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COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT
AND THE ECONOMIC AND SOCIAL COMMITTEE

Promoting innovation through patents

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**The follow-up to the Green Paper on the Community Patent
and the Patent System in Europe**

Summary of actions and recommendations

Urgent actions at Community level

- Community patent: prepare a draft Regulation based on Article 235 EC.
- Patentability of computer programs: prepare a proposal for a Directive based on Article 100A EC.
- Patent agents: draw up an Interpretative Communication.
- National patent offices: launch a pilot action designed to back their efforts to promote innovation.
- "Legal protection" insurance for legal action in connection with patents: organisation of a European conference.
- Convention on the European patent: launch the procedure for Community accession.
- Better dissemination of information on patent law among inventors, researchers and SMEs: prepare a communication from the Commission.

Medium-term actions at Community level

- Employees' inventions: launch a study, in particular of "standard" clauses and arbitration procedures.
- Patent law in the sectors which are required to have prior authorisation for market release: harmonisation of the scope of exceptions.

Recommendations

- European Patent Office: support for proposals to reduce the fees charged.
- European Patent Office: encourage lower costs for translating the European patent.
- Member States: encourage the revision of the European Patent Convention, in particular in order to adapt it to technological developments and to take account of Community legislation and the relevant international agreements; consider Community accession to the Convention.
- Support for the ongoing training of patent agents.

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1. INTRODUCTION

The Action Plan for the Single Market, adopted by the European Council of Amsterdam in June 1997, identified industrial property as a sector where action was needed to make it more effective and accessible to the user and thereby realise the full potential benefit of the internal market in the field of innovative products and services. The Community's action in the field of industrial property is designed to demonstrate its full awareness of the link between innovation, growth and employment.

The Green Paper on the Community patent and patent system in Europe has raised considerable expectations, both in industry and in the Member States.

Introducing a unitary patent to cover the entire Community has become a political priority; it falls within the framework of Community action designed to adjust and simplify the regulatory environment for enterprises operating in Europe. Such action is also necessary to maintain the competitiveness of innovative enterprises in the Community and is an instrument which should make it possible to provide greater protection for research results, thereby encouraging such research and its commercial exploitation.

Computer programs are an important element in the development of many economic activities and contribute directly to the establishment of the information society; the conditions governing their protection by patent should be better defined and harmonised within the Community.

Patent agents play an important role in advising and assisting innovative enterprises and inventors; it is necessary to ensure that this profession can benefit fully from the freedoms provided under the Treaty.

Several topics emerged during the consultation which are not mentioned in the Green Paper, such as the period of grace or the scope of the rights conferred by patents in certain regulated sectors. This demonstrates that the increased economic integration of the Community resulting from the internal market is making economic operators more aware of the legal environment in which they must evolve.

It is vital to ensure the emergence of a coherent patent system in Europe, and one way to achieve this is through better coordination between the Community and the European Patent Organisation.

The national patent offices play a major role for many European enterprises and they must be confirmed and encouraged in this.

1.1. Green Paper on the Community Patent and the Patent System in Europe

On 24 June 1997, the Commission presented the Green Paper on the Community patent and the patent system in Europe.¹ The aim of this initiative, which was part of the follow-up to the first action plan for innovation in Europe², was to launch a broad discussion with all the interested parties on the need to take new initiatives in relation to patents and to reflect on the nature and content of any such initiatives.

The success of this approach far exceeded the Commission's expectations; from the time of its adoption, the Green Paper aroused a great deal of interest: many conferences and meetings were organised on the topic throughout the Community, many opinions were submitted to the Commission, etc., all of which demonstrates that the Green Paper responded to a real need to modernise and improve the patent system in Europe.

The general message emerging from all of these discussions is the need to put greater emphasis on the practical aspects of the patent system, which should take full account of users' needs. Patents are very important instruments for promoting innovation, creativity and employment. They must form an integral part of the economic reality of enterprises, inventors and SMEs, providing them with adequate protection at a reasonable cost and with optimum legal certainty. Above all, patents should not hinder innovation.

In the unanimous opinion of users, the correct functioning of the internal market requires twofold action: on the one hand, the introduction of a unitary system of patent protection and, on the other, various additional harmonisation measures to make the system more transparent and more effective.

Also, the patent system should be modified to afford greater protection to research results and thereby encourage such research and its commercial exploitation. This would also optimise public investment in research (both at Community and national level).

It is with this general concept of a patent system at the service of innovation in mind that the Commission has defined its choice of measures to be taken in this field.

1.2. Consultation of interested parties and other Community institutions.

The consultation of interested parties which had commenced with the adoption of the Green Paper continued during the second half of 1997. A very large number of opinions were sent to the competent Commission departments (more than 150, totalling more than 1 200 pages); these reveal a great deal of in-depth consideration of the various topics dealt with in the Green Paper. To conclude this part of the consultation with interested parties, the Commission took the initiative, jointly with the Luxembourg Presidency of the Council, to organise a hearing open to all users

¹ COM(97) 314 final, 24.6.97

² COM(96) 589 final, 20.11.96.

of the patent system (enterprises, inventors, patent agents, etc.). This was held in Luxembourg on 25 and 26 November 1997 and was attended by more than 220 persons. This hearing ended with the adoption of "conclusions" which were widely disseminated.

The Economic and Social Committee submitted a detailed opinion on the Green Paper on 25 February 1998. To a very large extent, the Committee shares the analysis outlined by the Commission in the Green Paper. In its opinion, in view of the economic consequences for competitiveness and technological and industrial development in a global market it is vital to tackle the problem of the Community patent by giving it absolute priority. It invited the Commission to submit a draft Regulation on the Community patent as soon as possible in 1999.

A meeting of experts from Member States was organised by the Commission on 26 January 1998; at this, Member States were able to present their views and their suggestions to improve the patent system in Europe. In order to introduce a unitary system of protection by patent and modernise and simplify the patent system in Europe, a large majority of Member States' representatives urged the Commission to proceed with most of the suggestions outlined in the Green Paper.

