TMPDF
TRADE MARKS, PATENTS & DESIGNS FEDERATION
Advancing Industry's View On Intellectual Property Since 1920

UK Patent Office – Informal consultation

Strategic debate on cooperation within the European Patent Organisation

[Note: In this text "EPO" refers to the European Patent Organisation. "EP Office" will be used to refer to the European Patent Office.]

Introduction

1. This Federation welcomes the opportunity to contribute to the strategic debate. We understand that the debate in the EPO Administrative Council will be concerned with how PCT applications should be handled during the international phase, as between the EP Office and the national offices of those member states with, or wishing to have, ISA status and partnership agreements. Also, more generally, the debate will be concerned with the extent to which national offices of member states might cooperate with the EP Office in the delivery of substantive search and examination work. Furthermore, the Chairman of the Administrative Council has raised other issues concerning the strategic role of the EPO and its cooperation with national offices, both in relation to the PCT and in the context of the European economy. In document CA/70/04, he suggests that these issues include the leadership role for the EPO in the PCT, harmonisation of patent procedures in Europe, keeping finances solid and maintaining EPO integrity.

2. Preliminary remarks on the questions raised by the UK Patent Office and on the more general issues are given below. However, we understand that the EPO Council will further define the scope and objectives of the debate and that a list of questions to be raised with the interested circles is to be drawn up. When we see these questions, we will have further comments.

The questions raised by the UK Patent Office in its consultation paper

Question 1: Please give your view on the scope for increased cooperation within the EPO

3. The interest of our member companies, as users of the PCT and the European patent system, is that the EP Office should deliver, as efficiently as possible, search and examination work that is of high and consistent quality (whether PCT or direct), leading to the grant of European patents with a high presumption of validity, in a time frame that satisfies users. Furthermore, entry fees should be modest and the overall fee structure should represent good value to both large and small enterprises.

4. We are not opposed to work sharing or cooperation between the EP Office and national offices of member states that respect these requirements concerning efficiency, quality, consistency, timeliness and cost. We would not object to some modification of the Protocol on Centralisation if that were necessary to achieve them, e.g., by providing greater flexibility to use the resources of those national offices, including those that work in EPO official languages, if, for example, this could enable excessive backlogs to be reduced while maintaining quality.

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5. As a general principle, all cooperation should be aimed at improving the service to users and the quality of the ultimate products – the granted European patents. Cooperation that may lead to loss of quality and/or consistency, or introduces delays or adds to costs is unacceptable.

6. There is one possible proviso. It could well be in the interests of users that national offices should remain operational, to provide an alternative route to patent protection (especially where wide European coverage is not needed), to maintain national expertise, to provide a national filing facility and to give advice, particularly to SMEs. We recognise that some modest cooperation aimed at assisting with this might be acceptable

Question 2: Please give your views on a future model for delivery of the PCT in Europe and what choice should be given to applicants.

(A) ISA (AND POSSIBLE IPEA) STATUS OF NATIONAL OFFICES OF MEMBER STATES.

7. We have no particular problems with the present arrangements enacted by the Protocol on Centralisation, whereby the EP Office has the main role in PCT delivery, but national offices of those member states that do not have an official language that is one of the EP Office's official languages may acquire ISA status, subject to meeting the essential PCT standards concerning sufficient professional staff and expertise, access to documents, quality, timeliness, etc., and perform international search work on behalf of their own nationals and in appropriate cases, nationals of adjacent member states.

8. Moreover, while we realise that the Protocol on Centralisation currently requires those member states having an official language in common with an EP Office official language to renounce in favour of the EP Office activities as ISAs and IPEAs, we see no great reason for maintaining this requirement.

9. At the least, those offices with adequate resources and able to meet the necessary standards should be empowered to assist the EP Office in order to improve control of the workload (both PCT and Euro direct, search and examination) and timeliness of delivery. All national offices that are prepared to undertake the work and can meet the necessary standards should be treated on an equal basis, whatever their official language.

(B) EMPOWERMENT OF NATIONAL OFFICES WITH ISA STATUS TO PROVIDE THE WRITTEN OPINION ACCOMPANYING THE INTERNATIONAL SEARCH REPORT.

