Promoting innovation through patents

Green Paper on the Community patent and the patent system in Europe

(presented by the Commission)
**Summary**

Patents play a central role among the different instruments available for protecting innovation. It is a fact that the patent system has become complicated in Europe, with national patents existing alongside European patents and Community patents (although the Community patent system has yet to actually come into operation).

When it adopted a First Action Plan for Innovation in Europe, the Commission deemed it essential to gain as full a picture as possible of the patent system in Europe in order to assess whether it meets the needs of users, examine whether new Community measures are necessary and consider what such measures could involve and what form they could take.

This Green Paper pursues those three objectives and provides the basis for wide-ranging consultation of interested parties, the other Community institutions and the competent authorities in the Member States on the question of the protection afforded to innovation by the patent system in Europe.

The central part of the Green Paper is devoted to the Community patent and the adjustments that might need to be made to the 1975 Luxembourg Convention in order to offer users a system that is accessible and legally secure at a reasonable cost.

But other technical questions are necessarily raised by any discussion of the future of the Community patent, such as the further harmonization of certain aspects of patent law that could be necessary at Community level, the impact of the information society and electronic commerce on software-related inventions, formalities, and the use of patent agents.

Lastly, certain issues discussed within the European Patent Organization have a decisive influence on the general debate on patents in Europe and the promotion of innovation. Some of these issues are also tackled in the Green Paper.
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1. INTRODUCTION

Innovation is vital for the viability and success of a modern economy. In this regard, Europe seems less well placed than its main competitors. It has an excellent scientific base but is less successful than other regions of the world at converting its skills into new products and market share, especially in high-technology sectors.\(^1\) Despite certain notable success stories, such as the French high-speed train (TGV) and the GSM mobile phone system, Europe is lagging behind in many of the new technical fields, especially information and communications technology. Concern has been voiced about the extent to which European industry is taking part in the development of the information society and electronic commerce; a special effort needs to be made to improve the situation.\(^2\)

It is vital to protect the fruits of innovation. In economic terms, it has been clearly established that companies with specialized know-how which sell branded products and patented products or processes have a competitive advantage when it comes to maintaining or expanding their market share.

We are now witnessing the globalization of our economies. At the same time, the value of what is produced lies more in the intangible investment component. Despite this, in a number of key indicators of research effort (the percentage of GDP allocated to research, research costs in industry, research expenditure per capita and the total number of researchers as a proportion of the labour force) the European Union trails behind Japan and the United States. Improving the patent system in Europe is not, in itself, going to reverse this trend; this can be achieved only by a fundamental reorganization of European research, as is currently under consideration. However, the patent system must under no circumstances act as a further brake on the competitiveness of European companies. Ease of obtaining patents, legal certainty, appropriate geographic coverage: these are all essential criteria for the effective protection of innovation in the European Union.

It must be noted that today, almost forty years after the Treaty of Rome was signed, companies doing business within the Community still do not have access to a single system of patent protection. Although the advantages of such a system speak for themselves (enabling rights to be managed centrally and affording greater transparency for competitors), the 1975 Luxembourg Convention, which was supposed to establish such a system, has never been applied.

The Community must seek to remove the political and practical obstacles that remain, preventing the single market from realizing its full potential. It is currently faced with an array of challenges, such as the need to create more jobs by increasing the international competitiveness of European companies, the globalization of the economy (in the face of which the single market is an essential condition of success) and the commitment of the Union to strengthening ties with the countries of central and eastern Europe.

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\(^1\) Green Paper on innovation (COM(95) 688 final, 20.12.1995).

\(^2\) Commission communication entitled “A European initiative in electronic commerce” (COM(97) 157 final, 16.4.1997).

2.1 **History**

Patent protection is ensured in the European Union by two systems, neither of which is based on a Community legislative instrument: the national patent systems and the European patent system.

The national patent was the first to appear. It must be stressed that, in the Member States of the European Community, the national patent was harmonized *de facto* as, one by one, all the Member States acceded to the Munich Convention on the European Patent.\(^3\)

The European patent system is based on two international agreements, the 1973 Munich Convention on the European Patent, or European Patent Convention, and the 1975 Luxembourg Convention on the Community Patent, or Community Patent Convention, which is an integral part of the Agreement relating to Community patents, signed in 1989.\(^4\) It was the Member States’ intention in 1975 to ensure that the time-lag between the entry into force of the two Conventions was as short as possible.

The European Patent Convention does not create a uniform protection right but it does provide the applicant with protection in as many of the Signatory States as he wishes. Although this system has the advantage of being extremely flexible, it also has certain drawbacks associated with its complexity and cost. What is more, there is no provision within this system for a court with powers to settle patent disputes at European level; there is the risk here that the competent courts in the Member States will hand down contradictory judgments.

The Community patent (introduced by the Community Patent Convention) is intended to bring together the bundle of protection rights resulting from the grant of a European patent and merge them into a single, unitary and autonomous, protection right valid throughout the Community of Twelve and governed only by the provisions of the 1989 Agreement relating to Community patents. However, this Convention has yet to take effect owing to delays in ratification by the twelve signatory Member States.

The aims of the European Patent Convention and the Agreement relating to Community patents differ but complement each other. The European Patent Convention is intended to rationalize the grant of patents by establishing a centralized procedure managed by the European Patent Office in Munich. It is thus open to accession by any European State, in some cases at the invitation of the Administrative Council of the European Patent Organization.\(^5\) The Agreement relating to Community patents is designed to contribute to the achievement of the aims of the single market, with special reference to fair competition and the free movement of goods.

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\(^3\) All the Member States of the European Community are members of the Munich Convention on the European Patent, as are also three non-member countries: Switzerland, Liechtenstein and the Principality of Monaco.


\(^5\) Article 166 of the Convention.
2.2 The need for further Community action on the Community patent

The first question that needs to be addressed is whether and to what extent interested parties would be prepared to use the Community patent system as devised in the Luxembourg Convention if it were at last to come into effect following ratification by the 12 Signatory States. Would industry be attracted towards the new system or would, on the contrary, the existing system of the European patent and national patents prove sufficient to meet its needs? In the latter eventuality, use of the Community patent would be extremely limited, if not marginal.