Lastly, the European Parliament adopted its opinion on 19 November 1998. The Parliament considers that consistent and effective Community legislation in the field of patents is a vital factor in promoting the competitiveness of enterprises in the European Union; for this reason it concludes that it is now no longer sufficient to harmonise the concrete provisions of national patent legislation, and that it is necessary to draw up a Community Regulation with its legal basis in Article 235 of the EC Treaty. It asks that any concept of a future Community patent system should take account of a comparative analysis of the patent systems applicable in the United States and in Japan and should consider the cost of the patent application and its management, as well as the cost of developing the industrial potential of the European Union.

Also, it should be pointed out that the Commission has worked closely and fruitfully with the European Patent Office throughout the entire consultation process.

1.3. The aim of this Communication

Following this vast consultation process, the aim of this Communication is to take stock and announce the various measures and new initiatives which the Commission plans to take or to propose in the future to make the patent system attractive for promoting innovation in Europe. This Communication is directly in line with the First Action Plan for Innovation in Europe and aims to give practical shape to various lines of thought aired on that occasion.

It is important to note that the Communication is not concerned solely with patent law in the strict sense of the term, but deals with other measures which are very important in promoting innovation, such as the use of patent agents, the role of the national patent offices, insurance in the event of legal action, etc.

However, since the Green Paper dealt with a wide variety of issues, the measures planned in the different fields will naturally also vary. Legislative measures are

needed in the case of certain issues, while in the case of others the Commission's intention is more to encourage or disseminate the good practices which already exist in various sectors.

Three priority issues were identified during the consultation, on which the Commission should rapidly submit proposals; these are:

- the Community patent;
- the patentability of computer programs;
- the role of patent agents.

In the case of the other issues raised in the Communication, the Commission's role should be conceived more as one of providing support, which might extend over a longer period.

2. THE COMMUNITY PATENT

2.1. The role of patents in the innovation process: towards a reversal of priorities

Most comments emphasise the need to reverse priorities. The patent system should no longer be conceived in isolation from the economic and industrial reality of which it is part. In the light of the **economic consequences and the impact on the competitiveness of enterprises**, it is vital to confront the issue of the Community patent by according it **new priority**. Before further enlargement of the Union, it is necessary to rethink the patent system and to relaunch it on foundations permitting an effective start-up. As the European Parliament stated, to overcome the problem of the current systems and to help stimulate innovation, the reformed patent system must be "simple, rapid, legally certain, accessible and not involve excessive expenditure".

The consultation highlighted the vital role played by patents as an instrument to stimulate investment in the research and technology sector. Thus, coherent and effective European legislation on patents is vital to ensure the competitiveness of enterprises in the Union. A fully integrated European market in innovation requires a European system to protect industrial property by means of a patent which is accessible, in particular to small and medium-sized innovative high-technology enterprises. A unitary system of protection by patent would guarantee full equal access to the new technologies for users and consumers in all the Member States of the Union. It would also make the conditions of competition more transparent for innovative enterprises.

2.2. The need for a unitary system of protection by patent.

The consultation reveals clearly that there is a **real need** for a unitary Community patent, covering the entire territory of the European Community. This will help to improve the operation of the internal market, will significantly facilitate the management of rights linked to patents and make it easier to enforce these rights. Today there is a need for a more cohesive system than that envisaged by the

Luxembourg Convention concluded in 1975 and revised in 1989. It is striking that an increasing number of enterprises consider the internal market of the Community as their "natural" market, which has consequences in terms of the legal instruments placed at their disposal. The users of the patent system are of the unanimous opinion that the Luxembourg Convention presents such major disadvantages (prohibitive costs, legal uncertainty) that it is no longer in a position to guarantee the necessary unitary protection.

It emerged clearly from the consultation that, at this stage in the completion of the internal market, the Community patent should be introduced in the form of a **Community Regulation based on Article 235 of the EC Treaty**. Such an instrument is greatly preferred to an international convention owing to its specific features (easier to include in the "acquis communautaire" in the context of enlargement, direct effect in all the Member States, etc.).

Today, in a single market where the large majority of operators will soon be using a single currency, it appears natural to consider creating a unitary patent.

The adoption of a European patent system comprising the Community patent is vital if we are to succeed in transforming research results and the new technological and scientific know-how into industrial and commercial success stories - and thereby put an end to the "European paradox" in innovation - while simultaneously stimulating private R&D investment, where the Union currently lags far behind the United States and Japan.

2.3. The main features of a Community patent.

The nature of the Community patent must be unitary, it must be affordable, it must guarantee legal certainty and must coexist with existing patent systems.

The Community patent must be **unitary**. This means that it must have the same impact throughout the Community. It must be able to be issued, acquired, revoked and expire for the Community as a whole. On the other hand, this means that the consultations did not support the Commission suggestions for an "*à la carte*" Community patent, where it would be possible to obtain or retain uniform protection in a limited number of Member States.

The Community patent must be **affordable**, and cost about the same as a European patent covering a limited number of countries. The question of the cost of patents in Europe was largely perceived as one of the major causes of the difficulty which innovative enterprises, and particularly SMEs, had in gaining access to the patent system. Special efforts must be made to reduce these costs, wherever possible. This would have consequences, particularly for translations of the patent specifications. It emerged clearly from the consultation that the status quo regarding the European patent, whereby the owner of the patent was required to translate the entire patent into all the Community languages, was not tenable in the context of the Community patent. In practice, this would result in translation costs of about ECU 12 000; if this system were adopted, it would lead to the introduction of a Community patent with no future.

Various solutions were suggested in the Green Paper. Several representatives of industry favoured a radical solution, which consisted in using a single language for the procedure for granting the patent, without subsequent translation of the patent once it was granted. Other comments advocated less radical solutions, and some opinions recommended the use of all the official languages.

