



International Chamber of Commerce

The world business organization

ICC Policy Statement

European Community Patent Regulation

Commission on Intellectual Property, 7 October 2003

Summary

The International Chamber of Commerce, the world business organization, has always supported the establishment of a Community Patent system across the EU as being in the best interests of world business. However, ICC has concluded that the Community Patent system as currently envisaged does not unfortunately generally satisfy all the four main criteria for a Community Patent system to be acceptable to business. These criteria are:

1. fully satisfactory litigation arrangements;
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 EPO;
4. continued co-existence with existing patent systems.

While the last two criteria may well be met by the system as finally agreed, the first (and important) criterion may not be satisfied and the second and equally important criterion is not met. ICC stresses that the envisaged system must be substantially improved if the system finally introduced is to be used by world business to a significant degree.

Introduction

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 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. This applies in particular to any proposal to establish a Community Patent system across the European Union.

The Community Patent project

ICC firmly supports the establishment of the Community Patent system. The Community Patent would be 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 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 dated 5 November 1997

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(Document No. 450/855 Rev.; available at http://www.iccwbo.org/home/statements_rules/statements/1997/patent_system.asp). 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) fully satisfactory litigation arrangements; (2) low obtaining and maintenance costs; (3) a supervisory body independent from the EPO which should however be asked to administer the Community Patent system; and (4) continued co-existence with existing systems. In August 2000, the Commission published its Proposal for a Council Regulation on the Community patent. In its Policy Statement dated 6 June 2001 (Document No. 450/926; available at http://www.iccwbo.org/home/statements_rules/statements/2001/community_patent.asp), ICC concluded that the proposed Regulation did generally satisfy these four main criteria for an acceptable Community Patent system. ICC then stressed however that the system as finally adopted by the Council may prove unacceptable to business if too many compromises are made during the negotiations; in that case, business may not then use the system to any significant degree.

Since the publication of the proposal over three years ago, progress in the Council towards adoption of the Regulation has been painfully slow but last March the Council did agree unanimously (as it must) the Common Political Approach for the Community Patent. Since then, the Greek government, the holders at that time of the EU Presidency, has published three revised drafts of the Regulation taking into account the discussions in the Council's Working Party on Intellectual Property (Patents). Since then, the Italian Presidency has published one such draft. ICC has been studying the last of these drafts, i.e. that dated 4 September 2003, to see if the Community Patent system now envisaged still satisfies the above four criteria.

The four criteria

1. Fully satisfactory litigation arrangements

Many regard the litigation arrangements 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. ICC has 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 suggested this litigation arrangement with the establishment of the new Community Intellectual Property Court, and so ICC supported it. The revised draft Regulation also proposes a central court system and ICC can support this. However, ICC cannot support all the proposals in this area.

Proceedings for infringement and revocation of patents are two of the most complex areas of civil proceedings. Therefore, most EU member states have instituted special courts for these proceedings or at least have specialized judges who handle them. Counsel arguing these cases are also usually specialised in this field. This means that a high level of competence and experience with regard to patent litigation, both within the judiciary and the legal profession, already exists today on a national level.

Under a Community Patent system, infringement and validity disputes can be settled in one decision for all of the EU. Therefore, the risks of inconsistent judgements in different member states are avoided and the costs involved in parallel national litigation can be reduced. However, for a Community Patent system to be successful, the proceedings must be efficient and reasonably quick, but more important the decisions must be of a high quality.

Patent litigation puts high demands on a court system. The judges must not only be familiar with the highly specialized field of patent law but they must themselves have certain technical expertise or be assisted by technical judges. In the national systems, these demands have been met as the legal systems have had time to develop as patent litigation has become more and more complex.

The complexity of court patent proceedings and the difficulty of deciding the questions before courts put special demands on courts. If the Community Patent is to be attractive to the users, they must know beforehand that the courts are allocated sufficient resources to deal with infringement and revocation proceedings in an efficient manner. For example, sometimes EPO oppositions are not finally decided until after the patent has expired.

For the proceedings to run relatively smoothly and quickly is not only a question of judicial resources; efficient procedural rules are also necessary. Therefore, the procedural rules on a national level have often been specially drafted to suit this field of law. Finally, the rules of procedures on a national level are often closely related to the basic rules of law protected under state constitutions. Under the legal systems of most member states, infringement may in certain cases constitute a criminal offence. However, this may not apply with the Community Patent.

