



## COUNCIL REGULATION ON THE COMMUNITY PATENT - REVISED PRESIDENCY PROPOSAL

EU COUNCIL DOCUMENT 8588/09

REF: PP09/09

### IP FEDERATION COMMENTS

#### General remarks

We last commented in detail on the draft regulation, as it was in 2003 (10404/03), in our paper C46/03, dated 26 June 2003. At that time we confirmed our support for the establishment of a satisfactory Community patent system; however the system proposed fell far short of satisfactory.

We confirm that our support for the establishment of a satisfactory system continues. As we said in our earlier paper, in the absence of a successful Community system, innovative enterprises in Europe, especially those of small or medium size (SMEs), will continue to be at a competitive disadvantage compared with those in the main competitor states, Japan and the United States. The costly, complex and slow procedures that European industry is obliged to follow to secure and enforce patent rights with wide territorial coverage in the EU, and fragmented, non-uniform, rights at that, must be improved.

The revised proposal is a substantial improvement over that under discussion in 2003/4, particularly as regards the unnecessary costs of translations and the complications and dangers for applicants that the translation requirements introduced. The proposed language and translation regime set out in articles 24a - 24c is broadly acceptable. Translations of applications for Community patents, after publication in an EPC language, will be carried out on demand by a central service based on a machine translation program and will be for information purposes only, **with no legal effect**. This last point is of particular importance. However, we remain concerned by the provision in Article 24a (and recital 2(b)) that the cost of translating applications submitted in non EPC languages into the EPO language of proceedings should fall on the system. This may increase the costs of all users significantly. Such translation costs should be the applicant's responsibility.

Another large and unnecessary cost to applicants will result from the distribution of renewal fees, where the relevant provisions have not changed since 2003/4, discussed below.

It is a helpful simplification of the regulation that previous provisions concerning the litigation of Community patents have been removed and are now to be found in the proposed Agreement on the European and Community Patents Court. However, we emphasise here that we have a number of serious objections to some of the major provisions in this Agreement, as recently explained in our paper **PP07/09**.

Some problems remain, or have been newly introduced.

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## **Comments on new or revised provisions**

### **Recital 6** (*Compulsory licences/competition law*)

Under Article 21, the grant of compulsory licences is normally to be a matter for the Court. We agree that the Court is the proper jurisdictional body to exercise powers in relation to compulsory licences and are therefore concerned by the implication in recital 6 that under Community competition law, the Commission or national authorities might have powers of decision in relation to them. It should be made clear that in all circumstances, the grant of a compulsory licence should be authorised by the Court.

### **Article 13** (*Process patents: burden of proof*):

The requirement for the process to concern a new product has been omitted from paragraph 1. Reversal of the burden of proof is appropriate only in the situation where a new product, not known except as the product of a process under patent protection, is concerned. To extend this provision to any product, so that manufacturers of well known products by known methods might be put to proof by the developer of a new process, without there being any indication that the patented process has been infringed, is excessive and unjustified. It goes further than similar provisions in national laws (see e.g., UK Patents Act 1977 section 100) or TRIPS Article 34.1(a) and has not been accepted in international discussions.

Incidentally, if there is no requirement for the product to be new, then paragraph 2 (taken from TRIPS Article 34.1(b)) becomes superfluous, since the situation with which it is concerned (substantial likelihood) would be wholly contained within the scope of paragraph 1.

### **Article 21** (Grant of compulsory licenses) and **Article 22** (Conditions applicable to compulsory licenses):

We entirely agree that applications for compulsory licenses should be heard by the Court, but are concerned by the lack of detail in Article 21, which is not made good by the conditions set out in Article 22. There should be a careful exposition of the circumstances and conditions under which compulsory licenses may be granted. For example, it should be made clear that each application for a compulsory licence should be considered on its individual merits, in relation to criteria that are carefully defined in the regulation and its rules, and that the applicant should only be granted a licence if he can show that he will make a material contribution to alleviating the circumstances that justify the grant of the licence. Paragraph 6 of Article 21 refers to detailed rules and procedures being laid down in "the relevant instruments". We urge that drafts of these instruments should be made available for comment in the very near future.

In paragraph 1 of Article 21, concerning lack or insufficiency of exploitation, it should be made clear that sufficient exploitation in a single member state can satisfy the requirement to exploit in the Community and further, that a compulsory licence will not be granted if the patent proprietor justifies the apparent inaction.

In paragraph 2, it is provided that the owner of a national patent (or plant variety right) can obtain a compulsory licence on an earlier Community patent if that earlier patent prevents the exercise of the later national patent, and that later patent involves an economically significant technical advance. This provision is seriously unbalanced, in that it



appears to sanction the grant of a compulsory licence in respect of the earlier Community patent for the territory of the Community, despite the later patent being only a national one. For such a licence to be considered, the later patent should also be for the Community. The cross licence provision too is unbalanced, since a licence on the later national patent, effective in only one state, might be of comparatively little value to the CP owner.

In paragraph 3, it should be made clear that the crises, situations of extreme urgency or public interests of extreme importance are those occurring in the territory of, or are of direct concern to, the Member State making the request.

The special restriction for semi-conductor technology set out in paragraph 4 of Article 21 should be brought into alignment with what is permitted in TRIPS Article 31(c) (only for public non commercial use or to remedy an anticompetitive practice).

