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DRAWN UP BY: Daniel Alge

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of the London Agreement
(on the application of Article 65 EPC)**

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DRAFT

The Practical Consequences of the London Agreement (on the application of Article 65 EPC¹)

On 26 September 2007, the French National Assembly has passed a ratification bill concerning the “Agreement dated 17 October 2000 on the application of Article 65 EPC”² (generally known in the field as the “London Agreement”). On 10 October 2007, this bill was presented in and passed by the second chamber of French Parliament, the Senate. It is therefore likely that the London Agreement will enter into force 2008, because the final ratification of the London Agreement by France is a prerequisite that the Agreement can enter into force³.

The London Agreement was a result of the intergovernmental conference on the European patent system held in France in 1999⁴. This conference adopted a mandate for

- (1) Improving access to the European patent
(under this issue, two aspects were found as important:
 - (A) Reducing the cost of a European patent, and
 - (B) Shortening the grant procedure)
- (2) Harmonising European patent litigation
- (3) Modernising EPO⁵ decision-making
- (4) Effects of disclosures
- (5) EPC Revision Conference

¹ EPC: European patent Convention („Convention on the Grant of European patents” of 5 October 1973)

² OJ EPO (2001), 549–553

³ According to Art. 6 (1) of the London Agreement, the agreement enters into force on the first day of the fourth month after the deposit of the last instrument of ratification or accession by eight Contracting States to the EPC, including the three states in which most European patents took effect in 1998 (Germany, the United Kingdom and France). Since Germany, Iceland, Latvia, Liechtenstein, Monaco, the Netherlands, Slovenia, Switzerland and the United Kingdom have already deposited the instrument of ratification (with the Government of the Federal Republic of Germany)

⁴ Intergovernmental conference of the member states of the European patent Organisation on the reform of the patent system in Europe, Paris, 24 and 25 June 1999 (OJ EPO (1999), 545–553)

⁵ EPO: European patent Office

As a result of this intergovernmental conference, two working parties were set up, one on reducing the cost of European patents (out of which the London Agreement was created) and one on harmonising patent litigation (proposing the EPLA⁶).

Article 65 EPC gives EPC Member States the possibility to prescribe that if the text, in which the EPO granted a European patent (or maintained a European patent as amended for that State (after opposition proceedings⁷)), is not drawn up in one of its official languages, the proprietor of the European patent has to submit (within three months after grant (or maintenance of the patent in amended form)) a translation of the European patent in an official languages of this EPC Member State. This process is termed “validation of a European patent” in the EPC Member State(s) concerned. The validation process usually comprises the making of a translation for this EPC Member State (which is usually done by translation specialists), filing the translation with the national patent office (NPO) of this EPC Member State (which can be done – at least within the EEA⁸ – by any patent proprietor with seat in the EEA) and publication of this translation by the EPC Member State (for which usually also a fee is collected by the NPO).

According to the London Agreement, the proprietor of a European patent will no longer have to file a translation of the specification for patents granted for an EPC Member State party to the London Agreement and having one of the three EPO languages⁹ as an official language^{10,11}. Parties to the London Agreement¹² which do not have one of the three EPO languages as an official language can prescribe one of the official languages of the EPO¹³. If the European patent has been granted in the language these parties have prescribed, the patent proprietor has not to file a translation of the specification in these Member States. Only in the case that the European patent has been granted in another official EPO language as the prescribed official EPO language¹⁴ the patent proprietors has to submit a full translation of the specification in the official language of this Member State (as required by Article 65 EPC)¹⁵.

⁶ Draft Agreement on the establishment of a European patent litigation system (latest version, dated December 2005, available at EPO website [http://documents.epo.org/projects/babylon/eponet.nsf/0/F4CF2F6008160AB4C125723D004B0707/\\$File/latest_draft_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/F4CF2F6008160AB4C125723D004B0707/$File/latest_draft_en.pdf))

⁷ or: according to EPC 2000: after limitation proceedings

⁸ EEA: European Economic Area

⁹ German, English and French

¹⁰ Currently Germany, France, Liechtenstein, Switzerland, Luxembourg, Monaco and the United Kingdom

¹¹ Art. 1 (1) of the London Agreement

¹² i.e. EPC Member States which are party to the London Agreement

¹³ which obviously will be English, because this is the language chosen as their „prescribed language“ by most, if not all signature countries of the London Agreement with no EPO language

¹⁴ obviously, if it has been granted in French or German (see footnote 13)

¹⁵ Art. 1 (2) of the London Agreement

Furthermore, the parties to the London Agreement which do not have one of the three EPO languages as an official language have the right to require that a translation of the claims into one of their official languages be supplied (according to Article 65 EPC)¹⁶.