In 1975 the nine Member States which then made up the European Community, “desiring to give unitary and autonomous effect to European patents granted in respect of their territories”, concluded the first version of the Luxembourg Convention. The definitive version of the Convention was adopted in 1989. The Agreement relating to Community patents signed in Luxembourg on 15 December 1989 concerns the Community of Twelve but does not deal with the 1995 enlargement in which Austria, Finland and Sweden joined the Community; the three new Member States are not directly concerned by the 1989 Agreement, although they are legally required to accede to it. In accordance with the provisions of the 1989 Agreement, a special agreement may be concluded between the Contracting States and the acceding State to determine the details of application of the Agreement necessitated by the accession of that State. This would require such a special agreement to be negotiated, signed and then ratified by all the signatories to the 1989 Agreement: obviously an extremely cumbersome and complicated procedure, which could only become more so as further countries join the European Union.

The patent system was set up in Europe by means of international agreements. This is because, at the time, the Community’s competence in this field was not clearly established. Times have changed, however, and the Court of Justice of the European Communities has repeatedly recognized that the Community is competent to take action in the field of patents if this contributes to the attainment of one of the objectives of the Treaty (in this case, either the free movement of goods or a system ensuring that competition is not distorted). It should, however, be stressed that, in accordance with Article 235 of the EC Treaty, the creation of a new Community system of protection by means of a regulation would require unanimity, in turn necessitating a consensus between Member States on all the technical issues involved.

Adoption of a Community regulation would offer the following advantages: the date of entry into force of the provisions would be known for certain, since it would be fixed irrevocably by the text itself (whereas the entry into force of a convention is uncertain, depending as it does on the speed with which the signatory countries ratify it), and matters would be greatly

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7 Article 7(4) of the Agreement.

simplified when it came to future enlargements of the Community since the regulation would automatically form part of the *acquis communautaire* and would not have to be amended or renegotiated. Whether or not the Luxembourg Convention should be turned into a legal instrument covered by the Treaty and adopted under Article 235 is therefore a fundamental question to be addressed.

As soon as strategic discussions began at Community level on innovation and how to protect it and on its effects on employment, the Commission deemed it necessary to take stock of the situation concerning the Community patent and the patent system in Europe. Hence this Green Paper, which first tackles the shortcomings resulting from the absence of the Community dimension in the European patent system and the obstacles preventing the Community system from coming into operation, before going on to look into the related technical, legal and political questions, such as further harmonization of patent law at Community level.

The Green Paper has three main objectives:

- to gain as full a picture as possible of the situation as regards the protection of innovation by the patent system in the European Community;
- to examine whether new Community measures are necessary and/or whether existing arrangements need to be adjusted; and
- to consider what these new measures could involve and what form they could take.

The Commission invites all interested parties to take part in a wide-ranging consultation on the topic and to respond to the questions set out in this Green Paper.

3. **THE COMMUNITY PATENT**

3.1 The need for a unitary patent system

The Munich Convention ushered in major improvements in the patent system, such as a centralized procedure for the grant of patents based on uniform patent law and conducted in a single language, a reduction in the costs of protection where it is sought in more than one Member State, a high quality protection right and *de facto* harmonization of the provisions of national patent law governing patentability, validity and the extent of protection.

But, because it is not supplemented by the unitary Community patent, the system also has its limitations:

- once a European patent has been granted, its entry into the national phase gives rise to considerable costs and complicates the management of rights, since translations of the specification have to be filed with the national patent office of each designated country and renewal fees have to be paid for each of those countries;

- the management of proceedings for infringement or revocation is complex, since actions have to be brought before the national courts of each country for which the European patent has been granted;

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- in the absence of a common court, the emergence of different interpretations of European patent law by national courts is liable to undermine the value of the European patent;

- the sum total of the national fees payable for renewal of a European patent constitutes a heavy burden for patentees, especially since only part of the proceeds (currently 50%) is used to defray the costs incurred by the European Patent Office in managing the procedure for granting patents;

- the additional costs of protection for each designated country are prompting businesses to be selective in their choice of countries, with effects that run counter to the aims of the single market. The fact that requests for protection are concentrated on the larger Member States disadvantages the smaller ones in terms of both technology transfer and their attractiveness to investors. And the limitation of protection to only part of the single market reduces its commercial value.

If the Community patent system was brought into operation, it would have the essential feature of granting patents with a unitary character that would have equal effect throughout the Community and could be granted, transferred, revoked or allowed to lapse only in respect of the whole of the Community. The more Member States that joined the Community, the wider the geographic coverage of the protection afforded by the Community patent.

Although the Agreement relating to Community patents could have been expected to be ratified reasonably soon after it was signed in Luxembourg in 1989, this is still not the case more than seven years later, and it is debatable whether, in its present form, the Convention still attains the objectives assigned to it at the time.

Some commentators - in academic circles more than in industry - have taken up a stance which they claim to be based on logic: they argue that the approach taken towards trade marks and proposed for designs, which involves setting in place a unitary protection right by means of a Community regulation, must necessarily be followed in the case of patents. This argument is not strong enough on its own to justify such an approach. It is, however, easy to imagine the advantages of a unitary patent system:

- the management of rights would be greatly facilitated, since there would no longer be any national phase, which should also have the effect of reducing costs (no fees for entry into the national phase, savings in the use of professional representatives, etc.);

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10 Article 2(2) of the Community Patent Convention.

11 Only seven Member States have so far completed ratification procedures: Denmark, Germany, Greece, France, Luxembourg, the Netherlands and the United Kingdom (source: Council memorandum of 22 November 1996).
- the system would avoid the need for infringement actions to be brought in each Member State since the plaintiff could bring all the actions before the courts of the Member State in which the defendant is domiciled;\footnote{Article 14(1) of the Protocol on the settlement of litigation concerning the infringement and validity of Community patents.}

- it would offer greater legal certainty through the creation of a central court competent to hand down decisions on interpretation and validity of Community patents.

In response to this Green Paper, potential users are invited to give their views on the advantages and disadvantages of unitary patent protection, having due regard to the essential features of such a system: wide geographic coverage, necessary costs, application of the Community principle of the exhaustion of rights, etc.

Two questions will then have to be addressed:

- the size of the need expressed by users for a unitary patent system will first have to be assessed;

- it will then have to be seen whether the objectives to be set for such a unitary system can be attained by means of the Luxembourg Convention, either in its present form or after amendment.

Questions

- Generally speaking, what would in your view be the advantages and disadvantages of patent protection covering the entire Community, in terms of:
  - costs?
  - geographic coverage?
  - the problem of distortions of competition?
  - the free movement of goods?
  - legal certainty?
  - the monitoring of infringements?
  - translation requirements?
- What are, in your opinion, the essential conditions to be met in terms of costs and legal structure if such a system is to function effectively?
- If ratification procedures currently in progress were finally to result in the Community patent coming into effect, would you be prepared to use it as provided for in the Luxembourg Convention?
- Any adjustment of the Luxembourg Convention would require the unanimous agreement of the Contracting States, involving either amendment of the Convention or the adoption of a regulation based on Article 235 of the EC Treaty. Do you think that such adjustment would be appropriate, or are you satisfied that the European patent together with the national patent systems suitably meet the needs of industry?

