



International Chamber of Commerce

The world business organization

Policy statement

Proposal for a Council Regulation on the Community Patent

Commission on Intellectual and Industrial Property, 6 June 2001

[French version](#)

Summary

The International Chamber of Commerce, the world business organization, has always supported the establishment of a unitary patent (or Community Patent) system across the EU as being in the best interests of world business. ICC has concluded that the European Commission's Proposal for a Council Directive for a Community patent generally satisfies the four main criteria for a Community Patent system to be acceptable to business. These criteria are:

1. co-existence with existing patent systems;
2. low cost for obtaining and maintaining Community Patents;
3. a supervisory body independent of the European Patent Office to supervise the Community Patent system administered by the European Patent Office; and most importantly;
4. fully satisfactory litigation arrangements.

ICC stresses however that the system as adopted by the Council of Ministers may prove unacceptable to business if too many compromises are made during the negotiations; in that case, business may not use the system to any significant degree.

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 both large and small 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 purpose of ICC is to promote international trade, investment and the market economy system. It makes rules that govern the conduct of cross border business (e.g. Incoterms), 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, the 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, ICC firmly believes that the protection of intellectual property stimulates international trade and investment, and encourages transfer of technology, both essential for economic growth.

ICC has always campaigned for the provision of strong world-wide cost-effective non-discriminatory intellectual property systems as being an essential requirement for the world business community. As part of this campaign, ICC has supported all efforts to harmonize national intellectual property laws. Such harmonization is beneficial to world business, for example by reducing the cost of obtaining intellectual property rights and enforcing them against infringers. The ICC campaign has been directed in particular towards the protection of innovative technology by patents and similar rights. ICC firmly believes that companies which innovate technology should be able to obtain and enforce quickly, cheaply and without aggravation the intellectual property rights protecting such technology, but most

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importantly the potency of these rights should always be commensurate with the contribution made by the innovation. Further, a third party wishing to commercialize its own technology must be able to determine, also quickly and cheaply and without aggravation, whether it is free to work that technology as far as intellectual property rights belonging to competitors are concerned. Therefore, any intellectual property system must, to be acceptable to world business, maintain a fair balance between these two factors and any proposals for harmonizing and simplifying intellectual property laws in Europe or anywhere else will be carefully scrutinized by ICC.

The Community Patent project

ICC therefore continues to firmly support the attempts of the European Commission to establish a unitary patent system across the EU member states. By the term "unitary patent", 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. In its Proposal for a Council Regulation on the Community patent published last August, the Commission is again using the term "Community Patent" to refer to the unitary patent even though this term has been already used for the rather different patent to be established by the Community Patent Convention (agreed in Luxembourg in 1989) which of course never came into force. In the rest of this Statement, ICC will use the term "Community Patent" as a synonym for the term "unitary patent" as envisaged by the European Commission in its proposed Regulation.

In 1997, the Commission issued its Green Paper on the Community patent and the European patent system and ICC commented on the Green Paper in its Policy Statement (Document No. 450/855 Rev.; copy enclosed as Appendix A) dated 5 November 1997. In that Policy Statement, ICC stated its support for the principle of the EU having a Community Patent system as being in the best interests of world business. However, ICC then said that for the Community Patent system as adopted to be acceptable to world business, and thus be used to any significant extent by it, the adopted system must satisfy the following four main criteria: (1) co-existence with existing systems, (2) low obtaining and maintenance costs, (3) have a supervisory body independent from the EPO which should however be asked to operate the Community Patent system, and (4) fully satisfactory litigation arrangements.

The four criteria

ICC has studied the proposed Regulation to see if it satisfies the four criteria.

1. Co-existence with existing systems

The Commission confirms (section 2.4.6 on page 18 of the Proposal) that the Community Patent system will be allowed to co-exist with the existing two systems for obtaining national patents i.e. by applying to each national patent office direct or to the EPO for a European Patent generating a bundle of national patents. Since the EPO will be responsible for granting Community Patents and indeed up to grant a Community Patent application will be treated the same as a European Application designating all EU member states, these two systems must surely be fully interchangeable up to grant. On grant, the proprietor should be free to choose between a Community Patent and a European Patent designating at least some of the EU member states (and, if desired, one or more of the non-EU member states).