The Commission will propose a solution to the problem of translations, attempting to reconcile the following objectives: to facilitate access to the patent system by all users, to ensure the dissemination of the relevant technical information at the most appropriate time and to maintain the cost of the Community patent at a reasonable level. In this context, the proposal made by the European Parliament offers certain advantages and will be examined very closely; this involves keeping the linguistic diversity at the level of the filing of the patent application and the granting of the patent, while the European Patent Office would guarantee an effective search and examination procedure. The Commission will ensure that, on certain points, its proposal guarantees that the "acquis" of the European system is retained (for example, regarding the procedural languages) and that, on other points, it represents a real improvement compared to the current situation. The solution to the problem of translations must also take account of a vital function of the patent, which is to guarantee exclusive rights enforceable against third parties; thus, the legal effects of an infringement could only be invoked against another operator from the moment that such an operator had an official translation of the patent. Furthermore, translations (of whatever nature) will be stored centrally with the European Patent Office.

The Community patent must **guarantee legal certainty**. The system adopted in the Luxembourg Convention was considered a major risk and a source of legal uncertainty: under this, any national court to which a counterclaim for revocation was made could revoke the Community patent with effect throughout the Community territory. This approach cannot be continued. The solution to this problem is to ensure that the system covering infringement proceedings, as well as questions of validity, is uniform and predictable throughout the Community. Decisions must be taken within a reasonable period of time. It should be possible to obtain provisional injunctions, valid across the entire Community, at a reasonable cost.

In this context, the number of national courts competent to deal with these issues should be reduced as much as possible; the best solution would be to entrust competence with regard to Community patents to a single Court of First Instance per Member State. The Economic and Social Committee made some interesting suggestions, namely, first, to rule that the judge deciding on the infringement should also decide on the validity and, secondly, to confer limited scope on this decision (either "inter partes", or with suspensive effect), to avoid the emergence of irreparable damage in the event of a wrong decision. These suggestions should certainly be studied in greater depth.

For its part, the European Parliament recommends that the national courts should be competent to take a decision in infringement or revocation proceedings; two national courts should rule on the substance, with the Court of Justice of the European Communities acting as a court of appeal; at as early a stage as possible, the judicial arrangements for the Community patent should permit a form of

harmonisation of case law at Community level through the intervention of the Court of Justice. Moreover, this should form an integral part of the legal systems laid down by the EC Treaty. Lastly, it should be noted that the majority of users are not in favour of the European Patent Office playing any role in the legal system applicable to the Community patent (infringement or revocation).

As the Parliament requested, the Community patent should, at least for a transitional period, **coexist with the national patents and the European patent**, to which further improvements should be made (see point 4 below). As the central administration responsible for granting patents, the European Patent Office should continue to administer the European patent. In view of its long and high-level experience in managing the European patent, it is desirable that the European Patent Office should become the technical operator for the future Community patent. However, such delegation of responsibilities to a non-Community body raises certain institutional issues which will have to be resolved in due course. Thus, careful attention will have to be paid to the content of the legal provisions to be laid down to "formalise" these powers to administer the European patent conferred on the European Patent Office.

To leave the economic operators free to reevaluate the scope of their invention during its development, and so that they do not have to incur excessive costs, it appears reasonable to allow the person filing the application for the Community patent to be able to **change the application** (up to the deadline for issue) to an application for a European patent which, once granted, would give rise to a number of national patents. However, the possibility of transforming a Community patent which has already been granted into a European patent appears incompatible with the requirements of the internal market. The possibility of transforming an application for a European patent into an application for a Community patent is only conceivable in the case of a patent which designates all the Member States of the Community.

With regard to **fees**, the renewal fees for the Community patent will have to be substantially lower than those for European patents designating all the Member States of the Community. In the context of a truly unitary patent there is no need for designation fees, since the patent will automatically cover the entire Community territory. As part of its executive powers, the Commission will adopt the fees for the future Community patent. Changes in fees must take account of the specific needs of enterprises, particularly of SMEs.

The question of the **right of prior use** must be harmonised at Community level. An appropriate definition must be found to determine the limits within which a third party who has begun to use an invention in good faith, or who has made serious preparations for its commercial use, may continue to use it despite the Community patent being issued to a third party.

Lastly, the discussions on a draft Regulation on the Community patent should also serve as an opportunity to find a solution to the problem of **inventions made or used in space**. In the absence of a specific legal provision on this question in Europe, European industry is currently at a disadvantage. As the Economic and

Space Committee pointed out in its opinion on the Communication from the Commission on "the European Union and Space"³, it is vital, given the substantial European involvement in the International Space Station and the absence of specific European legislation defining the protection of commercial rights in the case of value added technologies applied or developed in orbit, that such legislation be introduced for patents and licences, as has been done in the United States, and is currently being prepared in Japan and Russia. For its part, the European Parliament considers that the Community patent should guarantee the protection of inventions made or used in spaceships and satellites, protection which is not provided in the framework of existing European legal systems.

2.4. Action planned by the Commission.

As early as possible in 1999, the Commission will present a draft Regulation based on Article 235 of the EC Treaty aimed at creating a Community patent according to the guidelines outlined in point 2.3.

3. COMPLEMENTARY HARMONISATION OF NATIONAL LEGISLATION

3.1. The need for complementary harmonisation of patent law.

Community action in the field of industrial property is generally perceived as providing substantial value added compared to individual action by Member States, by making it possible to ensure market transparency, equal conditions of competition and the proper operation of the internal market. It emerged from the consultation that new actions were eagerly awaited in several specific fields of industrial property.

3.2. Computer programs

3.2.1. The difficulties caused by the current situation.

The consultation launched by the Green Paper clearly revealed that the current legal environment covering inventions involving computer programs did not provide sufficient transparency and therefore needed to be clarified.

While computer programs are protected by patent in the United States and in Japan, in Europe we used a legal artifice: the programs *per se* are not patentable⁴, while a technical invention which used a program is. There are significant disadvantages, such as differences in court judgments, inherent in such a practice which lacks transparency in terms of the text of the Munich Convention. Thus, opinions differ between the EPO and certain German courts on the one hand, and the British courts on the other; this means that the same invention is protected in some Member States

³ Communication from the Commission to the Council and the European Parliament "The European Union and Space: fostering applications, markets and industrial competitiveness", COM(96) 617 final.