3.2 Apparent weaknesses of the Luxembourg Convention

The elimination, as far as the single market is concerned, of all the disadvantages and imperfections of the European patent system as outlined in point 3.1 is the very purpose of the Community patent. But, according to information in the Commission’s possession, two
fundamental aspects of the Community patent, as devised in the 1989 Agreement, are seen as detracting from its usefulness and practical attractiveness.

For one thing, there are the extremely high translation costs due to the need to have the entire patent specification translated into the languages of all the Member States.\(^{13}\) A Community patent granted in the Community of Fifteen would require ten translations. As the average cost of a page of translation is DM 128\(^{14}\) and patent specifications run on average to 20 pages, total expenditure on translation would be in the region of DM 25 000, which is clearly a huge cost for firms to bear, particularly SMEs. That cost is, however, to be compared with the major advantage conferred by the unitary nature of the Community patent, which offers uniform protection throughout a market of over 340 million people.\(^{15}\)

The second problem posed by the Luxembourg Convention appears to be that of the judicial arrangements set in place. The Convention provides for two procedures that can result in revocation of a Community patent.

Firstly, an application for revocation may be filed direct with the European Patent Office. If the Revocation Division finds that the grounds for revocation laid down in the Convention are met, it revokes the patent with effect throughout the Community.\(^{16}\)

There is, however, a second means of obtaining revocation of a patent: it is to bring a counterclaim for revocation before a national court in which an infringement action has already been initiated. In such cases, if the court finds that any of the grounds for revocation laid down in the Convention prejudices the maintenance of the Community patent, it orders the revocation of the patent.\(^{17}\) A judgment by a national court of first instance which has become final and orders the revocation of a Community patent has the same effects in all Contracting States. Notwithstanding the possibility of bringing the matter before the Common Appeal Court in such cases,\(^{18}\) the powers which are conferred by the Convention on a single national court to order the revocation of a Community patent throughout the Community is considered by some to be a potential source of legal uncertainty. Some potential users of the Community patent system take the view that there is too great a risk of a patent covering a territory as vast and economically important as the Community being revoked by a judgment handed down by a single national court.

This is compounded by a further difficulty: once the validity of a Community patent has been challenged by a counterclaim before a national court following an infringement action, any

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\(^{13}\) Article 30(1) and (2) of the Community Patent Convention.

\(^{14}\) Figures are taken from documents produced by the European Patent Office in Munich, which uses the German mark as its reference currency.

\(^{15}\) In the Community of Twelve.

\(^{16}\) Articles 55 to 58 of the Community Patent Convention.

\(^{17}\) Articles 15(2) and 19(1) of the Protocol on the settlement of litigation.

\(^{18}\) Articles 21 and 22 of the Protocol on the settlement of litigation.
other national court in which another infringement action has been brought must normally stay the proceedings.\textsuperscript{19} In view of the length of proceedings, which are often pursued up to a third judicial tier, the criticism is levelled against this rule that it is liable to result in implementation of the legal protection conferred by the Community patent being held in check.

Questions

- Do you share the view that the main weaknesses of the Community patent in its present form (Luxembourg Convention) are (i) its high cost due to the obligation to have the patent specification translated into all Community languages and (ii) the legal uncertainty associated with the judicial arrangements? Can you see any other disadvantages?

**3.3 The problem of the cost of translations and possible solutions**

If the view is taken that the cost of translating the Community patent specification into all Community languages constitutes a major stumbling-block to the success of the Community patent, then solutions must be contemplated. But we must acknowledge from the outset that it is a thorny problem.

One solution that can be contemplated is that envisaged by the original version of the Luxembourg Convention, which dates back to 1975. The general idea was to limit the translation requirement to the patent claims (Article 33). But this limited translation requirement could be extended by means of the reservation provided for in Article 88, whereby any Member State could declare that, if the patent specification was not published in one of the official languages of that State, the proprietor of the patent could not avail himself in that State of the rights conferred by the patent. The system established by the 1975 Luxembourg Convention thus involved compulsory translation of the patent claims only, either at the time the patent was granted or shortly afterwards. Any Contracting State also had the right to demand a translation of the patent specification, the proprietor of the patent being free to decide when to file the translation, according to his protection needs.

This solution would enable the patentee to decide how urgently he needs protection in a particular Member State and would allow him flexibility in choosing the point when he files a translation of the patent specification. The provision draws a distinction between cases where the patentee files the translation of the patent specification within three months of the date of publication of the mention of the grant of the patent, more than three months but less than three years later, or after three years have elapsed. In the first case, the patentee can avail himself of the rights conferred by the patent as soon as the translation is filed. In the second case, he can do so from the same point in time but, in respect of use of the invention without his consent before the translation is filed, he can avail himself of the rights conferred by the patent only to the extent of claiming reasonable compensation. In the third case, any person who has used or made effective and serious preparations for using the invention before the translation is filed may continue to use it on reasonable terms.

A second solution was discussed at the 1989 Conference on revising the Convention and appeared to meet with fairly broad agreement. It involved leaving the requirement for translation of the full specification intact, but failure to file the translation in one or more

\textsuperscript{19} Article 34 of the Protocol on the settlement of litigation.
languages was not to result in revocation of the Community patent: its sole consequence would be that the patent would not take effect in the Member State(s) concerned. This would constitute an exception to the unitary character of the Community patent and would make it similar in that respect to the European patent.

A third solution that can be considered with a view to reducing translation costs is the “package solution” developed by the European Patent Office for the European patent. The three main features of this solution are:

- publication, at the same time as publication of the application or as soon as possible thereafter, of an enhanced abstract in the language of the proceedings and, subsequently, of translations into the languages of all Member States;

- translation of the patent claims only at the time the patent is granted;

- 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.

The aim of the package solution is to improve the supply of information on patents and to eliminate the serious disadvantages inherent in the existing system while alleviating the financial burden on applicants.

On the basis of the projections established by the EPO it can be estimated that, if it were transposed to the Community patent, the package solution would involve the preparation of the enhanced abstract, at a cost of approximately DM 100, and its translation into ten languages at DM 120 per language, i.e. a total translation cost for the new abstract of some DM 1 300. Since a patent contains on average 3.5 pages of claims, and assuming that the translation of claims would cost DM 500 per language, the average translation costs for the claims would work out at DM 5 000.