In addition, the Community Patent after grant should in specifically defined situations be convertible into a bundle of national patents in only some of the then current EU member states; one such situation would be where a national prior right under Article 28(1)(f) comes to light after grant (more details on this are given below).

Further, the possibility of applying direct to a national patent office for a national patent should remain. This system benefits individuals and SMEs. ICC would firmly oppose any suggestion in the future that anyone should be forced pre-grant to take a Community Patent rather than a European Patent or a directly obtained national patent.

2. Cost of obtaining and maintaining Community Patents

As ICC said in its earlier Statement, the cost of obtaining and maintaining a Community Patent must be low, i.e. about the same as, or even less than, the cost of obtaining and maintaining a US Patent, or otherwise world business, particularly SMEs, will not use to any significant extent a Community Patent system adopted by the member states. The main problems with achieving this are the translation regime agreed for the Community Patent on grant and the official fees, especially the renewal fees, levied to obtain and maintain the Community Patent.

On the translation regime, ICC said in its earlier Statement that the regime adopted for the Community Patent must involve the proprietor in much lower translation costs than that of the Luxembourg Convention (which of course never came into force). ICC compliments the Commission on its politically ingenious solution to these problems by proposing that a Community Patent application (i.e. a European Application designating all 15 EU member states) is prosecuted to grant in one of the three EPO official languages and then apart from translating the claims on grant into the other two official languages the proprietor need not file any further translations, at least until he wishes to litigate his Community Patent. The cost of obtaining a Community Patent should under this regime be much lower than the cost of obtaining and validating a European Patent designating all 15 EU member states. The Commission proposes in Articles 11(2) and 44(3) that the quid pro quo for this reduced translation regime should be reduced damages for infringement for an infringer who is ignorant of the language of the Community Patent. Certainly, proprietors, especially SMEs, will welcome the much lower obtaining costs for the Community Patent so provided by this regime.

ICC accepts this quid pro quo in principle but has concerns about how the language ignorance system will work in practice. For the individual and perhaps small enterprises, the courts will be able to establish their language capability quite easily (although in some cases cross-examination of personnel to confirm their language knowledge, or lack of it, may be required). However, how is the system going to work for defendants when they are larger enterprises particularly multi-national ones? What is the language knowledge of such an enterprise in the country in question? What about enterprises based outside the EU who are alleged to be infringing by just importation into the country in question? The answer may be that the patentee should, and in some industries will, voluntarily file translations at the EPO under Article 58 [and translations of the claims pre-grant - see Article 11(2)] if he desires the potential to obtain maximum damages from an infringer in a country where the Community Patent's language is not a Community official language of that country. In any case, for legal certainty reasons surely there should be a simple mechanism for a patentee to be able to determine the language capability of a potential defendant. In order to achieve a more workable system, the language knowledge presumption should be reversed, i.e. an infringer based in a country not having the Community Patent's language as a Community official language of that country should be presumed as understanding the former language unless he can prove the contrary.

Presumably, the infringer who is deemed ignorant of the Community Patent's language should not be enjoined, in addition to not being liable to damages, until the necessary translation is provided.

Turning to official fees, ICC said in its previous Statement that the official fees including the renewal fees for the Community Patent should be no higher than is necessary for the Community Patent office (i.e. the EPO) to administer the Community Patent system and that a national patent office should only receive any money from the EPO in payment for services rendered to it by that national patent office in

connection with the Community Patent system. ICC remains firm on this principle and the Commission seemingly supports it (see section 2.4.3.2 on page 11 of the Commission's Proposal); this principle should be written into the Regulation. ICC also supports Article 61 providing that the level of the official fees should be fixed by the Commission assisted by a Committee composed of representatives of the member states; to reduce the risk of the Committee adopting too high fees so as to generate surpluses which might become payable to national patent offices and/or to the Commission, ICC recommends that the Committee's membership should include user representatives.