⁴ Article 52, paragraph 2, c) EPC.

and not in others, a situation which is damaging to the proper operation of the internal market.

This situation means that, although the Munich Convention and the national laws of Member States do not permit the patentability of computer programs as such, there are about 13 000 European patents covering software! It would also appear that, owing to extensive ignorance of the current legal situation in Europe, about 75% of these patents are held by very large non-European companies. European industry is very interested in this type of protection; however, most SMEs in the programming sector are not aware that, by filing patent applications in a certain way, patent protection can be obtained for this type of invention. With investments of almost \$ 40 000 million annually in developing information technology and software programs, the economic importance of this sector is obvious.

According to the practice developed by the EPO, an invention is patentable if it makes "a technical contribution" to the state of the art; however, this approach has certain limitations: thus, accounting/financial programs for the purchase and sale of currencies are of great economic value, but since they do not make any "technical contribution", they are not currently patentable in Europe, whereas they are in the United States and Japan.

An important consequence of the difference of protection is the scope of the conferred rights and the means of enforcement: in the United States, the holder of a patent covering a program may directly attack the distributor of counterfeit programs distributed via a medium ("direct infringement"), whereas in Europe, since the protection is limited to the technical invention which uses the program, the distributor of a diskette is only the accomplice, but not the author of the infringement ("contributory infringement"); the sole author of the infringement is the user who uses the program on the diskette and only he can be sued. The harmonisation of legislation on this question must ensure that rights are implemented effectively throughout the Community.

In the United States, following developments at the end of the 80s, it became possible to lodge claims covering a program as such ("program product claim"). This change had a very positive impact on the development of the software industry; thus, Microsoft now holds about 400 American patents for software programs, and about 12 000 patent applications covering software are filed annually (or 6% of total applications, compared with less than 2% in Europe). In Japan, about 20 000 patent applications covering computer programs are filed each year, and the guidelines adopted in 1997 by the Japanese Patent Office follow the more liberal practice in force in the United States.

Furthermore, the current situation in Europe means that the majority of enterprises active in the software field lack information and knowledge of the possibilities provided by the patent system. Alongside the legal changes mentioned above, an **information campaign** should be launched aimed at providing more information to enterprises in this sector regarding the existence of the patent system, its role and the economic advantages to be derived from it, particularly in terms of the penetration of foreign markets and the possibility of obtaining licences. The national patent offices and the European patent offices could play a very useful role in this field.

3.2.2. Action planned by the Commission

The European Parliament supported the patentability of computer programs, on condition that the product in question meets the conditions of novelty and industrial application of a technical invention, as is the case with our economic partners at international level. The Commission shares this analysis and suggests action on two fronts.

On the one hand, to fully ensure the achievement and operation of the internal market in this field, the Commission will present, as soon as possible, a **draft Directive** based on Article 100A of the EC Treaty aimed at harmonising Member States' legislation on the patentability of computer programs. This Directive should ensure uniform application and interpretation of the new rules on the patentability of computer programs throughout the whole Community. In this context, the parallel application of copyright⁵ and patent rights in the area of computer programs does not pose any particular difficulties, owing to the specific material covered by the two types of rights⁶. The draft Directive will have to closely examine the question of possible exceptions to the general system covering the patentability of computer programs.

In parallel with this legal action, the contracting states to the Munich Convention will need to take steps to **modify Article 52(2)(c) of the European Patent Convention**, in particular to abolish computer programs from the list of non-patentable inventions. This is necessary to ensure harmony between the work carried out at Community level and that undertaken in the framework of the Munich Convention.

In addition, all patent offices should improve the dissemination of information aimed at enterprises engaged in the software sector, and in particular SMEs, in order to make them aware of the economic advantages which can be derived from appropriate use of the patent system.

3.3. Employees' inventions

3.3.1. The current situation

The Green Paper raised the question of whether current differences between national laws on employees' inventions were affecting innovation and conditions of employment and/or freedom to provide services and/or conditions of competition. The general opinion which emerged from the consultation is that the issue of employees' inventions is one which should be dealt with primarily at **national level**. The differences in national laws are not such as to justify a move towards harmonisation at Community level. Pursuant to the principle of subsidiarity, the Commission does not intend to take any legal initiative in this field. However, it

⁵ Council Directive 91/250/EC on the legal protection of computer programs.

⁶ Copyright protects a particular expression of a computer program, by putting it on the same footing as a literary work, while the patent protects the innovative idea underlying the technical solution to a technical problem provided by the program.

encourages the Member States which have adopted specific legislation on employees' inventions to assess its operation and to simplify the administrative procedures wherever possible.

It appears that there are differences in the application of national rules on employees' inventions. To ensure greater transparency in the application of these rules, "standard" clauses on employees' inventions should be drawn up for inclusion in employment contracts, and uniform arbitration procedures should be drawn up.

3.3.2. Action planned by the Commission.

The Commission will launch a study, firstly to determine to what extent the clauses on employees' inventions can be an obstacle to innovation and what the appropriate content of related "standard" clauses might be and, secondly, to suggest arbitration procedures to settle any disputes which may arise in this field.

3.4. The formalities.

On the question of formalities (mainly those relating to national patents), the consultation revealed expectations among interested parties that these will be rationalised at Community level, in particular as regards the forms, time limits, etc. According to users, unnecessary administrative bureaucracy should be eliminated. Other comments favour a more ambitious approach and harmonisation which would cover also important elements of the judicial procedures adopted in the Member States, in particular regarding the question of preliminary injunctions, the question of proof (based on the French model of "saisie-description"), rules for assessing damage, etc. Some of these issues are broached in the framework of the Green Paper on combating counterfeiting and piracy in the internal market⁷.