The revised Regulation proposes a central first instance court, the Community Patent Court, perhaps consisting of seven judges, sitting in sections of three judges. If there are each year say 100 cases (perhaps an underestimate), each section would then have to prepare and decide up to 50 cases a year. This is not feasible. A more complex pharmaceutical patent infringement case could require one month for a full final hearing. Before a final hearing is held the court will often be required to settle several procedural questions as well. That the CPC as currently envisaged should be able to handle 100 cases a year and at the same time maintain the quality of the proceedings is not realistic. The question must be addressed, as it is a fundamental factor for the system's attractiveness to the users. The time required for EPO oppositions can be taken as a starting point for a further study into the resources needed for dealing with patent litigation.

The revised Regulation does not envisage any regional chambers although the Commission's Working Document of 30 August 2002 on the planned Community Patent jurisdiction did do this. By having only a central chamber, the resources and experiences embodied by the national courts and legal profession are neglected. Probably only the major member states will be able to maintain a national competence in this area if most of the litigation is moved to a central chamber of the CPC. Setting up regional chambers may perhaps help to achieve a workable cost-efficient system.

Further, the revised Regulation provides (Recital 7c) that the proceedings should be conducted in the official language of the member state where the defendant is domiciled. The plaintiff must thus find a representative, who can conduct proceedings in the defendant's language, and this will often mean that the plaintiff's first language is not his representative's first language. Also the CPC judges will in many cases not know the language of the proceedings and will have to rely on interpreters. The costs for travelling, translations etc and the time needed for all this will make the Community Patent unattractive. The language regime in the CPC should be changed.

No procedural rules have yet been suggested. These must be decided before the Community Patent system comes into force. The rules on for example hearing of witnesses, time limits, and to what extent the proceedings shall be oral or in writing, are of fundamental importance. These are also questions that affect the individual's right to a fair trial and which in most states are ultimately governed by their constitutions. It would for many member states be unacceptable that the CPC itself decides on these questions.

The Community Patent litigation system is thus not ready for adoption. ICC thinks it undesirable to rush such an important development as the Community Patent and thereby risking that it becomes unattractive and consequently not used. The resources given to the CPC must be sufficient to ensure fast and reliable judgements, the language regime must be acceptable to the users and the procedural rules must be acceptable to patentees and counsel of different legal systems. These issues must be resolved before the Community Patent is launched.

Finally, ICC objects to the transitional provision for jurisdiction on Community Patents. According to Article 53a of the revised Regulation, the CPC need not open its doors until 1 January 2010. Up to that date, any Community Patent disputes will be decided by national courts at both first and second instance. This transitional provision increases the risk of development of inconsistent jurisprudence and conflicting procedures between the various national courts.

2. Cost of obtaining and maintaining Community Patents

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. The Commission originally had this objective but this has long since been forgotten. To achieve acceptable costs, the translation regime cost for the Community Patent and the official fees, especially the renewal fees, levied to obtain and maintain it must be low.

ICC has already said that the translation regime must involve the proprietor in much lower translation costs than that of the Luxembourg Convention (which of course never came into force). The Commission suggested in its proposed Regulation in 2000 that a Community Patent application (i.e. a European Application designating all EU member states) be 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 would under this regime have been much lower than the cost of obtaining and validating a European Patent designating all EU member states. The Commission proposed in Articles 11(2) and 44(3) of its proposed Regulation 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.

However, the member states rejected the Commission's suggestion and instead have insisted on a much more expensive regime for users. Thus, the proprietor of a Community Patent on grant must file at the EPO within two years of grant translations of all the claims into all the EU official languages. The Commission says (press release on 7 March 2003) that the cost of this language regime for a Community Patent with three pages of claims would be €4,845, i.e. about 50% of the translation costs for the Commission's average European Patent (with 17 pages of description and 3 pages of claims and designating 8 EU member states) at €10,200. The cost of this language regime is quite high and its cost could be even higher if the Commission's estimate of the cost of translating claims at €85/language/page proves too low. Certainly, some think this cost could be say €150/language/page in which case the agreed language regime's cost would be only slightly below that for the Commission's average European Patent. Unless the official fees for the Community Patent turn out to be very low, the total obtaining and maintenance costs for the Community Patent are going to be way above the corresponding costs for a US or Japanese Patent at €10,330 and €16,450, respectively (see page 11 of the Commission's proposed Regulation of 2000). In fact, they may not be that much lower than those for the average European Patent. ICC supports the provision that the proprietor has two years to file the claims translation.

