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epi Information

Institut der beim Europäischen Patentamt zugelassenen Vertreter

Institute of Professional Representatives before the European Patent Office

Institut des mandataires agréés près l'Office européen des brevets

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Editorial

T. Johnson (GB)

The Summer Season is typically a graveyard for news, as is usually much evidenced in our national newspapers. However, these summer days provide a pause for reflexion, your U.K. Editorial Committee member being provided with this having spent a few days' recent vacation on the Scilly Isles – Yes, part of the U.K!

There is much going on in the world of the EPO, which future Council Meetings will no doubt address, such as:

- „Will the Community Patent Regulation come into effect?"
- „Will the European Patent Litigation Agreement (EPLA) be ratified?"

(The meeting in Brussels on 12 July, 2006 (reported on elsewhere in this Issue) seemed to point to a Users' desire for its implementation).

- „How will the quality of EP patents in the future be compared to that of existing grants?"
- „Is there an issue on the actual cost of obtaining a European patent as compared with that for a Japanese or US patent?"
- „Where do National Patent Offices fit into the scheme of things in the context of a centralised European Patent Office system?"

These holiday musings did not produce concrete answers, save that we hope that the questions posed are relevant, and stimulating, for our readers, whom we hope had a pleasant and relaxing summer, and are now raring to produce those answers!

Nächster Redaktionsschluss für epi Information

Informieren Sie bitte den Redaktionsausschuss so früh wie möglich über das Thema, das Sie veröffentlichen möchten. Redaktionsschluss für die nächste Ausgabe der epi Information ist der **6. November 2006**. Die Dokumente, die veröffentlicht werden sollen, müssen bis zum diesem Datum im Sekretariat eingegangen sein.

Next deadline for epi Information

Please inform the Editorial Committee as soon as possible about the subject you want to publish. Deadline for the next issue of epi Information is **6 November 2006**. Documents for publication should have reached the Secretariat by this date.

Prochaine date limite pour epi Information

Veuillez informer la Commission de rédaction le plus tôt possible du sujet que vous souhaitez publier. La date limite de remise des documents pour le prochain numéro de epi Information est le **6 novembre 2006**. Les textes destinés à la publication devront être reçus par le Secrétariat avant cette date.

epi Response to the UK Patent Office Consultation on the inventive step requirement in United Kingdom patent law and practice

C.P. Mercer, President

If you are replying on behalf of a representative body, please tell us in a few words what your organisation does:

- EPI is the professional organization of all European patent attorneys. We have some 8000 members in the various EPC states.
- The reason why we reply to this questionnaire is that we believe that there should only be one level of inventive step throughout the EPC and/or EU states. This is the philosophy underlying the 1963 Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, to which the UK is a party. It is also the philosophy underlying the undertakings by the EU Member States on the occasions of signing both the 1975 Community Patent Convention and the 1989 Agreement on Community patents, to harmonise their national patent laws to (inter alia) the European Patent Convention. In view hereof, the outcome of this discussion affects us all. Finally, for an applicant/patentee and for a competitor having to take somebody else's patent (application) into account, it should not at all matter whether this patent (application) is a European or a (UK) national one.

Q1. Do you believe that the inventive step requirement can best serve innovation by steering a middle way between the hard/easy extremes with their attendant risks for innovation? Is it preferable for patent offices to tend (if at all) one way rather than the other?

- While we do believe that the patent system is an appropriate tool for stimulating innovation in Europe, patents should never be granted for innovations that a person of ordinary skill in the art would achieve without having read the patent application.
  So, patents should be granted only when and always when the state of the art has been enriched by the invention in that something is proposed that was outside the reach of a person of ordinary skill in the art.

Q2. To date have those extremes generally been avoided in the United Kingdom such that innovation has not been impeded? Or has an easy implementation of inventive step impaired patent quality and/or allowed trivial patents to issue, to an extent that innovation may be held back?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice. However, we do want to submit that the opposition to the patent system in general that became apparent during the discussions of the draft EC directive on the patentability of computer-implemented inventions (now rejected by the European Parliament) was fuelled to a large extent by a feeling that too many patents have been granted for „trivial inventions". The word „trivial" is used in two different senses. Firstly, arising principally from US practice, there is a feeling that patents are being granted for articles and procedures that should not be patented at all. We believe that this is not a problem in UK practice, that ss.1 and 4 of the Patents Act 1977 provide a sufficient safeguard and that it should be possible to grant a patent on any invention not excluded by these sections (provided that the other requirements of the Patent Act, including inventive step, are met). Secondly, there is a feeling that patents are being granted for advances of little inventive merit. While such objections are not always justified, we do see a need to ensure that the patent system remains credible with society, and we believe that applying high patent examination quality standards would be helpful to address current concerns, in other words that every patent application should be subjected to a competent search and the patent examiner should carefully consider the inventive level of the broadest concept covered by the patent claims.

Q3. What change if any does the inventive step requirement in the United Kingdom need in order to help innovation across the board – in SMEs and academia as well as big industry?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice. However, we submit that it seems appropriate to revisit patent examination guidelines so as to ensure that the person skilled in the art of s.3 of the Patents Act 1977 is not denaturalised into a dull and stupid person unable to apply considerations a real person skilled in the art would make. We submit that obviousness is not only at hand when the results are clearly predictable but also when there was a reasonable expectation of success. Also, an examiner remuneration system should acknowledge that it requires more work to reject an application than to allow a patent. Furthermore, the patent examiner should ensure that

patent claims are not over-broad and that all embodiments falling within the patent claims have the inventive level required.

Q4. Do you think any change to the regulatory framework for inventive step (eg an addition to the Patents Rules) is necessary or advisable? If so, what change would you recommend and why? Could you accept the „European proposal" (para 2.5)?

- We do not believe that statutory or regulatory changes are necessary or desirable as regards the criteria for patentability. The existing statutory provisions should just be more rigorously and effectively applied so that the validity of granted national and European patents is more certain. This would be in the interest of both patent owners and alleged infringers, and would help the patent system to be more credible with society. It suffices to improve the quality management system and to reconsider the practices and guidelines.

Q5. From your understanding of the way in which the UKPO assesses inventive step, and bearing in mind the methodologies set out in the legal precedents (Windsurfing, Haberman v Jackal), is there anything you feel that examiners should be doing differently in assessing the presence of inventive step?

- See our observations above.

Q6. In your experience of examination reports from the UKPO and/or telephone conversations or interviews with examiners, do they explain and justify inventive step objections adequately?

- As a European professional organisation we do not believe it to be appropriate to comment on the specific features of UK patent practice.

Q7. Do we give fair consideration to observations from the applicant in response to an inventive step objection?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice.

Q8. Do you have any comments on our approach to the other factors (combining documents, avoiding use of hindsight but adopting the view of the skilled man, onus, balance of evidence, benefit of doubt) we weigh as the application progresses?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice. However, regarding combining documents, we are fairly comfortable with the approach adopted by the European Patent Office, in general that the combination is one that a person skilled in the art would adopt. To give an example based on the problem and solution approach, the patent examiner should determine whether the skilled person, after finding part of a solution in one document, would have looked for the remainder of the solution in a second document and would have selected that from the second document. We do not favour the mechanistic approach to combination of documents adopted by some US patent examiners. Regarding the view of the skilled man, patent examiners should bear in mind that a small advance need not necessarily be obvious to a person skilled in the art and should be judged by the normal criteria as to whether the invention claimed is obvious. Furthermore, if there is genuine doubt whether an invention claimed is obvious, the benefit of doubt should be given to the patent applicant, as the rejection of the patent application would prevent the inventive level being fully tested in inter partes court proceedings.

Q9. In your experience, have UKPO examiners been fair and consistent in the way that applications have been assessed for inventive step, across the Office, across different areas of technology and over time?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice.

Q10. In your opinion is the level of inventive step appropriate in patents granted by the UKPO, in the sense that the interests of patentees and of third parties are fairly balanced?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice.

Q11. In your experience, how does the approach of the UKPO with regard to inventive step compare to other patent offices?

- As a European professional organisation we do not believe it to be appropriate to comment on specific features of UK patent practice. However, we note that only a few patent offices throughout the world examine for inventive step and that there are significant variations in the inventive level required. On a largely subjective basis, and just listing patent offices of which we have some experience, we would say the Australian and South Korean level is about the same as the British level, that the European Patent Office level is slightly higher, that the level in the Netherlands, Japan, Germany, Thailand and Taiwan is somewhat higher and that the level in Austria and Canada is somewhat lower. The level in the United States is very variable and is also judged on somewhat different criteria when two or more documents are considered as prior art.

Q12. Do you have any further comments regarding the inventive step requirement in the UKPO or in the UK generally?

- No.

Report of the European Patent Practice Committee (EPPC) Meeting of 15 June 2006

E. Lyndon-Stanford (GB)
Chairman

EPC 2000

The amended EPC Implementing regulations

This was the most important item of the meeting and took up a considerable part of the meeting. It was agreed that *epi* suggestions for amendment would not be confined to those Rules the EPO wished to amend. A large number of suggestions were presented by Mr. Leyder and were approved by the EPPC. Following the meeting, the suggestions were presented to the SACEPO meeting, and discussions with the EPO are continuing. In effect, the EPO has accepted that the amendments need not be confined to those resulting from EPC 2000.

The amended Guidelines

The amended Guidelines will not be available until November 2006.

General Practice Questions

Translations of cited foreign language documents

It was reported that, following a discussion with the EPO, Examiners are obliged to supply translations of the cited parts of a foreign language document. It appears that the EPO will not provide a translation of the whole document but will translate as much as is necessary. The position will be clarified in writing.

Recording oral proceedings

It was agreed to have an e-mail discussion of the desirability of recording oral proceedings.

Filing translations at the Rule 51/4 stage

It was agreed that the EPPC would draft a paper setting out the problems given when filing translations at the Rule 51(4) stage.

Third official actions

There had been a suggestion that the EPO were not going to issue any official actions after the second one. It was reported that the EPO had no official policy that banned the issuance of a third official action.

Quality

The EPPC will progress the idea of circulating a questionnaire to all EPA's and the idea of having a website or electronic forum on which EPA's can post practice problems.

C.14 G 1/05, G 1/06 and G 3/06 amicus curiae brief (on the allowability of divisional applications where new claims have been added or subject matter has been added)

It was agreed to draft a further amicus curiae brief for approval by the President of the epi. The brief was filed shortly before the time limit expired on 31 July 2006.

Proposal to hold oral proceedings always in one centre

At the Vice-Presidents' meeting, Mr. Hammar asked whether we wished to hold all oral proceedings in one centre. There was a discussion, one point being made that oral proceedings can follow close on one another and that patents attorneys did not want to carry heavy papers from one location to another. No consensus was reached, members being equally divided for and against. The EPPC thus does not hold a view.

UK PO consultation on the inventive step requirement in UK law and practice

The Chairman drew attention to the epi response that had been sent, commenting that it primarily said that the law should not be changed but should be applied better, treating the skilled man as such, not as an unimaginative plodder.

Inventive level requirements in EPO practice

It was agreed that the question should be raised with the Partnership for Quality. The Partnership for Quality is a new and less formal forum set up for discussions with the EPO.

The Paris criteria (principally grant within three years)

The EPO has asked for a letter explaining the epi view. There was a discussion of a more flexible application of the Paris criteria, the users of the system having many divergent needs, being both small and large companies operating in different fields of technology, many of whom wanted to delay grant as much as possible and should be able to do so up to a certain limit (but less than seven years) – 80 % of applicants were SME's. The EPPC was in favour of a flexible approach, though not unanimously as third party rights had to be weighed against the interests of the applicants. Third parties wanted legal certainty and it was considered how third party wishes could be accommodated. A majority of the EPPC was against a suggestion that third parties should have a right to request PACE (accelerated examination). There were discussions of at what point a third party request could be filed and whether the request could be anonymous. The whole question was deferred to the next EPPC meeting, due to shortage of time.

On-line communications via Epoline

A shorter time is given to reply to a communication if the notification is made electronically than if it is made the traditional way. If the EPO wanted the users to make use of epoline, they should make it more attractive.

It was agreed that a letter be sent to the President of the *epi* for his approval and signature, and despatched to the President of the EPO. In summary, the letter suggested a) that communications placed on epoline should be placed in the mailbox of the representative ten days before the date of posting indicated on the communication, that the communication be posted by registered letter if not downloaded by the date of posting, and that a downloaded communication be deemed to be delivered on the tenth day following the indicated date of posting, b) that all communications be handled online, and c) that the smart card system be re-established as soon as possible.

Litigation Questions

Criminal measures aimed at ensuring the enforcement of IPR's

The Litigation group will draft a submission on the draft EU Directive on criminal measures aimed at ensuring the enforcement of IPR's, for approval.

PCT and International

PCT matters

There was a brief discussion of multiple language publications and the questions of templates and costs for publishing. It was appreciated that the request for a specific font and size, Times New Roman size 12, would pose few problems for most since that was the font and size already used by many. Mr. Steenbeek noted that the beneficial effect of a JPO supplementary search on top of the EPO search could be hampered by the fact that the JPO may not have time to do the searches. On a vote of those present, 7 out of 27 were against supplementary searches.