To meet these concerns, the Commission will continue to participate actively in the work of the World Intellectual Property Organisation in Geneva with a view to evaluating the possibility of rapidly concluding an international agreement on simplifying patent formalities. Also, in its contacts with the Member States, it will continue its investigations to determine if further legal harmonisation is necessary at Community level.

3.5. Use of agents and recognition of professional qualifications.

3.5.1. The current situation.

The consultation revealed that patent agents play a very important role in advising enterprises. Their knowledge of the different industrial property laws and the often complex procedures constitute a substantial asset which should be used to full advantage. However, it also appears that the profession of patent agent is one often exercised largely at national level, with very little awareness of the situation in other Member States. The Commission considers that the fundamental principles of the freedom to provide services or the right of establishment should apply fully in this profession. As the European Parliament stressed, mutual recognition of patent

⁷ COM (98) 569 final, 15 October 1998.

agents by the responsible institutions is a vital precondition for simplifying procedures.

In order to guarantee compliance with these principles, the Commission was recently obliged to send several letters of formal notice regarding national requirements which appear contrary to the provisions of the EC Treaty. These concerned residency requirements or choice of domicile and also the obligation to use the services of an approved representative with whom the applicant must be domiciled. At present, the progress being made with regard to these procedures varies between Member States.

In this context, attention should be drawn to the existence of a legal precedent from the Court of Justice of the European Communities concerning certain national requirements with regard to patent agents⁸.

Lastly, from the perspective of the application of competition rules, the Commission has dealt with several cases concerning the internal rules of the professional organisations representing patent agents.

With regard to **professional qualifications**, the comments emphasised the need to apply Directive 89/48/EC in an effective and uniform manner, in particular as regards the requirements of the aptitude test leading to application of the principle of mutual recognition. In general, the European qualifying examination (Article 134(2)(c) of the European Patent Convention) should, as far as patents are concerned, be deemed an adequate qualification for making representations to the different national offices. Moreover, the principles established in the Gebhard case⁹, regarding the conditions for the taking-up or the pursuit of a specific activity, should be applied in all the Member States.

The consultation showed that both the authorities of the Member States and the patent agent profession want **better information** on the application of Community rules in this field.

To deal with this concern, the Commission will prepare an **Interpretative Communication** on the application of Community rules to the profession of patent agent. In this context, consideration should be given to the question of the domiciliation requirement and the requirement to use a patent agent in connection with the various types of documents to be filed in the course of patent registration procedures.

Also, a double phenomenon is currently emerging in the field of industrial property in general, and patents in particular. Firstly, the number of disputes and legal

⁸ CJEC, 25 July 1991 (Saeger v. Dennemeyer), case C-76/90, [1991], ECR I-4221.

⁹ CJEC, 30 November 1995, C-55/94, [1995], ECR I-4165. Where the taking-up or the pursuit of a specific activity is subject to certain conditions, such as the obligation to hold particular diplomas, those conditions must satisfy four fundamental requirements: they must be applied in a non-discriminatory manner; they must be justified by imperative requirements in the general interest; they must be suitable for securing the attainment of the objective which they pursue; and they must not go beyond what is necessary in order to attain it (principle of proportionality).

actions is increasing and, secondly, patent agents are playing a greater role in legal matters and in industrial strategy, while the importance of their traditional more technical role is declining. Patent agents throughout the Community should be able to benefit from **ongoing training** which takes full account of these new trends, which are leading to changes in professional practice. Certain initiatives which have already been adopted at national level could serve as a point of reference here.

To meet the current requirements of the profession, consideration should be given to the possibility of granting patent agents in the Community the rights and obligations linked to **confidentiality of opinions** (legal privilege), in the same way as acting members of the bar and, in certain Member States, company lawyers. In this way the written and oral opinions of patent agents would enjoy confidentiality both at national level and vis-à-vis the European authorities. In the absence of such legal privilege, patent agents in the Community are sometimes in a delicate situation which prevents them from carrying out, on behalf of their clients, all possible actions in the field of industrial property.

3.5.2. Action planned by the Commission.

During 1999, the Commission will prepare an Interpretative Communication on questions of freedom of establishment, freedom to provide services and recognition of the professional qualifications of patent agents.

The Commission will support the efforts being undertaken to provide ongoing training for all patent agents who are active in the Community. It will invite the Member States to consider the possibility of setting up appropriate mechanisms to ensure the confidentiality of opinions delivered by patent agents.

3.6. The scope of the rights conferred by patents in certain sectors.

At present the scope of the rights conferred by patents - and by the supplementary protection certificates for medicinal products¹⁰ and the supplementary protection certificates for plant protection products¹¹ is governed by national legislation; this should include all the relevant provisions of the TRIPS agreement, in particular Article 28.

Moreover, all Member States have legislation which provides for limited exceptions to the rights conferred by the patents, whether these be acts carried out privately and for non-commercial purposes or acts carried out on an experimental basis which have a bearing on the object of the patented invention. These exceptions are of great importance in the sectors where products are subject to a prior administrative procedure to authorise their release on the market, because of the way they affect the timing of the arrival of competitive products on the market.

¹⁰ Council Regulation (EC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products, OJ No L 182, 2.7.92, p. 1.

¹¹ European Parliament and Council Regulation (EC) No 1610/96 of 23 July 1996 on the creation of a supplementary protection certificate for plant protection products, OJ No L 198, 8.8.96, p. 30.

The question of exceptions to the rights conferred by a patent in the pharmaceutical sector has been the subject of a judgment of the Court of Justice of the European Communities¹². However, this still leaves certain questions of real economic importance open. It is necessary to examine whether the differences which remain are likely to affect the proper operation of the internal market and to create distortions of competition between the various Member States. To answer this question, the Commission has launched a wide-ranging economic and legal study on generic medicines which deals, amongst other issues, with this aspect of patent law. The Commission will consider the results of this study when taking initiatives in this sector.

