



International Chamber of Commerce

The world business organization

Policy statement

The EC Green Paper on the Community Patent and the Patent System in Europe

Commission on Intellectual and Industrial Property, 5 November 1997

(A) Introduction

The International Chamber of Commerce (ICC) is the world business organization. It is the only representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. Founded in 1919, it represents today thousands of member companies and associations from over 130 countries. The ICC's purpose is to promote international trade, investment and the market economy system. It makes rules that govern the conduct of business (eg. Incoterms) across borders and provides essential services, foremost among them being the ICC International Court of Arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on global issues of importance for business such as intellectual property. Since 1922, ICC policy in this field has been elaborated by its Commission on Intellectual and Industrial Property, which brings together leading intellectual property experts from business and private practice from all over the world. As the world business organization, the ICC firmly believes that the protection of intellectual property stimulates international trade and investment, and encourages transfer of technology, which are both essential for economic growth.

Therefore, the ICC has always regarded the provision of a strong world-wide cost-effective patent system as being an essential requirement for the world business community. In particular, it has often stressed (see for example its recent policy statement on the reduction of patent costs which is attached) that, for most of the many technology-based companies belonging to the ICC, the cost of obtaining, maintaining and litigating patents is far too high. The lack of harmonization between the world's substantive patent laws, the procedures before patent offices, and the court procedures on litigating patents not only unacceptably and unnecessarily increase the costs to the patentees and third parties but also result in inconsistent decisions on patent infringement and validity from country to country; these weaknesses in the world patent system greatly disturb those in business making world-wide investment decisions on whether to commercialize new technology and, if so, where to do so.

The ICC therefore warmly welcomes the initiative of the Commission of the European Communities (the "Commission") in publishing this Green Paper seeking the views of all interested parties on the future of the European patent system, and the ICC will be participating fully in the current debate on this important subject. To illustrate further its general interest in the patent system, the ICC was very pleased to host, with the American Intellectual Property Law Association (AIPLA) and the Fédération Internationale des Conseils en Propriété Intellectuelle (FICPI), the Second International Symposium on Reducing Patent Costs in Paris on 22 and 23 October 1997, and the ICC was most gratified to see present at the Symposium representatives from so many national governments, international government organizations including the Commission, patent attorney bodies and industry bodies interested in patents.

Many of the papers submitted to the Commission and commenting on the Green Paper will no doubt consider how the European patent system can be changed to improve the innovation performance of European companies. Naturally, the ICC as the world business organization cannot approach the subject from that angle; instead the ICC will in the present statement consider the changes required to

International Chamber of Commerce

38 Cours Albert 1er, 75008 Paris, France

Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 29 42

E-mail icc@iccwbo.org Website www.iccwbo.org

make the European patent system better serve companies in the global business community interested in inventing, developing and commercializing new technology.

(B) A unitary patent for Europe (Part 3 of the Green Paper)

General Views

The ICC supports the principle of a unitary patent for Europe as being in the best interests of world business. By the term "unitary patent", the ICC specifically means a single patent granted with equal effect throughout each and every EU member state and maintained as a single unit; in general, such a patent would be litigated as a single unit across the EU, and infringement and validity decisions would apply equally to all member states. While the ICC supports the unitary patent principle, it cannot however support the Community Patent Convention as agreed at the Luxembourg Conference in 1989 (the "Luxembourg Convention") because of its unacceptably high cost inherent in its provisions for obtaining and maintaining Community Patents and wholly unsatisfactory litigation arrangements for them. A new unitary patent system must have many features not possessed by the Community Patent system (and certain other changes must be made) before the ICC could fully support such a unitary patent system and feel confident that its members would actually use it to any degree.

Therefore, the ICC can only support the introduction of a unitary patent system in the EU if the following can be achieved for the overall patent system in each and every EU member state.