Only in case of a dispute relating to infringement of a European patent, the patent proprietor has to supply a full translation of the European patent into an official language of the Member State, either at the request of an alleged infringer or at the request of the competent court or quasi judicial authority in the course of legal proceedings¹⁷.

The present paper discusses the practical consequences of the London Agreement for the users of the European patent system.

1: The London Agreement will reduce costs of the patentee for validating European patents

Without doubt, the London Agreement will lead to a significant reduction of the costs for validating European patents. If the European patent is granted in English, a patent proprietor will have no validation costs (translation costs, filing costs for filing the translation with the NPO of the EPC Member State and publication costs for publication of this translation by the EPC Member State) in Germany, France, Iceland, Latvia, Liechtenstein, Monaco, the Netherlands, Slovenia, Switzerland and the United Kingdom. Since already under the current Article 65 EPC practice, no validation costs are due (for a patent granted in English) for the United Kingdom¹⁸, Monaco and Luxembourg¹⁹ and Germany and Switzerland/Liechtenstein have a common language (German), the patentee saves the costs for 6 validations under the London Agreement. The cost savings are higher if more EPC Member States become party to the London Agreement.

2: The London Agreement will not facilitate or improve (European) companies' access to the European patent system

The intergovernmental conference mandated that access to the European patent system should be improved. In fact, the first (and primary) heading of the mandate was "1 – Improving the access to the European patent". However, under this primary heading, only the points of "Reducing the cost of a

¹⁶ Art. 1 (3) of the London Agreement

¹⁷ Art. 2 of the London Agreement

¹⁸ because English is an official language

¹⁹ because these two countries have not made use of the possibility under Art. 65 EPC

European patent” and “Shortening the grant procedure” have been outlined by the conference. Both points are not suitable for facilitating the access to the European patent system for companies which are not already familiar with this system. As concluded above under item 1, the London Agreement will save validation costs for those companies which are already (experienced) users of the system. The validation costs are usually due at a late point in time, long after the filing of the application. At this point in time, a cost reduction is appreciated by the patentees but this cost reduction is not a decisive issue for the initial decision whether the company will file a European patent at all.

There is no real or significant cost difference between the European and the US patent system in terms of necessary filing costs. Although the official fees (filing fee, search fee) can be higher at the EPO, this difference in official fees is usually more than compensated by the lower costs of European patent attorneys handling the case compared to US patent attorneys. The difference in costs between the European and the US patent system occurs after grant: Whereas the granting costs and annuities are low in the US, these costs (including validation) are high in the European patent system. This factor was, however, established in the system by intention. Whereas the European patent system wants to be attractive by low initial costs (“low” compared to the previous situation²⁰, where the patentee had to file the patent application separately in all European countries, said applications had already had to be translated into the official language of this country) and by providing only a limited set of “official” EPO languages (English, German and French), it was held important that after grant, the system is “balanced” again with respect to languages, i.e. that those countries which do not have an EPO language as official language can (if they want to) ask the proprietor of a European patent for a translation, if this European patent should have effect in this country. Of course, the disadvantage of these countries (that their residents cannot use their own language before the EPO or get file inspection in their own language) can never be completely “balanced out” in the present system. These countries had to sacrifice these issues for the benefit of the overall success the European patent system had in its more than 30 year history.

Higher validation costs and annuities also serve the purpose that patentees uphold their patents only if they really need them. This is the main reason for the annually increasing annuities. This measure should keep the patent registers free of unused or unnecessary patents and often enables third parties to use a patented technology earlier. If low (as in the US) or no (as in Italy in the recent past) annuities are due, the risk is high that patents are upheld until their maximum protection period. This is done by the patentees for patents which are not even passively used by the patentee only, if the costs for upholding the patents to their maximum duration are not perceptible (or even free; no patent proprietor would in such a case abandon any patent before the maximum duration). This – and the lack of an appropriate opposition procedure – is one of the main reasons, why the US patent system has to fight with issues, such as “patent thickets”²¹ which are not a real problem in the European system²².