Trilateral Matters

It was agreed that Mr. Leyder should, at the next SACEPO meeting, discuss the improvements that could be made in the Patent Prosecution Highway.

Documentation Matters

C27 Laying open A and B specifications

The EPO plans to just lay open applications rather than type-setting them for publication. Mr. Indahl noted that the A publication would be analogous to the present B publications, putting the application text on a public server. The EPPC will take no action.

Unpublished files

About a year ago, the EPO closed the access to unpublished files. A letter will be sent to the EPO, requesting that applicants should be able to regain electronic access to their unpublished files.

General Matters

EPPC electronic forum

It was agreed to set up a test version of an EPPC electronic forum, for discussing questions referred to the EPPC.

EPPC 2000 and instructing the EPA profession about the changes

Although the instruction of the EPA profession about the changes could have been undertaken by the EPPC, the task was too great having regard to the amount of work required to be done on the amendments to the Implementing Regulations and the task was not included in the terms of reference of the EPPC. The meeting agreed that the task should not be carried out by the EPPC and that the Chair of the PQC should be informed accordingly. It was suggested that the task could well be carried out by the Academy.

The next EPPC meeting

Due to the time necessarily spent on discussing the amendments to the Implementing Regulations, there was insufficient time to discuss a number of items on the agenda. It was agreed that the next meeting should be in about four months' time, and that it will be on Thursday 5th October, in Munich, running from 10:00 a.m. to 6:00 p.m.

Addendum

F. Leyder (BE)
Convenor of the EPC 2000 sub-group of EPPC

The amended EPC 2000 Implementing Regulations

A detailed report on this item of the meeting would have been outdated when published in epi Information. The following is thus a report up to 14 August 2006.

Following the EPPC meeting of 15 June, numerous suggestions for amendment were made, firstly during the SACEPO meeting (22-23 June), then during an ad hoc meeting convened by the EPO on 17 July.

The EPO has now issued a second draft. Within *epi* , it will be discussed during a meeting of the EPC2000 sub-group of EPPC, enlarged to the members of the *epi* -EPO Liaison and Guidelines sub-groups, to be held on 13 September. The EPO Committee on Patent Law will consider the draft during its meeting from 19 to 21 September.

(1) Examples of substantive suggestions accepted by the EPO in the second draft:

R. 37(2) as approved in 2002 (corresponding to Art. 77(5) of the 1973 EPC) read: „(2) A European patent application not received by the European Patent Office within fourteen months of filing or, if priority has been claimed, of the date of priority, shall be deemed to be withdrawn. The filing, search, designation and claims fees shall be refunded." In the second draft, the words „including any surcharges paid with respect to these fees" have been inserted.

R. 60(1) of the second draft now includes a provision that the time limit for the subsequent designation of the inventor is deemed to have been met if the information is communicated before completion of the technical preparations for publication of the European patent application.

R. 110 is an implementing provision for Art. 112a (petition for review). In the first draft, it read: „The Enlarged Board of Appeal shall order the reimbursement of the fee for a petition for review if the proceedings before the Boards of Appeal are reopened, unless such reimbursement is inequitable". The EPO having argued that the fee should be set at a high level in order to be dissuasive, *epi* objected to the exception. The EPO accepted to remove the exception from the second draft, on the basis that cases in which it would be inequitable to reimburse the fee would be seldom.

In R. 134(5), the EPO accepted to amend „at the latest on the fifth day after the end of the dislocation" to read „within five days after the end of the dislocation" to cover cases when the mailing was effected before the end of the dislocation.

(2) Examples of suggestions made by epi that resulted in a different amendment:

The first draft contained a paragraph that read „Unless otherwise provided, the proceedings before the European Patent Office shall be conducted in writing". *epi* requested a specific provision for interviews (which are otherwise only dealt with in the Guidelines), suggesting that it should have the following features: interviews can be by telephone or in person, should normally be granted, normally with the member of the Examining Division entrusted with the examination, and there should be a detailed written report. The paragraph was deleted in the second draft.

A new Rule 127 was inserted at the request of *epi*, to regulate notification by technical means of communication; however the new rule still delegates the matter to the President.

(3) Example of a suggestion not taken onboard by the EPO:

Rule 2(6) EPC and Rule 4(6) EPC2000 both contain a sentence to the same effect: „Statements by employees of the European Patent Office, by parties to the proceedings and by witnesses and experts, made in one of the official languages of the European Patent Office during oral proceedings shall be entered in the minutes in the language employed." (R. 2(6) EPC)

„Statements by employees of the European Patent Office, parties, witnesses or experts, made in an official language of the European Patent Office, shall be entered in the minutes in that language." (R. 4(6) EPC2000)

epi suggested that the word „parties" should be deleted, as the minutes always appear to be drafted in the language of the proceedings, even when a party uses a different official language. No amendment was made.

Board and Council Meetings 2007

Board Meetings: 31 March 2007, Amsterdam – 15 September 2007, Sofia
Council Meetings: 21-22 May 2007, Cracow – 22-23 October 2007, Nuremberg

Pre-announcements epi Seminars

The following *epi* Seminars are organised in the framework of the current project of Continuing Professional Education, in collaboration with the European Patent Academy of the EPO.

23 October 2006, Dublin, Ireland
„Amendments to European Patent applications during examination"

27 October 2006, Eindhoven, Netherlands
„PCT strategies". This seminar will be presented by Ms Isabelle Boutillon, Director of the PCT Management Division at WIPO.

24 November 2006, Milan, Italy
„Amendments to European Patent applications during examination"

December 2006, Paris
„Amendments to European Patent applications during examination"

epi Excess Liability Insurance 2006/2007

On 1 October 2006 the *epi* Excess Liability Insurance scheme will go into its eighteenth year of existence. It aims to give better insurance coverage at a reasonable price to *epi* members.

The indemnity of basic professional liability insurance schemes is often limited to EUR 1.022.584. Therefore, the *epi* Excess Liability Insurance scheme indemnifies losses as far as they exceed EUR 1.022.584/equivalent. Its limit of indemnity is a further EUR 1.533.876 per loss so that – together with basic insurance – a total loss of EUR 2.556.400 is covered.

There is a collective indemnity limit to EUR 15.338.756 p.a. for all participating *epi* members which according to insurance calculations will generally not be reached. The premium for the *epi* Excess Liability Insurance scheme for the insurance year 2006/2007 amounts to **EUR 402,64** plus legal insurance tax.

Persons wishing to join the *epi* insurance policy should directly contact the broker, Funk GmbH, for all policy matters, application forms etc., and payments. Please make your payments to the broker's account mentioned herafter, free of bank charges, indicating the following reference „*epi* insurance 01 0047425000" (this is the *epi* client number with the broker) as well as your name.

epi invites each member to carefully consider joining the *epi* Excess Liability Insurance scheme since clients' claims may easily reach the sum of EUR 2.556.460 They may ruin your economic and professional situation if no adequate insurance cover is provided for. The *epi* Excess Liability Insurance scheme improves your insurance cover at a reasonable price and provides insurance cover for you as an *epi* member in all thirty one EPC contractual countries regardless of where you exercise your profession.

For further information on the *epi* Excess Liability Insurance please contact:

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Report on the FICPI World Congress Paris, 22-26 May 2006

T. Johnson (GB)

FICPI holds a World Congress every three years. I had the honour and pleasure of representing our President at this event, which was a special one in the annals of FICPI as it was the centenary of the organisation, which was founded 100 years ago in Paris.

FICPI „came home" for the centennial.

The President, Francis Ahner from France, and his organising committee had arranged a splendid occasion round the theme of „seeking balance for Intellectual Property", a current and „hot" topic encompassing as it does the rights of IP rights' holders and those of third parties.

Keynote addresses at the opening ceremony were given by Francis Ahner, Francis Gurry, Deputy DG of WIPO, and Mr. Shigeo Takakura of the Japanese Patent Office.

A series of working sessions on the Congress theme took place throughout the week, culminating in Congress participants discussing, and voting on, several Resolutions, which are available on the FICPI website.

The hard work was matched with some hard play, FICPI having organised memorable events, two of which stand out, namely a dinner at the Louvre for the participants following free use of the galleries, and a closing banquet in the Orangerie at Versailles.

FICPI World Congresses are usually sandwiched between meetings of the Executive Committee of FICPI, and this one was no exception. At the opening session of the Ex-Co, I explained the current position of the *epi* on current topics, as exemplified by decisions and discussions at the last Council Meeting.

Also, on behalf of our President I congratulated FICPI on its 100th birthday, thanked FICPI for the invitation, and wished their organisation well for the future. In that regard, Danny Huntington from the USA was elected President as successor to Francis Ahner.

A memorable and smooth-running week, for which FICPI is to be congratulated.

Consultation on Future Patent Policy in Europe Report on the Public Hearing, 12th July 2006

E. Lyndon-Stanford (GB)

The documents for the public hearing are available at *http://ec.europa.eu/internal_market/indprop/patent/hearing_en.htm*. Eventually, all the responses to the consultation will be posted on the website.

Due to the nature of the hearing, with very many similar or alternatively conflicting interventions, it is difficult to give an orderly detailed report. Those who want a brief summary (which however will omit many interesting points) can turn to the end of this report.

The hearing was structured as a series of four „debates", each consisting of a series of speeches by representatives of different organisations, including government bodies, with a Chair's summary of each debate and an open debate towards the end of the hearing. There was considerable overlap in the treatment of the topics of the debates. The hearing was opened and closed and interspersed by speeches of significant importance.

The hearing was chaired and moderated with skill and humour by Mrs. Jacqueline Minor, Director, Knowledge Based Economy, DG Internal Market and Services. 48 speakers were indicated on the programme, and there were 23 others who spoke in the open debate after the main speeches. There were about 415 present at the hearing, apart from Commission staff. The epi was represented by the President, Chris Mercer, and the Chairman of the EPPC, Edward Lyndon-Stanford, though there were many EPA's present, some of whom were representing other bodies and spoke during the hearing.

The consultation had been initiated by a paper to which stakeholders had been invited to reply. 2515 replies or contributions had been received, all of which will be placed on the website, as noted above.

The Introduction

Effectively, the hearing was initiated by Mr. Eric Nooteboom, who summarised facts and figures stated more fully in a paper entitled „Preliminary findings: issues for debate 1. Facts and Figures", available on the website. All industries active in Europe had replied and there was a reply from a panel of 664 SME's formed under the auspices of the Commission. Overall, most replies came from the electronics industry. There had been large support for a Community patent („CP"), but not at any price – the 2003 approach had been rejected by all, partly because the language regime was too costly and partly because the jurisdiction proposals were not acceptable; in particular the proposal for a central first instance court was no longer supported by the majority and the Community patent court system would do nothing for present and future European patents. The importance of the court rules of procedure had been emphasised and among the suggestions was that of following the CTM Regulation, with a limited number of courts in each state and that of having a unitary first instance court for a limited number of states. There was strong support for EPLA. More generally, there was very little support for further harmonisation of patentability criteria. There was almost unanimous rejection of the mutual recognition of patents granted by other European states.

Mr. Giuseppe Gargani, the President of the European Parliament Legal Affairs Committee, then spoke. He emphasised the importance of a proper patent system for the internal market said that if the system assisted foreigners, it should assist Europeans and competitiveness in the EU. He considered that the 2003 approach did not represent a useful base, both from the point of view of cost and from the length of time to grant. It was not of interest to translate all claims into all languages, where small differences in translation would give different scopes of protection in different member states, multi-lingualism must be abandoned, the number of official languages must be reduced and pragmatically industry accepted English, the London Agreement (the London Protocol on languages) opening a way. However, another possibility was to grant in the language of the applicant, with an English translation. He favoured European patents becoming CP's but considered that the EPC and the CP could live together. Regarding the court system, he wondered if it would not be too expensive to have all documents translated into the defendant's language. He favoured national courts at first instance with a common second instance court, and commented favourably on the court arrangements under the CTM Regulation.

Prof. Michal du Vall, a lawyer, commented that it was contrary to EU law to grant a patent in one member state and refuse it in another or to find it valid in one member state and revoke it in another – there should be a single EU jurisdiction. He also commented that it is impossible to prove the usefulness of a patent system and that there were disadvantages, such as the impossibility to balance the interests between the claimant (plaintiff) and the defendant and the different interpretations of patents in different member states.

The First Debate – principles of the patent system

The first debate was on the basic principles of the patent system, touching *inter alia* on not commercialising the human body and avoiding claims in the diagnosis field which were too broad. Mr. Mike Barlow, speaking for the Confederation of Chemical Industries (CEFIC), commented that the chemical sector spent €10bn annually on innovation and wanted high quality grants, legal certainty and accessibility for all. He believed that that the EPC was near the optimum, balancing the needs of all stakeholders, and that any change must lead to an improvement for all. He supported the CP in principle but not the 2003 approach. Mrs. Alicja Adamczak, of the Polish patent office, wanted a compromise language solution (not specified) and first instance national courts with a single appeal court. She saw the EPC as being more favourable to large enterprises and thought that any new system must be built on competent national patent office practice with harmonised searching and examination. Mr. Gilles Capart, of ProTon, a group of public and university research companies, saw the European system as much less advantageous than the US system and considered that no proposed system addressed the problems of the universities. In summing up, the Chair commented that there must be a coherent approach and that the legal framework chosen must provide accessibility and predictability.

