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8th March 2006

Mr Erik Nooteboom
Head of Unit
Industrial Property Unit
Internal Market and Services Directorate General
European Commission
1049 Brussels
Belgium

Dear Mr Nooteboom,

Commission Patent Consultation of 9.1.06

I enclose the joint submission of the principal English Patent Judges and of Lord Hoffmann, the member of the House of Lords (Supreme Court) who has given the main judgments on patents for about the last 10 years.

The Patent Judges all have very considerable experience, both as lawyers and judges of patent law, both in the UK and by way of international experience. All of them had patents as a very large part of their practice as lawyers, acting for plaintiffs and defendants of all sorts, large and small. All of them have technical degrees.

Robin Jacob: started practice in 1967. Appointed a Judge in 1993 and sat as one of the principal first instance patent judges until 2003 when he was appointed to the Court of Appeal. He is the Judge of the Court of Appeal in charge of the intellectual property list and sits on virtually all patent appeals. He is an editor of the Encyclopaedia of UK and European Patent Law.

Nicholas Pumfrey: started practice in IP in 1976. Appointed a Judge in 1997. He is the senior first instance judge of the Patents Court.

David Kitchin: started practices in IP in 1978. Appointed a Judge in 2005.

Michael Fysh: started practice in IP in 1965. Appeared as counsel in many countries (Ireland, Australia, India, Trinidad) Appointed Judge of the Patents County Court (a court for smaller cases) in 2001)

We think it worthwhile emphasising our main points:

1. The EPLA should be an immediate priority for Europe. It does not matter that it would not be an EU institution.
2. Indeed that would have very considerable advantages: flexibility of language, use of established national patent judges, flexibility of site (including HQ);
3. It does not matter that the ECJ would not pronounce on key question of patent law. If the EPLA court did that, it would in practice be enough for Europe.
4. This is what industry wants – and that should be the fundamental guide as to what to do.

I am also enclosing a copy of my Chapter in the Festschrift for Gert Kolle and Dieter Stauder entitled “The Perfect Patent Court” and my Chapter in the Festschrift for Prof. Cornish entitled “Creating the Community Patent and its Court” together with the postscript to the chapter included in that book. I hope you enjoy them.

I am also sending this letter, the response and the articles by email so that you have it all electronically

Yours sincerely,

For the English Patent Judges and Lord Hoffmann

**Response of the English Patent Judges to
The Commission's Questionnaire on the patent system in Europe
(9.1.06)**

This submission of 8th March 2006 is from:

The Rt. Hon. Lord Hoffmann,

The Rt. Lord Justice Jacob

The Hon. Mr Justice Pumfrey

The Hon. Mr Justice Kitchin

His Honour Judge Fysh QC

Section 1 - Basic principles and features of the patent system

The idea behind the patent system is that it should be used by businesses and research organisations to support innovation, growth and quality of life for the benefit of all in society. Essentially the temporary rights conferred by a patent allow a company a breathing-space in the market to recoup investment in the research and development which led to the patented invention. It also allows research organisations having no exploitation activities to derive benefits from the results of their R&D activities. But for the patent system to be attractive to its users and for the patent system to retain the support of all sections of society it needs to have the following features:

- clear substantive rules on what can and cannot be covered by patents, balancing the interests of the right holders with the overall objectives of the patent system
- transparent, cost effective and accessible processes for obtaining a patent
- predictable, rapid and inexpensive resolution of disputes between right holders and other parties
- due regard for other public policy interests such as competition (anti-trust), ethics, environment, healthcare, access to information, so as to be effective and credible within society.

- 1.1 Do you agree that these are the basic features required of the patent system?
- 1.2 Are there other features that you consider important?
- 1.3 How can the Community better take into account the broader public interest in developing its policy on patents?

1.1 Yes. We would add in relation to point two that the processes should effectively filter out bad applications for patents. There is considerable worldwide concern that the EPO (and indeed other Patent Offices such as the USPTO) are letting through too many bad patents. That would accord with our experience – and, so far as we discussed it with other European judges, theirs too. It goes without saying that we think simple and inexpensive enforcement, and invalidation, of patents is a necessity.