Total translation costs would therefore be in the region of DM 6 300 per patent application, which would represent a saving of some DM 18 700 per application in comparison with a situation in which the complete patent specification had to be translated into all Community languages.

Other solutions to the translation problem can be contemplated:

- doing away with the requirement for translations altogether or requiring translation of the claims only;

- establishing a system of translation “on demand”, whereby a translation would have to be provided only if a third party were to demand one. To finance such a system, it would be necessary either to set up a reserve fund to cover the cost of any translations that were demanded or to introduce a levy to cover the costs of insuring against such an eventuality;

- the patent specification could comprise a summary description, which would contain the information essential to an understanding of the invention and interpretation of the claims.
and would be translated, together with an annex containing a more comprehensive description that would not normally have to be translated. A variation on this idea was recently made public: the shortened version of the description. This would involve the description being condensed, at the initiative of the applicant but with the cooperation of the examiner, on completion of the substantive examination of the application.

Whatever the scenario chosen, it appears to have been accepted that, in the interests of optimum efficiency, the filing of translations should not be devolved to the national patent offices but should be centralized at the European Patent Office. This is the approach taken in the Luxembourg Convention.

Questions

- With a view to reducing translation costs, are you in favour of a system based on Articles 33 and 88 of the 1975 Luxembourg Convention or the “package solution” developed by the European Patent Office?
- If neither of the above solutions were feasible, would you be in favour of an arrangement that would constitute an exception to the unitary character of the Community patent, whereby failure to file translations would result in the patent not taking effect in the Member State(s) concerned?
- Do you regard the other alternative solutions that have been proposed for reducing translation costs as appropriate and promising (translation on demand, shortened description, etc.)?
- Do you share the view that centralization of the filing of translations of Community patent specifications at the European Patent Office, as provided for in the Luxembourg Convention, is an important aspect of the translation arrangements?

3.4 The problem of the judicial arrangements and possible solutions

The problem posed by the judicial arrangements set in place by the Luxembourg Convention was described in point 3.2 above. To remedy the presumed disadvantages of these arrangements, it should be seen whether adjustments can be made to the machinery in the context of a Community initiative aimed at integrating the Community patent more effectively into the legal system covered by the Treaty.

One solution would be to give Member States’ national courts jurisdiction for infringement actions, actions for a declaration of non-infringement and all actions in respect of the use made of the invention prior to publication of the mention of the grant of the patent. On the other hand, actions for revocation of Community patents could fall within the exclusive jurisdiction of a new revocation division to be set up within the European Patent Office. In other words, contrary to the provisions of the existing Convention, the national courts would not have jurisdiction for counterclaims for revocation of Community patents.

If a counterclaim for revocation were brought before a national court in response to an infringement action, the court would have to stay the infringement proceedings until the competent revocation division at the EPO had decided on the validity of the patent. In other words, questions to do with the validity and revocation of Community patents could no

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21 Chiefly to avoid the consequences of Article 20 of the Protocol on the settlement of litigation.

22 Article 15(1)(d) of the Protocol on the settlement of litigation.
longer be decided by national courts, but only by bodies operating at Community level. To prevent any proliferation of counterclaims for revocation by alleged infringers, it would no doubt be necessary to limit the obligation to stay the proceedings to cases where the court hearing the infringement action considers that there are serious grounds affecting the validity of the Community patent.

Starting from two separate lines of action, jurisdiction for validity and revocation questions would be exclusively conferred on a body operating within the EPO and, thereafter, the Court of First Instance of the European Communities. Two avenues would thus be open for securing the revocation of a Community patent:

- filing an application for revocation direct with the European Patent Office; or
- bringing a counterclaim for revocation before a national court, which would have to stay the proceedings until the revocation division had taken its decision. Having due regard for that decision, the national court could then settle the dispute over infringement.

As regards the conditions in which an application for revocation may be filed, the grounds for revocation, examination of the application, revocation or maintenance of the patent, and publication of a new specification following revocation proceedings, the present wording of Articles 55 to 59 of the Luxembourg Convention could probably be maintained.

To allow appeals against decisions on the validity of Community patents, an appeal to the Court of First Instance of the European Communities (CFI) would lie from decisions taken by the revocation divisions. Appeals could be brought on grounds of lack of competence, infringement of an essential procedural requirement, infringement of the Treaty or of the legal instrument establishing the Community patent or of any rule of law relating to their application, or misuse of powers. The CFI would be competent both to revoke and to reverse the decision challenged. Certain questions to do with the organization of the CFI’s work could arise in this context, and the possibility of setting up within the CFI a specialized chamber for dealing with Community patent issues could be considered.

A final appeal would lie from decisions on Community patents by the Court of First Instance to the Court of Justice of the European Communities. This right of appeal would be restricted to points of law.

To ensure that these arrangements are fully effective, it would have to be clearly stipulated that decisions which have become final and which order the revocation or amendment of a Community patent have the same effects in all Member States.

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23 Article 55 of the Community Patent Convention.

24 If this suggestion were accepted, the detailed arrangements for setting up the new revocation division at the EPO and the possibility of appealing against its decisions before the Community Courts would be the subject of detailed study; this would hinge chiefly on the nature of the legal instrument chosen for setting these procedures in place.

25 Article 168a(1) of the EC Treaty.
Another possible solution would be based more closely on the architecture of the 1975 Convention. Under the Convention, a national court in which an action for infringement had been brought would retain jurisdiction to decide on a counterclaim for revocation; however, its decision on that counterclaim would affect the Community patent only in the Member State in which the court was located. An exception to this limitation of the effect of the decision could be contemplated in cases where an action for infringement brought before a court in the Member State of the alleged infringer’s domicile related to infringements committed in another Member State. In such cases, the revocation order would affect the Community patent in that other Member State too. Such a solution would shield the proprietor of the patent from the risk of generalized and immediate revocation of his right.

A general point needs to be made here. It is not possible to create new courts under legal arrangements which are covered by the Treaty, unlike the arrangements established by the Luxembourg Convention, which involve setting up a common appeal court for Community patents. Under legal arrangements covered by the Treaty, cases can be heard only by the Court of First Instance or the Court of Justice of the European Communities; the solution outlined here therefore does not envisage the creation of a common appeal court for patents.

Question

- As far as judicial arrangements are concerned, are you in favour of a system:
  - which would give exclusive jurisdiction for revocation proceedings to bodies operating within the European Patent Office (revocation division) and, on appeal, to the Court of First Instance of the European Communities, or
  - which would leave jurisdiction for revocation proceedings with national courts, while restricting the effects of their decisions to the territory of the Member State in which they are located?