The Second Debate – harmonisation and mutual recognition

The second debate was on harmonisation and mutual recognition. Complete harmonisation was seen as desirable in that it made the system cheaper and simpler. However, further harmonisation would not deal with the basic problems, which were not seen as arising from the different workloads and qualities of national offices and courts. Mutual recognition of granted national patents was not favoured. Decentralisation of the EPO work (the strategic debate) was suggested by one speaker as jeopardising the work of the EPO and another speaker commented that if the EPO was responsible for quality, the work would be doubled. Most speakers favoured EPLA and the London Protocol. In summing up, the Chair commented that with „soft law", i. e. the exchange of best practice, harmonisation was de facto.

The Third Debate – the CP

The third debate was on the CP. Mrs. Maria Cimaglia, representing UEAPME, the association of small businesses, favoured the CP as long as the languages were sorted out (her solution was a single language, English), considering the national systems too limited and the EPC too expensive and complicated. Other speeches were

made, supporting a unitary patent but rejecting the 2003 approach, supporting the idea of using just English or the three official languages of the EPO. The London Protocol and EPLA were seen as steps in the right direction, being steps that can be taken now. Differing views were expressed by Mme. Michelle Childs of CPTech, who considered that the EC should acknowledge that patents were only one tool and should make a clear statement of purpose, limiting patents to where the benefits outweigh the costs, taking into account the high cost of drugs, patent thickets, business systems and software, and imposing obligations on patent owners and a robust mechanism such as compulsory licences to address abuses. Mme. Maria Ludovica Agrò of the Italian Patent Office approved of the CP court system whilst M. Fabien Raynaud, the permanent French representative at the Commission, wanted the CP as soon as possible, delivered by the EPO, with claims translated into all languages, the 2003 approach being an acceptable compromise. Mr. Marcelino Currel-Suñol, representing PIMEC, a Catalonian small business organisation, did not support the CP for a different reason, saying that for legal certainty, the whole of the specification and claims should be translated so that they were available to citizens in their own language, which solutions also avoided the multiple translations that would otherwise be made of certain patents. Mme. Catherine Druez-Marie, representing the CCI Paris (the Paris chamber of commerce) wanted a unified juridical system with a single court of first instance and the London Protocol language regime. Mr. Dieter Parman, representing the ECIS (European Committee for Interoperable Systems), firmly rejected the 2003 approach and commented that over-broad patent protection frustrates interoperability. M. Patrick Hermann, the Permanent Belgian Representative at the Commission, commented that the CP will have to adapt to the EPC. The Chair's summary was very brief, that the Commission knew more about the challenges but not the key to unlock them.

Additional Speeches

There were then two speeches, one by Ms. Marja-Leena Rinkineva, representing Finland, now holding the EU Presidency, who pointed out that trivial patents prevent, or slow the pace of, innovation and that quality patents eliminate unnecessary infringement proceedings, and one by Mr. Scordamaglia, Honorary Director General of the Council of the European Union, who commented that he had been working on the CP since 1968, thought it logical to go back to a certain de-centralisation, that the EPO was an essential facility, and that the EC would be obliged to follow the EPLA.

The Fourth Debate – jurisdiction

The fourth debate was on jurisdiction. In general, the speakers did not accept the 2003 approach, emphasised the need for further harmonisation of the enforcement system and stated that there should be a court system which was coherent and predictable, being reasonably speedy at acceptable cost, with precisely reasoned and reliable decisions and appropriate sanctions, and favoured the EPLA as being the best system proposed, one speaker commenting that it would provide a smooth transition from national to EU jurisdiction and another emphasising the need for technical judges. Mr. Eugen Popp, on behalf of the German Kammer, promoted the usefulness of technical judges in avoiding the expensive employment of experts, and urged full representation in court by patent attorneys, echoed by Mr. Paul Georg Maué (FEMIPI). However, Mr. Daniel Alge, representing FICPI, considered that the EPLA was not flexible, difficult to change and would not fulfil the IP enforcement criteria, and that the court system of the CTM Regulation should be adopted. Three speakers pointed out that the EPLA system would cost double or treble the present (Continental one assumes) systems, and two were concerned that the EPLA would give the power of appointment of judges to the EPO, putting an executive body in charge of the judiciary and of the law. Mr. Luis-Alfonso Duran, representing AIPPI, considered that the courts should use the court official languages with the option for the litigants to agree other languages, that the court procedures should be compatible with the national systems, and that there should be both CP and EPLA appeal courts, preferably in the same place. Mr. Florian Mueller, representing the Software Developers Community, did not support the EPLA, noting that parallel litigation occurred in only 5 to 10 % of cases and that the EPLA would be more expensive. Mr. Gustaaf Daemen, of the CEA, a European insurance body, commented that all patents should have compulsory insurance and that the insurers' interests coincided with those of the SME's in wanting simpler, shorter and less costly infringement proceedings. The Chair summed up by saying that the interface between the EPLA and Community law was most interesting and „the Commission will be looking at that in the years to come".

Speech by the President of the EPO

The next speaker was Prof. Alain Pompidou, the President of the EPO. He commented that the principle message was that a strong system was needed, giving greater juridical security. Patents were essential for the transfer of knowledge and 90 % of the users of the system are SME's and academic establishments. Superfluous costs must be avoided and Europe must abandon the idea of translation into all languages. He wanted an intergovernmental conference on the EPLA as soon as possible. The full text of Prof. Pompidou's intervention is available at *http://www.european-patent-office.org/news/pressrel/2006_07_12_e.htm*.

Open Debate

This was followed by the open debate. Mr. Chris Mercer, our President, said that the majority of the epi members

favour the London Protocol and the EPLA, and that EPA's should have full representation rights in the EPLA courts, which would reduce costs. There were many interventions, most in favour of one or a small number of languages and the EPLA. Mr. Victor Gil-Vega however pointed out that in Spain no-one speaks any of the EPC official languages, though approving of a unitary CP and suggesting the court system of the CTM Regulations. Mr. Leo Steenbeek, representing UNICE, did not support that idea, as the CTM system fully relies on national courts, while regrettably not all national courts are able to provide the required high quality, specialisation and experience in patent matters. Mr. Enrique Armijo, representing the Spanish Patent Attorneys Association, commented that language discrimination was prohibited under the Treaty of Nice. Two speakers commented that SME's had been excluded from the consultancy; in response, the Chair said that the Commission had targeted those SME's that had something to say, namely those that had filed patent applications and also those that has been sued for infringement. Mr. Ciaran O'Riordan, of the Free Software Foundation Europe, pointed out that cars and software were not the same and that patents should not be available to stifle free software.

Speech by the Commissioner for Internal Market and Services

Following the open debate, there was a speech by Mr. Charlie McCreevy, the Commissioner for Internal Market and Services. He said that he was going to accord particular attention to IPR over the coming year and commented that many start-ups adopt business models that use patents as core assets. He also commented that he would pay more attention to sleeping patents, i.e. unused patents, which were mainly in the hands of large companies. Referring specifically to the consultation, he said that the right regulatory framework is necessary to simplify and decrease the cost of obtaining patents while increasing their quality. He would go for one big last push on the CP, when the time is ripe. He saw signs that the London Protocol would be ratified (i.e. that the French government would ratify it) and considered the EPLA to be a promising route and would offer his services to move the project forwards, though he would look carefully at alternative dispute resolution. He would not pursue harmonisation. There would be no new initiative on computer-implemented inventions during his term, the time was not ripe. He finished by saying that the Commission would have set a course by the end of the year.

Presentation by Prof. Gambardella

The penultimate item was a presentation by Prof. Alfonso Gambardella, of Bocconi University, Milan, of a study on the economic and social value of patents within the European Union, which study Commissioner McCreevy had mentioned in his speech. He commented that 14 % of patents were licensed and that the proprietors of a further 9 % wanted to license but could no do so – a very large percentage of patents could be licensed, to the advantage of the licensee and licensor.

Conclusion

The Chair concluded by saying that the Commission will take away what has been said, bearing in mind accessibility, quality and pragmatism.

Brief Summary

As a brief summary, the broad consensus was in favour of a CP, but not at any cost and not in accordance with the 2003 approach, in favour of the EPLA and in favour of the London Protocol language regime, though strong contrary views were expressed, particularly in relation to the language regime. There was considerable emphasis on the necessity for a low cost, high quality patent grant procedure and court system. The Commissioner thought the London Protocol would be ratified and said he would move the EPLA forward, expecting that the Commission would have set a course by the end of the year.

Effective Mechanisms for Challenging the Validity of Patents[1]

W. Holzer[2] (AT)

S.G.D.G.

Patents are granted with a *presumption* of validity.[3] A patent examiner simply cannot be aware of all facts and circumstances that may constitute a ground for invalidity after grant, such as public prior use somewhere in the world. Apart from that, different examiners may come up with different pieces of prior art. Therefore, no patent is safe from being challenged and declared invalid (or partially invalid), for example due to lack of novelty. In practise the *challenge* does not come out of the blue. It usually is a *reaction* to an *action* taken or threatened by the patentee, such as an infringement action, or a contractual dispute.

Once a patent has been granted it may *not* be revoked or invalidated by a competent *authority* (patent office, court, appeal body etc) either totally or in part on the ground of non-compliance with *formal requirements*, however, it may be revoked or invalidated on a matter of substance.[4] The *effectiveness* of the mechanism depends on the *authority* in question and on the *procedure* available, for example whether invalidity can be *invoked* in the form of a so-called *counter-claim* of invalidity in the course of an infringement proceedings, if a counter-claim is allowed under the relevant law. This is one of the more difficult topics we have to deal with in the present context. Furthermore, the availability of *technical judges* and competent *representatives* (such as patent attorneys) plays a decisive role as concerns the *quality* of the procedure.

The SPLT

The invalidity issue has been taken up in the SPLT. The principal aim of the SPLT is to achieve harmonisation of the *substantive* law and practice pertaining to *patentability requirements* and *post-grant validity* on the basis of *„best practice",* with main differences remaining between European and US law. *Article 14 SPLT* for example states the grounds on which a patent (or a patent claim) shall be revoked or invalidated.

The following presentation will substantially rely on European practice, because thereby the variety of issues at stake can be demonstrated. The terms „invalidity" and „patent" in the present context shall be understood as comprising „partial invalidity" and „patent claim", respectively.

Why challenge a patent?

The issue as to which *mechanisms* should be provided for in (international) patent laws starts with the question: Why would someone wish to invalidate or revoke a patent or patent claim, and at which point in time?

Someone wishes to take a pre-emptive action. A *competitor* monitors the patenting activity of the patent owner, because he is developing a similar technology or wishes to develop one in the future. The competitor may already have, but at a later point in time, applied for a patent on a similar invention. The competitor is, of course, interested in destroying the earlier patent as soon as possible. In the case of a European patent, which we might use here as an example, the first opportunity would arise in the *examination proceedings*, in which novelty impairing facts could be submitted to the patent examiner of the competitor's application, which however for strategic reasons is rarely done. The second opportunity is the *post-grant opposition* procedure before the EPO[5], in order to obtain a *revocation* of the patent. Thereafter, the patent must at present be *invalidated* according to *national* procedures. The need might arise in an infringement situation. When the litigation covers a number of countries, problems arise.

In jurisdictions in which infringement procedures before the courts allow for a *counter-claim of invalidity*, this possibility of challenging a patent *„inter partes"* will be preferred to jurisdictions with a split proceedings, which for example is the case in Germany, where invalidity cannot be invoked in an infringement suit and has to be dealt with separately before the Federal Patent Court.

Effective Mechanisms

Let us briefly return to our title and consider what *effective* signifies? To be effective, the *mechanism* must comply with *speed* as well as *legal certainty* (which also comprises *quality*, for example when applying foreign law) and last but not least with *affordability.*

- ⇨ If the mechanisms are slow this affects the exploitation period of a patent.
- ⇨ The mechanisms should involve *competent authorities* and be based on *clear and objective substantive* criteria: *novelty, inventive step, prior art, prior rights, the person skilled in the art etc.*
- ⇨ As the proceedings can be brought against the *patent owner* by *any third party*, such as a private person or a small SME, the mechanisms *affordability*

1 A presentation of the text was made at the WIPO Open Form in February 2006. The title of the presentation was chosen by WIPO.
2 Patent and Trademark Attorney in Vienna
3 Article 41(4) Draft EPLA: The Court of First Instance shall treat the European patent as valid unless its validity is contested by the defendant.
4 Article 6 PLT
5 Articles 99 to 105 EPC

is paramount, regardless of the value of the patent. Evidently, the original value of the patent decreases rapidly if invalidity appears likely. (In the present context the interests of the public are also at stake, i. e. the interests of *any third* party mentioned in Art. 69 EPC[6] that should be accorded *legal certainty*.)