3. Independent supervisory body

ICC still believes that while the European Patent Organisation (through for example the Administrative Council appointing a subcommittee involving only the EU member states) should clearly be asked to administer the Community Patent system, the supervision (such as financial control) of the system should be the responsibility of a body independent of the EPO. The Commission's Proposal envisages the latter. ICC asks for user representation on both the supervisory body and the body administering the Community Patent system.

4. Fully satisfactory litigation arrangements

Many regard the litigation arrangements finally adopted for the Community Patent as the most important issue, being a key make or break issue for the Community Patent project. World business will not, in ICC's view, use the Community Patent system to a significant degree unless these arrangements are fully satisfactory. In its earlier Statement, ICC said it "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". The Commission's proposed Regulation proposes just this litigation arrangement with the establishment of the new Community Intellectual Property Court, and so ICC supports the Commission in this respect. How the CIPC actually conducts its business will however be crucial to how much the world business community will use the Community Patent system. Although the CIPC is intended to be a central court, it must be flexible as to where its cases are heard and so it should have some form of regional presence.

The precise procedures to be used in the CIPC are important to the users. ICC thinks the Regulation should contain an outline of them, leaving the CIPC itself to decide the detail. Some important procedural issues must be addressed. In which languages should cases be heard particularly in any regional chambers of the CIPC? How should a patentee establish infringement (discovery, saisie or something else)? Should general discovery of documents be permitted? Should the CIPC appoint its own experts or should it rely on the experts employed by the parties? Should the experts and other witnesses be subjected to oral examination including cross-examination? How many judges should hear the case at first instance and then at second instance? How should the judges be selected? Who should have the right of audience before the CIPC? If the European Patent Litigation Protocol is adopted, the procedures agreed for any central court could provide a useful template for the procedures for the CIPC.

Other substantive law issues

ICC will now comment on certain of the Articles in the proposed Regulation. ICC has seen UNICE's letter of 9 January 2001 giving that organisation's comments on the Regulation and generally supports the UNICE positions.

Articles 21 to 24 (Compulsory licences)

ICC believes that responsibility for granting and deciding the terms for a compulsory licence, and indeed responsibility for deciding the terms for a licence of right, under Article 20 should generally be given to the appropriate judicial body, i.e. the CIPC. While it appears justified to make an exception in times of crisis or in other situations of extreme urgency and give to the Commission the power to grant

compulsory licences when required by them [Article 21(3)], the conditions for the grant and the terms of the licence should always be subject to review by the CIPC.

Is the expression "authorise exploitation of a Community Patent" as recited in Article 21(3) intended to have a broader meaning than "to grant compulsory licences under a Community Patent" as recited in paragraphs (1) and (2), for example by giving the Commission the power to grant blanket authorisations without the need for individual applications? ICC would strongly object to such an extension which would seemingly be contrary to Article 31(a) of the TRIPS Agreement and which would raise doubts about the full applicability of the provisions of Article 22 to such authorisations.

Article 21(3) further gives the Commission the power to grant a compulsory licence where it is a necessary remedy to an anti-competitive practice. ICC believes that this situation should be treated in a separate paragraph to indicate clearly the completely different nature of such a compulsory licence. In this case, it would seem consistent with the EU Treaty that the ECJ, and not the CIPC, be competent to review the terms of licence. This should be clarified in the Regulation as should the fact that anti-competitive practices mentioned in Article 21(3) must be an abuse of a dominant position involving a Community Patent, within the scope of Article 82 of the EU Treaty.

Article 25 (Renewal fees)

When a Community Patent has lapsed through failure to pay a renewal fee by the due date, a provision is surely required to allow a patentee to restore his Community Patent under the usual conditions (taking the UK as an example, see Section 28 of the Patents Act 1977 and Rule 41 of the Patent Rules 1990).

Article 27 (Lapse)

This Article provides that the Community Patent lapses 20 years after the date of filing of the application on which it was granted. The Regulation should provide clear legal basis for Supplementary Protection Certificates to be issued on Community Patents. It must be drafted so that the Regulation, together with Regulations 1768/92 and 1610/96, make it clear that Community Patents can form the basis for SPCs for both pharmaceutical, agrochemical and biotechnological products. Failure to do this should on its own result in these industries not using the Community Patent system.