Generally speaking, in all the sectors where the products are subject to prior administrative procedure to authorise their release on the market, the Commission considers that a distinction should be made between activities which do not involve the use of the patented product - and which should therefore be authorised during the patent period - and all activities which involve a "use"¹³ of the patented product - which must be prohibited until the patent and any additional protection expires.

After an in-depth analysis of the situation, the Commission plans to take steps to harmonise the relevant national legislation.

3.7. Additional measures to make the patent system more attractive

3.7.1. To small and medium-sized enterprises.

The cost of the patent in Europe is clearly perceived, particularly by small and medium-sized enterprises, as one of the major obstacles to the optimum use of the system. Influenced by the changes introduced in the United States, the European Parliament considers that SMEs should benefit from a 50% reduction in the cost of filing patents. If this system is introduced in Europe, the Commission believes that it should extend to small and medium-sized enterprises and to universities and non profit-making research institutes.

However, it should be noted that, following an initial decision taken in December 1996 aimed at reducing procedural fees for all enterprises (cf. point 4.2.1 below), the European Patent Office recently decided on a further reduction in fees, mainly search fees. This decision, which should take effect during 1999, is a further important step towards facilitating entry by enterprises, including SMEs, to the patent system. This initiative can only be welcomed. However it does not exclude specific provisions being envisaged for SMEs and universities.

Apart from reducing fees, the innovation capacity of small and medium-sized enterprises should be supported and strengthened, in particular by creating posts for

¹² CJEC, 9 July 1997, C-316/95, Generics BV v. Smith Kline & French Laboratories Ltd.

¹³ In particular the manufacture of samples, conduct of clinical trials on the patented substance, the import of the substance and the storage of samples with the competent administrative authorities. All these acts are centred on the marketing of a product; thus, they are not acts carried out in a private framework and for non-commercial purposes, nor acts carried out experimentally.

specially trained advisors in representative organisations (Chambers of Commerce or Trades, professional associations), with the task of providing direct information to enterprises and assisting them in their representations from the moment of innovation right up to the award of the patent and its commercial management.

Lastly, it should be pointed out that the Commission recently adopted a proposal for a Directive on **utility models**, a form of protection which is particularly suited to the technical inventions of which SMEs are a fertile source.¹⁴

3.7.2. Legal protection insurance covering disputes involving patents.

The creation of an insurance system to provide legal protection in the event of disputes involving patents is a valuable concept which should be examined in greater depth. The European Parliament considers that an insurance system covering the costs incurred in legal proceedings would give enterprises (in particular SMEs) a fair chance to defend their patent rights and thus strengthen their confidence in the patent system.

Several experiments have been conducted in the Member States, with widely differing results. Thus, while trials of legal cost insurance systems in France and Sweden were discontinued, several British insurance companies currently provide their clients with insurance policies which cover the costs of legal action involving patents. Generally, these insurances cover only legal costs and not the damages which might be payable following a court decision. The Commission has studied various existing contracts and considers that they are interesting models which are unknown to the vast majority of economic operators (insurers, enterprises, patent agents, etc.) in the other Member States. This system could be particularly useful for SMEs.

The Commission will organise a European **Conference** for insurers, the professional associations representing industry, and in particular SMEs, and the patent offices, so as to inform them of what is available and appears to function satisfactorily for users. Depending on the outcome of this conference, the Commission will examine the most appropriate way to give the legal costs insurance system the impetus it deserves; for example, this could take the form of a working party set up to prepare one or several models of insurance covering legal costs.

3.7.3. The period of grace

At present, all the Member States of the Community have a rule whereby an invention cannot be patented owing to lack of novelty if the public has had any knowledge of it in any way before the patent application was filed with the competent patent office. In contrast, American law on patents provides a period of grace of one year during which an inventor may file a patent application without it being prejudicial to his interest that the invention was known to the public.

¹⁴ Proposal for a European Parliament and Council Directive approximating the legal arrangements for the protection of inventions by utility model.

Some comments claim that the absence of such a period of grace in European legislation is particularly damaging for innovative groups such as scientists and some SMEs. The Directive on biotechnological inventions¹⁵ lays down that the Commission shall draw up a report showing whether, in the field of basic genetic engineering research, the full freedom of scientific exchange is hindered by the failure to publish, or late publication of papers on subjects which could be patentable, failing which patentability would be excluded owing to the absence of novelty of the invention.

To examine the situation and measure the scale of the problem, on 5 October 1998 the Commission organised a hearing of interested groups on this topic of the period of grace. The representatives of inventors and of research circles pointed out that it is frequently useful to make a disclosure prior to the filing of the patent application, particularly when tests have to be carried out to check if an invention functions. For their part, industry has reservations regarding legal action at Community level to introduce a period of grace. One conclusion from the meeting was that all speakers consider that a period of grace should ideally only be envisaged at world level, in the framework of the World Intellectual Property organisation. Also, to improve the dissemination of information on patent law, the Commission agreed to provide a better structure and support for the efforts already being made and to prepare a **Communication** on this subject. The idea of **filing a patent application "provisionally"** - where a filing date would be allocated following simple formalities and without any fees - was raised and would appear to offer numerous advantages which meet the concerns of both researchers and businessment. It will be considered and, if appropriate, proposals will be made as rapidly as possible in 1999. It was also decided to reexamine the two exceptions to the principle of absolute novelty which currently exist under European law (evident abuse in relation to the applicant and the display of the invention at an officially recognised international exhibition)¹⁶ to see if it is desirable and feasible to extend these concepts.

In the context of research financed by Community funds, real innovation protection might also involve training "patent advisors" in how best to exploit the results of Community research projects and the establishment of a general on-line "patent advice" service in the patent offices.

4. THE EUROPEAN PATENT

4.1. General structure of the European patent

It emerged clearly from the consultation on the Green Paper that there is a high level of satisfaction among users with the European patent system and the European Patent Office. The European Parliament considers that the current combination of the European Patent Convention and the national patent systems provide a flexible

¹⁵ Directive 98/44/EEC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, OJ No L 213, 30.7.98, p.13.