3.5 Fees

It should first be stressed that the European Patent Office should be in charge of technical operation of the Community patent, whether the latter comes into existence in the manner provided for by the Luxembourg Convention or in a legal form that is covered by the Treaty. The procedural fees (filing fee, search fee, examination fees, etc.) levied in the case of the European patent will therefore likewise apply to the Community patent. At its December 1996 meeting, the Administrative Council of the European Patent Organization took two major decisions designed to reduce procedural fees significantly. One of those decisions reduces the amount of the filing, search and designation fees, while the other postpones the date on which designation fees fall due to six months after publication of the search report.

These new procedural fees, which are to come into effect from 1 July 1997, would also apply to the Community patent. There should be no designation fee for the Community patent since it is unitary and affords uniform protection throughout the Community; no particular Member State is, strictly speaking, “designated”. If a designation fee or its equivalent were

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26 The filing fee is to be reduced from DM 600 to DM 250, the European search fee from DM 1 900 to DM 1 700, the international search fee from DM 2 400 to DM 2 200 and the designation fee from DM 350 to DM 150. The reductions will represent a total saving of DM 124 million in a full year.
nevertheless applied, it would at the very least have to be capped so that it did not exceed the amount paid for a limited number of designations in the case of the European patent.

If the Community patent were to migrate towards a legal system covered by the Treaty, the financial provisions relating to renewal fees would have to be revised. The 1989 version of the Luxembourg Convention provides that revenue derived from fees, less the payments to the European Patent Organization by way of renewal fees, are to be distributed among the States parties to the Convention in accordance with a scale laid down therein.27 Under a legal system covered by the Treaty, such a system could not work and would have to be abolished.

The body in charge of operation of the Community patent system should be financially in balance, which means that it should retain all the different fees paid by users. The revenue side of its budget should therefore comprise, without prejudice to other items, the revenue from fees payable under the fees regulation and, if necessary, a contribution charged to the general budget of the European Communities. The regulation on fees for the Community patent should, for its part, be adopted by way of the committee procedure, on a proposal from the Commission.

Fees should be set such that the corresponding revenue normally enables the budget to be balanced. This means that, as a general rule, the body operating the system would not be able to make over any share of the revenue to other national or international bodies.

Lastly, given the unitary character of the Community patent and therefore the absence of any choice as regards the geographic extent of the protection it confers, thought should be given to the question of whether additional measures should be taken on the fees front in order to make the system attractive to users. The possibility should be discussed of setting the renewal fees for the Community patent payable to the European Patent Office such that they amount to less than the total amount of the renewal fees for a European patent covering the whole of the Community.

It has also been suggested that the proprietor of a Community patent should have the option of not paying a share of the annual renewal fee corresponding to certain Member States; this would make the system more flexible and would enable the Community patent to be renewed in respect of some Member States only. This system, which is sometimes referred to as the “à la carte Community patent”, would introduce a form of partial waiver of rights, restricted to certain Member States, through non-payment of a proportion of the annual renewal fees.28

Questions

- Should the financial arrangements laid down in the Luxembourg Convention and the European Patent Convention concerning the renewal fees for Community patents be amended such that the revenue from these fees accrues in full to the European Patent Office in order to defray the costs of granting and administering Community patents?

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27 Article 20 of the Community Patent Convention.
28 This would require the amendment of Articles 48 and 49 of the Community Patent Convention.
Given the alternative means of protection available to users (European patent, national patents, etc.), do you consider that further measures are necessary to make the Community patent system attractive, for example a reduction in renewal fees?

Would it be feasible to give proprietors of Community patents the option of partial waiver of the protection they confer, in respect of a limited number of Member States, through non-payment of the annual renewal fees?

### 3.6 Links to be established between the Community patent and the European patent

The Community patent should be a unitary system conferring rights that can be relied on throughout the Community. The larger the Community becomes, the wider the geographic coverage of the protection. This will no doubt be an advantage, but it could also prove problematic for some businesses, which might find it difficult to assess, at an early stage in the procedure, the need for such extensive protection. In addition to the possible need for protection in certain countries that are not Member States of the European Community, the European patent will retain its usefulness in that it enables the firm concerned to designate certain countries and not necessarily all the Member States.

There is therefore undoubtedly a need to introduce some flexibility into the patent system in Europe, and this could possibly be achieved by establishing links between the Community patent and the European patent. The advantage of allowing such conversion would be that it would make it possible initially to cover the whole of the single market and then to limit the geographic coverage only during or towards the end of the procedure for the grant of the patent.

An applicant for a Community patent would thus be able to ask for his application to be converted into a European patent application as long as the application existed in legal terms (which would not be the case if the application had been withdrawn or was deemed to have been withdrawn or if it had been refused). A European patent application deriving from the conversion of a Community patent application would have the same date of filing or priority as the Community patent application it replaces.

The opposite situation, in which a European patent application could be converted into a Community patent application, would be more difficult to envisage, except in cases where the European patent application designated all the Member States of the European Community.

It should furthermore be borne in mind that the possibility of converting a Community patent (once it has been granted) is already provided for by the second sentence of Article 30(6) of the 1989 Luxembourg Convention.

### Question

Do you think it necessary to establish links between the Community patent and the European patent, for example by making it possible to convert a Community patent application into a European patent application? Would you wish to see any other links established? If so, how could they operate?

### 3.7 Other questions

The Annexes to the Agreement relating to Community patents signed in Luxembourg in 1989 contain several declarations and resolutions on certain substantive points of patent law.
In the context of a new initiative regarding the Community patent, thought could be given to the question of whether action should be taken on some of these resolutions.

The resolution on common rules on the granting of compulsory licences in respect of Community patents has become largely irrelevant since a comprehensive set of rules governing compulsory licences has been incorporated in the GATT/WTO Agreement on trade-related aspects of intellectual property rights (TRIPs). If a new initiative covered by the Treaty were taken in the field of the Community patent, all the provisions of the TRIPs Agreement could be either reproduced in full or explicitly referred to in the legal instrument used.

According to the resolution concerning prior use or possession, a procedure is to be initiated for revising the Convention in order to create a right, based on prior use or possession of an invention which is the subject-matter of a Community patent, which will have uniform effect throughout the territories of the Member States. The right of prior use or possession depends on good faith. It is debatable whether there is any need for further action in this area in order to ensure that the effects of prior use or possession are uniform throughout the Community. It should be borne in mind that all European countries agreed on rules governing prior use in the context of the first part of the diplomatic conference for the conclusion of the treaty on patent harmonization (The Hague, 1991).