**Article 24d** Conversion into a European patent designating one or more Member states:

This article is now restricted to the conversion of applications, up to the time of grant of the Community patent. We question the removal of the possibility of conversion subsequent to grant. The Community patent may fail subsequently, in opposition or revocation proceedings, on grounds that might not apply in all member states. It should be possible to convert in such circumstances, on condition that the appropriate states have been designated before completion of the opposition or revocation proceedings.

Moreover, there may be situations, such as might be caused by an unpublished national application of earlier priority, that prevent the Community patent having full effect in all member states. The consequence of this needs more consideration. Rather than having a non unitary Community patent, it may be better to convert the Community patent to a European patent for the unaffected states.

**Comments from our earlier papers that are still relevant;**

**Supplementary Protection Certificates**

The regulation still does not appear to make provision for such certificates to be granted for Community patents. The granting authority should presumably be the EPO. Appropriate procedures within the EPO will need to be established.

**Recital (5a):** *(Level of renewal fees):*

It is not clear what is meant by “the renewal fee .. must not exceed the level of the corresponding renewal fees for an average European patent”. For the Community patent to be of interest to users, renewal fees should not exceed the sum of those for two to three major states (e.g., GB, FR, DE).



**Recital 5b:** *(distribution of renewal fees):*

This provision institutionalises the 50/50 division of the renewal fees between EPO and member states and implies that there will be a substantial subsidy from Community fees to national administrations, increasing costs to users very considerably. The renewal fees should be set in accordance with the EPO's needs and should not be used to subsidise national administrations (the subsidies will, often, not even be used in relation to patents or innovation).

The costs of work done by national offices in connection with the Community patent system should be transparently evaluated and paid for directly by the EPO, before being recovered through the fees.

**Article 9a** *(Government use):*

We realise that provisions allowing government use of national patents may have to be applied to Community patents, but only to the extent necessary for essential defence or national security and subject to appropriate compensation. However, we are concerned that this provision derogates from the unitary nature of the right

There should be more safeguards than are provided for in the present text of the article. First, it should be a requirement that the national law must be compatible with international obligations (e.g., TRIPs obligations). Second, permitted government use should be use in the member state concerned. (It would be inappropriate, for example, for Germany to authorise use in the UK.) Third, the Community court, not the national court, should adjudicate any dispute over use or compensation.

Moreover, some mechanism for monitoring the use of the provision by member states, to guard against abuse, would be desirable.

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

This article should include a further paragraph that explicitly precludes international exhaustion except where there is express consent to importation from outside the EU. Moreover, we emphasise that it should be made clear that the proprietor's consent to putting goods on the market in the Community should always be express.

**Article 11** *(Rights conferred by the CP application after publication):*

This article is silent about the position of infringers who are not resident in and have no principal place of business in a Community member state, e.g., a Japanese company. Are infringers from outside the Community to be put in a worse or better position than those from inside?

**Article 12:** *(Right based on prior use of the invention):*

The way in which the prior user provisions in Article 12 are to be construed should be made clear. The concept of "use" should be the same throughout the Community. The extent of the actual use, or the preparations to use, necessary to constitute "real" use should be



clear and uniform, as should the extent to which the prior user can develop, or temporarily discontinue, the user activity.

**Article 14** (*Dealing with the Community patent as a national patent*):

Paragraph (1) requires the Community patent to be dealt with as a national patent of the member state where the applicant has his residence, or place of business or an establishment on the date of filing the application. The consequence of dealing with the patent in a way that is inconsistent with this is not made clear in the article, but presumably the dealing is to be regarded as void. However, the concepts of “place of business” and “establishment” of the applicant can be unclear on a day-to-day practice basis. Uncertainty as to the meaning of the paragraph could result in serious problems in practice, especially in due diligence examination of chains of title and consequent transactions involving patent transfers.

**Article 15** (*Transfer*):

Assignment requires the signatures of both parties. In the interest of simplification, only the signature of the transferor should be required. Any consequences of failure to register, if they are consequences impacting on enforcement or remedies, should be set out in the Regulation.

**Article 18** (*Insolvency proceedings*):

Paragraph (1) of this provision provides that the only insolvency proceedings in which a CP can be involved shall be those opened in the member state within the territory of which the centre of a debtor’s main interests is situated. While this text presumably takes account of common Community rules concerning insolvency proceedings, the reference to the centre of the debtor’s main interest may be unclear on a day-to-day practice basis.

**Article 19** (*Contractual licensing*):

This article should make explicit that applications for Community patents may also be licensed.

**Article 27a:** (*Restitutio in integrum*):

The provision of Article 27a does not appear to add to what is available under the granting procedure under the EPC, since it refers to “EPO” deadlines. It should be made clear that re-establishment of rights may be sought in respect of granted Community patents that may have lapsed due to failure to pay renewal fees, subject to appropriate conditions and time limits.

The EPC test concerning failure to meet a deadline, i.e., “despite all due care in the circumstances” is too severe and should not be adopted. The test should be “unintentional” failure.



**Article 28** (*Grounds for revocation*):

The penalty of revocation under paragraph 1(e) may be a disproportionate sanction in relation to a finding of non-entitlement under Article 4. e.g., where the application has been made inadvertently in the wrong name, or where there has been a genuine dispute about inventorship, co-inventorship or title succession. Revocation is also inconsistent with the provision for transfer in Article 5. The consequence of a finding of non-entitlement should not necessarily be a finding of revocation but should be tailored to the circumstances.

Paragraph 2 concerning limitation should be revised to refer also to corresponding amendment of the description and drawings. (An equivalent reference to the description appears in EPC rules 2000).

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