¹⁶ Article 55, paragraph 1, a) and b) of the Munich Convention.

system which operates well in the European Economic Area. Applicants have found the European patent very flexible, although they did underline several improvements which could be made. Thus, most users of the system consider that the amount of time required for **opposition proceedings** - five years or more - is unacceptable and that it is vital for this situation to improve in the short term.

For its part, over the years the European Patent Office has demonstrated a very high level of technical skill which it should continue to maintain fully in the future.

In this respect, it does not appear that integrating the EPO in the Community Institutions (a cumbersome and complex legal and technical process) would provide any significant added value compared with the existing situation, even if this prospect should not be excluded in the very long term. On the other hand, all the comments clearly expressed very strong support for **strengthening the cooperation** between the EPO and the Commission. This could take several forms.

Firstly, the **revision of the European Patent Convention**, launched recently, should provide an opportunity to assess the need to change certain articles, so as to fully reflect existing Community law and the relevant provisions of the international agreements signed by the Community and its Member States. The Directive on the legal protection of biotechnological inventions¹⁷ and the TRIPS Agreement respectively form part of these two groups. For example, it is necessary to bring the provisions of the European Patent Convention relating to the priority right¹⁸ into line with the requirements arising from the TRIPS agreement. The Commission welcomes and fully supports the initiative taken by the French government to hold an Intergovernmental Conference on the reform of the European patent in spring 1999. In view of its competence in this field, the Commission is ready to contribute actively to the success of this important initiative.

Also, through its **observer status** on the Administrative Council, the Commission is in a position to participate actively in all the important discussions in the European Patent Organisation, although it does not have the right to vote. Nonetheless, this system has proved useful. Also, just recently, the Commission was invited to participate in the meetings of all the other bodies of the European Patent Organisation when these are dealing with topics of common interest to the two organisations, an initiative which the Commission greatly welcomes.

Moreover, to ensure the best possible synergy between the European Patent Organisation and the Community and to fully recognise the authority exercised by the Community in the field of industrial property, and in particular patents, it would be desirable for the Community, as an entity, to become a contracting party to the Munich Convention on the European Patent. In the context of the future Community patent, the Commission will launch discussions on **Community**

¹⁷ Pursuant to the AETR judgment of the Court of Justice of the European Communities, each time the Community adopts provisions laying down common rules, the Member States no longer have the right, acting individually or even collectively, to enter into obligations with third countries which affect those rules or alter their scope (Judgment of 31.3.1971, ECR 1971, p.263).

¹⁸ Article 87, (5).

decision to the European Patent Convention. This idea was already introduced by Mr Monti at the Internal Market Council meeting held on 24 September 1998; it will be discussed in greater depth at the Intergovernmental Conference organised by France.

Lastly, the Member States of the Community are invited to further coordinate the opinions which they express within the bodies of the European Patent Organisation, pursuant to Article 5 of the EC Treaty.

4.2. The problem of the cost of the European patent

4.2.1. Fees

The users of the patent system welcome the decision taken in December 1996 by the Administrative Council of the European Patent Organisation to reduce fees charged by about DM 124 million per full year, and which came into effect on 1 July 1997. The Commission shares this positive assessment, and it appears that this decision has already had a positive impact on the number of applications filed with the EPO.

In view of the increase in the number of European patent applications and the current surplus, the replies to the Green Paper indicated that the EPO should make further reductions in the fees charged at the outset of the procedure, as such reductions were vital to ensure the easiest possible access to the patent system. This idea has already been widely accepted by the European Patent Organisation, since a recent decision of principle in October 1998 aims to reduce, by about DM 85 million per full year, the European and international search fees charged by the EPO. This very significant second wave of fee reductions should take effect from July 1999.

Once this second wave of fee reductions has taken full effect, the EPO will undoubtedly have exhausted the financial room for manoeuvre currently available to it; a pause will be necessary to assess revenue trends and to plan other possible measures to reduce fees.

However, there is one aspect of the fee policy which needs to be rationalised and harmonised in the short term. The concerns the fees charged by the national patent offices to validate the filing of translations of the specifications of the European patent or to publish these translations. In some Member States, these are prohibitive - sometimes more than ECU 500 - and represent a tax on innovation which does not correspond to a service provided or rendered. These fees must be reduced wherever possible to a more harmonised level throughout the entire Community.

The Commission also recommends that the national offices examine the level of the renewal fees for European patents (which are fixed at national level) so as to harmonise them more throughout the Community, and to consider ways of reducing these through a strategic approach to the patent system.

4.2.2. The allocation of revenue from renewal fees

The allocation system is a mechanism for distributing the fees charged for renewing European patents between the EPO and the national patent offices. Although the

convention stipulates that the proportion of renewal fees to be paid to the European Patent Organisation be fixed at up to 75%, in 1984 the Administrative Council decided to reduce this to 50%. It emerged clearly from the consultation that all interested parties were opposed to any further reduction in the share of revenue from renewal fees accruing to the Organisation and favoured using the Organisation's entire surplus of income over expenditure to reduce the fees charged.

The comments received by the Commission as part of the consultation on the Green Paper stress that this system of allocating financial resources should be as **transparent** as possible, and that the resources generated by this system should be used for activities directly linked to promoting innovation. Thus, consideration should be given to whether it is appropriate, in the long term, to maintain a system whereby part of the renewal fees for European patents is not allocated to activities linked to the operation of the Patent Office or intended to promote innovation, but is paid straight into the general government budget. The Commission will make these views known to the Member States and to the European Patent Organisation.

4.2.3. Translations

In the context of the Munich Convention, the European Patent Office has presented several alternatives designed to substantially reduce the costs generated by the current translation requirements. A substantial majority of users, and also the Economic and Social Committee of the Communities, believe that the "**global**" **solution**¹⁹ offers most advantages in terms of technical feasibility, cost reduction and equality of treatment between languages. The Commission will support all efforts by the EPO to find a balanced solution to this question as soon as possible. It wishes to stress that the solution finally adopted for the European patent cannot be the same as that chosen for the future Community patent, given the special features of each of these systems.