1. The unitary patent system must be **additional to**, and **not instead** of, the existing patent systems in Europe, i.e. obtaining patents for all, some or even just one of the EU member states either through the European Patent Convention or through the national systems. The ICC would greatly regret if either of these systems were to disappear as they are attractive to particularly smaller companies which cannot afford to obtain rights in all the EU member states and indeed may only want (ill advisedly) a right in a single member state. There should, however, be enough flexibility in the system to allow conversion of a pending unitary patent application into a European application leading to individual national patents in some of the EU member states. Hopefully, the Commission can arrange through treaty negotiations for non-EU countries in Europe to participate in the unitary patent system.
2. The cost of obtaining and maintaining the unitary patent must be low, i.e. about the same as, or even less than, the cost of obtaining and maintaining a US Patent. The cost and possible punitive sanctions to which patentees are subjected of providing translations into local languages of the specification on grant must be minimized and they must certainly be well below the cost and sanctions of the translation regime of the Luxembourg Convention. Unless, as discussed in more detail below, the translation regime selected for the unitary patent involves a low cost to patentees without loss of rights, industry will not use the unitary patent system to any significant degree. Further, the official fees including renewal fees for obtaining and maintaining a unitary patent should be no more than the cost to the "unitary patent office" of running the unitary patent system; the national patent offices should only receive money from the unitary patent office in payment for any services rendered to it by the national patent offices.
3. The unitary patent office should be an administratively separate institution from the European Patent Office although the EU institution responsible for supervising the unitary patent system should ask the EPO to operate the system in return for appropriate payments.

4. Fully satisfactory litigation arrangements must be established for unitary patents. There is little point in expending the effort and cost of obtaining a patent if the patentee cannot obtain reasonably cheaply and without significant aggravation timely, reliable and consistent decisions from the courts on whether a third party's technology infringes a valid claim in the patent. Equally important (and often overlooked in debates on litigation) is the need for a third party to obtain in the same fashion such decisions on whether its technology infringes a valid claim in a competitor's patent.

Infringement and validity issues must be determined by the same tribunal and so the ICC cannot support the Commission's proposal to separate infringement from validity determination by giving responsibility for the latter to a revocation division in the EPO. Further, both determinations must be made by judges with judicial experience on patents.

In the longer term, the ICC favours a single unitary patent court for the whole of the EU which would make EU-wide decisions on both validity and infringement of unitary patents; such a court would have its own harmonized court procedures and the power to provide EU-wide remedies for infringing a valid claim according to harmonized principles. If such a court system could not be established in the short-term, the ICC in the meantime suggests that determinations on infringement and validity on an EU-wide basis should be made by a national court sitting as a unitary patent court in the member state where the suit is brought. This unitary patent court would use local court procedures relating to pleadings and discovery. However, most importantly, a local judge with insufficient patent judicial experience would sit with one or more patent judicially experienced judges from other member states. A patentee should be able to bring suit in any EU member state where the defendant or patentee has a place of business or where the infringement has actually occurred, as determined in the Brussels Convention.

The ICC cannot support the Commission's proposal that a local court in a member state should have jurisdiction to decide infringement and validity of a unitary patent for only that state because this would prejudice the unitary nature of the unitary patent.

Appeals from the lower level courts and the unitary patent office on unitary patents should lie to a single special patent appeal court at Community level.

The unitary patent office should have no greater powers over the validity of unitary patents after grant than the EPO has at present over European Patents; this means that for example a third party could oppose a unitary patent at the unitary patent office within only a specified period (presumably 9 months) after grant.

5. Potential exhaustion of rights problems in the existing systems must be overcome. Some of the decisions of the Court of Justice of the European Communities ("ECJ") on this topic have the effect of distorting competition and are very much against the interest of those SMEs trying to expand their businesses within the EU. Currently, most Small to Medium-sized Enterprises ("SMEs") cannot afford the very high aggregate cost of obtaining patent protection in a number of EU member states. However, under Community jurisprudence, if the owner of a patent effective in only part of the EU expands its sales to a member state where it does not have protection, its products may be purchased in that country by a third party which can, as a result of the Community doctrine of exhaustion, export them to all the member states regardless of the SME's patent protection, thereby detracting from the value of the SME's patents.

Replies to Specific Questions in Green Paper

Generally speaking, what would in your view be the advantages and disadvantages of patent protection covering the entire Community in terms of...

