International Chamber of Commerce
The world business organization

Response to the European Commission questionnaire on the patent system in Europe

Prepared by the Commission on Intellectual Property

Introduction

ICC welcomes the opportunity to comment on the future of the patent system in Europe.

ICC and its members support and recognize the critical importance of the existing patent system, based on the European Patent Convention (EPC), to stimulate innovation, growth and job creation in Europe. The patent system should have at its heart a concern for quality, cost-effectiveness and legal certainty. Improving the EPC system along these principles is important to ensure a healthy patent system that promotes innovation and competitiveness.

Most ICC members rely on a range of intellectual property rights to protect their innovations and creations including copyrights, trade secrets, trademarks and patents. Each serves distinct and important purposes. Overall, the intellectual property system benefits society as a whole, ensuring that the needs of both the creator and the user are satisfied. Intellectual property rights usually allow the creator or inventor to commercially exploit his/her work exclusively for a limited period of time. In return for granting such rights, society benefits in a number of ways including through the sharing of technological information by means of public disclosure of patent information. Intellectual property rights, including patents, contribute to society by maintaining competition and encouraging the production of a wide range of quality goods and services, underpinning economic growth and employment, promoting technological and cultural advances and enriching the pool of public knowledge and culture.

Ultimately, intellectual property rights (IPRs) - and in particular patents - are key to translating inventions into commercially successful ventures thereby enhancing competitiveness. IPRs are the linchpin to the process of innovation and are key to building a better future based on the knowledge economy, in Europe and elsewhere.

Executive summary

A radical overhaul of the patent system based on the European Patent Convention is unnecessary as the present system works well. In this regard, the rules of the European Patent Convention—supplemented by those of the Strasbourg Convention on Unification of Certain Points of Substantive Law on Patents for Invention (Strasbourg Convention) — provide a clear, harmonized and balanced patent framework that promotes innovation and competition.

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However, the lack of a common patent court system add costs and creates uncertainty, impeding innovation. The cost of obtaining patent protection in Europe, including translation costs, makes it difficult for small innovators to participate fully in the patent system.

Accordingly, reducing translation costs for patent owners and establishing a European patent litigation system such as that proposed in the European Patent Litigation Agreement (EPLA) should be a key priority.

A revisiting of substantive patent law—whether through a horizontal harmonization effort or in the context of the Community patent—is not warranted.

Section 1 - Basic principles and features of the patent system

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

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

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

While ICC agrees that the elements (1) to (3) identified above are important, it wishes to stress that there is no perceived necessity to further harmonize substantive European patent law. Most importantly, there is no need to discuss the merits of the patent system as such. Simply put, the patent system is not in conflict with the other interests identified. For example, the patent system promotes competition and is key to innovation, while competition law provides important safeguards against anticompetitive behaviour.

In the context of the Community's future efforts on patents, ICC encourages the Commission to focus on improvements relating to elements (2) and (3).

The high cost of obtaining a patent and the inconsistency in patent litigation are undoubtedly the most significant challenges.

Currently, the cost of obtaining patent protection in Europe can be two or three times the cost incurred in other countries. For large companies, these costs can be burdensome; for individual innovators and small firms, they can be an insurmountable obstacle.

The litigation system is also in need of urgent attention. Currently, national courts are left to interpret, validate and enforce European patents. In practice, this means one member state's judiciary can invalidate a patent that a court from another member state has upheld, or find patent infringement where another court has not. The current system is also costly, particularly when the need to litigate a single patent arises in multiple jurisdictions.

In contrast, elements (1) and (4) are in place. The European Patent Convention and the Strasbourg Convention establish common standards for patent scope and protection in Europe. This framework effectively promotes innovation, fuels investment and balances the interests of a wide range of stakeholders.

1.2 Are there other features that you consider important?

While awareness-raising falls outside the scope of this Consultation, many of the concerns expressed about the patent system can be attributed to an insufficient understanding of patents and patent rules by the public and policy/decision makers. The European Commission and member states should consider investing more resources in educating the public and policy/decision makers about the contributions that meaningful protection for intellectual property make to the greater good.

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

Patents under the European Patent Office (EPO)/EPC framework are generally of appropriate quality and granted under stringent conditions. Further, the existence of a European opposition procedure contributes to the quality of patents granted under the EPC. Patent quality is key to competitiveness.