10. Of course national offices with ISA status should be able to perform the full ISA function and provide the written opinions on those PCT – EP applications with which they are entrusted, provided that arrangements are in place to ensure that common quality standards apply as between the EP Office and those national offices with ISA status (see below).

11. (*Note:* We recorded our disagreement to the production of written opinions at the search stage by any office, either national or EP, when the relevant rule changes were discussed in the WIPO framework.)

(C) RESPECT FOR APPLICANT'S CHOICE

12. A PCT applicant from a member state should be able to designate either the national office (if it has ISA status) or the EP Office as ISA. Where the applicant has designated the EP Office, his application should only be transferred to a national office for search subject to his agreement. The applicant's valid choice of ISA should always be respected.

(D) WORK TRANSFERRED UNDER PARTNERSHIP AGREEMENTS

13. The EP Office should only transfer PCT search and examination work to national offices if in the interest of the EPO, e.g., to relieve undue backlogs, or possibly to reduce costs, and only if quality and consistency standards are maintained. Moreover, transfers should be with the knowledge of

applicants (see (c) above). We do not accept that agreements by the EP Office to provide say 500 cases per year to particular national offices are a suitable or legitimate way of controlling quality.

Question 3: Please give your views on the role of national offices and EPO recognition of International Search Reports and Opinions

14. This has largely been covered above. We agree that national offices should be able to act comprehensively as ISAs for their own nationals, subject to meeting the international and EPO standards concerning quality etc. The EPO should recognise the search reports and opinions, reduce its own work on the cases involved and provide satisfactory remission of fees.

15. We also consider that those national offices that so wish and meet the necessary standards should have a role in helping the EP Office overcome backlogs and improve timeliness of delivery.

Question 4: Please give your views on a quality framework for Europe.

16. At present, quality control in both the EP Office and national offices is opaque to users. All offices should make clear what their quality control procedures are (for search, provisional opinions and examination) and how they operate in practice.

17. We agree with the UK paper that the WIPO operational quality standards for PCT should be observed, developed and improved upon, within a common framework including the EP Office and national offices. However, we are concerned that the focus is on internal quality control and little is said about external supervision. Quality standards should be set with external participation. We strongly support the UK proposal that there should be a supervisory panel responsible for considering how ISAs within Europe achieve and monitor their compliance with agreed quality criteria. (These criteria should be absolute, not merely related to the EP Office's available documentation, for example.)

18. The supervisory panel should include strong user representation, especially industrial users, and possibly WIPO representation. It should meet regularly and should be able to question both managers and workface staff and issue comments and guidelines.

19. As part of quality management, we would like there to be transparent quality assurance processes. When relevant prior art that was not found in the official search is identified by opponents or other third parties, or in searches by other authorities, then the original search strategy, as well as the document portfolio, should be reviewed. Procedures and strategies should be regularly updated in the light of feedback to support a culture of continuous improvement.

Question 5: Please give your views on the model outlined by the UK in its initial thoughts.

The key criteria:

20. To a large extent, we agree with the seven key criteria suggested by the UK in its consultation paper. Our agreement to the first five is unreserved. As regards the sixth criterion, a strong international phase will be beneficial provided that it does in fact lead to reduction of work and duplication, and consequential cost savings, in national offices. Many national offices however appear to give little attention to the PCT results (unless adverse) and little by way of cost saving. The PCT itself is unnecessarily expensive, because fees are much greater than necessary to run the system. Some off-setting benefits are needed. Pressure should be applied by EPO and member states, in WIPO and elsewhere, to convince other states that the PCT work done in Europe should be accepted. The Organisation should set an example by giving the maximum value to work carried out in national offices of member states.

21. As regards the seventh criterion, concerned with giving full and appropriate account to written opinions at the search stage, we have opposed the provision of such written opinions. They are prepared in the absence of dialogue with and comment from applicants. When misconceived, as many will be, they will have unfortunate influences on the subsequent prosecution of cases.