- **costs?**
As indicated above, a unitary patent for the whole of the EU would only be advantageous if the costs of obtaining such patents and then maintaining and litigating them were sufficiently low. For example, the obtaining and maintaining costs would have to be about the same as, or even lower than, the cost for a US patent, and in any case the cost should be no more than is required to run the unitary patent system. The litigation costs would have to be considerably lower than in the USA.
- **geographic coverage?**
The ICC is, as indicated above, against a unitary patent being ineffective in some parts of the EU.
- **the problem of distortions of competition?**
A uniform right across the EU subject to reliable and accessible litigation processes at the Community level will reduce the scope for copying by competitors across the EU. However, this advantage should not be at the expense of national patents. It must be clearly provided, for the benefit especially of SMEs, that any concern which chooses a national patent, rather than a unitary patent, shall not be treated as having given consent to the manufacture and marketing of its invention in any member state where there is no patent, with the exhaustion of rights doctrine that flows from this.
- **the free movement of goods?**
This question is closely related to the previous one. The unitary patent should be much better in enabling the movement of goods to proceed in a harmonious way, without artificial barriers resulting from a bundle of national patents which are liable to give rise to different interpretations of the patent rights under different national laws. Again, however, rights under existing and future national patents should be properly respected and copiers in countries where there is no protection should not be allowed general free access to the market.
- **legal certainty?**
Legal certainty ought to be much improved by a unitary patent system, but this will depend on the reliability of decisions on the infringement and validity of unitary patents.
- **the monitoring of infringements?**
No particular problems, greater than those experienced at present, are foreseen, though national rules concerning *saisie* and documentary discovery procedures for establishing infringement may need to be harmonized.
- **translation requirements?**
As indicated above, the unitary patent system would only be significantly used if the costs to patentees of obtaining unitary patents are low. The translation regime of the Luxembourg Convention is much too expensive and oppressive for patentees and, unless the translation regime for the new unitary patent system is far cheaper and more "user friendly", industry will not use such a system. On the other hand, the ICC does appreciate that language questions are politically sensitive in many of the EU member states and that many will argue that it is not right that a patent should come into force in a country in a language the local people cannot

understand (see page 3 of the ICC's patent cost reduction policy statement attached). The ICC does not know which solution to the language problem will be adopted for the unitary patent but does stress that it must reduce considerably the cost and oppressiveness to patentees of translations. Perhaps funding for providing translations into local languages of unitary patents can be obtained from elsewhere, and the ICC hopes the Commission will work hard to find such funding since otherwise the unitary patent system could be still-born like the Community Patent of the Luxembourg Convention.

What are, in your opinion, the essential conditions to be met in terms of costs and legal structure if such a system is to function effectively?

The ICC repeats that the cost of obtaining a unitary patent must be low. This means that the official fees must be no higher than is required to run the unitary patent system, the procedures should be as simple as possible to reduce attorney fees (some lessons from the experience of the EPO over the last 20 years must surely be taken into account) and the cost to the patentee of the translation regime should be low.

Infringement and validity issues must be determined by the same tribunal. Further, these determinations must be made by judges with judicial experience on patents. In the longer term, the ICC favours a single unitary patent court for the whole of the EU which would make EU-wide decisions on both validity and infringement of unitary patents. If such a court system could not be established in the short-term, in the meantime the ICC favours using a national court sitting as a unitary patent court to determine, on an EU-wide basis, infringement and validity issues. However, most importantly, a local judge with insufficient patent judicial experience would sit with one or more patent judicially experienced judges from other member states.

The ICC cannot support the Commission's proposal that a local court in a member state should have jurisdiction to decide infringement and validity of a unitary patent for only that state because this would prejudice the unitary nature of the unitary patent.

Appeals from the lower level courts and the unitary patent office on unitary patents should lie to a single special patent appeal court at Community level.

The unitary patent office should have no greater powers over the validity of unitary patents after grant than the EPO has at present over European Patents.

If ratification procedures currently in progress were finally to result in the Community patent coming into effect, would you be prepared to use it as provided for in the Luxembourg Convention?

The ICC does not believe its members would use it under these circumstances to any significant extent because the obtaining and maintaining costs of the Community Patent are far too high and the litigation arrangements are unacceptable.