²⁰ i.e. before the introduction of the EPC; or for countries having joined the EPC: in these countries before joining the EPC

²¹ An overlapping set of patent rights, which requires those who seek to commercialize new technology to obtain licences from multiple patentees

Apparently, reduction of validation costs as well as reduction of annuities serve (experienced) patent filers, but do not attract innovative companies (which are not experienced in filing patent applications) to the European patent system for protecting their innovations.

In order to facilitate companies' access to the European patent system, especially for European companies which have no or almost no experience with the European patent system, other means have to be provided. Mainly, information should be provided to these companies in their countries. This can most efficiently be done by local experts, such as local patent professionals or NPOs. There should also be the political will in the EPC Member States and in the European Union as a whole to sponsor and aid such information campaigns. Further means to attract companies to the patent system are specifically tested in countries like Japan, Korea and China²³.

It is therefore evident, that the most prominent aim of the intergovernmental conference, namely to propose means and instruments to improve or facilitate companies' access to the European patent system cannot be achieved by the London Agreement.

**3: The reduction of validation costs by the London Agreement
will lead to an enhanced filing of the companies
which already make use of the European patent system**

The reduction in validation costs due to by the London Agreement saves a significant amount of money for those companies which are already users of the European patent system. Those experienced users usually have annual patent budgets which they (have to) spend in the most appropriate manner. If a significant amount of money is saved by the reduction in validation costs, these firms have more money to spend for their patent portfolio. This enables these companies to file more patent applications. Therefore, these companies will file patent applications for inventions for which they had not filed patent applications if the cost had not been saved (inventions which had not been elected as worth for prosecution before). This will lead to a further rise in the number of patent applications filed. Since even the EPO, a vigorous supporter of the London Agreement in the past has recently warned in the well-received publication "Scenarios for the Future" that such steady rise in patent application number could lead to "collapse of the system"²⁴. It is therefore not regarded as being recommendable for the system to attract more patent applications of lower quality from the users already present in the system; the system should attract the inventions of high quality which are currently not filed because of lack of

²² Van Overwalle et al., Nat.Gen. 7 (2006), 142–148; Shapiro in: Innovation Policy and the Economy, Vol. 1 (eds. Jaffe et al.) 119–150 (MIT Press, 2001); Scherer, Acad. Med. 77 (2002), 1348–1367

²³ e.g. China's National Medium- and Long-Term Science and Technology Development (2006–2020), the "Innofund" project (www.innofund.gov.cn); the China Torch Program (www.ctp.gov.cn), etc.

²⁴ www.epo.org/focus/patent-system/scenarios-for-the-future.html

awareness and accession to the patent system, i.e. more patent applications of higher quality from new, hitherto inexperienced users (many of which are innovative European SMEs, which are often not aware of the opportunities an appropriate patent protection offers for bringing their innovations into practice).

Further increase in filings of inventions of lower (inventive) quality also leads to a higher backlog in the EPO (or to a reduction in quality of granted European patents) which could lead to an increased number of innovations which are covered by a multitude of patents or even to “patent thickets”²⁵ – a phenomenon which is observed in the US more often than in Europe due to the higher costs for keeping a patent “alive” up to its maximum duration²⁶. “Patent thickets are generally regarded as being a consequence of high filing numbers and/or high granting numbers in particular fields. They are specifically problematic, if the “thicket” contains patents of “low quality”, i.e. patents which have not been examined diligently enough by the patent office²⁷. The general assumption that “patent thickets” are more a US problem has also been reasoned by the better search and examination quality and the opposition system (allowing third parties to act as a further quality control) the European system offers.

**4: The reduction of validation costs by the London Agreement
will lead to an enhanced validation of European patents,
especially of non-residents of US, JP, KR and CN**

Due to the same reasons as under item 3 above, companies which file and validate European patents can use the benefits of cost savings to perform actions with their patenting budget which they would not have afforded before. Since European users usually know their European market very well, validation strategies of European users have often been diligently established based on this market know-how. It could therefore well be that the validation strategy of European users will not considerably change with the London Agreement.

Non-resident applicants often do not have this knowledge and experience in the European market. For these users²⁸, validation decisions and strategies are more driven by cost reasons (and less by market know-how; this holds specifically true for research-driven companies with no market experience). It can therefore be expected that companies from countries like US, Japan, Korea and China can significantly enhance their validation scope with the London Agreement.