The EPC ensures that due regard is given to the public interest and includes an exception for inventions that would run contrary to "ordre public" and rules enabling revocation where a patent does not meet essential patentability criteria. There is no need for further Community action in the area of substantive patent law or policy because the current system, the result of centuries of thought and experience, stimulates the self-interest of inventors by awarding limited periods of exclusivity in exchange for the public disclosure of information about an invention. The process of protection and disclosure embodied in the current European system is in itself in the public interest. Other concerns such as public safety and ethics are important and are properly dealt with in appropriate legislation by the proper authorities dedicated to these purposes.
The EPC is supplemented by other legal instruments, including European competition law and the WTO TRIPS Agreement, which provide important safeguards.

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

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

Question

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

The creation of a new Community patent, as proposed in the Lisbon Strategy, was and remains a very important initiative in the IP field for business. However, business does not wish a Community patent at any price, and in particular does not want a system along the lines of the current common political approach. Business opposes efforts to revisit the already finely-tuned substantive patent law using the Community patent as a vehicle.

ICC would also like to emphasize that improving the EPC system is more important today for the future of innovative companies than the creation of a Community Patent.

ICC has previously submitted a detailed paper on the common political approach (see http://www.iccwbo.org/id544/index.html) in which it concluded that the Community Patent system, as envisaged by proposals then made, did not satisfy two very important criteria for a Community Patent system to be acceptable to business. These are fully satisfactory litigation arrangements, and low cost for obtaining and maintaining Community Patents. The other two criteria identified by ICC – a supervisory body independent of the EPO to administer the system, and continued coexistence with the current European Patent system and national patent systems – may be met by proposals made under the common political approach subject to clarification of certain points.

Fully satisfactory litigation arrangements

This is regarded by many as the most important issue for the Community Patent project. For a Community Patent system to be successful, proceedings must be efficient and reasonably quick, and decisions must be of high quality. This requires judges familiar with patent law who have technical expertise or are assisted by technical judges, and courts that have sufficient resources

to deal with infringement and revocation proceedings in an efficient manner. Efficient procedural rules are also necessary for proceedings to run smoothly and quickly.

Proposals made under the common political approach do not satisfy these requirements. The resources envisaged for the proposed Community Patent Court (a central first instance court) would not realistically allow the court to handle the expected number of cases and maintain the quality of proceedings. Regional chambers are not envisaged although these could make use of the resources and experiences embodied by national courts and legal professions and help achieve a workable cost-efficient system.

The proposal that the proceedings should be conducted in the official language of the member state where the defendant is domiciled will often necessitate the need for local representatives and interpreters thus increasing costs and time spent.

No procedural rules have yet been proposed although these are of fundamental importance.

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 businesses, particularly SMEs, will not use to any significant extent a Community Patent system. The European 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.
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. In fact, they may not be that much lower than those for the average European Patent

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. However, the member states have insisted that much official fee money should be remitted by the EPO to the member states.

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 businesses .

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

Since 1999, States party to the European Patent Convention (EPC), including States which are members of the EU, have been working on an agreement on the litigation of European patents (EPLA). The EPLA would be an optional litigation system common to those EPC States that choose to adhere to it.
The EPLA would set up a European Patent Court which would have jurisdiction over the validity and infringements of European patents (including actions for a declaration of non-infringement, actions or counterclaims for revocation, and actions for damages or compensation derived from the provisional protection conferred by a published European patent application). National courts would retain jurisdiction to order provisional and protective measures, and in respect of the provisional seizure of goods as security. For more information see [http://www.european-patent-office.org/epo/epla/pdf/agreement_draft.pdf]
Some of the states party to the EPC have also been tackling the patent cost issues through the London Protocol which would simplify the existing language requirements for participating states. It is an important project that would render the European patent more attractive.
The European Community is not a party to the European Patent Convention. However there is Community law which covers some of the same areas as the draft Litigation Agreement, particularly the "Brussels" Regulation on Recognition and Enforcement of Judgments (Council Regulation no 44/2001) and the Directive on enforcement of intellectual property rights through civil procedures (Directive 2004/48/EC). [http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_195/l_19520040602en00160025.pdf] It appears that there are three issues to be addressed before EU Member States may become party to the draft Litigation Agreement:

- *the text of the Agreement has to be brought into line with the Community legislation in this field*
- *the relationship with the EC Court of Justice must be clarified*
- *the question of the grant of a negotiating mandate to the Commission by the Council of the EU in order to take part in negotiations on the Agreement, with a view to its possible conclusion by the Community and its Member States, needs to be addressed.*

Questions

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

The proposed EPLA is an optional agreement, that is, only those EPC member states that want to join it need do so. Those countries that do not wish to join the system are therefore free to carry on with their current litigation arrangements.