Any adjustment of the Luxembourg Convention would require the unanimous agreement of the contracting states, involving either amendment of the Convention or the adoption of a Regulation based on Article 235 of the EC Treaty. Do you think that such adjustment would be appropriate, or are you satisfied that the European patent together with the national patent systems suitably meets the needs of industry?

More than "adjustment" of the Luxembourg Convention is needed in order to produce a satisfactory unitary patent system. The Convention must be completely changed. A new instrument is needed to do this and will probably be best created by the adoption of a Community Regulation under Article 235 because the problems of securing ratification by all states and handling the entry of new states will be

virtually insuperable under a free standing Convention. The present systems for obtaining patents work quite well. Any new system must be superior to existing arrangements and must not have the same weaknesses, such as high costs to patentees.

Apparent weaknesses of the Luxembourg Convention

The ICC agrees with the Commission's comments made about the defects in the present Luxembourg Convention. These are so serious that the procedures of the Convention would not be used to any significant extent by the ICC's member companies, whether large or small.

Do you share the view that the main weaknesses of the Community patent in its present form (Luxembourg Convention) are (i) its high cost due to the obligation to have the patent specification translated into all Community languages and (ii) the legal uncertainty associated with the judicial arrangements? Can you see other disadvantages?

The two weaknesses mentioned are both very serious ones. Other weaknesses or risks include: (iii) the official fees, particularly renewal fees currently planned, are too high; it is not good enough to say that these will be no more than the sum of the separate fees in the member states, since the present system provides plenty of flexibility to apply for and maintain patents in only those states of real interest; (iv) differences in continuing prior user right laws and in compulsory licensing practice between states may cause difficulties; the unitary patent must be unitary; and (v) the existence of a unitary patent should not result in an even more rigorous exhaustion of rights regime being applied to national patents.

The problem of the cost of translations and possible solutions

As indicated above, the ICC believes that the cost to patentees of the translation regime for the unitary patent must be low or otherwise industry will not apply for unitary patents to any significant degree. The issue of translations is a major hurdle in the way of a successful unitary patent.

With a view to reducing costs, are you in favour of a system based on Article 33 and Article 88 of the 1975 Luxembourg Convention or the "package solution" developed by the European Patent Office?

The ICC has no comment on the first of these proposals; as far as the package solution is concerned, the ICC has already indicated (see page 3 of attached statement) its support for it if no better solution can gain acceptance.

If neither of the above solutions were feasible, would you be in favour of an arrangement that would constitute an exception to the unitary character of the Community patent, whereby failure to file translations would result in the patent not taking effect in the member state(s) concerned?

The ICC is opposed, for reasons already given, to a dilution of the unitary character of the unitary patent which should stand or fall together and not be treated as a patent "with holes". Such a patent would be little different from a European Patent which does not designate all EU member states and so would not be worth having. As already stated, the ICC strongly believes that even if a unitary patent system does come into force, applicants should still be able to obtain rights within the EU by the two existing routes, i.e. through EPC and through the national systems.

Do you regard the other alternative solutions that have been proposed for reducing translation costs as appropriate and promising (translation on demand, shortened description, etc.)?

Of these alternative solutions, translation on demand is worth further study as it would reduce significantly the cost to the patentee of obtaining the unitary patent.

Do you share the view that centralization of the filing of translations of Community patent specifications at the European Patent Office, as provided for in the Luxembourg Convention, is an important aspect of the translation arrangements?

If translations are required for the unitary patent, the ICC supports the filing of all of them at a single location - not necessarily the unitary patent office - for this, the national patent offices could be used under a system of transmitting the translations to other patent offices, preferably electronically.

The problem of the judicial arrangements and possible solutions

The judicial arrangements in the existing Luxembourg Convention are unacceptable and indeed they are one of the main reasons why the ICC's members would not have used the Community Patent system to any significant extent. These arrangements must be substantially improved if any new unitary patent system is to succeed.