²⁵ Verbeure et al., *European Journal of Human Genetics* 1 (2006), 26–33

²⁶ The costs for filing and granting a European patent are similar (if not lower) to the US patent; however, cost after grant (mainly for validation) and annuities are significantly higher in the European patent system; this requires the patentee to carefully consider whether upholding the patent is necessary; as soon as the patent is not validated or lapses due to non-payment of annuities, third parties cannot be hindered by the patentee to use this invention commercially

²⁷ “Scenarios for the Future” EPO (2007)

²⁸ According to the „WIPO Patent Report 2007“ mainly US, JP, KR, and CN (non-European countries with the highest PCT filing numbers; see chapter F.2 of this Report)

5: The London Agreement will lead to a significantly reduced risk for the patentee with respect to translation issues

Under the current system, a patentee has to file translations in all validating countries²⁹ where he wants to have protection within three months after grant. At this point in time it is often not known whether the patent will have to be enforced in the future. Translations are therefore made on a routine basis. Translation issues, however, can lead to an intermediate user right, if the translation has a narrower scope than the claims granted in the official EPO language, even if the patentee corrects the translation later to the scope originally granted³⁰.

Since – according to Article 2 of the London Agreement – the patentee may only be obliged to file a translation at the request of an alleged infringer or a competent court in the course of legal proceedings, the patentee has the possibility to provide a diligently made translation prepared by highest technical and linguistic standards. The risk that the patentee weakens his position by having filed a translation of reduced quality earlier is therefore completely abolished under the London Agreement. This is a further significant advantage for the patentee, because the risk of enforcement problems due to translation issues are significantly minimised.

6: The London Agreement will lead to an improved position for the patentee when enforcing the patent, because he can adapt and shape the translation of the European patent (within the originally granted wording of the claim) to the infringement issue

Hand in hand with item 5 above, the patentee has the possibility to “shape” the translation of a European patent to be enforced to the infringing subject matter. It is often the case that similar or the same subject matter can be termed in various ways in a translation. Often it is difficult for a patent infringement judge (especially if his technical skills are limited) to decide whether different words mean the same subject matter (as the patentee alleges) or mean something different (as the infringer alleges). Under the London Agreement, the patentee can first investigate the infringing subject matter and the terminology the infringer uses for such subject matter and then provide the translation for the court which is adapted and shaped to the infringing subject matter.

²⁹ Except Monaco and Luxembourg

³⁰ According to Art. 70 (4) (b) EPC, an EPC Member State may prescribe “that any person who, in that State, in good faith is using or has made effective and serious preparations for using an invention the use of which would not constitute infringement of the application or patent in the original translation may, after the corrected translation takes effect, continue such use in the course of his business or for the needs thereof without payment.”; the following EPC Member Countries have made use of this possibility: AT, BG, CH, CY, CZ, DK, EE, ES, FI, FR, GB, GR, HU, IE, IS, IT, (LT,) LU, LV, MC, NL, PL, PT, RO, SE, SI, SK, TR

This reduces the risk for the patentee that issues of terminology create obstacles in enforcement of the patent. Additionally, this possibility it could also be used by the patentee to establish a “broadening” of the scope of the European patent (to the disadvantage of third party users) e.g. in those cases where one and the same term in the patent as granted can be translated with a narrow term (which is perhaps used more in the field) and a broad term (which is infrequently used in the field, but possibly accepted by the court). Although “real” (legal) broadening of the scope of the European patent is generally excluded by Article 123 (3) EPC³¹, such “translation broadening” may well be defended by the patentee by relying on the original language and an infrequent (but nevertheless given) use in the field. However, if the patentee had had filed the translation under the current system (with the – more usual – narrow term), this could have lead to intermediate user rights according to Article 70 (4) EPC. This leads to the result that in cases, where under current practice the infringement proceedings would perhaps deal with questions of equivalents, those cases can be “shaped” by patentees under the London Agreement to literal infringement. Since questions of equivalence are – in some Member States – often interpreted narrowly to the favour of an alleged infringer, this could lead to opposite results in infringement proceedings to the favour of the patentee after enactment of the London Agreement due to the “adaptation” of the claim translations (or – if the Member States have relied on the claims being provided immediately after grant – the translation of the specification).