The model suggested by the UK:

22. We first emphasise that what is required by users from the EPO and its member states in the delivery of work under the PCT, and of work on direct European applications, is efficient, timely, high quality search and examination that will result in granted patents with a high presumption of validity. (See in particular the replies to questions 1 and 4 above.)

23. We appreciate that the present partnership agreements between the EP Office and some national offices may have shortcomings, as suggested in the consultation document. Nevertheless, it seems to us that there must be some form of agreement between those national offices authorised to act as ISAs and the EP Office, to ensure that the EP Office will accept their work as meeting its own standards. Indeed, a special agreement with each individual national office appears to be required under section III (2) of the Protocol on Centralisation. If the partnership agreements reached in the past are defective, that is the responsibility of the Administrative Council. The form that the agreements, or any multilateral framework agreement that replaces them, should take is a political matter for the Administrative Council. Our concern is that necessary standards of efficiency, quality and quality control, timeliness and cost should be met.

The questions raised in the paper by the Chairman of the Administrative Council, CA/70/04

EPO "leadership" in the PCT.

24. We have no objection to the EPO achieving "leadership" in the PCT on merit, which will need to be regularly demonstrated on the basis of quality and cost benefit. The EPO should recognise that in the longer term, competition may be fierce as countries such as China and India develop their resources and expertise.

25. However we are unhappy about certain aspects of the leadership ambition. We have seen in the past that PCT work can take precedence over direct work. Moreover, expanding capacity to become the major office for PCT work from all over the world will be hugely expensive. We consider that the EPO should not take on more PCT work than necessary and should give proper attention to direct applications.

26. Furthermore an EPO takeover of quality standards in PCT would be undesirable. Quality standards should be set and monitored externally, with both WIPO and industry user involvement. Search quality should be assessed in relation to what could be found anywhere, rather than to what could be found in the databases of the EPO only.

Harmonisation of patent procedure in Europe:

27. We agree that serious effort should be put into the further harmonisation of procedures. There is a long way to go in standardising procedures, but greater standardisation is well worth achieving. Complication and expense to users should be considerably reduced. Moreover, if the EPO and the national offices could reach agreements among themselves, the results could be a model for further agreement at international level in WIPO, i.e., to take the existing PLT a stage further.

EPO Finances

28. We note the Chairman's comments concerning the poor results last year and the growing pressures concerning staff salaries, international accounting standards, the EPO academy and so on. However, there is no justification for any of this to fall on fees. The EPO should improve efficiency, should not get involved with matters that are not its business and should look to the member states to return a greater proportion of the renewal fees on European patents that they currently retain without justification.

Maintaining the Integrity of the EPO

29. We are not opposed to the EP Office entering cooperation arrangements where appropriate. We also consider that issues of cost efficiency should be examined. Bearing in mind the high cost of running the EP Office, would there be benefits in more extensive use of partner offices, if quality standards can be maintained? The maintenance of the EPO's integrity should not be achieved at the expense of users.

30. The European Community will become a member of the EPO if the Community patent should ever become a reality. We do not see any strong reason to be alarmed at this prospect.

Points arising from our preliminary position on outsourcing:

31. *Efficiency:* Despite staff protests, the EP Office does not work as efficiently as some national offices. Efforts to improve efficiency in all parts of Office operations should be intensified. User involvement in proposing improvements would be very desirable. Moreover, any partnership arrangements should be critically scrutinised from an efficiency perspective.

32. *Quality and consistency:* There is much lip service in EPO papers about the need for quality, and the quality criteria in chapter 21 of the WIPO Search and Preliminary Examination Guidelines, which call for a quality management system and internal review, are mentioned. However, there is very little about the practical measures that have been or will be introduced to ensure high quality and consistency between different authorities/national offices, or indeed between different parts of the EP Office.

33. EPO arrangements for quality management should be made more transparent to users. As suggested by the UK delegation, a responsible panel should be established. This should review the EPO systems for quality management and review and suggest improvements. ***User representatives from industry should sit on this panel***.

34. *Time frames.* The efforts on "Mastering the Workload" are crucially important and should be integrated into the cooperation debate.