Infringement and validity issues must be determined by the same tribunal and so these determinations must be made by judges with judicial experience on patents. In the longer term, the ICC favours a single unitary patent court for the whole of the EU which would make EU-wide decisions on both validity and infringement of unitary patents. If such a court system could not be established in the short-term, the ICC favours using a national court sitting as a unitary patent court to determine, on an EU-wide basis, infringement and validity issues. However, most importantly, a local judge with insufficient patent judicial experience would sit with one or more patent judicially experienced judges from other member states. A patentee should be able to bring suit in any EU member state where the defendant or patentee has a place of business or where the infringement has actually occurred. The ICC cannot support the Commission's proposal that a local court in a member state should have jurisdiction to decide infringement and validity of a unitary patent for only that state because this would prejudice the unitary nature of the unitary patent. Appeals from the lower level courts and the unitary patent office on unitary patents should lie to a single special patent appeal court at Community level.

The unitary patent office should have no greater powers over the validity of unitary patents than the EPO has at present over European Patents; this means that for example a third party could oppose a unitary patent at the unitary patent office within only a specified period (presumably 9 months) after grant.

The Commission apparently thinks new courts cannot be created under the EC Treaty. Whilst understanding that such courts might possibly give rise to constitutional questions for some member states, the ICC hopes that such Treaty problems could be overcome.

As far as judicial arrangements are concerned, are you in favour of a system:

- which would give exclusive jurisdiction for revocation proceedings to bodies operating within the European Patent Office (revocation division) and, on appeal to the Court of First Instance of the European Communities, or
- which would leave jurisdiction for revocation proceedings with national courts, while restricting the effects of their decisions to the territory of the member state in which they are located?

As already indicated, a system giving exclusive jurisdiction for revocation of unitary patents to a revocation division of the European Patent Office is ill-considered and would not resolve the difficulties foreseen with the judicial arrangements set out in the present Luxembourg Convention. The infringement and validity determinations must be made by the same tribunal. As far as the second

alternative is concerned, the ICC cannot support this as it would prejudice the unitary nature of the unitary patent.

Fees

Unless the official fees are low, industry will not use a unitary patent system. Such fees should be no more than the cost to the unitary patent office of running the unitary patent system, and no fees should be paid to national patent offices except in payment for services rendered by the national patent offices in helping the unitary patent office to perform its duties.

Should the financial arrangements laid down in the Luxembourg Convention and the European Patent Convention concerning the renewal fees for Community patents be amended such that the revenue from these fees accrue in full to the European Patent Office in order to defray the costs of granting and administering Community patents?

As already indicated, all the fees paid by applicants/patentees to the unitary patent office should be retained by that office and no money should go to the national patent offices except in payment for services rendered by the national patent offices to the unitary patent office in running the unitary patent system.

Given the alternative means of protection available to users (European patent, national patents, etc.) do you consider that further measures are necessary to make the Community patent system attractive for example a reduction in renewal fees?

If the official fees for unitary patents are fixed in accordance with the principles noted above, further measures should not be necessary.

Would it be feasible to give proprietors of Community patents the option of partial waiver of the protection they confer, in respect of a limited number of member states, through non payment of the annual renewal fees?

No, the unitary patent should be unitary.

Links to be established between the Community Patent and the European Patent

The ICC agrees with the Commission's arguments in favour of the need for flexibility in the patent system in Europe and agrees that links between the unitary patent system and the European patent system are needed.

Do you think it necessary to establish links between the Community patent and the European patent, for example by making it possible to convert a Community patent application into a European patent application? Would you wish to see any other links established? If so, how could they operate?

It is very desirable, in order to provide maximum flexibility for applicants, to establish links. In particular, a unitary patent application should be convertible into a European Patent application up to the time of the grant. Furthermore, the EPO could be asked to manage the unitary patent system for a pre-established fee paid out of the unitary patent office fees.