Existing Mechanisms

At present *mechanisms* for challenging patents can be found at *different levels*:

a) – in international conventions and treaties

b) – in national laws of member states

What we must look for here are the *conditions* that ultimately are implemented in an *international agreement or treaty*, that will comprise a large number of countries.

International Conventions

If we look to Europe, the only *centralised* challenging mechanism is the *post-grant opposition* and *appeal* proceedings pursuant to the EPC. Neither the *Community Patent Regulation*[7] nor the *European Patent Litigation Agreement*[8] *has so far come into force, although some progress can be reported on the latter. Other attempts have also been made. The Green Paper*[9] of the European Commission in 1997 suggested the creation of a new *Revocation Division* within the EPO (with Appeal to the Court of First Instance). This Division should decide exclusively on matters of *nullity*. Such a body could have possibly complied with the requirements of *affordability* and *legal certainty* as well as *quality,* however, according to the experience to date *not* with speed.

As we deal with *substantive* issues, this representation makes no difference between the terms *nullity, invalidity or revocation* proceedings, the latter term normally being used to define proceedings before the patent granting authority.

The proceedings based on substantive grounds do not require evidencing a *legal interest* on the part of the claimant during the lifetime of the patent, and they normally have a *retroactive effect* (*effect „ex tunc")*[10], whereas proceedings of *forfeiture* based on a lack of entitlement, which may also invalidate a patent and for which a legal interest must be shown. have an *effect „ex nunc"*.

6 The Protocol on the Interpretation of Article 69 EPC:.....On the contrary, it (Article 69) is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

7 CPC Draft of 2004

8 EPLA Draft of 2003

9 Green Paper on the Community Patent and the patent system in Europe, COM(97), 24.06.97

10 An exception may be microorganisms

EPC-Post Grant Opposition and Central Limitation Proceedings

The European Patent Convention has resulted in the harmonisation of the laws of the European Member States, also as concerns *substantive matters*. It moreover provides for *centralised proceedings* concerning the bundle patent, such as *post-grant opposition* proceedings taking effect for all Member States as well as centralised *limitation* proceedings once the EPC 2000 is ratified, which will be the case in about two years' time.

Any person may give *written reasoned notice* to the European Patent Office of *opposition* to the granted European patent[11]. The opposition applies to the European patent *in all Contracting States* in which that patent has effect, *regardless of ownership* in the individual countries. The post-grant opposition can be based on the well known grounds contained in *Articles 52 to 57 EPC*.[12] The opposition procedure involves an exchange of briefs and an oral hearing, the appeal procedure is a full review of the case.

An opposition before the EPO effects the *national level*. For example, in Austria an invalidity action would not be possible before the termination of the EPO opposition proceedings, and thereafter not concerning the same matter (*„res iudicata"*). Likewise an *infringement action* would most probably be stayed. The court can assess any invalidity issue on its own account and it can also ask for an expertise from the Austrian Patent Office, however, the court must stay the infringement proceedings *if invalidity as likely*.

National Post-Grant Opposition

In a similar manner in which a post-grant opposition may be brought against a European patent before the EPO, a post-grant opposition may be brought against a *national patent* before a National Patent Office (NPO), if such a procedure is provided for under national law. The mechanism will be effective only if the NPO is one with a *critical mass*, i. e. a sufficient number of competent examiners in all technical fields. Typically, the post-grant opposition is structured in a similar manner as the one before the EPO, which means an appeal in which legal and substantive issues can be raised.

A post-grant opposition before the EPO or an NPO therefore may be an *effective mechanism* for blocking or staying a (threatened) national infringement action. There are subtleties as regards *preliminary injunctions*, which *may* be granted, for example on a security deposit for later damages should the patent be declared invalid. (It is, however, unlikely that in a clear-cut case of invalidity an interim measure would be granted.)

11 Articles 99 to 105 EPC

12 According to Articles 52 to 57 EPC the patent is *not patentable* or that the patent does not *disclose* the invention in a manner sufficiently *clear and complete* for it to be carried out by a *person skilled in the art*, or that the *subject matter* of the patent *extends beyond the content* of the application as originally filed (Q: would a broadening in the course of a national validation by an extended translation be a valid opposition grounds or could this only be brought before national authorities?).

The *advantage* of any post-grant opposition taking place before the EPO or an NPO rests in that the *examining and granting authority* avails itself of *technical senates* hearing the case. The procedure is moreover relatively *cost efficient* in that patent attorneys can represent the parties. The *problem* with post-grant opposition and appeal today is that the final decision may take a rather long *time,* in particular in the EPO due to the rather lenient procedure which practically allows bringing forward new arguments until the end of the proceedings, which in return means that a great number of infringement actions may have to be stayed. To cite an example: In France staying of an infringement action would be compulsory if the EP patent designates France, and it may be possible if the EP patent does not designate France.

⇨ The aim should clearly be, to speed up the opposition proceedings by imposing *stricter time limits*, not only as concerns the term for filing the opposition, but also as concerns the procedure on the merits, e.g. for the exchange of briefs and the submission of evidence. Likewise, stricter rules of procedure could be applied to the appeal.

National Invalidity Proceedings

Once the time limit for filing a post-grant opposition has expired, the only way to challenge a patent today is *national invalidity proceedings* [13],or proceedings for a *declaration of non-infringement*.

The effectiveness of national invalidation mechanisms depends on the individual national laws and procedures, which are not coherent. It should be mentioned that *cross border measures* are not available in validity disputes and that in principle judges are not bound by foreign judges' decisions invalidating a corresponding patent. A French judge, for example, is not bound by a decision of the EPO Board of Appeal upholding a European patent; rather he is free to invalidate the French national part. Of course, his ruling will be influenced by the EPO's decision.

The Procedures

For the effectiveness of the proceedings, in particular as concerns *legal certainty* and *quality* of the decision, it is of importance that the authorities or courts are *competent* and that the panels comprise *technical judges*. Theses are normally provided for by Patent Office panels and certain specialised national courts, such as the *German Federal Patent Court*.[14] The *split national proceedings* are thus *effective* as concerns the *quality* and *legal certainty* of the decisions.

As to the *procedural* rules, it is essential that the *patent proprietor* is heard and has the chance to put forward his *opinion* (an oral hearing should be held if one of the parties so demands). Furthermore, the patent owner should have the chance to *amend* the patent. The invalidity action before an NPO or national court can in some countries, such as Germany, not be brought while an opposition is pending before the EPO.

To cite an *example*, in Austria or Germany the invalidity action in the first instance is brought before the Nullity Division of the Austrian Patent Office or the German Federal Patent Court, which hear the case in panels of five, with two legal and three technical members each. The appeal is heard in Austria by the Supreme Patents and Trademarks Senate which also sits in panels of five of which three members are legally trained judges and the other two members are technically trained, whereas in Germany the appeal goes to the Federal High Court the panel being composed of legally trained members only. The procedural rules are governed by the respective Civil Law. In both instances oral hearings are held. The parties have the full right of disposal. The authority may continue to examine facts of its own motion[15]. Austrian and German Patent Attorneys have a full right of representation. The costs of the representation are governed by a sum in dispute which normally is about EUR 36.000.- (which is the minimum sum in dispute) in Austria, however about EUR 1 million in Germany. These authorities in Austria also hear actions for a *declaration of non-infringement*.

Counter-Claims of Invalidity

Invalidity counter-claims are an important means of challenging a patent in the course of an *infringement proceedings*. The idea therefore is to deal with infringement and validity in one and the same action. This measure, however, is not provided for at present in all jurisdictions. For example it is not possible in Germany to invoke invalidity of a patent in infringement proceedings due to the *principle of separation*. While the principle of separating infringement and invalidity proceedings may have the advantage of enhanced quality, effective counter-claim provisions could shorten the proceedings, thus complying with the requirement of speed, provided *technical judges* sit on the court panels. Split proceedings may delay a court infringement action for many years.

The possibility of a direct invalidity action as well as an invalidity counter-claim would be provided for, for example, in the CPR,[16] however without a *technical judge* in the panel, which might render the Community patent court proceedings less effective. The EPLA on the other hand would provide for a direct invalidity action as well as an invalidity counter-claim and for experienced court panels with technical judges. If the counterclaim is brought in a legal action to which the proprietor of the patent is not already a party, he shall be informed thereof and may be joined as a party to the action. The effect of the decision can be *inter partes* only, and for the member states for which the decision has been applied for.

13 According to Article 138 EPC the European patent can be revoked or declared invalid under the law of a *Contracting State*, with effect for that Contracting State:

14 The first instance panel comprises two legal and three technical judges

15 cf Article 114 EPC

16 Article 32 CPR

Options for the Future: CPR, EPLA? The Community Patent Regulation (CPR)

Centralised infringement and invalidity proceedings are not yet available in Europe. The Community patent, which would basically be a European patent, according to *Article 28 CPR* can be (partially) invalidated[17] if the subject matter is *not patentable* according to *Articles 52 to 57 EPC* mentioned above. Another ground for invalidity is given if the proprietor of the patent is *not entitled* under *Article 4(1) and (2)* of the Regulation. Moreover, the subject matter of the patent may not be new having regard to the content of a *national application* or of a national patent made public in the Member State on the date of filing or later but with a filing date before that date. A procedure before a Community patent court would thus have advantage that also *entitlement* can be challenged. Due to the lack of a technical judge in the panel, which the foreseen *Assistant Rapporteur* cannot replace, direct invalidity or invalidity counter-claims will be more difficult to address, even if European Patent Attorneys have a right to be heard. In an invalidating proceedings the *holder* of the patent shall according to be entitled to *limit* the patent by *modifying the claims*[18]. The limited patent shall then be the basis for the proceedings.

As already mentioned, invalidity has *retroactive* effect, although this does not effect infringement decisions which have acquired *res iudicata* and been enforced, or any contract concluded prior to the invalidating decision. *Invalidity actions* may be brought before the Community patent court even if *opposition* may still be filed or is pending before the EPO, and after the Community patent has lapsed. It remains to be seen how these provisions are going to work in practice.

The European Patent Litigation Agreement (EPLA)

The Agreement looms on the horizon. Renewed interest has been shown recently, also by the European Commission. The EPLA could constitute a centralised *infringement and validity* tribunal for a growing number of European patents.[19] If it comes into existence, a later merging with a Community patent court, if that comes into existence, is not completely out of the question. The EPLA could prove to be an effective mechanism for challenging European patents, simultaneously for a number of Member States. The *effect* of the invalidity decisions of the EPLA court, which is regarded as a decision of the national court of that state, is still in debate, i.e. as to whether only for the states for which the claim has been brought or in all states.[20] The EPLA would comprise competent courts with *technical judges* and a system of *direct invalidation* as well as invalidity *counter-claims* in infringement proceedings.

Substantive Criteria for Challenging Patents

The substantive *patentability* and vice versa *invalidity* criteria will not be discussed in detail here, as they are a topic elsewhere in this Forum. To be *effective*, the challenging mechanisms must involve *definite, objective and absolute* concepts in order to comply with the demand for *legal certainty*.

„There are no facts, only interpretations" F.N.

Invalidity mechanisms are based on a few fundamental concepts, such as lack of novelty, inventive activity**,** sufficiency of disclosure and other prior rights. These concepts have to be assessed with the eyes of another concept, the *agent* of the patent system, the virtual *person skilled in the art* who is the yard stick for disclosure and patentability. Although the concept of this person is developed by jurisdiction, a sound *definition* could be adopted, as in *Rule 2 Draft Regulation SPLT*: „A *person skilled in the art* means a hypothetical person with general knowledge and ordinary skill in the relevant field of the art at the relevant date."

Lack of Novelty – Disclosure to the Public

Article 8(1) draft SPLT provides for an *objective* worldwide novelty standard. The *concept of novelty* encompasses *prior art* consisting of all information made *available to the public* anywhere in the world in *any form* before the priority date (by means of a written or oral description, by use, or in any other way). It should be recalled that one of the key elements of the patent system is the *disclosure to the public*, in every sense, which means that nothing remains secrete, everything is published sooner or later, and what is in the public domain constitutes prior art. Consistent and searchable novelty requirements that can be handled by the examiner are fulfilled by the *first-to-file system* only.

In other words, what is not disclosed to the public cannot form prior art. *Prior public use* of the invention is relevant for the *novelty requirement*. Any *loss of rights* provision based on, for example *secret commercial use* by the inventor, would be in contradiction with the fundamental principle of *availability* to the public and should not be adopted, because it would decrease legal certainty.[21] The prior art effect *of earlier applications* is

17 Article 30 CPR

18 Article 29a CPR

19 Articles 41 to 43 EPLA pertain to jurisdiction in respect of validity, decisions on validity, effect of decisions Article 42 EPLA: (1) Where the *validity* of a European patent has been contested, the European Patent Court shall (a) revoke the patent if at least one ground for revocation under Article 138(1) EPC prejudices its maintenance;…(b) limit the patent by a corresponding amendment of the claims and revoke the patent in part if the grounds for revocation under Article 138(1) EPC affect the patent only in part.