Question

- Do you think that questions of prior use or possession need to be harmonized at Community level in the context of a new initiative concerning the Community patent?

4. FURTHER HARMONIZATION AT COMMUNITY LEVEL

4.1 The need for further harmonization at Community level

The European Community has been able to use its powers to legislate in the patents field, notably in order to take account of technological progress in sectors with high value added. Two Parliament and Council Regulations have thus been adopted creating a supplementary protection certificate for pharmaceutical and plant-health products with a view to plugging the gap in protection that was penalizing research into those products. In another field, the Commission has proposed an instrument specifying the conditions in which a patent may be obtained for a biotechnological invention.

These examples demonstrate that if the need is clearly established, the Community is capable of proposing and adopting appropriate legislation. The question arises whether further harmonization, at Community level, of patent law in other areas of technology or on other aspects would be desirable.

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29 Article 31(a) to (l) of the TRIPs Agreement.

4.2 The patentability of computer programs and software-related inventions

The development of the information society and electronic commerce offers the European economy a genuine opportunity but also confronts it with new challenges. The design and constant improvement of new computer programs and software is set to play a major role in the development of the information society and electronic commerce since the programs concerned have to afford swift, reliable and accurate access to the information and interactive services sought. The Commission has already taken certain steps with a view to setting in place legislation ensuring, throughout the Union, an adequate level of protection of innovation linked to the information society. In November 1996 it thus adopted a communication on follow-up to the Green Paper on copyright and related rights in the information society.\(^{31}\) Rules on copyright and related rights are essential if the information society and electronic commerce are to function properly in the European Union, since the content of most of the new services lends itself to protection by intellectual property rights.

In the European Community today, computer programs can enjoy copyright protection as literary works\(^{32}\) but cannot be protected “as such” by patents. The patentability of software-related inventions does not call into question the existing protection of software by copyright law. Faced with the increasing importance of software, the European Patent Office and the national patent offices of some Member States have in recent years granted thousands of patents protecting logical models composed of basic ideas and principles that constitute “technical solutions to technical problems”. These patents were not granted for the software \textit{per se} but in respect of software-related inventions consisting of hardware and specific software.

At international level, Article 27 of the TRIPs Agreement does not rule out the patentability of computer programs, and some non-member countries do allow them to be the subject-matter of patents. On 28 February 1996 the United States published new guidelines for examiners concerning software-related inventions: whereas a claim relating to a mathematical algorithm was accepted in the past only if a physical transformation was present, a more pragmatic approach is advocated today based on the necessary “utility” of the invention. This has the effect of broadening the scope of software-related inventions that are patentable. Software was, however, already extensively patented in the United States: a computer program carried on a tangible medium, e.g. a diskette, was patentable even before the new guidelines were published.\(^{33}\)

Japan is also examining whether the guidelines issued to examiners on this question need to be amended. On 8 August 1996 the Japanese Patent Office thus published new draft guidelines in accordance with which computer programs would not be patentable as such, but inventions would be patentable where they involved a high degree of “technological” creativeness using the laws of nature.

\(^{31}\) COM(96) 568 final, 20.11.1996.


\(^{33}\) Decision of the US Patent and Trademark Office of 26 April 1996 in \textit{re Beauregard}. 

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In the Community, interested parties have already been consulted on these matters via the questionnaire on industrial property rights in the information society drawn up by the Commission in July 1996. The answers received vary widely: some respondents wished to see the present balance maintained between copyright (for programs as such) and patent protection (for software-related inventions) and action limited to ensuring that the relevant provisions are applied uniformly in the different Member States; others felt, on the contrary, that the time had come to reshape the system and, in particular, to consider deleting Article 52(2) of the European Patent Convention so as to allow the patentability of computer programs as such. In the opinion of those advocating such an approach, the requirement that the invention be of a “technical” nature should be maintained but once such a feature was present, a program which is recorded on a medium and puts the invention into effect once it is loaded and started up would become patentable.

Given the position taken by some interested parties, who advocate deleting Article 52(2) of the European Patent Convention, the possible practical consequences of such a step need to be examined, with special reference to the simultaneous application of copyright law and patent law to the same work or invention.

Questions

- As far as the patentability of computer programs and software-related inventions is concerned, do you think that:
  - existing differences between judicial precedents in the Member States are liable to create barriers to trade or distort competition?
  - differences between Europe and its main trading partners are liable to create difficulties for European firms?
  - these differences call for further harmonization at Community level in this area?
- As far as the patentability of computer programs and software-related inventions is concerned, do you think that deletion of Article 52(2) of the Munich Convention should ultimately be proposed?
  - If so, what is your view of the simultaneous application of copyright law and patent law to the same creation or invention?
  - If not, do you nevertheless think that the guidelines for EPO examiners should be amended in this respect?

4.3 Employees’ inventions

There are at present great differences between Member States’ rules governing inventions by employees. Employees’ inventions are inventions made by research staff or technical staff (researchers, engineers, etc.) under an employment contract with a firm or laboratory. In some Member States the question is dealt with in general terms by patent law (e.g. in France\(^\text{34}\) and the United Kingdom\(^\text{35}\)); in others a specific law has been enacted, as in Germany and Sweden. The general rule which is common to all such legislation is that if an invention is made in the course of the employee’s normal duties under his employment

\(^{34}\) Article L.611-7 of the Intellectual Property Code.

\(^{35}\) Sections 39 to 43 of the Patents Act (“Employees’ inventions”).
contract (i.e. if the employee has an inventive role), the patent belongs to the employer. For the rest, the precision of the legislation varies greatly from one Member State to another. Some laws contain procedural provisions on the filing of patent applications by the inventor, stipulate whether the inventor can or must have his name mentioned on the patent, etc. Other laws distinguish between “permanent”, “temporary” and “occasional” inventive roles, with different rules for determining ownership of the patent in each case. Other laws, such as the German act, contain a long series of provisions relating to the remuneration of employees with an inventive role and lay down the precise method for calculating additional remuneration.

Clearly, the application of these different rules by businesses has an impact on research work and management. The more the legislation is detailed and complex, the more human resources the firm has to devote to the management of such matters. It could be that differences between national laws on employees’ inventions are having an effect on the freedom to provide services in the single market and/or on the conditions of competition.

Question

- Are existing differences between Member States’ laws on employees’ inventions likely to have an impact on innovation and employment conditions and/or the freedom to provide services and/or the conditions of competition? Are they such as to justify harmonization at Community level?