Other questions

The ICC does not accept the Commission view that it is largely irrelevant to provide common rules on compulsory licenses in view of the World Trade Organization's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, or that the laws on continuing prior user or possession rights are largely uniform throughout the Community. The TRIPS Agreement provides minimum standards on

the conditions when use of a patented invention without the consent of the owner is allowed by a national law. Rules are needed to ensure that the national laws of all member states take the same position on when to allow non-authorized use. Moreover, arrangements need to be in place to ensure that compulsory licences on unitary patents are not granted in an ad hoc manner by different states, but that the matter is handled centrally, for example by the courts responsible for infringement and validity determination, in accordance with clearly defined rules. The laws on continuing prior use or possession rights are also not harmonized at present within the Community, for example a right based solely on prior possession is only recognized in a few member states as is a continuing prior user right based on importation only. The rules in all EU member states need to be harmonized and the continuing prior user right based on relevant industrial activities in relation to a unitary patent clearly defined.

Do you think that questions of prior use or possession need to be harmonized at Community level in the context of a new initiative concerning the Community patent?

Yes

(C) Further harmonization at community level (Part 4)

The need for further harmonization at Community level

The ICC's comments on Part 4 of the Green Paper will be fairly general.

The patentability of computer programs and software related inventions

The ICC believes that Article 52(2) of EPC should be clearly and transparently in line with the TRIPS Agreement, particularly Article 27(1); the ICC asks that Article 52(2) be amended by deleting the reference to computer programs.

As far as the patentability of computer programs and software-related inventions is concerned, do you think that:

- existing differences between judicial precedents in the member states are liable to create barriers to trade or distort competition?
No comment.
- differences between Europe and its main trading partners are liable to create difficulties for European firms?
No comment on this issue as it is of especial interest to only European countries.
- these differences call for further harmonization at Community level in this area?
ICC believes that further effort towards harmonization and clarification of the system within Europe is urgently needed.

As far as the patentability of computer programs and software-related inventions is concerned, do you think that deletion of Article 52(2) of the Munich Convention should ultimately be proposed?

- If so, what is your view of the simultaneous application of copyright law and patent law to the same creation or invention?

Article 52(2), with its exception of programs for computers, serves a purpose in that it excludes abstract and aesthetic creations from patentability. The ICC believes that it should be confined to the exclusion of such non-technical subject matter.

The supplementary question seems, however, to betray a misunderstanding of the situation. If the question were directed purely to simultaneous application of copyright law and patent law to the same creation (as opposed to the same invention) then there is no problem. Copyright protection is available for the expression of the programming ideas in the form for example of code and flow diagrams but does not extend to the ideas themselves. Patents are available to protect inventions as is the case in any other industry. There is no more inconsistency in copyright and patent law applying to the same computer program than there is in design and patent law applying to the same article.

- **If not, do you nevertheless think that the guidelines for EPO examiner should be amended in this respect?**

In all cases, the guidelines for EPO examiners must be amended. Advantage ought to be taken of the in-depth work already done by the US Patent and Trademark office and the Japanese Patent Office in this respect.

Employee Inventions

The ICC has two comments on this subject. Firstly, as most inventions are made by employees, harmonization across the EU of the laws on the ownership of inventions made by employees is required. Secondly, on the question of rewards for employee inventions, the ICC sees no reason why an employee inventor should be rewarded in any way different from any other employee who performs well on behalf of his or her employer.

Are existing differences between member states' laws on employees' inventions likely to have an impact on innovation and employment conditions and/or the freedom to provide services and/or the conditions of competition? Are they such as to justify harmonization at Community level?

As indicated above, the ICC believes harmonization of the laws across the EU on the ownership of employee inventions is required.

Formalities, use of patent agents and recognition of professional qualifications

The patent system can be made cheaper and more accessible particularly to SMEs by simplifying and harmonizing procedures before national patent offices for obtaining patents through EPC and through the national systems, by deregulating representation before national patent offices so that the use of a local representative is compulsory only when this is strictly necessary, and by enabling qualified persons from other European countries to practice before national patent offices on formality requirements. In particular, the ICC believes that an address for service in only one EPC member state should be required for European Patents after they enter the national phase, and that a patentee should be able to obtain the translations under Article 65 of EPC from wherever he chooses and then file them directly in the national patent offices. As the ICC stressed on pages 4 and 5 of its patent costs reduction policy statement (attached), it fully supports the efforts of the Commission in this area and hopes the Commission will be successful in this simplification, harmonization and deregulation initiative as it should lead to a reduction in the cost to patentees of obtaining and maintaining patents in Europe.