35. *Fee structures:* Proposals for changes should always be discussed with users, against transparent disclosures of costs. Greater use of renewal fees retained by member states should be secured.

Final points

36. As an essential aspect of the strategic debate, concerning cooperation between national offices and the Organisation, we consider that it is essential that the London Agreement on translations should be ratified by sufficient member states and brought into force as soon as possible. It should be implemented by most if not all member states. Furthermore, the European Patent Litigation Agreement should be finalised and brought into force as soon as possible.

37. Moreover, the strategic debate should focus also on all aspects of cost reduction in the European system, since reducing costs calls for greater cooperation between the national offices than exists at present. Cost reduction involves not only the matters of fees, translations, litigation and harmonisation, all referred to above, but also the costs of representation, including address for service rules and the involvement and cost of attorneys. This aspect of costs was first raised by us in 1996 and was subsequently taken up by the Commission, though without much pressure so far. (A revised copy of our 1996 paper, updated particularly in respect of translations, is attached.)

TMPDF November 2004

PATENTING COSTS IN EUROPE

POSITION PAPER (first issued 1996, updated 2004 as regards translations and PLT)

(Note: in this paper the expression "Europe" covers the member states of the European Patent Organisation (EPO), particularly those that are also members of the European Union (EU). The points discussed in the paper should also apply to other states which have or expect to have association or cooperation agreements with the EU or extension agreements with the Organisation.)

Introduction

1. The Trade Marks Patents and Designs Federation (TMPDF), which coordinates and represents the views of much of industry in the United Kingdom on intellectual property matters, fully supports the continuing efforts of the Union of Industrial and Employers' Confederations of Europe (UNICE) to focus attention on the very high costs of securing wide patent coverage in Europe. Major cost reductions are urgently required to relieve the undue burdens on industrial enterprises, large and small, when wide coverage in Europe for a single invention is needed.

2. Wide coverage in Europe for a single invention can be obtained at present in two main ways -either by making a single application under the European Patent Convention (EPC) for a European patent to the European Patent Office (EP Office), designating several states, or by making applications for separate national patents to the national offices. Applications may be made directly to the offices or through the international procedures of the Patent Cooperation Treaty (PCT). A third way of obtaining wide coverage will be possible if and when a Community patent covering the whole EU becomes available. Since it seems unlikely that a Community Patent Regulation (CPR) will be agreed between the EU member states in the near future, the Community patent will not be considered to any great extent in this paper.

3. Several factors contribute to the costs of securing wide coverage. First, there are the official fees. The pre-grant fees charged by the EP Office are extremely high; very much more than the fees involved when separate applications are made to several national offices. Despite the advantages of a European patent, it is not worthwhile to obtain one, at least from the point of view of overall cost, unless protection in 4-6 states, or more, is required. (The actual number will depend on the circumstances of a particular application.). In addition to pre-grant fees, renewal fees must be paid on a granted patent, in every state where the patent is maintained. A second factor is the cost of making translations, either of the original application, if separate national patents are sought, or of the granted European patent, if the EPC route is chosen. This cost will be very high when several translations have to be provided. A third factor is the cost of representation. This can be very high because of the need to use separate, local, representatives in each of the states where protection is required, either from the time of application if separate national patents are sought or from the time of grant if a European patent is obtained. A fourth factor is the concealed cost of complying with a multiplicity of different implementing regulations.

Fees and costs of translations

4. The views of the Federation on EP Office fees and the cost of translations are well known. To reiterate, the Federation considers as regards fees, that every effort must be made by the EPO under the supervision of its Administrative Council to make major reductions in procedural fees. At least three steps could be taken. These are (i) Use any financial surpluses to reduce fees. (ii) Make further efforts to

improve the efficiency of EP Office operations and procedures, including search and substantive examination. This would involve giving full consideration to the results of searches performed in other patent offices, whether international authorities or not, subject to satisfactory quality standards. (iii) Increase the proportion of the renewal fees on European patents, levied by member states, that is paid by them to the EPO under Article 39 of the EPC, without increasing the fees themselves (since the member states carry out little work on the patents involved). It would of course be essential that EP Office procedural fees be reduced in correspondence with the increased renewal fees received.