7: The London Agreement will lead to a shift in the balance of the European patent system or to a weakening of the enforceability of the European patent

The advantages of the London Agreement for the applicants/patentees of European patents referred to above under items 1 to 6 will either lead to a shift in the balance between patentees and the public (especially for “passive” economic operators³²) or legislation has to be introduced in parallel with the introduction of the London Agreement, which re-balances these advantages again with respect to such passive economic operators.

Before the London Agreement, the balance in the European patent system was established by the possibility of Article 65 EPC so that any passive economic operator can study the granted European Patent in its domestic official language, although the patent was originally filed in another language. The European patent system provides privileges for those countries which have an official EPO language (E, F, D) as official language (EPO language countries³³). Member States which do not have an EPO language as official language (non EPO language countries) have a disadvantage in the European

³¹ “The claims of the European patent may not be amended during opposition proceedings in such a way as to extend the protection conferred.”

³² i.e. those firms or individuals which participate in the respective market and have to take care of not infringing valid patents in this market (and have to respect patent rights in this market); often also referred to as “passive users”

³³ AT, BE, CH, DE, FR, IE, UK

patent system. This disadvantage comes that all Communications of the EPO (for the applicants of such countries), all inspection of files (e.g. for passive economic operators), all documents in opposition proceedings and even oral proceedings are present and conducted in a foreign language for the users in these countries. In the EPC system, this disadvantage for these countries was accepted as a necessary burden of the economic operators in these countries for establishing a workable European patent system – from filing to grant (including central post-grant opposition at the EPO). This disadvantage was – partly – corrected by the measures of Article 65 EPC (however, of course not for the inspection of files, etc. which have not to be translated).

Under the London Agreement, the passive economic operators in a non EPO language country cannot rely anymore on a translation of the European Patent three months after grant. This can be acceptable in fields of technology where all important decision makers³⁴ of an economic operator understand the official EPO languages, or at least English.

In fields where this is not the case, it can be expected that many economic operators will – under the London Agreement – not have the basis for their technical analysis in an official language in their country. Under the London Agreement it could well be that in cases where an infringer did not know that a patent has been granted (because no translation of a European Patent was provided in the official language of his resident Member State) made – in good faith – investments, has established economic value and created jobs. Under the London Agreement it is possible that the infringer (and the public of the Member State as a whole) is – for the first time – confronted with the patent in a language he can understand (or is at least supposed to be able to understand) at the time a claim for preliminary injunction is filed, whereafter he has to stop the infringing activity immediately. Local investments and jobs could be lost because lack of knowledge of the infringer due to lack of a translation immediately after grant of the European Patent. This can be a very unpleasant situation especially if the infringer did not know (or was not obliged to know) patents in other languages than the official language in the Member State where he resides and therefore acted in good faith. Under the current system, such an infringer has either been provided with an appropriate translation of the patent (which he has to know and respect by law) or the patent was not validated in his country. In each case, he can make his decision based on documents which he understands (or which he is at least required to understand). Under the London Agreement, these investments could even be destroyed on the basis of a patent document being present only in a “foreign” language. If the patent has been classified in a patent class being of interest to the economic operator in the planning phase for future investments, the economic operator (instead of the patentee) would have to make a translation of the patent on his own cost if he can only analyse the patent in his own non EPO language (unless the patentee has already warned or even sued him (which is unlikely in the planning phase of the economic operator)). This could lead to the circumstance under the London Agreement that – if more than one economic operator is interested in this specific patent in this country – multiple translations into the same language are made (this will of course only be the case for economically important patents). Therefore there is the risk that under the

³⁴ i.e. the persons being responsible in these firms for deciding about practising a technology where patent infringement questions could arise

London Agreement – for specific patents – not only the costs for translations shifts from the patentee to the passive economic operators but that also the overall translation costs for this specific patent multiply. Finally, the passive economic operators cannot even enjoy the legal effects of translations under Article 70 (4) EPC. In such cases – which will usually be important cases – the public will have multiplied translation costs and no legal safety for the translations anymore.

This clear shift in balance between the patentee and the public (including passive users) can either be accepted (which is not commensurate with the aim that the European patent system should indeed be balanced between the patentee and the public) or be countered (“re–balanced”) by appropriate measures. Such measures should be brought in place where economic investments have already been made in good faith and should not be destroyed.