20 Article 43 EPLA (1) Decisions of the European Patent Court shall be regarded, in any Contracting State, as decisions of a national court of that State. (2) Decisions of the European Patent Court revoking a European patent or maintaining it as amended shall take effect in any Contracting State for which revocation has been requested and pronounced (or: in all Contracting States). (3) The European Patent shall be deemed not to have had, from the outset, the effects specified in Article 33 and 34 to the extent that the patent has been revoked.
(4) If the validity of a European patent has been contested in proceedings initiated by the holder of an exclusive license under this patent in which the proprietor of the patent did not take part, the decision of the European Patent Court shall only take effect between the parties of those proceedings.

21 US position: Loss of rights provision; a prior secret commercial use by an inventor which did not make the invention available to the public would be novelty impairing.

still in debate. In general, it is acknowledged that a patent application (or patent) in the same country published after the filing or effective priority date of another patent application (or patent) but having an earlier filing or effective priority date shall affect patentability (and thus constitute an invalidity ground) of the second application only as far as the requirements of *novelty* are concerned. Whether pursuant to *Article 8(2) SPLT PCT-applications* could constitute prior rights in the *international phase* already, is an open question.

Lack of *industrial applicability* does not play a decisive role in invalidity issues. It is in fact discussed as a patentability criterion mainly in the context of the *private use* of inventions, and it could be replaced altogether by more effective criteria.

Lack of *adequate disclosure* of the invention of a European patent can be brought forward by third parties in a European opposition or a national invalidity proceedings as well as the *inadmissible broadening* of the subject matter of a European patent.[22], [23] An appropriate definition of *prior rights* would, by the way, put an end to the US *Hilmer Doctrine.*

Other Possible Invalidity Criteria in Discussion[24]

Should there be socio-economic, scientific and technological development considerations as *exceptions* from the patent system, and vice versa, should they constitute a source for *invalidating* a granted patent if the need arises? In other words, should non-compliance with for example security interests, protection of genetic resources, biological diversities, traditional knowledge, public health, nutrition, environment or any others constitute grounds for invalidity? In the author's view the answer definitely is: No. The patent system is not apt for examining and assessing these issues, which instead should have their *own systems of protection*. Any different position would decrease legal certainty. It would moreover be a source of litigation.

It would be the wrong signal to declare patents void (in particular *ex tunc*!) on *socio-economic grounds*, as these might change over the lifetime of a patent and the incentive for further development would be lost. In principle, *any technical teaching* should be patentable (⇨ TRIPS), regardless if its content. Thus, the patent should be granted and only its *effect* should be open to challenge by applying (other) *socio-economic laws* or *compulsory licenses* provisions. In Austria, for example, the use of nuclear energy has been curbed by law. Nevertheless, patents on nuclear reactors are filed and granted, and infringement as well as validity issues could arise if a third party offers technology on the marketplace. In five years from now the political attitude could very well change in view of exorbitant oil prices.

The main argument against the aforementioned invalidity grounds is that they would not comply with *legal certainty*. No patent owner would be safe from changes in political and social behaviour. A patent is not only a means of monopolistic enforcement and due diligence appraisals. It is first of all a reward for the creative mind that has disclosed the invention to the public, thereby contributing to further development and research.

Lack of Entitlement

There are other effective mechanisms for challenging a patent, for example in a national invalidity or *forfeiture proceedings,* which is based on the assumption that the owner was not entitled to the patent.[25] If at the end of such a procedure the patent is forfeited and a transfer not requested, the patent becomes void *„ex nunc".* The patent can be forfeited for example if an employee has been granted a patent that in fact belongs to the employer. Entitlement and ownership issues are up to now dealt with under *national law*.

Declarations of Non-Infringement

These proceedings constitute an *effective means* for challenging the validity of patents or patent claims, either totally or partially *inter partes.* In such proceedings which can be conducted before Patent Offices or courts of Member States[26], claimants can submit *prior art* material with their claim, which for example in Austria must be taken into consideration by the panel when assessing the scope of protection of the patent. If very pertinent (novelty destroying) prior art is presented, which renders the scope of protection nearly zero, this in turn means that the petition will be granted. As this is a proceedings *inter partes*, the virtual invalidity would not affect third parties. If conducted before Patent Offices this mechanism has the advantage that a senate with technical skills deals with the matter and that Patent Attorneys can represent.

Arbitration proceedings

Validity of a patent cannot normally be challenged in an arbitration proceedings. It can however, be challenged in an indirect way between the parties, if one assesses the scope of protection in a very limited manner on the basis of adverse prior art submitted by one of the parties, as explained above.

Cross Border Injunctions (CBI)?

Would cross-border measures be possible in relation to national invalidity decisions pursuant to the *Brussels Regulation* and the *Lugano Convention*? So far CBIs are not available. However, as long as a centralised European procedure for invalidating patents does not exist and

22 Articles 138, 139, 123 (2),(3) EPC
23 Lit.: GRUR 1993, p.334,335, GRUR INT. 1989, p.686, GRUR 1986, p.803,804 (Formstein)
24 Article 14(2) SPLT
25 Article 138 EPC
26 Article 41 EPLA: The court of First Instance shall have civil jurisdiction in respect of any action…for a declaration of non-infringement of a European patent effective in one or more of the Contracting States.

provided national laws are harmonised, a CBI would comply with speed, cost efficiency and legal certainty, as it would above all avoid *diverging decisions* on the same subject matter in a number of countries. It is observed that the *substantive* laws of Member States about infringement and the scope of protection have largely been harmonised in Europe. Formal problems of *ownership* remain, however. A European patent may have been granted or belong to different owners in different countries. As concerns infringement decisions which include an invalidity counterclaim issues, CBIs are of course available.

Conclusions

- ⇨ Effective mechanisms for challenging the validity of patents must comply with speed, quality, legal certainty and affordability.
- ⇨ Patents may be challenged in whole or in part from the point of time of grant, while the post-grant opposition proceedings is still pending or has not yet commenced, until after the patent has expired.
- ⇨ The challenging proceedings should be based on the (substantive) patentability requirements and on entitlement.
- ⇨ In any invalidity action the patent owner (exclusive licensee) must be heard and must have the right to amend the patent.
- ⇨ Post-grant opposition and appeal proceedings should be provided for by (national, regional, international) Patent Offices carrying out substantive examination.
- ⇨ The time limit for filing a post-grant opposition should not be too extensive, for example not less than three months and not longer than six months, as otherwise the speed requirement is not complied with.
- ⇨ National invalidity proceedings should be provided for by national authorities (patent offices, courts) for challenging national patents.
- ⇨ The time limit for initiating national proceedings should range from the date of grant or the date of termination of an EPO opposition proceedings, respectively, to after the expiry of the patent.
- ⇨ Invalidity proceedings should be provided for in any centralised international patent court procedures.
- ⇨ In patent courts hearing both infringement and validity, invalidity counter-claims must be provided for.
- ⇨ In Europe, work on the Community patent should continue and in the meantime the EPLA be implemented.
- ⇨ Post-grant invalidity grounds based on socio-economic considerations should not be adopted, rather the effects of a patent be open to challenge as to its industrial use, if necessary.
- ⇨ Fundamentally, the patent system is not a complicated system. It rests on a few prerequisites: a technical invention, novelty and inventive step; industrial applicability plays a very limited role and could be replaced by a more effective criterion. Let us keep the patent system simple.

Riding the Value-chain Upgrade – Patents as a Means of Boosting your Factual Protection Strategies

M. A. Bader[1] (DE)

I. Increasing Competitiveness

The major challenges that companies are facing today can be summarized by complexity, dynamics, and costs. Only 0.6 % of innovative ideas are eventually successful. In the pharmaceutical industry, the success rate falls to 1 in 10,000. Hence, the requirements for handling innovations have increased in numerous ways: globalization of competition, explosion of technological knowledge, technological fusion, decentralization of knowledge, escalation of research and development costs, reduction of innovation cycles, and acceleration of innovation diffusion.

As a consequence, future innovations, especially in the high tech area, are associated with simultaneously increased input efforts and reduced output target costs. To secure revenues an essential component of coping with increased competition and high competition costs is to establish extra advantages for the customer, and find ways in which to make these advantages sustainable and renewable. Hence, as innovation is not limited to the product level, future-oriented organizations also increasingly invest in the development of new services and business practices.

II. Factual and Legal Protection Strategies

II.1 Protecting Temporary Monopoly Profits

Successful companies have to seek extra value creation for their customers to establish competitive advantages. Competitive advantages form a basis for justifying significant income returns for innovations – in other words differentiation with the customer creates monopoly

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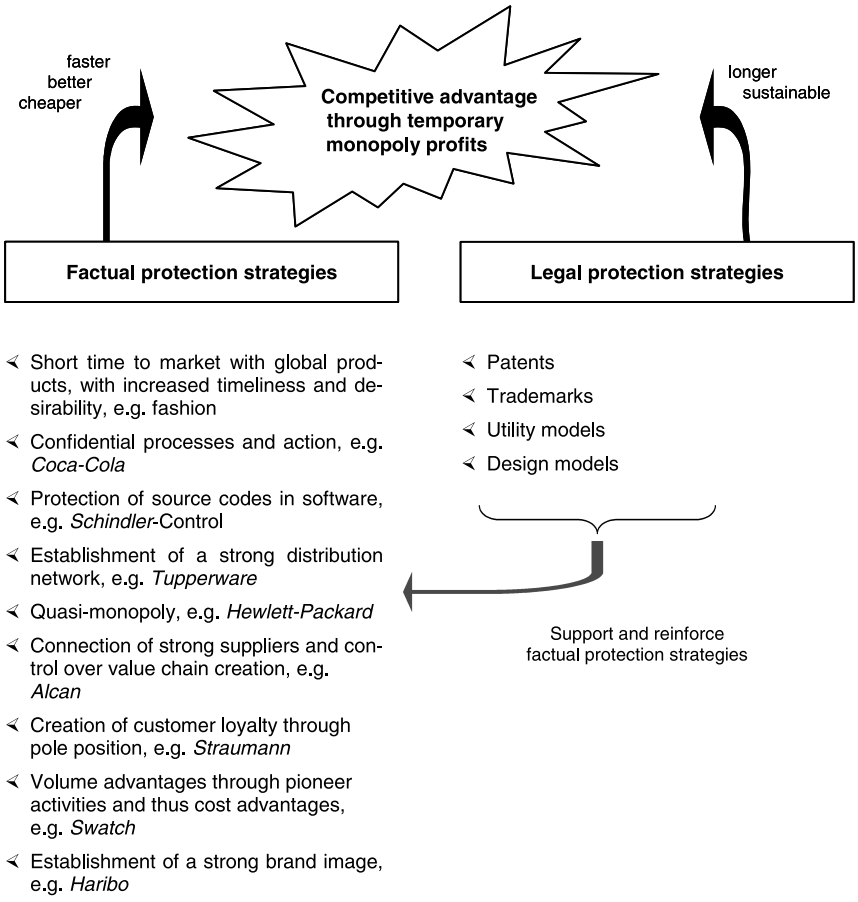
profits. However, only by maintaining these monopoly profits at least on a temporary basis can companies then continue to invest in research and development on a long-term basis to secure future existence. Therefore, these companies search for suitable protection strategies for their innovations: As an integral part of innovation management *factual protection strategies* aim for the reduction of imitation risks. Furthermore, these factual protection strategies are ever increasingly being supported by *legal protection strategies* to ensure freedom-of-action, to block competitors and to increase revenue returns (Fig. 1). Intellectual property rights have thereby become a suitable instrument for influencing sustainability and returns-on-investments.



Source: Gassmann and Bader (2006)

Fig. 1. Factual and legal protection strategies

As a consequence, it is not amazing that the demand for patent rights increased dramatically at the end of the last decade. Worldwide, the overall demand for patent rights rose between 1999 and 2003 from 7.5 million to an all-time high of almost 17.1 million (Trilateral Statistical Report 2005). The trend shows an annual average increase of about 23 %. This is a lot more than the global estimated economic growth as per the International Monetary Fund (IMF 2005: 4.4 %).

During the last few decades, the characteristics of patentees have also changed. Public patent holders like universities and research centres play an increasingly important role. For example, a law change in Germany allowed universities to create their own patent and licensing departments in order to gain returns on their research investments. Previously, patents were generally held by large organizations. Nowadays, the percentage of patentees with only a single patent has grown to 63 % in the *United States Patent and Trademark Office (USPTO)*, and 69 % in the *European Patent Office (EPO)* (Trilateral Statistical Report 2005). The ratio of patent holders with more than 50 patents or patent applications is only 1 % of those before the *USPTO* and *EPO*.

II.2 Generating Patents

The demand for patents is continually overshadowed by the high costs associated with procedures needed to grant a patent, including attorney and translation fees. Furthermore, maintenance fees have to be paid regularly after the issuance of a patent. Lately there has been strong criticism of the high transaction costs of patents when compared to their quality. It is commonly known that the costs of generating and maintaining a patent in Europe with a major country portfolio for a period of 10 years easily amount to about 25,000 euro (Fig. 2).

