



EU Patent Reform

On 4 December 2009 the Competitiveness Council adopted a package of measures (“Conclusions on an Enhanced patent system in Europe”) setting the foundation for both an EU-wide patent and a unified patent litigation system (UPLS) in Europe.

The Council Conclusions are a significant milestone, marking political agreement on key components of both the EU Patent and UPLS projects, and giving the green light for work to continue on both dossiers.

The EU Patent

Following the entry into force of the Lisbon Treaty on 1 December 2009, the term “Community” has been replaced by “European Union” with the consequence that what we used to call the “Community Patent” now becomes the “European Union Patent”, or “EU patent” for short.

On 4 December 2009 the Competitiveness Council adopted a so-called “General Approach”, (16113/09 ADD1 dated 27 November 2009) establishing the basic text of the draft Regulation for the EU Patent, while leaving open the more controversial issues to do with translation arrangements, renewal fees, enhanced partnership, and accession of the EU to the EPC. Under the Regulation the EU patent would be a European patent granted by the EPO.

The Federation has maintained its long-standing support for the establishment of a satisfactory Community patent system, while expressing concern about some of the details. In particular the EU patent must offer a cost-effective and legally robust solution and must always be an optional route to national and European patents.

The legislative procedure for implementing the EU Patent Regulation is affected by the Lisbon Treaty, namely Article 118 of the Treaty on the Functioning of the European Union (TFEU), which provides a new legal basis for the creation of unitary intellectual property rights in the EU.

The EU Patent Regulation was originally envisaged as a Council Regulation without any involvement of the European Parliament. However, under the first paragraph of Article 118 TFEU, the Regulation will now be subject to what is called the “ordinary legislative procedure” (formerly known as “co-decision”) under which the European Parliament has a joint decision-making role, and voting in Council is on a qualified majority basis.

By contrast, the second paragraph of Article 118 establishes a “special legislative procedure” for deciding language arrangements, requiring *unanimity* in Council after *consulting* the European Parliament. Note that in this context the European Parliament’s role is merely consultative; it does not have a joint-decision making power.

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The practical consequence of all this is that the language arrangements will be dealt with in a separate regulation which would come into force simultaneously with the EU Patent Regulation. The two regulations would be subject to somewhat different legislative procedures under Article 118 TFEU, both in terms of voting in Council, and the role of the European Parliament.

At the time of writing, the EU Patent Regulation has not made any significant progress in the European Parliament.

As for the language arrangements, on 1 July 2010 the Commission presented a proposal (2010/098 dated 30.6.10) for the regulation on languages, including an impact assessment, based on the existing language regime of the EPO. The text of the proposal as well as an explanatory memo from the Commission is available at:

http://ec.europa.eu/internal_market/indprop/patent/index_en.htm

Under the Commission's proposal EU Patents will be examined and granted in one of the official languages of the EPO - English, French or German. The granted patent will be published in this language which will be the authentic text. The publication will include translations of the claims into the other two EPO official languages.

No further translations into other languages will be required from the patent proprietor except in the case of a legal dispute concerning the EU patent. In this case, the patent proprietor may be required to provide further translations at his or her own expense. Specifically, the proprietor would have to supply a copy of the patent into the language of an alleged infringer, or into the language of the court proceedings when this is different from the language of the patent, upon request.

The Commission's proposal also sets out accompanying measures intended to make the patent system more accessible to innovators. First, high quality machine translations of EU patents into all official languages of the EU. Also, in order to facilitate access to the system for applicants from countries in the EU that have a language other than English, French or German among their official languages, applicants will have the possibility to file applications in their own language. The costs for the translation into the language of proceedings of the EPO (chosen from English, French or German by the applicant) will be eligible for reimbursement.

The Federation has supported the broad thrust of the Commission proposal on the basis that the proposed language arrangements are already well established and accepted by applicants at the EPO, while expressing reservations about some of the details - policy paper PP09/10.

Not all Member States are happy with the Commission's proposal, arguing that it adopts a prejudicial approach to languages. Seeking to address this concern, Spain has made an alternative proposal (13031/10 dated 31 August 2010) for the language arrangements.

This would in effect be a 2-language system, where English is the compulsory "base" language for all cases, plus one other EU language of the applicant's choosing, filed at grant. The English language version would normally be the authentic text. The translation into the second language would have limited legal and geographical effect in analogy with Art. 70 (3) and (4) EPC.

Applicants may file first in the official language of their residence or place of business, followed by an English translation made by the applicant but with costs borne by the system. In this case applicants may use the original filing for the translation in the second EU language. In the case of a legal dispute concerning the EU patent, exactly the same provision would apply as in the Commission's proposal.

The Spanish proposal caters for converting European Patents in French or German into EU Patents, in which case these texts shall be deemed the authentic texts, with a translation into English. Member States may provide that the English text is the authentic text (except for revocation proceedings in the event of the EU patent in English conferring protection which is narrower than that conferred by it in French or German). So it seems different language texts could have effect in different Member States and the original French/German text could even trump the authenticity of the English text, implying lack of uniformity and uncertainty.

The Spanish proposal evidently has not gained much support politically, and is believed to be opposed at least by France and Germany.