Furthermore, the Commission considers that it is necessary to explore in greater depth the possibility of **filing translations** of European patents centrally with the EPO. This would reduce the current costs for validating the European patent, incurred by the need to repeat the formalities in the different national offices. If there were centralised filing of translations, it would be the responsibility of the EPO to ensure that the information was disseminated to the offices concerned through the different translations filed by the patentee.

5. THE ROLE OF THE NATIONAL PATENT OFFICES

5.1. The result of the consultation

The consultation showed clearly that the national patent and the national patent offices should be retained and should continue to play an important role. The

¹⁹ The three main features of this solution are: an enhanced abstract in the language of the proceedings and, subsequently, translation of the abstract into the languages of all Member States; translation of the patent claims only at the time the patent is granted and translation of the full patent specification before any action is brought by the patentee with a view to enforcing the rights created by the patent.

European Parliament believes that the national offices will continue to play the same role and to enjoy the same powers in relation to the national and European patent as at present; it also considers that these offices should play a fundamental role in disseminating and promoting the system of Community patents, in particular as regards the access by SMEs to this instrument.

The national offices should play an active role in disseminating and promoting the system of industrial property and of accumulated technical know-how, in particular by greater cooperation with SME representative bodies, the craft enterprises, the professional associations and independent inventors, as well as with universities. The income accruing to the offices from the renewal fees for European patents should be used to reduce the costs of national procedures and to support activities directly related to innovation.

However, it emerged clearly that a number of national patent offices were concerned about their future, in particular about having a sufficient volume of activities to guarantee the employment of their staff and adequate technical performance. In reply to these concerns, the Commission organised two round table meetings with the national patent offices in June and November 1998; these meetings provided an opportunity both to review all the initiatives already taken by the national offices to promote innovation and to determine the added value of any measures the Commission might take in this area.

5.2. Action planned by the Commission

The Commission considers it useful to combine its proposals on the Community patent with specific action aimed at those national patent offices wishing to gear their activities more towards promoting industrial property in the wide sense. As part of the fifth R&D Framework Programme, the Commission will launch a **pilot action** aimed at supporting the activities of the national patent offices which aim to promote industrial property in the wide sense: strengthening the current role of patent information (ordinary searches or searches "on request"²⁰), providing an initial evaluation of the invention to be protected and defining a protection strategy (whether to file at national, European or international level) - this may involve consulting a patent advisor - providing information on the procedures and deadlines required to succeed with this protection strategy, providing basic economic information regarding industrial property, etc.

This assistance should cover the entire field of industrial property: patents, but also trademarks, designs and utility models and thus provide real "innovation protection". This new role, to be fulfilled by those patent offices wishing to participate in the initiative, could involve setting up a small specialised team, at national, multi-disciplinary level, which could be sensitive to enterprises' needs as regards innovation protection and provide an adequate response to those needs. Possible initiatives for these teams might include the publication of brochures

²⁰ These are search activities which are not directly linked to the procedure for examining the patent application: they may be carried out at the request of an enterprise before filing a patent application, or before starting proceedings for opposition or revocation, or to assess the value of a competitor's patent or the degree of protection in a specific technical field, etc.

covering the entire field of innovation protection, the preparation of websites with the same content, the organisation of exhibitions on innovation and conferences on the Chambers of Commerce and Industry, in regional organisations and in universities and technical institutes, etc.

Some patent offices have already taken steps to become active in a framework similar to that described above; they should be encouraged to persevere along these lines. For those patent offices which are largely based on "traditional" activities involving searches and the examination of national applications, they should be encouraged to start to consider and to develop projects along these new lines.

The patent offices which are interested in initiating or continuing activities to promote industrial property should submit a **detailed plan** of their project to the Commission, based on specifications which the Commission will draw up. These projects will be assessed by a panel of independent experts. The Commission could then decide to provide financial support to some of these initiatives. This pilot project could extend over a period of about 18 months and be transformed into a specific programme of longer duration if the experiment proves useful.

The Commission will encourage the **networking** of these initiatives at Community level, where the exchange of experiences and good practices will help to stimulate innovation with improved strategies for protecting know-how.

6. ENLARGEMENT

No Community initiative can be considered today without bearing in mind the future enlargement of the Community, now at the forefront of the everyday concerns of the Union and the repercussions of which will be felt in all areas of Community activity. In the field of patents, two elements must be underlined.

Firstly, it can be noted that the legislation of most CEECs relating to patents has already been modernised and adapted, a fact which must be welcomed, thus providing an important legal framework for developing innovative activities in the CEECs. Also, six CEECs which are linked to the Community and to its Member States via Europe agreements have agreed to file their application for accession to the Munich Convention on the European Patent by given deadlines (the Czech Republic, Slovakia, Poland, Hungary, Bulgaria and Romania); Estonia and Slovenia have signed association agreements with the Community and its Member States stipulating their accession to all important international conventions relating to industrial property. To date, eight countries have filed applications to accede to the EPC, namely, in chronological order: the Czech Republic, Poland, Hungary, Slovakia, Slovenia, Estonia, Romania and Bulgaria; these countries have observer status on the Administrative Council of the Organisation. Slovenia and Romania have already signed cooperation and extension agreements with the European Patent Organisation. The Commission views accession to the EPC as an important step towards integration in the Single Market of the Union. For this reason, once all the relevant technical conditions connected with the Munich Convention have been met, there is nothing to oppose an invitation to accede to the EPC being addressed to the applicant countries.

Secondly, once the Community patent is in place, owing to its unitary nature it will cover the entire Community, whatever its size at that time. To ensure that the effects of the Community patent can extend throughout the Community territory and thereby achieve a true "Single Market", appropriate mechanisms will have to be introduced, where necessary, in the event of the Regulation on the European Patent being adopted before the accession of the CEECs to the Community.