In December 2006, FICPI has passed a resolution³⁵ wherein Member States enacting the London Agreement are urged to

- “– provide legislation to grant a measure of protection to defendants who are not otherwise obliged to understand the language in which the European patent was granted and which is not an official language of the EPC Member State concerned,
- especially legislation to exclude interim measures such as measures for preserving evidence and preliminary injunctions in cases where a translation into the local language was filed belatedly, e.g., not until the time when the patentee sues a third party or at the request of the infringement court,
- and the court shall be obliged to take into account the timing of the translation and any intermediate user rights in deciding what relief, if any, is appropriate.”

Exclusion of interim measures and intermediate user rights should allow re–balancing the system under the London Agreement in order to protect economically reasonable investments in a country; however, such measures would of course weaken the patent right as a whole in these cases.

Even in cases where there is a translation of the claims available³⁶ the balance of the system would shift to the disadvantage of the passive users: A lack of a full translation of the specification necessarily has an impact on how equivalent forms of infringement are to be treated, because Article 69 EPC cannot apply without full translation of the specification³⁷; this opinion is also shared by the Economical

³⁵ FICPI Resolution 2 of the FICPI ExCo Santiago (CL) (2006); available at www.ficpi.org/libraryframe.html

³⁶ According to Art. 1 (3) of the London Agreement

³⁷ Art. 69 (1) EPC reads: “The extent of the protection conferred by a European patent or a European patent application shall be determined by the terms of the claims. Nevertheless, the description and drawings shall be used to interpret the claims.” Therefore, the description has necessarily to be used for interpreting the claims.

and Social Committee (ESC) of the European Parliament in its opinion to the first draft of the Community Patent Regulation³⁸ in which a “claim only” translation regime was suggested for the whole European Community.

It follows that if a third party who has read and understood an appropriate translation of the claims and has provided and invested into an alternative solution to the claimed invention which does not fall under the literal and non-contextual wording of the claims, such third party cannot be held responsible for infringement of this European patent under equivalence considerations, given that to properly assess equivalence questions (according to Article 69 EPC), the third party would need to have access to a full translation of the patent specification in an official language of his/her country. For reasons of equity, this should be so even if the alternative solution might finally be held in fact to be an equivalent to the claimed invention. Also in this case, an “intermediate user right” in analogy to Article 70 (4) EPC therefore seems to be an appropriate means for providing a fair balance between the conflicting views and interests of different parties, where the “claims only” translation solution of the London Agreement were to be adopted (and if no English translation is provided under Article 1 (2) of the London Agreement).

8: The London Agreement will have an impact on the technological dependency from foreign countries

The advantage of the London Agreement for the patentees listed under items 3 and 4 above with respect to higher filing and validation numbers has – on the other hand – a consequence in an EPC Member State where less patent applications are filed abroad than the number of patent applications originating from foreign countries. This will lead to an increase in technological dependency from foreign countries: It has been estimated that the share of innovation in the value of goods is about 6 % of the Gross Domestic Product (GDP). As having been analysed for France, under the London Agreement, the estimated increase of patent applications of national origin would have an impact on GDP of + 0.1 % (being therefore a very attractive argument to boost EPC resident patent applications). However, the estimated increase of patent applications of foreign origin would have an impact on GDP of – 0.2 %, the balance therefore being a negative impact on the GDP of – 0.1 %³⁹.

For example, UK applicants surprisingly have an extremely low activity before the EPO. Out of the 53.300 European patents validated in the UK only 2.768 had UK proprietors, whereas 11.660 had German proprietors, 4.360 had French proprietors and more than 14.000 had US proprietors. If one looks at the corresponding validations of EP patents in Germany, 2.625 had UK proprietors, 12.590 had German proprietors, 4.590 had French proprietors, and 14.100 had US proprietors. The consequence of this is that UK users of the system are primarily passive users. They will therefore be burdened by

³⁸ EC OJ 29 May 2001 C155/80–89 (especially item 6.2.6)

³⁹ Chauchard, „Les Brevets de la croissance“ (2005), Editions Paradigme, pages 125 ff.

the entry into force of the London Agreement. It seems that German applicants will benefit about five times more than British applicants by the London Agreement. It could consequently be said that the London Agreement is unfair to British users of the system, because German users and US users benefit a lot, and British users of the system are burdened and have to face distorted competition in the 37 European countries adhering to the EPC by being members or extension countries.