Article 28 (Grounds for invalidity - national prior rights)

Article 28(1)(f) provides that a Community Patent is invalid if its subject matter is not new having regard to an earlier national patent or application with an earlier priority date but published after the priority date of the Community Patent. This version of the whole contents doctrine means that a Community Patent could be invalidated in its entirety by a national prior right in just one country in contrast to European Patents where in that scenario just the national patent in that country and generated by the European Patent would be lost. If this draconian regime for Community Patents is maintained, some users may well be dissuaded on this ground alone from using the Community Patent system.

If the applicant for a Community Patent becomes aware during prosecution of such a national prior right in say a single country, he can presumably deal with the problem up to grant by requesting, instead of a Community Patent, a European Patent not designating that country. However, what should happen if the proprietor of a Community Patent only becomes aware of the national prior right after grant? ICC is reluctant to suggest overcoming this problem after the grant of the Community Patent by it being deemed not to be effective in that country since this would destroy the unitary nature of the Community Patent. Perhaps, the solution is for the Community Patent to be convertible in that

specific situation to a bundle of national patents but not including one in the prior right country, as indicated above.

Article 29 (Effects of invalidity)

Article 29(2)(a) apparently provides that an earlier granted injunction would stand even if the Community Patent is later found invalid while Article 29(2)(b) seems to envisage at least some repayment, even in the case of a paid-up licence fee, if the Patent is later found invalid. Perhaps, in such cases, any injunction should be lifted and monies already paid in respect of past or future actions should not be refunded.

Article 30 (CIPC's jurisdiction)

ICC does not understand why Community Patents cannot be the subject of actions in the CIPC in respect of threatened infringement [Article 30(2)]. This is a useful part of a patentee's armoury in combating infringement and the exclusion would appear to be contrary to TRIPS [Article 50(1)(a)]. ICC believes that such actions should be within the CIPC's exclusive jurisdiction.

Article 31 (Invalidity action)

This Article amongst others indicates that a Community Patent can be opposed (presumably in the EPO) after its grant. The Regulation should specify that a Community Patent can be opposed in the EPO within 9 months of grant (as with European Patents).

Article 34 (Action for declaration of non-infringement)

Article 34(2) provides that the validity of a Community Patent may not be contested in such an action although presumably the third party could challenge validity in a separate action brought before the CIPC. ICC agrees with UNICE that it should be possible to raise invalidity in a declaration of non-infringement action without doing this.

Article 44 (Damages)

Article 44(2) expressly states that damages for patent infringement shall not be punitive. While ICC does have reservations about the award of punitive damages in patent cases, it does feel that a person found liable for infringing a Community Patent should compensate the patentee by more than he would have done if he had taken a licence under the Patent before being sued; otherwise Article 44 could be said to be an "infringer's charter".

A successful plaintiff in an infringement action should have the option to ask for an account of the infringer's profits rather than damages in order to improve in some cases the chances of the infringer compensating adequately the patentee for his infringement.

No Article in the Regulation deals with the rights of co-owners of Community Patents. For example, can a co-owner licence, assign or litigate the Patent with or without the agreement of the other co-owner?

Important conclusion

For the Regulation to be adopted by a unanimous vote in the Council of Ministers, compromises may be required and the Regulation as adopted may then prove unacceptable to world business with the result that the Community Patent system will not be used to any significant degree. This may happen if, under the Regulation as adopted, the cost of obtaining and maintaining the Community Patent (especially the translation and official fee regimes) is much higher than that envisaged at present by the Commission's Proposal and the litigation arrangements are unacceptable to world business.

Therefore, the ICC strongly urges that such compromises must be kept to a minimum, otherwise all involved in the highly desirable Community Patent project could sadly be wasting their time.

Document n° 450/926 Rev.
6 June 2001

Attachments :

- [Document n° 450/855 Rev.](#)
- [Document n° 450/836](#)