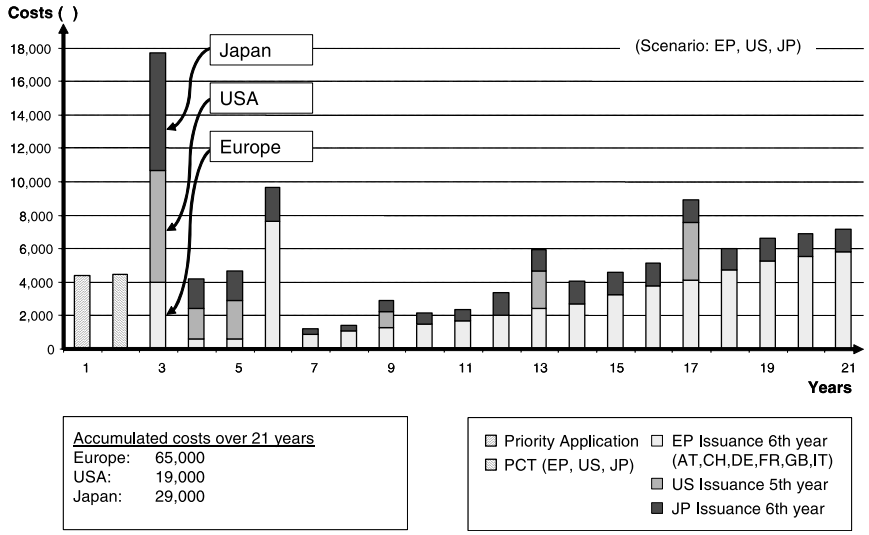


Fig. 2. Development of costs of an international patent application

Based on this background, the management of the cost and benefit ratio of patents has become a delicate issue. This specifically applies to inventions from the so-called high technology areas such as computer and automated business equipment, microorganisms, along with genetic engineering, aviation, communication technology, semi-conductors and lasers.

Taking cost and benefit ratios into account means to minimize the cost issues while optimizing the effectiveness of the patents, which can be done by shaping these with respect to internal and external market activities. Options for action include optimizing the portfolio of designated countries per invention with respect to own and third parties' products and the individual relevance of the invention. Relevant information that might include the characteristics of an invention, but does not have the potential for a valuable patent might not be further processed as a patent application. However, companies might choose to publish the related inventions in order to avoid the risk of patents of other parties. Furthermore, it is still common in Europe to apply opposition procedures. If a company does not want its competitor to know which patents are the truly significant ones, it might be more useful not to run an opposition, but to rather collect valuable state-of-the-art and request an internal or external opinion. If there is an infringement, this opinion can then be used to bilaterally negotiate an advantageous licensing agreement without clearing a patent that might still have some value with respect to further parties.

Therefore, the general pressure in organizations to optimize cost and utilization considerations, takes on a role of great importance in the area of legal protection means. It has become essential to organize and optimize the patent management process. Our studies together with the Institute of Technology Management at the University of St.Gallen in Switzerland revealed that three out of four organizations track legal protection strategies and have a documented patent strategy. This strategy is balanced with business activities, implemented country-wide, and regularly checked and updated. The research and development departments are strongly integrated into the patent strategy process.

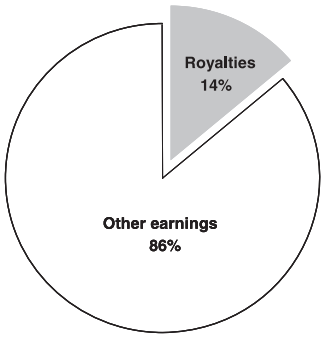
II.3 Enforcing Patents

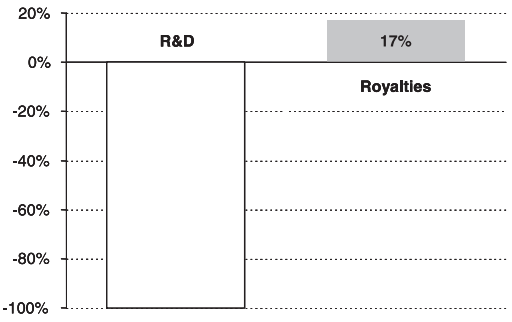
Contemporary patent strategies are not only restricted to mere defence mechanisms and protection from product imitation. Increasingly, the management of patents is becoming an area of competence and is even generating licensing revenues. However, these types of activities need to be monitored carefully as areas such as overall core competencies and relative competitive advantage could be affected. A well-known leader in this area is *IBM*, whose overall licensing revenues account to almost 1.5 % of its total turnover. Now, every other company markets its intellectual property externally. Worldwide, the mere commercialization volume of patents is estimated to have reached 100 billion US dollars and is increasing (Athreye and Cantwell 2005).

Most notably in research and development intensive industries such as chemicals, pharmaceuticals, computers and electronics, medical and scientific instruments and software, it is becoming more commonplace to report information about royalty earnings in annual reports. A study on patent licensing revealed that between 1990 and 1998, on average, 14 % of the overall earnings were provided by royalties (Fig. 3a). Royalty incomes comprised almost 17 % of the R&D expenditures (Fig. 3b).

However, the environment of patent rights enforcement has become both heated and frosty at the same time. Whereas 20 years ago courts had often still been chosen on a geographical basis, today it is possible to make a selection based on subject matter and time frame expectations. Even though, financial pressure might be a reason why companies increasingly enforce their legal protection means, again, it's the overall cost and benefit ratio that counts. The average cost of a US litigation case

has grown from 400,000 US dollars in 1999 to 499,000 US dollars in 2001 per single case; a jump of 25 % (AIPLA 2001). Persons or enterprises that seek litigation, or get involved in a case need a big war chest. The urge towards quick and often unfair settlements is therefore growing, especially if there are insufficient available financial resources.





Source: Gu et al. (2000)

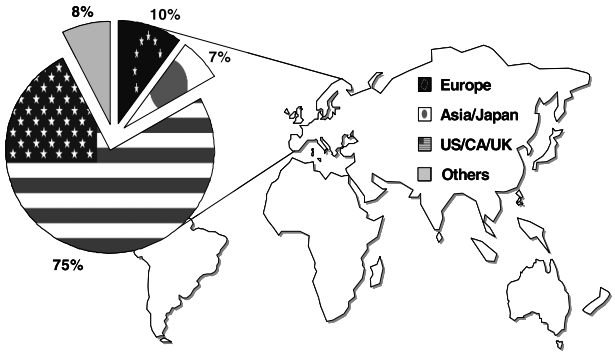
Fig. 3a/b. Ratio of patent licensing royalties to average earnings and R&D expenditures between 1990 and 1998

III. Outlook: Riding the Value-chain Upgrade

The ability to generate innovations has become a key factor for success. However, it is becoming increasingly evident that only in a few cases product innovations could now be handled by companies themselves. In this context, R.Z. Gussin, Corporate Vice President Science and Technology of *Johnson & Johnson*, New Brunswick, NJ reasoned that „technology has become so sophisticated, broad and expensive that even the largest companies cannot afford to do it all themselves." Companies are therefore increasingly accessing sources outside their firms' boundaries and no longer rely on getting everything done internally. This innovation process, which large companies are already actively practicing, will also reach small and medium sized enterprises soon. The enhancement of this so-called open innovation trend has influenced the surrounding intellectual property environment: Organizations are more willing to share and propagate intellectual property.

As already mentioned in the introduction, especially in the western part of the world, sustainability of competitive advantages often can only be maintained anymore by the support of service innovations to establish clear market differentiation and to keep the position in the value-chain. Therefore, the idea of supporting service innovations as factual protection elements by legal ones has becomes more and more aspirable. The effectiveness of a company's ability to enlarge legal protection strategies also to the field of service innovations will gain strategic importance – not only for companies in the service industry sector. Increasingly legally protected service innovations will lead to imitation and second-mover advantages being reduced. Furthermore, legal protection instruments anticipate the potential for service-oriented enterprises to open up new markets. An example is the leading Swiss elevator and escalator manufacturer *Schindler*: 80 % of the company's earnings are based on services.

However, the protection of service innovations is a relatively new phenomenon, especially for the European service industry sector. Currently, this industry is confronted with prospects and risk scenarios relating to legal business protection instruments, specifically patents. Furthermore, own investigations have revealed that US companies are already much more aggressive in allocating patent protection than their European counterparts, not only on their home turf, but also in Europe (Fig. 4). Especially Anglo-American and Japanese entities serve as examples of predecessors that incorporated intellectual property rights into business activities. At the European Patent Office 75 % of patent applications and granted patents in the bank and (re–) insurance industries originate from companies in Anglo-Saxon countries like the United States, Canada, and Great Britain.



Source: Bader (2006)

Fig. 4. Patent applications in the financial services industry sector in Europe

IV. Conclusions

As a conclusion, for enterprises that strive for sustainability it has become essential to support their factual protection strategies by legal ones, also taking into account the major current changes of where value creation is shifting to and takes place at, i.e. research and development activities on collaborative basis and support by service innovations.

A profound legal protection strategy defines clear responsibilities and is focused on the corporate strategy of the enterprise. Relevant questions that have to be addressed by it are:

- Where are the relevant and interesting future markets?
- What are the core competences of the company?
- How and by what means shall value creation be generated in the future?
- What are the key factual elements in the value chain with real impact on the company's earnings?
- How and by what legal protection means can these key factual elements get strengthened?
- How and by what means shall intellectual property rights get enforced?
- Who shall drive the internal legal protection strategy process and its implementation within the company?
- How can the sensitiveness for legal protection opportunities get increased within the company?

Companies that are looking to take initiatives and seize the opportunities presented by service innovations should first obtain some advice as, in general, technologies are characterized by too few patents and too many trade secrets, little understanding of technology-related business models, and only a few success stories to demonstrate feasibility. In an emerging industry sector an exertion of legal protection means cannot be executed in an expedited manner, as sustainability and cultural factors inside the firm will play determining roles in the success of an intellectual property management program to boost factual protection.

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Reasons to be cheerful?

J. Boff (GB)

Economics is sometimes called „the dismal science" because for many years all it predicted was doom. Malthus showed that with exponential growth of populations and linear growth of food production, total misery should have been our lot today. Ricardo showed that with perfect competition it was impossible to make a profit because all income would be squandered on worker's wages. [These statements are exaggerations, and you will encounter more such statements in the rest of this paper].

However, Malthus, Ricardo, and their like assumed that productivity (of labour or resources) was constant. This was shown to be wrong as long ago as Adam Smith, who indicated that man's ingenuity and self interest would result in increased efficiency of allocation of resources (e.g. „globalisation") and increased efficiency in the means of production, with increased wealth for all. In 1820 ~80 % of the world's population lived on a wage of less than $1 a day (at 1985 prices) – by 1992 this had reduced to ~20 % – perhaps Adam Smith was right.

For many years economists have treated technological change as an „exogenous" variable. This means that they assumed that technological change occurred at a constant rate and that economies simply reflected that change, but had no feedback affecting that change. These economists also tended to assume that the rate of technological change was the same across all countries. With such unrealistic assumptions it is surprising that they managed to make any worthwhile predictions at all.

From the mid 80's, starting perhaps with Romer in 1986 and 1990, economists have started to treat technological change as an endogenous variable and have looked to the relationship between technological change and economic growth and how they affect each other.

One of the early findings of this group of economists was that technological change drives growth, but also that institutions drive technological change. In particular, technology was seen as a „non-rival partially excludable" input to the economy. Non-rival means that it is easily shared [a potato is a rival factor because only one person can eat it – knowledge of how to plant potatoes is a non-rival factor because passing the knowledge on does not remove the knowledge from the donor].

The issue of partial excludability was seen as important. Without some means of restricting others from taking advantage of the knowledge produced, there would be little incentive for anyone to invest in R&D. However even if someone did manage to exclude others from part of the information generated by the R&D there would be „spill-overs" in terms of knowledge passed to the rest of the world, and to future researchers who then have a greater stock of knowledge to underpin their research efforts.

This leads to the conclusion that those countries that both encourage R&D and property rights in the knowledge produced, and that encourage the dissemination (spill over) of such knowledge, will have higher growth rates than those countries that do not. It also leads to the conclusion that those countries that do not encourage R&D and have little or no property rights in the knowledge produced can only grow through spill over of knowledge from those that produce it, and so will grow more slowly.

Economists appear to have caught up with patent attorneys.

However these theories may have some practical applications to answering questions of real interest – such as „Why is the number of patent applications increasing – and when is it going to stop?"

The factors driving the number of patent applications include: –

- the number of ideas
- the amount of money available to develop and protect those ideas
- the proportion of those ideas that are shown to be old before filing
- the perceived need to protect those ideas by patent
- the suitability of the regulatory regime to protect ideas by patent

The number of ideas

Man is no more ingenious than he has ever been. The inventive capacity of man is large but it is probably the case that only a relatively fixed percentage of any population will be inventive, just as a relatively fixed proportion of any population is stupid [see *http://www.mentalsoup.com/mentalsoup/basic.htm*]. However, with few exceptions, ideas need something to work on.

The greater the stock of available knowledge, the greater the chance that someone will see an improvement to that knowledge. Hence one can suppose that the number of ideas is proportional in some degree to the total available stock of knowledge [this is contrary to the commonly held view that there is a fixed stock of ideas and that as more inventions are made, there are fewer left to be made]. As the total stock of knowledge increases the rate of generation of ideas will increase and so there will be an accelerating number of ideas.