9: The London Agreement could lead to higher national maintenance fees (annuities) to compensate the loss of income of NPOs due to the discontinuation of publication of translation of European Patents validated in that Member State

Publication fees for the national validations are – besides annuities – the major income for NPOs. Moreover, for those NPOs which search and examine domestic patent applications these publication fees and annuities are used for cross-financing search, examination and opposition costs for which the basic fees usually are much too low for compensating the costs arising at the patent office's side. The same concept is used for all patent offices world-wide; including the EPO (especially the concept of annuities has been accepted (as the payment of a tax or fee for upholding a monopoly) and used for preventing upholding patents which are not used).

If, however, certain income of the NPOs is abolished due to the London Agreement, the NPOs have either to reduce their costs (by reduction of personnel or other cost reduction strategies) or to increase income from other sources. The most apparent source of income of NPOs is, of course, the money flowing in from annuities. It is less likely that these offices will increase the fees for the initial stages (application fee, search fee, etc), because this would detract applicants. An increase of the annuities is therefore likely to happen in those countries where the NPOs want to compensate the financial loss due to abolishment of publications by the London Agreement.

10: The London Agreement could lead to an artificial splitting of the Common Market of the European Union, because not all EU Member States will join the London Agreement

Currently, only 5⁴⁰ out of 27 EU Member States have ratified (or acceded to) the London Agreement; two further Member States (Sweden and Denmark) have taken the necessary national steps to ratify. France could follow next year. On the other hand, it is known that a certain number of EU Member States will not join the London Agreement, mostly either due to political or constitutional reasons. This will create an artificial splitting of the Common Market in the EU, because there will be some countries which have additional burden of translational costs whereas others have reduced burden of translation costs (and still the complete patent documentation in their official language): for example in Sweden the

⁴⁰ Germany, Latvia, the Netherlands, Slovenia and the United Kingdom

average number of validations for a Swedish EP patent holder is relatively low, about 6 countries, among them DE, GB, FR and IT⁴¹. As an example of the distortion that would come about with the London Agreement in a country like Sweden (non EPO language country), one can therefore look at a Swedish company doing business in the automobile industry or in the industry of indoor and outdoor appliances for home use. For those companies, and their local suppliers, the competition will be distorted by the fact that the Swedish companies will have to translate their EP patents into e.g. Italian, whereas the Italian companies can obtain patent protection in Sweden without having to translate the EP patent specification into Swedish. From such facts it has to be concluded that the London Agreement savings for e.g. Swedish applicants are very small and less than 2 % of their total patent budget. However, for EU Member States not being members of the London Agreement or non-European industry, the savings will be much higher (see also item 3 and 4, above).

In any way, the London Agreement will create a split in the EU Common Market which favours the countries which are not Member States of the London Agreement, both financially (higher savings) and in information (because these countries still have the translation of the European Patents available in their national official language).

11: The London Agreement will lead to constitutional problems in many EPC Member Countries

In many EPC Member Countries it is regulated in the national constitution that all administrative issues (i.e. not private (“civil”) subject matter) have to be dealt with in the Countries’ official language. Patents are usually regarded as administrative subject matter, because it is the Member State which grants the right and annuities are paid to the NPO which is a government agency (a public authority). This holds also true for the European patents granted by the European Patent Office⁴².

It is therefore likely that in many Member States of the London Agreement alleged infringers which are sued on the basis of a European patent which was not initially validated in this country will invoke their constitutional right to have access to patent rights in the official language of this country (or at least invoke that the patent right did not exist until the translation is filed and that intermediate user rights have been established in the meantime, thereby exempting the alleged infringer from the patent right).

⁴¹ Result obtained from a questionnaire sent out recently to Swedish Patent Attorney firms

⁴² Art. 2 (2) EPC: “The European patent shall, in each of the Contracting States for which it is granted, have the effect of and be subject to the same conditions as a national patent granted by that State, unless otherwise provided in this Convention.”

Interestingly enough, the Constitutional Court in France has regarded the London Agreement as being in compliance with the French constitution⁴³, although also the French constitution requires administrative matter to be effective in French only⁴⁴. This requires that all public authorities and services have to deliver all documents to private individuals in French. In the decision of the French constitutional court, however, patent rights and enforcement thereof are regarded as a private (“civil”) matter between the patentee and the alleged infringer⁴⁵.

