Court, will start operating in 2010 with exclusive jurisdiction in Community Patent disputes. Among other things, this court of first instance will have exclusive jurisdiction in Community Patent infringement and invalidity proceedings, actions for declaratory judgment of non-infringement, prior use proceedings, and claims of lapse of a Community Patent. The Community Patent Court would also have authority to order provisional and protective measures such as injunctions.

Panels of three judges will hear patent disputes, with the assistance of technical experts of the Court. The proceedings would be conducted in the language of the domicile of the defendant. Appeals of final decisions of the Community Patent Court would be heard by the Court of First Instance of the European Court of Justice.

Until the Community Patent Court becomes operational in 2010, each Member State will designate a limited number of national courts to handle Community Patent disputes. The March 3 Council agreement, however, leaves open many questions concerning enforcement and challenges to Community Patents before the Community Patent Court starts in 2010.

**Languages and costs**

Under the agreement, Community Patent applications may be filed in any of the official languages of the EPO - English, French or German - but after grant, the patentee will be required to file a translation of the claims into the other two languages of the EPO. The applicant is further required, however, to file a translation of the claims into all remaining Member-State languages after grant of the patent for purposes of legal certainty within and dissemination of the patented technology across the European Union. Where the applicant files the application in a language other than an official language of the EPO and provides a translation into an EPO language, the costs of that translation would be subsidized, ie, not be borne by the applicant.

Renewal or maintenance fees for a Community Patent would not exceed the level of the corresponding renewal fees for the average European Patent, and processing fees would be the same, regardless of the office where the application was filed and where the prior art search was performed.

**Role of national patent offices**

While under the agreement, the EPO would have exclusive responsibility for examining and granting applications for Community Patents, the national patent offices of the Member States would continue to play a role. In particular, national patent offices would advise potential applicants for Community Patents, disseminate information concerning Community Patents, and be available to receive Community Patent applications for filing and to provide initial processing.

An applicant for a Community Patent would have the choice of filing the application directly with the EPO or with the national patent office of a EU Member State. A national patent office of a EU Member State having an official language other than an official EPO language would, at the request of an applicant, carry out any task up to and including novelty searches. Other national patent offices would be allowed to carry out patent search work on behalf of the EPO only if they have a record of cooperating with the EPO and need the search work to maintain a critical mass of personnel. The agreement states that relationships between national patent offices and the EPO would be structured based on bilateral partnership agreements specifying criteria for quality assurance. Community Patent maintenance fees would be split between the EPO and the national offices of the Member States. The agreement further specifies that the Council would have the authority to extend national patent office involvement in patent search activities if a crisis of capacity occurred in issuing Community Patents.

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7 Report of the Competitiveness Council of the European Council (2490th Council Meeting, Internal Market, Industry and Research), 6874/03 (Press 59) (March 3, 2003), available at http://ue.eu.int/pressData/en/intm/74752.pdf. 8 For example, it is not clear whether, in the period before 2010, a national court of a EU Member State would have the authority to find a Community Patent invalid, and whether such a finding would have effect throughout the EU. 9 However, an applicant would not be required to translate the claims into a language of a Member State where that Member State has waived this requirement.
Remaining steps
Although the March 3 agreement represents significant progress, a number of steps remain before the proposed regulation is enacted. The Council will likely consider and adopt an amended proposed regulation consistent with the guidelines in the agreement within a short amount of time. Because the Council will adopt an amended text, the European Parliament must be consulted again before an amended proposed regulation reflecting the agreement can be implemented. The amended proposal must also be approved unanimously by the Council, but this may be a formality in light of the March 3 agreement on the matter.

The proposed regulation, as well as the amendments suggested by the guidelines in the March 3 agreement, also contemplate that EPO will issue Community Patents, with the EU designated as a 'state'. But this will require amending the Munich Convention, which in turn requires a supermajority vote of three-quarters of the members of the EPO attending an EPO diplomatic conference, and subsequent ratification by the legislatures of a number of EPO members.

Impact on the US
The Community Patent - an effective Europe-wide patent - is now much closer to reality. This easier and less expensive path to obtaining and maintaining patent protection, as well as increased confidence about enforcement of patent rights across Europe, should lead many businesses to apply for Community Patents. This is especially so for R&D-focused pharmaceutical companies whose strategies include protecting innovative intellectual property across multiple jurisdictions. Moreover, the existence of the centralized and specialized Community Patent Court with competence to take decisions affecting the whole territory of the EU will lead to more legal certainty with respect to patent disputes. As a result, we can expect that patent litigation with higher stakes will develop.

Additionally, large companies and multinationals that would otherwise have been discouraged by the complexities of the national judicial systems may initiate more patent litigation in Europe. In short, the Council's agreement should lead to European patents and patent litigation becoming more important factors in the intellectual property and overall commercial strategies of companies having or considering business activities in Europe.

On the other hand, practitioners may feel that the latest agreement will not reduce costs sufficiently to render Europe as attractive a market for patenting as the US and Japan currently are. The requirement that the claims of Community Patents be translated into all EU member state languages will be expensive, and will be increasingly so as the EU expands.

However, given the long and painful process and differing positions leading up to the agreement of March 3, it is unlikely that either EU institutions or the member states will engage in any further tinkering with the draft proposal.

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10 Under the mandatory consultation procedure governing the consideration of the Proposed Regulation, the European Parliament's opinion is not binding on either the Commission or the Council; however, its opinion must be obtained before any legislation can be enacted. The European Parliament had approved the original Proposed Regulation with its own minor amendments in April 2002.


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