The principal advantage of the European Patent Litigation Agreement (EPLA) is that it would enable companies to resolve patent disputes in a timely and cost effective manner, while at the same time generating a coherent and harmonized body of European case law on patent infringement and patent validity.

Such a system would also reduce cost by eliminating the need for litigation in multiple fora.

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

ICC does not foresee any conflict between the proposed EPLA and EU law. Furthermore, a common judicial system for litigating European Patents would not be inconsistent or prejudice in any way the development of a Community Patent, but be complementary to this development for several reasons. The Community Patent will take sometime to put into place; in the meantime, there is a real need for a judicial system that corresponds to the European Patent. The EPLA will still be required irrespective of whether the Community Patent ever happens. This is because of the need to provide a better litigation system for the vast number of European Patents already granted which will be in force for 20 years with no prospect for conversion into Community Patents. Even the Commission admits that even if the Community Patent is established, the European Patent Office will still issue many thousands of European Patents each year. Further, such a system will provide some experience of a common judicial system from which the Community Patent can benefit.

ICC supports the EPLA as the best proposal so far for a common judicial system to deal with European patents, though it is still premature at this stage for ICC to comment on the details of its contents. ICC believes that the EPLA should remain optional for plaintiffs (in parallel with national courts) unless and until the proposed European Patent Court has a proven track record.

Section 4 –Approximation and mutual recognition of national patents

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

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

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

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

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

Questions

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

The EPC and national patent law systems in general have not given rise to barriers to free movement or distortions of competition. To the extent that such barriers and distortions can be said to exist, these primarily result from the inconsistencies and uncertainties inherent in the existing patent litigation structure, which can be addressed by the EPLA. Under the existing structure, patent owners cannot be confident that the protection they enjoy in one market will extend to others; competitors likewise do not know where they can market their products.

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

N/A

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

ICC does not see any added value in and questions the feasibility of options (1) - (3). ICC does not support any of these options.

Issues with regard to Europe's patent system today are structural, relating to access, cost and litigation consistency. There is no need to revisit the substantive patent rules.

Specifically:

- **Option 1**: This adds a layer of cost and complexity to litigation, without producing clear benefits in terms of greater legal certainty.
- **Option 2:** To the extent any barriers to free movement exist, these result from the legal uncertainty inherent in the current system for litigating patents, not from the law itself.
- **Option 3:** Mutual recognition could mean that a wrongly-granted patent receives broader recognition than it otherwise would. A mutual recognition system could also lead to forum-shopping, with patent applicants seeking approval in patent offices with the least stringent examination processes.

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

None in this regard.

Section 5 – General

We would appreciate your views on the general importance of the patent system to you. On a scale of one to ten (10 is crucial, 1 is negligible):

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

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

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

Furthermore:

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

N/A for trade/business associations.

ICC questions the usefulness of such a ranking exercise. Any ranking within the provided scale of one to ten would be highly subjective. There are no clear points of reference for a comparison of the importance of the patent system with the importance of other areas as e.g. "other areas of legislation affecting your business" or "other areas of intellectual property". Intellectual property rights as a whole form an important framework for business. The extent to which companies are using a particular kind of intellectual property right may vary and is subject to the specific business objectives and business environment.

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

Reduced costs and a single patent litigation system will improve access to the patent system, for SMEs and larger companies alike.

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

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

Organization

The name of your organisation/contact person:

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

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

Are you involved in cross-border activity?

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

What is your area of activity?

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

Do you license your patents?

Are you a patent licensee?

Have you been involved in a patent dispute?

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

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. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC. The fundamental mission of ICC is to promote trade and

investment across frontiers and help business corporations meet the challenges and opportunities of globalization. It makes rules that govern the conduct of cross border business that are observed in countless thousands of transactions every day and have become part of the fabric of international trade.(e.g. Incoterms).

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Within a year of the creation of the United Nations, ICC was granted consultative status at the highest level with the UN and its specialized agencies.

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 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.

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