Contributing to this is the Internet. With the Internet it is possible for an inventor to gather much information concerning a problem, so expanding the knowledge base on which he can work. Contributing to this expanded knowledge is espacenet. By providing free access to the world patent literature, espacenet enables a potential inventor to gain information on what strategies other people are using to address a particular problem, and also what strategies people have adopted to solve similar problems. This must increase the propensity to invent.

The amount of money available to develop and protect those ideas

Wealth is increasing worldwide. The increase is comparatively slow in the developed world, but frighteningly fast in some parts of the developing world [e.g. China and India]. Based solely on population, and assuming a fixed capacity to invent, China and India should be generating 5 times as many ideas as the European Union. The fact that they don't is probably due in part to a lower knowledge stock and less wealth to fund R&D and patenting. With the ever increasing proportion of the world's manufacturing moving to China and India the knowledge base in these countries should be expanding fast and this should lead to rapid growth in filings. [Conversely, companies that sub-contract manufacturing may find that their sources of inspiration are diminished if they are thereby made more remote from the problems of manufacturing].

Also, when one is struggling to survive there is no money available for patents – as surpluses arise there is the possibility of investing in ideas.

That these factors can lead to rapid growth is evident in the growth rates of PCT filings for developing countries such as China, South Korea, and India in recent years.

Additionally, even for those developed countries that have traditionally filed a lot of patents, the relative cost of patenting has decreased. When most people were solely concerned with their own home market, patent costs as a proportion of potential sales were very high. However with increasing trade, people have to think of their potential market as being much larger. With the introduction of the EPC and the PCT applicants were able to get an option to cover extremely large markets at a reasonably low price. This lowering in relative pricing has acted as an incentive to patent.

The proportion of ideas shown to be old before filing

At one time patent searching was expensive. So expensive indeed that it was frequently a good strategy (given a first-to-file system), to file first and see what happened. Nowadays espacenet provides a simple and cheap searching tool such that many save the cost of filing by discovering sooner that their invention is old.

The perceived need to protect by patent

Incentives towards an increased perception of the need to patent include:-

- larger markets meriting increased expenditure on protection
- increase in sub-contracting resulting in „know-how" being spread (sometimes uncontrollably) beyond the originator
- increased movement of workers between competing companies with potential for loss of know-how
- increasing commoditisation of goods depressing profits on „standard" goods
- improved analytical techniques decreasing the effectiveness of trade secrets
- the need for a defensive portfolio to use against third party patents

The only current factor that I can think of that might decrease the perceived need for a patent is the ever decreasing market lifetime for many products. A patent that is granted in 5 years is not much use for a product that has a three year life cycle.

Of course, if the world drifted towards protectionism, the demand for patents would fall.

The suitability of the regulatory regime to protect ideas by patent

Unlike most of life, patenting is getting simpler. TRIPs and various harmonisation initiatives have not only set a minimum standard for countries to work to, but also introduced some simplification of the procedures necessary to get a patent. This increased simplification, and the increasing number of countries where a patent might be useful of itself increases demand.

Other aspects of regulatory regimes that can affect filing behaviour include:

- Cost
- Strength of examination regime [the tougher the standard of examination – the lower the demand]
- Enforceability
- Exclusions to patentability [despite the EPOs position on business methods they still receive many applications for business methods but eventually people will either learn it is not worth it – or the EPO will change]

Conclusions

All factors lead to the supposition that unless there is a major change in the world economy, the number of patent applications filed will continue to increase. What is more uncertain is by how much, and from which countries.

We have had one recent „blip" in the world economy. The growth rate in PCT filings for USA and EPC states has been an extremely good fit to an exponential growth pattern for many years. Indeed these regions appeared to move in tandem as can be seen Figure 1 [logarithmic Y axis]. However there is a clear discontinuity following 2001. The growth rate in PCT patent filings post 2001 is significantly below that pre-2001. The growth rates indicated for Korea and China indicate that in a relatively short time these countries could each be filing over 10,000 PCT applications per annum.

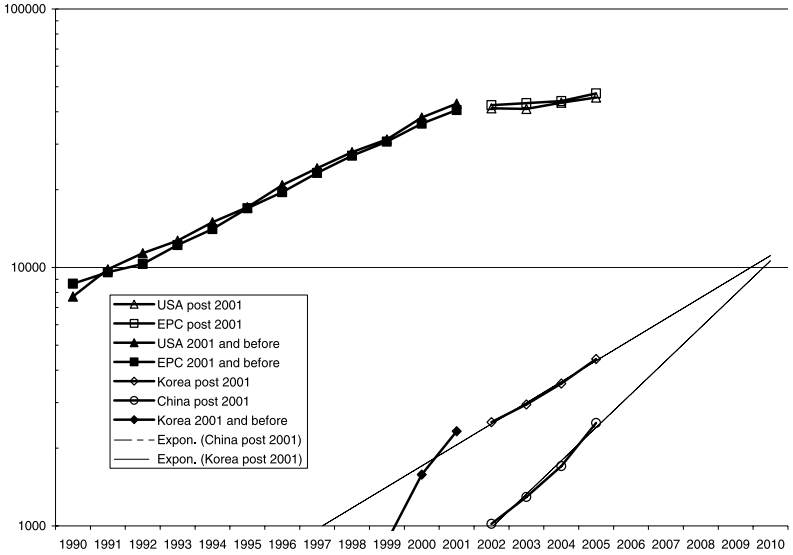

Figure 1

The extremely rapid growth in patent filings from developing countries is certain to change the country distribution of patent filings dramatically over the next few years.

Extreme growth rates in patent filings is not a new thing. Figure 2 shows the growth in UK patent grants in each decade between the period 1800 and 1899[1].

This clearly shows extreme growth during that period. However, caution must be applied in predicting long-term growth. Extrapolating from this Figure one would predict over 10,000,000 patent grants a year in the UK alone!!

Although exponential growth patterns can encounter limitations, and will be affected by changes to the world economy, there seems little that might reverse the growth in patent filings other than a change in world trade patterns.

1 CIPA February 2006, Page 113

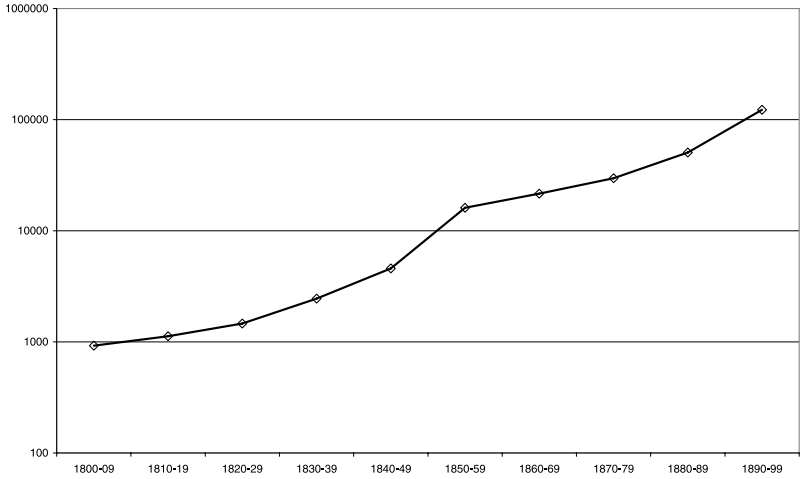

Figure 2

New ECJ decisions on cross-border patent litigation

L.J. Steenbeek (NL)

Introduction

Recently, the Court of Justice of the European Communities (ECJ) issued two interesting decisions that seriously affect cross-border litigation within Europe. The first one is C-4/03 in the case between Gesellschaft für Antriebstechnik mbH & Co. KG vs. Lamellen und Kupplungsbau Beteiligungs KG (GAT v LuK), and the second one is C-539/03 in the case between Roche Nederland BV and Others vs. Frederick Primus and Milton Goldenberg (Roche v Primus). Both ECJ decisions concern the interpretation of the Brussels Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters. For all EU states but DK, the Brussels Convention is now replaced by Regulation 44/2001, which has a very similar wording so that these ECJ decisions are also relevant to Regulation 44/2001, while in relation with CH, IS, LI and NO a very similar convention (the Lugano Convention) applies.

C-4/03

Case C-4/03 was referred to the ECJ by the Oberlandesgericht Düsseldorf (Germany), and concerns the interpretation of Article 16(4)[1] of the Brussels Convention.

The reference has been made in the course of proceedings concerning GAT's marketing of products by, which according to LuK, infringe two French patents owned by LuK. GAT and LuK are German companies competing in the field of motor vehicle technology. GAT made an offer to a motor vehicle manufacturer, also established in Germany, with a view to winning a contract to supply mechanical damper springs. LuK alleged that the spring that was the subject of GAT's proposal infringed two French patents of which LuK was the proprietor. GAT brought a declaratory action before the Landgericht Düsseldorf to establish that it was not in breach of the patents, maintaining that its products did not infringe the rights under the French patents owned by LuK and further, that those patents were either void or invalid. The Landgericht Düsseldorf considered that it had international jurisdiction to adjudicate upon the action relating to the alleged infringement of the rights deriving from the French patents. It considered that it also had jurisdiction to adjudicate upon the plea as to the alleged

1 ‚The following courts shall have exclusive jurisdiction, regardless of domicile:
…
4. in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or is under the terms of an international convention deemed to have taken place;
…'
It is noted that Article Vd of a Protocol to the Brussels Convention reads as follows:
„Without prejudice to the jurisdiction of the European Patent Office under the Convention on the grant of European Patents, signed at Munich on 5 October 1973, the Courts of each Contracting State shall have exclusive jurisdiction, regardless of domicile, in proceedings concerned with the ownership or validity of any European patent granted for that State *which is not a Community patent by virtue of the provisions of Article 86 of the Convention for the European patent for the common market, signed at Luxembourg on 15 December 1975.*"
A similar provision, without the text in *italics* relating to the Community patent, is part of Article 22(4) of Regulation 44/2001, which corresponds to Article 1694) Brussels Convention.

nullity of those patents. The Landgericht dismissed the action brought by GAT, holding that the patents at issue satisfied the requirements of patentability.

On appeal by GAT, the Oberlandesgericht Düsseldorf decided to stay the proceedings and refer a question to the Court of Justice for a preliminary ruling on Article 16(4) of the Brussels Convention.

The ECJ decided that in the light of the position of Article 16(4) within the scheme of the Brussels Convention and the objective pursued, the exclusive jurisdiction provided for by that provision should apply whatever the form of proceedings in which the issue of a patent's validity is raised, be it by way of an action or a plea in objection, at the time the case is brought or at a later stage in the proceedings.

The ECJ based this decision on the following arguments. Parties may not derogate from Article 16 of the Brussels Convention by an agreement (fourth paragraph of Article 17) or by the defendant's voluntary appearance (Article 18). Where a court of a state is seized of a claim that is principally concerned with a matter over which the courts of another state have jurisdiction by virtue of Article 16, it must declare of its own motion that it has no jurisdiction (Article 19). A judgment given which falls foul of the provisions of Article 16 does not benefit from the system of recognition and enforcement under the Brussels Convention (first paragraph of Article 28 and second paragraph of Article 34). To allow a court seized of an action for infringement or for a declaration that there has been no infringement to establish, indirectly, the invalidity of the patent at issue would undermine the binding nature of the rule of jurisdiction laid down in Article 16(4). Such a possibility of circumventing Article 16(4) would have the effect of multiplying the heads of jurisdiction and could undermine the predictability of the rules of jurisdiction laid down by the Brussels Convention, and consequently undermine the principle of legal certainty, which is the basis of the Brussels Convention. To allow decisions in which courts other than those of a state in which a particular patent is issued rule indirectly on the validity of that patent would also multiply the risk of conflicting decisions, which the Brussels Convention seeks specifically to avoid. The ECJ did not believe the counterargument that under German law the effects of a judgment indirectly ruling on the validity of a patent are limited to the parties to the proceedings, to be an appropriate response to that risk, as this would undermine the equality and uniformity of rights and obligations arising from the Brussels Convention for the states and the persons concerned.

C-539/03

Case C-539/03 was referred to the ECJ by the Hoge Raad (Netherlands), and concerns the interpretation of Article 6(1) of the Brussels Convention.

Article 2 of the Brussels Convention, laying down the main jurisdiction rule thereof, provides that persons domiciled in a Contracting State shall, whatever their nationality, be sued in the courts of that State. Article 6(1) states, however, that a defendant domiciled in a Contracting State, where he is one of a number of defendants, may also be sued in the courts for the place where any one of them is domiciled.

Primus and Goldenberg brought an infringement action, based on their European patent 131 627, before the Rechtbank te 's-Gravenhage against Roche Nederland BV, a company established in the Netherlands, and eight other companies in the Roche group established in the United States of America, Belgium, Germany, France, the United Kingdom, Switzerland, Austria and Sweden ('Roche and Others'). That alleged infringement consisted in the placing on the market of immuno-assay kits in countries where the defendants are established.