Turning now to official fees, ICC has said that the official fees, including the renewal fees, should be no higher than is necessary for 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 on the Community Patent system. ICC remains firm on this principle which the Commission did apparently once support. However, the member states have insisted that much official fee money be remitted by the EPO to the member states. Article 60(1a) of the revised Regulation requires that 50% of the renewal fees paid to the EPO to maintain Community Patents will be paid to national patent offices according to a distribution key still to be decided. Recital 5a says the renewal fees for a Community Patent must not exceed the level of the corresponding renewal fees for the average European Patent. On the Commission's own figures (press release of 7 March), the total obtaining and maintenance costs for the Community Patent will be €23,145 as compared to €28,500 for the average European Patent and to €10,330 and €16,450 for, respectively, a US Patent and a Japanese Patent.

While the precise level of the official fees has not yet been decided, the cost of the Community Patent will clearly be too high for world business so this criterion is not met.

3. Independent supervisory body

ICC still believes that, while the EPO should 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 proposed Regulation and the revised Regulation both envisage this (see Article 61 in the latter). This criterion is thus still met. However, ICC again asks for user representation on both the supervisory body and the body administering the Community Patent system.

4. Co-existence with existing systems

The Commission indicated (section 2.4.6 on page 18 of the proposed Regulation) that the Community Patent system should 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 Patent 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 must in specifically defined situations be convertible into a European Patent designating the EU member states; one such situation arises because of the language regime in the revised Regulation which requires translation after grant of all the claims into all EU official languages (Article 24a). If this requirement is not satisfied, Article 24b provides for conversion of the Community Patent into a European Patent designating one or more member states. However, this Article now provides (perversely) that conversion must be effected within the two year term for filing the claims translations. This is totally unacceptable to ICC because conversion will be impossible in the quite likely scenario where a proprietor does not realize until after the two year term has expired that a claims translation was not in fact filed in time. The conversion arrangements will require very careful drafting to avoid producing a conversion system which is too risky for users. If the claims translations are not satisfactorily filed within the envisaged two year term, a patentee wishing to save his Community Patent by conversion to a European Patent should have a term of say 6 months after that to satisfy national translation requirements for validating European Patents in those member states which have reserved under Article 65 of EPC. Clearly these national requirements must be changed to accommodate conversion more than two years after grant of the Community Patent.

Further, the possibility of applying direct to a national patent office for a national patent must 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.

The revised Regulation supports (in Recital 4) the Commission's intention that the three systems should co-exist. ICC therefore concludes that this criterion is still generally met. More clarification on the interchangeability between the Community Patent and the European Patent systems is however required. ICC would strongly reject any suggestion that any inventor should be precluded in any way of obtaining a patent under any of the three systems.

Role of National Patent Offices

Recitals 2b and 2c of the revised Regulation suggest a searching role for national patent offices provided that adequate quality control arrangements are put in place. ICC would prefer that, rather than national patent offices undertaking search work on Community Patents, the EPO should increase its searching capacity perhaps by opening branch offices in various member states.

Other substantive law issues

ICC will now comment on certain of the Articles in the proposed Regulation. ICC has seen UNICE's letter of 24 July 2003 giving that organisation's latest comments on the Regulation and ICC generally supports the UNICE positions.

Article 9a (Government use)

Those member states which have the power under national law to work within the scope of a national patent when necessary for essential defence or national security will inevitably insist on having the same power on Community Patents. However, more safeguards should be introduced into the Article. The national law must comply with international obligations (such as the TRIPS Agreement). Government use should be permitted in only the member state concerned (for example, Germany should not be allowed to authorise use in France). The CPC, and not national courts, should adjudicate on any disputes over government use.

Article 10 (Community exhaustion of the rights conferred by the Community patent)

This Article should specify that express consent is required before the right in a Community Patent can be exhausted and the word "specific" should be inserted before the word "product" in line 3 of this Article.

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 court. The current wording of Article 21(1) and (2) giving to the CPC the responsibility on granting compulsory licences on Community Patents is therefore supported. ICC doubts whether it is 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 so requested by a member state (Article 21(3a)); however, the conditions for the grant and the terms of the licence should always be subject to review by the CPC.

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. Is the expression "authorise the exploitation of a Community patent" as recited in Article 21(3) intended to have a broader meaning than to "grant a compulsory licence" 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. Further, it would seem consistent with the EU Treaty that the ECJ, and not the CPC, be competent to review the terms of a licence in this case. 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.

According to Article 33(2), a compulsory licensee can sue infringers if the patentee declines to do so. ICC opposes this provision as interfering with the patentee's discretion to manage his property as he sees fit. Perhaps, the compulsory licensee should be free to withhold licence royalties while substantial unchallenged infringement is taking place.