It is not unlikely that patents and their enforcement are regarded as being part of administrative matter in other Member States and therefore come to a different result than the French constitutional court.

With respect to the language system in principle, also the EU Treaty and the EU convention proposal regulate the non-discriminatory use of languages⁴⁶, the need for dissemination and education of languages⁴⁷ and the equal authenticity of all languages⁴⁸.

**12: The London Agreement could lead to a significant reduction
in local patent knowledge in many Member States of the London Agreement,
both at the NPOs and as far as local patent attorneys are concerned**

Filing translations of granted European patents involves technically and legally specialised translators, local representatives and NPOs. Patent translations are often made or at least supervised by local patent attorneys who are the first choice if a diligent technically and legally sound translation is sought for. The activities connected with the translation issues enable those local patent attorneys and NPOs

⁴³ Decision n° 2006–541 DC of 28 September 2006 (« Accord sur l’application de l’article 65 de la convention sur la délivrance de brevets européens » (« On the application of Article 65 of the Convention on the Grant of European patents »)); in English translation: IIC 38 (2007), 94–96

⁴⁴ Art. 2 of the French Constitution: » La langue de la République est le français »

⁴⁵ Reason 6 of the decision n° 2006–541 DC : ”The sole effect of Art. 1 of the Agreement submitted for examination by the Constitutional Council is to permit France to waive the option granted to it by Art. 65(1) of the European Patent Convention to require the applicant or holder of a European patent to provide a complete translation in French. This involves the civil law relationships between the holder of a European patent and relevant third parties. Within the domestic legal system, neither the goal nor the effect of this provision is to oblige public law corporations or private persons acting in a public function to use a language other than French. It does not, moreover, grant individuals, in their relationships with the French administration and public services, specifically the National Intellectual Property Institute, the right to use a language other than French” (translation according to IIC 38 (2007), 94–96);

⁴⁶ ARTICLE II–81 of the proposed EU constitution (“Non-discrimination”): “1. Any discrimination based on any ground such as sex, race, colour, ethnic or social origin, genetic features, **language**, religion or belief, political or any other opinion, membership of a national minority, property, birth, disability, age or sexual orientation shall be prohibited.”

⁴⁷ Art. 149 (2) of the Treaty establishing the European Union (Nice): “Community action shall be aimed at: — developing the European dimension in education, particularly through the **teaching and dissemination of the languages** of the Member States,…”

⁴⁸ Art. 53 of the Treaty of the European Union

to employ people and to have the opportunity to educate local clients in patenting. Income for these players safeguards that patent knowledge is preserved and disseminated on a regional, decentralised level specifically in those countries where the number of patent filings is low. Specifically in those regions, measures for enhancing patent awareness and patent knowledge are needed. Measures which endanger the local patenting know-how will lead to a further European centralisation of this knowledge which makes it even more difficult for local innovators to get access to the patent system at their principal place of residence and activity. Moreover, measures leading to such centralisation are against the principle of subsidiarity which is paramount in the EU.

13: The London Agreement could lead to further criticism against the patent system in Europe

As pointed out above (items 1 to 6), the London Agreement leads to significant advantages for the patentees, specifically for non-European patentees. The “public” (mainly passive users of the system) in EPC Member States with no official language in common with the EPO is faced with a lesser degree of information. Moreover, further increase in patent applications of lower inventive quality could occur. These factors could lead to an even higher criticism against the patent system in principle, because these are the factors on which already a lot of present criticism is based upon, although often completely unfounded. However, this criticism is regarded as potentially leading to severe consequences for the patent system⁴⁹. Nevertheless it is questionable whether measures as the present London Agreement enabling only a benefit for one side (the active applicant; patentee) and which will not lead to an enhancement in patent propensity among European innovative SMEs is regarded as being justified or welcome by the public.

Daniel Alge
for
FICPI CET Group 4 (European Patents)
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⁴⁹ “Scenarios for the Future” EPO (2007), page 11: “a system that has been so successful that it is collapsing under its own weight”; “conflict in the face of a boomerang effect that strikes the dominant players as geopolitical balances shift and competing ambitions emerge”; “erosion in the face of diminishing societal trust and growing criticism of the patent system”; “check whether a bifurcated patent system can better respond to the needs of technology and society”