The companies in the Roche group not established in the Netherlands contested the jurisdiction of the Netherlands' courts. As regards the substance, they based their arguments on the absence of infringement and the invalidity of the patent in question. The Rechtbank te 's-Gravenhage declared that it had jurisdiction and dismissed the applications of Primus and Goldenberg. On appeal, the Gerechtshof te 's-Gravenhage set aside the judgment and, inter alia, prohibited Roche and Others from infringing the patent in question in all the countries designated in it. The Hoge Raad (Supreme Court), hearing an appeal on a point of law, decided to stay the proceedings and refer questions on the interpretation of Article 6(1) of the Brussels Convention to the ECJ for a preliminary ruling.

The ECJ decided that Article 6(1) of the Brussels Convention must be interpreted as meaning that it does not apply in European patent infringement proceedings involving a number of companies established in various states in respect of acts committed in one or more of those states even where those companies, which belong to the same group, may have acted in an identical or similar manner in accordance with a common policy elaborated by one of them.

The ECJ based this decision on the following arguments. It is already established ECJ case-law (Case 189/87 Kalfelis) that for Article 6(1) of the Brussels Convention to apply there must exist, between the various actions brought by the same plaintiff against different defendants, a connection of such a kind that it is expedient to determine the actions together in order to avoid the risk of irreconcilable judgments resulting from separate proceedings.[2] For the following reasons, the ECJ has now decided that such a close connection is not present in relation to the same European patent granted for different states. The ECJ considered that in order that decisions may be regarded as contradictory it is not sufficient that there be a divergence in the outcome of the dispute, but that divergence must also arise in the context of the same situation of law and fact.

2 This case-law based rule has been codified in Article 6(1) of Regulation 44/2001:
„A person domiciled in a Member State may also be sued:
1. where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings"

The ECJ considered that in the case of European patent infringement proceedings involving a number of companies established in various states in respect of acts committed in one or more of those states, the existence of the same situation of fact cannot be inferred, since the defendants are different and the infringements they are accused of, committed in different states, are not the same. Possible divergences between decisions given by the courts concerned would not arise in the context of the same factual situation.

The ECJ considered that furthermore, although the EPC lays down common rules on the grant of European patents, from Articles 2(2) and 64(1) EPC it follows that such a patent continues to be governed by the national law of each of the states for which it has been granted. In particular, it is apparent from Article 64(3) EPC that any action for infringement of a European patent must be examined in the light of the relevant national law in force in each of the states for which it has been granted. It follows that, where infringement proceedings are brought before a number of courts in different states in respect of a European patent granted in each of those states, against defendants domiciled in those states in respect of acts allegedly committed in their territory, any divergences between the decisions given by the courts concerned would not arise in the context of the same legal situation.

The ECJ also considered that although at first sight considerations of procedural economy may appear to militate in favour of consolidating such actions before one court, the advantages for the sound administration of justice represented by such consolidation would be limited and would constitute a source of further risks that result from a multiplication of the potential heads of jurisdiction that could undermine the predictability of the rules of jurisdiction laid down by the Convention, and consequently undermine the principle of legal certainty, which is the basis of the Brussels Convention. The damage would be even more serious if an interpretation of Article 6(1) Brussels Convention gave a claimant a wide choice, thereby encouraging the practice of forum shopping which the Brussels Convention seeks to avoid and which the ECJ, in its judgment in Kalfelis, specifically sought to prevent.

The ECJ finally considered that consolidation of patent infringement actions before a single court could not prevent at least a partial fragmentation of the proceedings, since, as is frequently the case in practice and as is the case in the present proceedings, the validity of the patent would be raised indirectly. As decided in C-4/03, that issue, whether it is raised by way of an action or a plea in objection, is a matter of exclusive jurisdiction laid down in Article 16(4) of the Brussels Convention in favour of the courts of the state in which the deposit or registration has taken place or is deemed to have taken place. That exclusive jurisdiction of the courts of the granting state has been confirmed, as regards European patents, by Article Vd of the Protocol annexed to the Brussels Convention.

Discussion

The above ECJ decisions C-4/03 and C-539/03 seriously affect cross-border litigation within Europe. The courts that interpreted the Brussels Convention in a manner allowing the same infringement of the same European patent to be handled by the same court, are now forced to go back to a situation in which IP litigation must be handled country-by-country, which is much more costly for all parties concerned. While the users of the European patent system have to accept these ECJ decisions as a given, it is highly regrettable that the ECJ interpreted the Brussels Convention and the European Patent Convention[3] in such a formalistic way.

An interpretation of Article 16 Brussels Convention that would have taken into account the fact that Article 16 is an exception to the main rule of Article 2, and should thus be interpreted narrowly, would very well have been possible. In such a narrow interpretation, it would very well have been possible to reach the conclusion that within the framework of an infringement case decided by the court that has jurisdiction under Article 2, it is possible for that court to form an opinion on the validity of a patent in another state solely to be able to proceed with the infringement case, without formally pronouncing the invalidity of that patent.

Also, it would have made much more sense to interpret Article 6 Brussels Convention in a manner that would have taken into account the needs of the single Internal Market, the economic fact that selling the same product in different states cannot reasonably be considered as different facts, and the legal fact that European patent law has been harmonized to a very large extent as a result of undertakings made by the EU states at the occasion of signing the Community Patent Convention in 1975 and the Agreement on Community Patents in 1989, to harmonize their national laws to the 1963 Strasbourg Convention, the 1970 PCT, the 1973 EPC, and the 1975/1989 CPC, so that in fact, the legal situation is also the same, and the connection required by the Kalfelis decision is present as regards both fact and law.

The decisions C-4/03 and C-539/03 have rendered it even more necessary to adopt the European Patent Litigation Agreement as soon as possible, without any further delay.

3 It is noted that the ECJ has no competence to interpret the EPC.

What's new from the European Patent Academy

J.-M. Zilliox[1] (EPO)

The Academy has 5 main target groups for whom training events are organised. In a series of articles, one dedicated to an overall presentation of the Academy (edition 1/2005), two others (edition 1 and 2/2006) proposing some first ideas with respect to patent attorneys training, epi Information readers got first hand information on how the Academy intends to develop its activities. But, in concrete terms, what can the Academy offer *epi* members this autumn? Here are some of the highlights on offer which might be of interest to you:

1. *International patenting issues – Patenting in China / Stockholm, 16 October 2006*

In co-operation with the Swedish Patent and Registration Office (PRV), a public seminar will give first-hand information on patenting in China. Experts from China will provide an insight into patent granting practice at the Chinese Intellectual Property Office (SIPO) as well as patent protection and the opportunities for European applicants and the peculiarities they might encounter.

2. *International patenting issues – The PCT and patenting in China / Munich, 18 -19 October 2006*

The first day of this public seminar will focus on the PCT with an update of the revised procedure and changes such as EISR, EESR and online filing which the EPO has implemented in the last year. This will be followed by a panel discussion where leading experts and representatives will look at the most important issues. The second day will be a repeat of the Stockholm event (see above), providing first hand information about patent protection in China.

3. *Intellectual Property and Knowledge Management Venice, 26 – 27 October*

The public international conference focuses on the role of the IP system in the knowledge-based economy and considers the strategic importance of IP & innovation management for the creation of commercial value both in the world of business and public research organisations. It provides a platform for networking with experts in the strategic use of IP & knowledge management in innovation, coming from governmental institutions, IP-authorities, industry, IP professionals and business advisors, universities and public and private research institutions.

4. *Understanding and responding to examiner's communications / Stockholm, 30 – 31 October*

This workshop organised with PRV and the *epi*, will provide participants with a better understanding of communications issued by examiners of the EPO and of how to respond to them. An insight will be provided into the working methods of examiners with a view to helping participants improve the efficiency of their responses to objections.

5. *IP for government officials / Munich, 6-10 Nov. 2006*

This public event is not only aimed at policy makers and IP advisors but also may interest patent attorneys. It will look at the economic impact of IP rights on national economies and will address some topical issues such as patenting of biotechnology, and computer related inventions. Additionally an insight will be provided into IP policies with case studies of best practice in IP protection and business.

6. *IP Enforcement Week / Munich, 13 – 17 November*

This public conference will address current issues in Europe related to IP and patent enforcement. By looking at the workings of the European patent system and the impact which recent legislative moves and judicial decisions have had, participants will gain a better understanding of the factors affecting enforcement of rights and litigating throughout Europe. Other topics to be discussed are criminal enforcement, border enforcement and strategies for industry. The conference is aimed not just at professional representatives but also legal staff of national patent offices, judges, public prosecutors and other enforcement officials.

A series of regional events in Poland, Czech Republic and Slovakia has started in September 2006 in co-operation with the *epi*, national patent offices and patent attorney associations. They comprise workshops aimed at current European patent attorneys seeking to improve their practical experience of representing before the EPO. While – for the particular event in Warsaw – priority is given to participants coming from Poland, anybody interested may register and will be put on a waiting list.

Introduction to the EQE / Warsaw, 20 – 21 October

This seminar is aimed at future EQE candidates as well as their supervisors who perhaps did not take the examination themselves. It provides the participants with a good understanding of the exam and the concepts which the examiners are seeking to test as well as an insight as to how a candidate should prepare to take the exams.

EPO Patent Information Conference 2006
Cyprus, 6-8 November

This is an unrivalled opportunity to meet all the major players in Europe in patent information's commercial sector and the staff of various patent offices responsible for preparing the products you use.

http://www.european-patent-office.org/epidos/conf/epopic2006/index.php

Finally, not for *epi* members themselves but for their administrative assistants:

1 Jean-Michel Zilliox, Director, European Patent Academy

Filing a European patent application and entry of an international application into the European phase
The Hague, 30 – 31 October

This workshop aims to give patent attorneys' support staff the necessary knowledge of all administrative and formal aspects of the application procedure before the European Patent Office (EPO). It will include the handling of the most important EPO forms, time limits and the fees payable during the grant procedure. The target group is support staff and formalities officers in patent law firms and industrial sector having about two-years of practical experience including European and International filings.

This list gives just a taster of what is on offer. Visit the Academy's website where you can find a full list of activities with more detailed descriptions of the aims and content as well as information on participation fees and how to register.

http://academy.epo.org/

C-Book – How to write a successful opposition and pass paper C of the European Qualifying Examination, by Hugo Meinders and William Chandler[1]

Peter Low[2] (GB)

Rumours had been circulating for some time about a method being used in the CEIPI Strasbourg course for paper C of the European Qualifying Examination. And it was also being said that the ideas advanced were very successful in helping candidates to pass what is now considered to be the most difficult of the four papers that make up the Qualifying Examination. So it is good news that Hugo Meinders and Bill Chandler of the EPO are prepared to share these ideas with everyone by publishing them under the title „C-Book".

This book is going to be of special help to candidates and their tutors preparing for Paper C. But it will also be of assistance to attorneys, particularly grandfathers, looking to file an opposition to a European Patent on behalf of their clients. What is of most interest is the new method of attacking claims in an opposition which the authors have named the „matrix claims" attack. This is an alternative to the traditional „matrix features" attack method. The matrix features method is the one where the features of the claims are set out individually in a matrix and then for each prior art document the presence or absence of each feature is noted. From this it is theoretically possible to see which documents destroy novelty and which might support an inventive step attack. However, in practice, this method has some serious disadvantages and many candidates find to their dismay that it does not necessarily lead to success in Paper C. Indeed some examiners for the paper have roundly criticised the matrix features method as being the express cause of failure.

The new matrix claims method has been developed with a view to overcoming the most disadvantageous problems of the matrix features method. The authors have set out with admirable clarity how to use the new method taking as an example Paper C of 1999. They proceed step by step, much as a candidate would in an examination, showing how their matrix is completed from which the notice of opposition is then prepared. For comparison the matrix features method is also set out for the same paper. And for good measure a hybrid method combining aspects of both methods is also explained.

The book also includes an extremely useful analysis compiled from past papers of points which regularly crop up in Paper C such as priority, added subject matter, interpretation, inventive step and so on. Of course, examiners try never to repeat questions which have been set before. Nevertheless the value of this analysis is that it gives candidates a „feel" for the kind of points which they may find in the paper so that they will not be taken by surprise.

As with any examination good preparation is the key. And so it is with Paper C. As the authors are great pains to point out, candidates should practise the different methods on past papers to find which one suits them best. What they should definitely not do is attempt to use a method for the first time in the examination itself. That is almost certainly going to end in tears.

The statistics show that candidates re-sitting the papers of the qualifying examination have a lower pass rate than those sitting for the first time. This is particularly the case with paper C. For those candidates who have used the traditional matrix features method without success the C-Book offers a fresh approach to the paper with every prospect of success. A message of hope for all re-sitters!

The career of patent attorney is one of the most enjoyable and fulfilling experiences and to become a European Patent Attorney is to join a fine profession having the highest standards. But more than that it is great fun as well. It is, therefore, worth making every effort and accepting whatever help is available to clear the hurdle of the Qualifying Examination. This book is a helping hand that all candidates should gladly take. For what it costs it is a bargain if it leads to qualification!

1 W.E. Chandler and H. Meinders C-Book,Carl Heymans Verlag, Cologne, 2005, ISBN 3-452-26087-9

2 Peter Low, European Patent Attorney

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