5. As regards translation costs, the Federation supports the speedy entry into force of the London Agreement on translations. The result of this would be that at least 8 member states of the EPO, including France, Germany and the UK, would not require translations, other than the translations of claims into an appropriate official language. Following entry into force, all other EPO states should, in the Federation's opinion, accede to the agreement as soon as possible. (The agreement is without prejudice to a state's right to require a full translation of the granted patent from the patentee, should there be a dispute relating to the patent.) Early implementation of the London Agreement would be of benefit to all those concerned (patentees, interested third parties and member states).

6. Moreover, the Federation deplores the excessive fees charged by some states when translations are filed with them and urges that high fees should be greatly reduced. Furthermore, in any negotiations on the translation regime envisaged under the CPR, where translations of claims into all official EU languages will be required, questions concerning the legal significance of translated claims and of failing to supply all translations in due time must be resolved satisfactorily.

Representatives

7. The Federation positions outlined above are generally well known. A purpose of this paper is to explore the need to employ separate, local, representatives, either from the time of application if separate national patents are sought or when a granted European patent is transferred to the national systems. The need for separate representatives arises for both statutory and non-statutory reasons.

8. Statutory reasons for needing separate representatives arise in two ways. (i) Nearly all EU/Organisation member states have rules that in one way or another require a patent applicant or owner to have an address for service within the state concerned. An applicant resident in one European state and seeking a patent in a second needs an agent in the second state to handle correspondence and other dealings with the application or granted patent. The applicant - or the principal representative in the state of residence - cannot deal directly with the patent office in the second state. (ii) Furthermore, some states have rules that require a non-resident applicant or owner to use an acceptably qualified representative, resident in the state concerned. Such rules prevent a representative resident in one state from representing a client before the patent office of another. This is in contrast with procedures before the EPO, where a single representative can represent an applicant in respect of all designated states.

9. Because of the need to employ and brief several local representatives, the overall cost of making separate applications to national offices is very high. This explains why the EPC route is more economical overall if protection in 4-6 or more states is required. Even when the EPC route is chosen, local representatives have to be employed when a granted European patent enters the national systems. This again involves high costs. Insofar as the need for several representatives and the associated high costs result from rules requiring a national address for service or use of a nationally qualified and domiciled representative, the situation is to be deplored and appears to be against the principles of the EU governing non-discrimination. The Federation considers that all such national rules should be abolished and should be replaced by rules that allow the address for service and the representative's domicile to be in any EU member state. (An unremarked advantage of the CPR, should it ever come into

force, is that only one representative will be needed to deal with applications for and grants of Community patents.)

10. Revision of address and domicile rules will be an essential step towards making it possible for an applicant or patentee to use a single representative (or a limited number of representatives substantially less than the number of states involved) when seeking individual national patents, or when dealing with a granted European patent when it enters the national systems. However, in many if not most circumstances, it will be necessary for an applicant to use representatives who are appropriately qualified in relation to the national systems involved.

11. There is an EU Directive on the mutual recognition of professional qualifications (89/48/EEC) that covers qualifications in the patent field. Professional qualifications gained in a member state should be recognised throughout the EU, but a state can require a person qualified in a different state to undergo an adaptation period or take an aptitude test. In the patent field, the form of the aptitude test and what will be tested by it have not been finally determined in several states and it is understood that there have been few requests so far by representatives wishing to have their qualifications recognised in a state different from the one in which they were acquired.

12. The Federation considers that all states should make clear what will be dealt with in aptitude tests and that the scopes of the various national tests should be harmonised as far as possible. In its view, the tests should be straightforward and limited to only that which is strictly necessary to act before the industrial property office and any courts where representatives can appear, in the state concerned. Since the substantive parts of the patent laws of EU states are harmonised, in that they are aligned with the substantive parts of the EPC, it should be unnecessary to test qualified representatives on substantive patent law. (A stricter test might be justified in the cases of representatives who are not on the list maintained by the EP Office of representatives qualified to act before the Office.) Moreover, there should be no domiciliary restrictions - a qualified representative should be able to take the test of any member state, regardless of his place of domicile within the EU.