Article 24c (Authentic text of a Community patent application or of a Community patent)
Paragraph (1) of this Article states that the authentic text of a Community Patent etc. is the text as granted by the EPO. ICC fully supports this principle but cannot accept its derogation in paragraph (2). Under this paragraph, the authentic text for determining infringement etc. would be the translation of the claims into the language of the member state where infringement occurs if this translation confers narrower protection than the language of the proceedings in the EPO. This would result in some cases with a Community Patent's claims having different scopes in the various member states thus prejudicing the unitary nature of the Community Patent. ICC asks that paragraph (2) be deleted.

Article 25 (Renewal fees)

When a Community Patent has lapsed through failure to pay a renewal fee by the due date, a specific 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). ICC is uncertain whether the reference to "Office deadline" in Article 27a of the revised Regulation allows such restoration.

Article 27 (Lapse) - Supplementary Protection Certificates

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 itself must 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 pharmaceutical, agrochemical and biotechnological products. Failure to do this could 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 a European Patent where in that scenario just the national patent in that country and generated by the European Patent would be lost. However, under the revision of EPC agreed at the Diplomatic Conference in 2000, Article 54(4) is being deleted so in due course a European Patent will be invalidated for all designated countries by an earlier European Application only designating say one country. Under these quite draconian regimes for Community Patents and European Patents, some users may well be dissuaded on this ground alone from using either system, preferring instead to apply for national patents directly from national patent offices.

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 31 (Invalidity action)

This Article amongst others implies (in paragraph (3)) that a Community Patent can be opposed at the EPO after grant. The Regulation should explicitly specify that a Community Patent can be opposed in the EPO within the term laid down by EPC. If a Community Patent is under opposition in the EPO when proceedings are commenced on it before the CPC, the CPC should have the discretion to stay proceedings. ICC therefore objects to Article 31(3) of the revised Regulation which requires the CPC to stay in such situations.

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".

In Article 44(3) (and in Article 11(2) relating to damages for infringement between publication and grant) of its proposed Regulation, the Commission suggested that the quid pro quo for the reduced translation regime then proposed should be reduced damages for infringement for an infringer who is ignorant of the language of the Community Patent. The revised Regulation maintains this damages regime in for example Article 44(3) but of course only with respect to infringement committed between grant and the expiry of the term for filing claim translations as required by Article 24a. Article 44(3) now provides that "an alleged infringer who has his residence or principal place of business in a Member State whose official language is not the language in which the patent is granted or in which a translation of the patent claims has been made public in accordance with Article 24a or Article 58, is presumed not to have known nor to have reasonable grounds for knowing that he was infringing the patent. In such a situation, damages for infringement shall only be duefrom the time he is notified of a translation of the patent claims in the official language of the Member State of residence or principal place of business of the alleged infringer".

ICC has supported this damages regime in principle but repeats its doubts about its workability in practice. For individuals and perhaps small enterprises, the CPC will be able to determine their language capability quite easily (although in some cases cross-examination of a person's language knowledge, or lack of it, may be required). However, how is the system going to work for large multi-national company defendants? What is the language knowledge of such a company in the country concerned? What about companies based outside the EU who are alleged to be infringing by importation into the country in question? Further, for reasons of legal certainty there must surely be a simple mechanism whereby a patentee can determine the language capability of a potential defendant. 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 an official language should be presumed to understand that language unless he can prove the contrary.

Important conclusion

ICC has concluded that the Community Patent system as envisaged by the Common Political Approach and the latest revised Regulation dated 4 September 2003 does not unfortunately generally satisfy all the four main criteria for a Community Patent system to be acceptable to business. These criteria are:

1. fully satisfactory litigation arrangements;
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;
4. continued co-existence with existing patent systems.

While the last two criteria may well be met by the system as finally agreed, the first (important) criterion may not be satisfied and the second equally important criterion is not met. ICC stresses that the envisaged system must be substantially improved if the system finally introduced is to be used by world business to a significant degree.

For the Regulation to be adopted by a unanimous vote in the Council, yet further compromises may be required. These could render the Regulation as adopted unacceptable to world business with the result that the Community Patent system would not be used to any significant degree. This would be a particular danger if, under the Regulation as adopted, the litigation arrangements prove unacceptable to world business and/or if the cost of obtaining and maintaining the Community Patent (especially the translation and official fee regimes) were much higher than that currently envisaged. Therefore, ICC strongly urges that such compromises be kept to a minimum, otherwise all involved in the highly desirable Community Patent project could sadly be wasting their time.

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