The Green Paper doubts whether formalities harmonization within Europe is required if the Patent Law Treaty (PLT), currently being negotiated in the World Intellectual Property Organization, is concluded.

The ICC has high expectations of the PLT, but it should be recognized that this will be a rather "high level" treaty. It is concerned with a limited range of issues (filing date, form and content, permissible options concerning representative, signature, recordal of changes and belated claiming of priority). For these, the treaty will set maximum requirements within which contracting states will be able to set different mixes of requirements. It will not address a number of detailed matters where practices differ. Work at Community level should start as soon as possible to identify the procedural differences between the various national systems and to assess how far these might be harmonized, both in order to comply with the PLT in its likely form and in order to improve formality requirements at a European level.

On the question of the harmonization at Community level of the procedural formalities connected with the grant and renewal of patents:

- Do you think that such harmonization is necessary and, if so, that it should cover the use of patent agents, addresses for service and the choice of domicile?
- Can you suggest other topics that should be covered?
- Do you think that any such harmonization should take the form of legislation (a directive) or of a recommendation addressed to member states?

Procedural formalities should be harmonized as closely as possible (allowing if necessary for the differences between different types of patent systems, for example examination, delayed examination and non-examination systems). They should be harmonized with the requirements of the PLT and should follow the Patent Cooperation Treaty and EPC procedures as closely as possible. The Community directive or other instrument dealing with harmonization should provide that an address for service can be anywhere in the Community. Matters over and above those referred to in the PLT, such as restitution in integrum and the correction of errors, should be harmonized. Standard forms should be established. The fees and procedures for entry to the national phase from the European Patent system should be harmonized and should be as cheap and straightforward as possible.

Questions concerning the use of representatives, the extent to which they should be qualified in patent matters and their domicile could be dealt with in a separate harmonizing instrument. The extent of aptitude tests should be covered in this same instrument.

Harmonization of these matters should be mandatory. A recommendation addressed to member states will not have sufficient force.

Additional measures to make the patent system more attractive

To make the patent system more attractive, particularly for SMEs, how do you think that implementation of the protection afforded by patents could be facilitated? What are your views on the possibility of introducing legal costs insurance in the patents field? Do you consider that additional harmonization measures need to be taken at Community level in this area?

Harmonization and retaining flexibility giving applicants the choice between three systems (the unitary patent system, the EPC national patents bundle and the national patents) would certainly be beneficial to SMEs.

(D) The European patent (Part 5)

General Structure of the European Patent

As the Green Paper points out, the European patent system is in general giving satisfaction to users, except that the patentability of biotechnological inventions is causing problems, official fees are too high and the translation regime causes expense and procedural complexity for patentees. There are also excessive procedural delays.

Do you share the view that the current structure of the European Patent Office, a body which is independent of the Community institutions, does not entail disadvantages for users which should be overcome through a different legal structure which is more closely integrated into Community law?

Taking the European patent system into the Community legal framework could be advantageous, provided that important advantages of the existing legal order, such as being able to secure a bundle of national patents through a single European application, are not lost. Clearly, if the EPC were to be replaced by a Community instrument which could be modified as a result of a qualified majority vote and where modifications so approved would be immediately applicable without ratification by member states, then the system would be able to respond much more flexibly and rapidly to international developments and regional needs.

However, any new legal order must enable the EPO to take control of its own finances and to set the renewal fees on European Patents, rather than being dependent on a proportion of national renewal fees remitted by member states (as at present) or on the Community budget authorities - as might be suggested if it were to become a Community body. Mechanisms should be found to ensure close cooperation with national patent offices, even though the EPO is to some extent in competition with these.

The problem of the cost of the European Patent

The ICC greatly welcomes the recent reduction in official fees in the EPO but believes further reductions can and should be made.

Fees

The ICC believes the cost of obtaining a European Patent should be about the same as, or even lower than for, a US patent.

If, while maintaining standards of quality and efficiency, the European Patent Organization were in a position to continue its drive to control costs and further reduce the fees charged by the Office, which fees should be reduced as a matter of priority?