Formal and procedural requirements

13. It would be very difficult at present for a representative to act in several EU states, even if the present restrictions did not exist, because the formal and procedural requirements for patent applications differ in different states. There are differences in the forms to be completed, the time limits to be observed, the stages at which fees must be paid, the information to be supplied, the manner of presenting the invention, the extent of 'legalisation', and so on. There are also different procedures to follow when granted European patents enter the national systems. This means that detailed knowledge of each relevant national system is required, so that a local representative almost invariably has to be employed. **It** also means that it is unnecessarily difficult for administrative staff working for applicants and professional representatives to complete application forms, prepare documents correctly and monitor the progress of applications being pursued in several states. These difficulties lead to mistakes and add to costs.

14. The difficulties could be much reduced if close harmonisation of all procedural requirements could be achieved, allowing for the essential differences between examining and non-examining national systems. The Patent Law Treaty, recently established under the auspices of the World Intellectual Property Organisation (WIPO), is a useful first step. However, the treaty does not remove many of the differences of approach among the member states. The treaty sets a maximum list of allowable requirements in some but not all areas of procedure. Individual states are free to make different requirements within the maximum and deal with matters not covered by the treaty as they see fit.

15. The rules and procedures of the PCT also have an important harmonising effect, particularly on information to be supplied in applications, layout of specifications and physical requirements of

documents. However, the treaty provides a number of options and flexibilities for individual members and does not of course apply directly to national applications. It limits the extent to which conflicting national rules can be applied to international applications, but national administrations are free to apply more generous rules, so close harmonisation of national systems is not achieved.

16. The Federation considers that a substantial effort should be made in Europe to achieve the closest possible harmonisation in formal and procedural requirements at national levels. Common implementing regulations as between the EPO and member states could be negotiated and adopted. The types of fees and the stages at which they are collected could be harmonised. It should be possible, even though different languages will be in use, to use forms with common layouts. The time limits for given actions and the possibilities of correction and restitution when errors occur should be the same. The same warnings should be given in similar circumstances, similar opportunities for contesting official decisions should be available everywhere. The same time limits for reply to official actions could apply everywhere. The same approaches should be taken to the allocation of dates, e.g., when applications are delayed in the post, delivered by special messenger or received by facsimile transmission. The approach to and development of electronic filing of applications should be harmonised. Applicants, representatives, administrative staff and others involved would then know from experience in their home state what the formal and procedural requirements and possibilities are everywhere.

17. The present differences in national requirements effectively constitute a concealed barrier to trade within the EU that should be removed.

18. Even when the measures suggested above are implemented, it might not be likely that there would be large numbers of cases where the principal representative would handle a whole bundle of different national applications based on the same original. There will often be good reasons for employing local representatives, such as proximity to the national office for dealing with urgent matters, better command of the national language and so on. However, it will become much easier to do more of the work on an average case in the principal representative's office, thus reducing costs significantly. It should often be possible to use fewer local representatives, as individual representatives should become experienced in relation to several, rather than just one, national systems The changes would increase the general competitive position, not only between representatives but also between the EP Office and national offices, thereby putting significant downward pressure on overall costs.

Conclusions

19. To summarise, the Federation considers that the European Commission and the member states of the EU and the EPO should:

(i) Review the national rules in member states dealing with address for service, at least for actions before the national industrial property offices. An address in any member state should be sufficient.

(ii) Review the national rules governing the domiciles of representatives. A domicile in any member state should be sufficient.

(iii) Ensure that aptitude tests for qualified representatives, in accordance with the EU directive on the Mutual Recognition of Professional Qualifications (89/48/EEC), are harmonised and limited to what is absolutely necessary.

(iv) Harmonise the national formal and procedural rules governing patent applications and grants, including standardisation of forms. An EU directive might be necessary.

20. It might be suggested by some member states that the proposals fall within the EU's subsidiarity rules and are not suitable for consideration. However, in the patent field, there is no reason to preserve individual national peculiarities. For reasons indicated above, the subsidiarity argument should be rejected.

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