4.4 Formalities, use of patent agents and recognition of professional qualifications

4.4.1 Formalities

Formalities currently differ between Member States as regards the forms to be completed, time-limits to be observed, information to be provided, the way in which information has to be presented and legalization of documents. Procedures also occasionally differ following the grant of a patent. This means that detailed knowledge of each national system is necessary in order to be able to give valid advice to applicants or patentees. Work currently in progress within the World Intellectual Property Organization (WIPO) with a view to concluding a treaty harmonizing patent law with regard to such formalities shows the way forward. It is questionable whether, once such a treaty were adopted, there would be any need to engage in further harmonization of formalities at Community level, for example with regard to the information required on the invention, the inventor and the applicant, the way in which the information is to be presented and the degree of authentication required, and the number of forms to be completed, so that the application is treated in the same manner throughout the Community.

4.4.2 Use of patent agents

Most Member States’ laws contain provisions which, in one way or another, require applicants for or proprietors of patents to have a domicile or address for service in their territory insofar as the protection requested there is granted. The applicant, or his representative, is not usually allowed to deal direct, from his home Member State, with the patent offices of the other Member States without having a domicile or address for service in those Member States.
Some national rules also make it mandatory to use the services of a qualified representative who is domiciled in the national territory. These rules prevent a single representative, domiciled in one Member State, acting for his client *vis-à-vis* the patent offices of the other Member States.

In connection with this question, the Court has stated in *Säger v Dennemeyer* that, having regard to the particular characteristics of the provision of services in certain sectors of activity, specific requirements imposed on the service provider cannot be regarded as incompatible with the Treaty, particularly where they are intended to protect the recipients of the services in question against the harm which they could suffer as a result of legal advice given to them by persons who did not possess the necessary professional or personal qualifications. However, as a fundamental principle of the Treaty, the freedom to provide services may be limited only by rules which are justified by imperative reasons relating to the public interest and which apply to all persons or undertakings pursuing an activity in the State of destination, insofar as that interest is not already protected by the rules to which the service provider is subject in the Member State in which he is established. In the case of the monitoring and renewal of patents through the payment of fees, the service provider does not advise his clients but confines himself to alerting them when the renewal fees have to be paid. The Court held that rules reserving such services for persons holding a special professional qualification, such as lawyers or patent agents, were disproportionate in relation to the objective sought.

It is worth considering whether the consequences of this judgment should be codified in some way at Community level, either through legislative harmonization or by means of an interpretative communication, and whether any such instrument should also cover other procedural aspects such as addresses for service and requirements regarding domicile. In any event, such codification would not affect the possibility of initiating infringement proceedings if certain national rules were to prove incompatible with the freedom to provide services (Article 59 of the EC Treaty) or the right of establishment (Article 52 of the EC Treaty).

### 4.4.3 Professional qualifications

As far as professional qualifications are concerned, the scope of Directive 89/48/EEC includes qualifications in the field of patents. Under that Directive, professional qualifications acquired in one Member State must be recognized throughout the Community, but the Member States are entitled to require the person concerned either to undergo an adaptation period or to take an aptitude test. The form this aptitude test is to take and the topics covered have so far not been finally decided in several Member States.

In accordance with the Directive (see in particular Article 1(g)), and indeed with the proportionality principle, the aptitude test should be limited to what is necessary. Since the substantive law practised by the professional has already been to a great extent harmonized and transposed by the Member States, the aptitude test should be limited to cases where the matters covered by the applicant’s education and training “differ substantially from those covered by the diploma required in the host Member State”. The European qualifying...
examination (Article 134(2)(c) of the European Patent Convention) could also be deemed, as far as patents are concerned, an adequate qualification for making representations to the national offices.

In its judgment in *Gebhard* the Court of Justice held that the possibility for a national of a Member State of exercising his right of establishment, and the conditions for his exercise of that right, must be determined in the light of the activities which he intends to pursue on the territory of the host Member State. 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).

**Questions**

- On the question of the harmonization at Community level of the procedural formalities connected with the grant and renewal of patents:
  - Do you think that such harmonization is necessary and, if so, that it should cover the use of patent agents, addresses for service and the choice of domicile? Can you suggest any other topics that should be covered?
  - Do you think that any such harmonization should take the form of legislation (a directive) or of a recommendation addressed to Member States?

**4.5 Additional measures to make the patent system more attractive**

It is clear that one of the obstacles to optimum use of the patent system in Europe is the cost involved not only in obtaining protection, but also in enforcing it before the courts. Suggestions have been made for facilitating use of the patent system by businesses, and in particular SMEs.

One line of action could be to harmonize national laws on utility models, a particular form of protection for technical innovation that can be obtained swiftly and cheaply and is well-suited to the needs of many SMEs. In the patents field, consideration could be given to the possibility of setting up a system of legal costs insurance that would be financed individually by each patent holder. If a business which had taken out an insurance policy of this type had to take court action in order to enforce the rights conferred on it by a patent, it would be entitled to submit a claim to the insurance company for reimbursement of its costs. Various alternative arrangements could be considered: either individual policies taken out by firms, or an insurance pool that could be joined, on a voluntary basis, by all businesses in a given sector, in order to spread the risks more evenly. In the case of SMEs in particular and given the difficulties they usually face in securing protection for their innovations, some form of public financing (or part-financing) of the system of legal costs insurance could be considered.

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39 Directives must be transposed into national law by Member States, whereas recommendations are not legally binding.

40 Green Paper on the protection of utility models in the single market (COM(95) 370 final, 19.7.1995).
Since the idea would be to enable private initiatives to develop (such as the insurance pool) or to allow action at national level (such as public financing), care would clearly have to be taken to ensure that such measures were compatible with Articles 85 and 92 of the EC Treaty.

Question

- To make the patent system more attractive, particularly for SMEs, how do you think that implementation of the protection afforded by patents could be facilitated? What are your views on the possibility of introducing legal costs insurance in the patents field? Do you consider that additional harmonization measures need to be taken at Community level in this area?

5. THE EUROPEAN PATENT

5.1 General structure of the European patent

The European patent came into existence following the conclusion of the European Patent Convention, which was signed in Munich on 5 October 1973. The Convention establishes a single procedure for the grant of patents, which, once granted, are subject to the national rules of the Contracting States designated in the application. The number of member countries of the European Patent Organization is currently 18. It is worth noting that, under the Europe Agreements concluded between the European Community and its Member States, on the one hand, and the countries of central and eastern Europe, on the other, the central and eastern European countries have undertaken to be ready within five years to apply to join the Munich Convention.