All main procedural, pre-grant fees should be reduced, since they are all unduly large. However, greatest attention should be given to reducing the search fee. At present, this is a very high fee, discouraging to all but the most confident applicants. Moreover, the result of the search can give strong guidance about the potential of an application.

Do you think that other aspects of the fees for the European patent should be changed? Can you see an advantage in, or a need for, introducing reduced fees for SMEs, along the lines of existing arrangements in the United States ("small entities fees")

The fee system needs to be changed progressively to ensure that, as soon as possible, the system is mainly financed by renewal fees, as are the national systems. Reduced fees for SMEs on the US model should not be introduced because they would discriminate against the larger applicants and because of the risk for the SME of losing his patent where the number of employees was low enough on application but later went over the limit and a reduced fee was still paid later in the proceedings.

Other methods of helping small firms with their costs, including patenting costs, should be adopted in appropriate cases.

The distribution of revenue from renewal fees

As the Green Paper points out, national governments currently receive considerable income from the share of national renewal fees on granted European Patents which they retain. While the total revenue of national offices has remained unchanged (indeed, in some cases it may have increased), their workload since the opening of the EPO has fallen by more than half. It is believed that much of this revenue is not retained within the patent system or otherwise used to encourage innovation, but disappears into national budgets or reserves.

On the question of the distribution of revenue from the renewal fees for European patents:

- **Do you consider it appropriate that revenue from renewal fees for European patents should be partly used to finance the national patent systems?**
Some revenue from renewal fees from European Patents could be used to partly finance the national systems. However, the subsidy should be dedicated to the benefit of the patent system and the non-discriminatory encouragement of innovation, and used in a transparent way. It should not be used as a general source of revenue by exchequers or to build up large and unnecessary reserve funds.
- **If so, should an objective non-automatic link be established between the needs voiced by the national systems and the allocation of financial resources in order to make that allocation more transparent?**
It is very desirable that an objective non-automatic link should be established between the national and European systems and that the allocation of financial resources should be made more transparent.
- **What in your opinion are the innovation related tasks performed at national level that could legitimately be financed via the share-out of revenue from renewal fees for European patents?**
The innovation related tasks which can reasonably be financed, at least partly, from renewal fees on European Patents include the provision of national (including regional) facilities giving local access to patent and other technical information, and to register and file information, together with assistance in searching that information (care to strike the right balance vis à vis the functions of qualified patent attorneys in giving advice and assistance with patent applications will be needed). Additionally, bearing in mind that national patent offices have to bear significant costs resulting from the European patent system (for example, European patent documents have to be included in the national files, and European Patents and applications are announced in national journals and entered in registers), a proper contribution should be made to them from the renewal fees.
- **As far as the promotion of innovation is concerned, is it not the case that some aspects of the share-out system have adverse effects, particularly where the bulk of the resources is paid straight into the general government budget and is not earmarked for activities directly linked to innovation?**
When renewal fees are returned to national exchequers and not used to reduce procedural fees in the EPO or to provide information and other services in the national offices and libraries, then of course there are adverse and undesirable effects on the promotion of innovation.

Translations

The Green Paper is right to draw attention to the very high cost of translating and validating European Patents. The ICC's views on this topic in relation to the unitary patent have been outlined above in Section (B) although in the context of the European Patent, which is effectively a bundle of separate national patents, the considerations may be somewhat different.

Do you regard the "package solution" developed by the European Patent Office with a view to reducing translation costs as appropriate and effective? If not, why not? Can you imagine other realistic solutions, bearing in mind that, if they were to be put into effect and to prove effective, they would have to be adopted unanimously or by an overwhelming majority of member states?

As with the unitary patents, the cost to patentees of the translation of European Patents must be reduced. The ICC therefore does support the package solution as reducing patentee's costs (but perhaps by not as much as its proponents believe) and thinks further study should be made on the proposed "on demand" system where the demander pays a significant fee to have a translation prepared and the rest of the cost is financed out of the European Patent renewal fees retained by the national patent office of the member state requiring the translation.

Document n° 450/855 Rev.

5 November 1997