In policy paper PP09/10 the Federation has expressed the view that, although, the Spanish proposal appears to depart from EPC arrangements, such a cost-effective solution would be of interest to our members.

Next steps

The intention was to secure informal agreement to the Commission's proposal at an informal Competitiveness Council meeting on 29 September 2010 and thereafter to present the proposal for adoption at the formal Competitiveness Council on 11-12 October 2010.

Reportedly, agreement was not reached on 29 September, and so it is recognised that the October Competitiveness Council may well be the end of the road for the Commission's proposal. In that case, it opens the opportunity to invoke the Enhanced Co-operation procedure where some, but not all, Member States sign up at the outset. Others can sign up later. Enhanced cooperation has to be requested by at least 9 Member States and requires the Commission's agreement.

At the time of writing, it appears that Enhanced Co-operation is the most likely way forward. The Commission has indicated it is likely to respond positively to a request for Enhanced Cooperation.

The UK has indicated that, on present thinking, it is likely to be favourably disposed towards Enhanced Co-operation provided that the EU Patent and Litigation proposals continue to be treated as a "package" and depending on which Member States are on board. Being party to the procedure would give Member States continuing influence over the design of both systems.

UNIFIED PATENT LITIGATION SYSTEM

The Council Conclusions of 4 December 2009 include agreement on the building blocks of a Unified Patent Litigation System (UPLS) for Europe: "Draft Agreement on the European and Community Patents Court and Draft Statute" (7928/09).

By contrast with the EU Patent dossier, there has not at this stage been agreement on a draft legal text. Although draft instruments exist, agreement was limited to some of the key principles to do with jurisdiction, composition of the court, languages, transition arrangements, review, financing, and accession.

The main component of UPLS is the Draft Agreement (7928/09 23 March 2009) which establishes the legal basis for a fundamentally new integrated, specialised and unified jurisdiction for patent-related disputes in Europe. The Agreement is in the form of an International Treaty, not a Community instrument, allowing accession by EPC Contracting States outside the EU.

The Agreement establishes a new European and EU Patents Court (EEUPC) which will comprise a Court of First Instance, a single Court of Appeal, and a Registry. The Court of First Instance will comprise a central division as well as local and regional divisions.

Although not technically an EU instrument, the Draft Agreement was referred in June 2009 by the European Council to the European Court of Justice (now called the Court of Justice of the EU (CJEU) for its opinion on compatibility with the Treaties establishing the European Union. The Court's Opinion is expected towards the end of 2010 but an informal version of the Advocates General Opinion dated 2 July 2010, which was leaked in August, finds that the draft Agreement is incompatible with the treaties in four key respects, the most significant of which is probably the role of the CJEU itself in the EU patent system. The language arrangements of the central division are also criticised as affecting the rights of defence.

There is some debate about how serious these incompatibilities are, and how easily they can be remedied. In any case, the Court itself may or may not follow the Advocates General when it eventually hands down its formal Opinion.

As regards the fundamental architecture of the Court system the Federation continues to express concern about the competence of judges, composition of the panels of judges, split jurisdiction (bifurcation) meaning that infringement and validity may be heard separately by different divisions, and languages.

A preliminary set of Rules of Procedure is also already well advanced and being further developed with expert advice from judges, lawyers, patent attorneys and industry representatives with experience of patent litigation. Rules of Procedure are intended to achieve consistent handling of cases in the various divisions of the EEUPC.

The Rules of Procedure can only be adopted formally after the Agreement comes into effect. However, the Commission has listened to calls from the Federation and other users emphasising the importance of starting to work on the Rules of Procedure at an early stage so that stakeholders will have a better understanding of how the new system would work in practice.

The Federation has taken the position that it must be an overarching principle that the Rules of Procedure will be uniformly, predictably and consistently applied by the different first instance divisions of the Court and that outcomes will be as completely fair and correct as possible - policy paper PP05/10.

The Federation is also calling for a change in the venue arrangements so that a plaintiff would be able to bring an action in the central division or for a defendant to have a case transferred to the central division if it was not started in the local or regional division of the defendant's domicile. The Federation has also maintained its position that the system should not be open to forum shopping.

The Federation has also raised specific concerns about language of proceedings, disclosure and discovery, pleadings, case management and the interim conference, oral procedure, and questioning witnesses - see policy paper PP05/10. We have welcomed the opt-out provisions for existing patents and patent application contained in the draft Agreement.

The Federation believes that the provisions for attorney-client privilege are not satisfactory because of the implications for discovery in litigation elsewhere, most notably in the US, and the Federation is urging the Commission to establish a more sensible privilege regime to protect parties in international litigation; see the separate article on [Privilege](#) on the IP Federation website.

UK-IPO European Patent Reform Consultation group

The UK-IPO has established a new European Patent Reform Consultation (EPRC) group which met for the first time on 28 September 2010. This consolidates and supersedes the previous separate Focus Groups on the Patent and Court system respectively, which were attended by invited participants in their personal capacity. The new Consultation group is intended to be more inclusive, involving representatives of a wide range of interests. The IP Federation is an invited participant at the EPRC meetings.

TF, 1 October 2010