According to opinions voiced by users of the patent system in Europe, the European patent is giving ample satisfaction both in terms of the calibre of the work carried out by the European Patent Office and in terms of the value of the protection right which it confers. Two major improvements are, however, eagerly awaited by users. One concerns the patentability of biotechnological inventions, an area in which the present uncertainties should be resolved through early adoption of the new proposal for a Directive presented by the Commission in late 1995. The other relates to reductions in the fees charged by the European Patent Office and changes to the rules governing translations of the European patent; the first issue has been settled and the second is currently under discussion within the Office.

For the rest, the current structure of the patent system in Europe, in which the European Patent Office is an international organization set up by treaty and is therefore independent of the Community, does not appear to pose the slightest problem for users. It should be stressed that the European Commission is entitled to attend meetings of the Administrative Council of the European Patent Organization as an observer and that it decided, three years ago, to avail itself fully of the opportunities thus available to it for making its views known on issues of common interest to both organizations.

Question

- Do you share the view that the current structure of the European Patent Office, a body which is independent of the Community institutions, does not entail disadvantages for users which should be overcome through a different legal structure which is more closely integrated into Community law?
5.2 The problem of the cost of the European patent

5.2.1 Fees

In 1996 the Administrative Council of the European Patent Organization, supported by the Commission, came to the conclusion that, in view of the Organization’s revenue and the persistent level of its surpluses, a reduction in the cost of patents should be considered and a signal given to users of the system.

The thrust of the decision on the level of fees taken by the Administrative Council on 6 December 1996 was explained in point 3.5 above. This was a highly significant decision, which demonstrated that the European Patent Organization had taken on board the criticisms voiced by users and was able, in the prevailing circumstances, to respond positively. The Administrative Council also decided on that date that applicants for European patents would no longer have to pay the designation fees when filing the application but could do so up to six months after publication of the search report.

These decisions are in line with the wishes of users. On the assumption that the European Patent Office will at some time in the future again have some room for manoeuvre financially, it is worth considering which fees should be reduced as a matter of priority.

Another question which is repeatedly raised in Europe is whether it would be desirable to introduce, as has been done in the United States, a special scale of fees - e.g. 50% lower - for SMEs. Such an approach, which could be applied not only to SMEs but also to individual inventors and universities, would involve reducing all the fees payable by a uniform rate. The problems to do with the definition of small and medium-sized enterprises have been resolved by the Commission Recommendation of 3 April 1996, which standardizes the definitions of SMEs, small enterprises and micro-enterprises used at Community and national level. But it should be examined whether all SMEs would automatically qualify for reduced fees, and the effects that reduced fees for SMEs would have should also be studied in detail. At the present time, some 41% of European patent applications originating in Europe are filed by SMEs (i.e. businesses with fewer than 250 employees); consequently, in a balanced budget situation, a 50% reduction for SMEs would have to be offset by a general increase in fees of approximately 22%. It could also prove necessary to stipulate that any false representations in this connection would lead to the loss of protection, along the lines of the system in place in the United States (“fraud on the Office”).

Questions

- If, while maintaining standards of quality and efficiency, the European Patent Organization were in a position to continue its drive to control costs and further reduce the fees charged by the Office, which fees should be reduced as a matter of priority?
- Do you think that other aspects of the system of fees for the European patent should be changed? Can you see an advantage in, or a need for, introducing reduced fees for SMEs, along the lines of existing arrangements in the United States (“small entities fees”)?

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41 OJ No L 107, 30.4.1996.
5.2.2  The distribution of revenue from renewal fees

Under the Munich Convention, the amounts of the procedural fees collected by the Organization and the share of revenue from renewal fees for European patents paid to the Organization by Contracting States must be fixed such that the corresponding income enables the budget to be balanced. Since, once they have been granted, European patents are governed by national law, it is stipulated that the Organization is to receive revenue from the Contracting States by way of a share of the annual renewal fees they collect. Although the Convention stipulates that the proportion of renewal fees to be paid to the Organization may be fixed at up to 75%, the Administrative Council decided in 1984 to reduce it to 50%.

According to estimates that have been made, the result of this share-out formula is that the total revenue of the national offices has on average remained unchanged in comparison with the situation prevailing before the European patent system was introduced, although their workload has on average fallen by half.

Interested parties have repeatedly voiced their opposition to any further reduction in the share of revenue from renewal fees accruing to the Organization and called for the Organization’s surplus income over its expenditure to be used in its entirety in order to reduce procedural fees.

The way in which revenue from renewal fees is used varies greatly between the Contracting States. In some States, the share of renewal fees for European patents retained by the national authorities is not allocated to activities linked to the operation of the patent office or intended to promote innovation since it is paid straight into the general government budget; some commentators have even described such a situation as a “tax on innovation” insofar as the revenue from renewal fees is not earmarked for innovation-related activities. In these circumstances, thought should be given to the allocation and use of revenue from annual fees.

One last point should be made on the question of fees: the total cost of a European patent is also due to the procedures for validating European patents in the different Contracting States and the fees charged in connection with those procedures. The mere cost of publishing a European patent in the different countries thus amounts to DM 4 762.

Questions

- On the question of the distribution of revenue from the renewal fees for European patents:
  - Do you consider it appropriate that revenue from renewal fees for European patents should be partly used to finance the national patent systems?
  - If so, should an objective, non-automatic link be established between the needs voiced by the national systems and the allocation of financial resources in order to make that allocation more transparent?
  - What, in your opinion, are the innovation-related tasks performed at national level that could legitimately be financed via the share-out of revenue from renewal fees for European patents?
  - As far as the promotion of innovation is concerned, is it not the case that some aspects of the share-out system have adverse effects, particularly where the bulk of the resources is paid straight into the general government budget and is not earmarked for activities directly linked to innovation?
5.2.3  Translations

One item that looms large in the total cost of patent protection is the extremely high cost of having European patents translated/validated. It is estimated that European industry alone spends some DM 430 million per year on this item, which means that an “average” European patent granted for the eight most commonly designated Member States costs more than DM 20,000 merely to be translated/validated. Aware of this problem, the Administrative Council of the European Patent Organization has looked into several solutions, and these were outlined in point 3.3 above.

Question

- Do you regard the “package solution” developed by the European Patent Office with a view to reducing translation costs as appropriate and effective? If not, why not? Can you imagine other realistic solutions, bearing in mind that, if they were to be put into effect and to prove effective, they would have to be adopted unanimously or by an overwhelming majority of Member States?