As regards point 4 we think that as far as is reasonable it is not appropriate for further public policy interests of the type mentioned (save for access to information) to be engaged as policy reasons for refusal of a patent. It must be always remembered (and is so often forgotten) that a patent merely creates a right to stop others engaged in the activity covered by the patent right. It does not make any such activity lawful. So, if public policy considerations (e.g. anti-trust or criminality) leads to the conclusion that the private right given by a patent should be unenforceable that should be the result of a law external to that of patents itself. In short, if you disapprove of the making of oncomice, then you need a law to stop it, not merely refusal of a patent for it.

Section 2 – The Community patent as a priority for the EU

The Commission's proposals for a Community patent have been on the table since 2000 and reached an important milestone with the adoption of the Council's common political approach in March 2003 [<http://register.consilium.eu.int/pdf/en/03/st07/st07159en03.pdf>; see also http://europa.eu.int/comm/internal_market/en/indprop/patent/docs/2003-03-patent-costs_en.pdf]. The disagreement over the precise legal effect of translations is one reason why final agreement on the Community patent regulation has not yet been achieved. The Community patent delivers value-added for European industry as part of the Lisbon agenda. It offers a unitary, affordable and competitive patent and greater legal certainty through a unified Community jurisdiction. It also contributes to a stronger EU position in external fora and would provide for Community accession to the European Patent Convention (EPC). Calculations based on the common political approach suggest a Community patent would be available for the whole of the EU at about the same cost as patent protection under the existing European Patent system for only five states.

Question

2.1 By comparison with the common political approach, are there any alternative or additional features that you believe an effective Community patent system should offer?

Yes, we think the best way forward is with the European Patent Litigation Agreement. If that were implemented with the encouragement and not the obstruction of the Commission a model of a future EU court could come into existence. The EPLA should be seen in that light, not as a rival designed to frustrate a Community Patent. We are convinced that ultimately the best solution lies in combination of the Community patent and the EPLA.

It must be understood that a "common political approach" has not worked in the past and will not work in the future. It has led to impossible proposals for language and very inadequate judicial arrangements. If attempted again it is almost certain to fail again. The needs of industry should be the sole test of what is to be done.

The calculation of the cost of the European patent referred to above must in practice be too fragile to be worthwhile. Industry should be consulted about what it thinks the real costs would be. There is no point in being optimistic here.

Section 3 – The European Patent System and in particular the European Patent Litigation Agreement

Since 1999, States party to the European Patent Convention (EPC), including States which are members of the EU, have been working on an agreement on the litigation of European patents (EPLA). The EPLA would be an *optional* litigation system common to those EPC States that choose to adhere to it.

The EPLA would set up a European Patent Court which would have *jurisdiction* over the validity and infringements of European patents (including actions for a declaration of non-infringement, actions or counterclaims for revocation, and actions for damages or compensation derived from the provisional protection conferred by a published European patent application). National courts would retain jurisdiction to order provisional and protective measures, and in respect of the provisional seizure of goods as security. For more information see [http://www.european-patent-office.org/epo/epla/pdf/agreement_draft.pdf]

Some of the states party to the EPC have also been tackling the patent cost issues through the London Protocol which would simplify the existing language requirements for participating states. It is an important project that would render the European patent more attractive.

The European Community is not a party to the European Patent Convention. However there is Community law which covers some of the same areas as the draft Litigation Agreement, particularly the "Brussels" Regulation on Recognition and Enforcement of Judgments (Council Regulation no 44/2001) and the Directive on enforcement of intellectual property rights through civil procedures (Directive 2004/48/EC). [http://europa.eu.int/eur-lex/pri/en/oj/dat/2004/l_195/l_19520040602en00160025.pdf]

It appears that there are three issues to be addressed before EU Member States may become party to the draft Litigation Agreement:

- (1) the text of the Agreement has to be brought into line with the Community legislation in this field
- (2) the relationship with the EC Court of Justice must be clarified
- (3) the question of the grant of a negotiating mandate to the Commission by the Council of the EU in order to take part in negotiations on the Agreement, with a view to its possible conclusion by the Community and its Member States, needs to be addressed.

Questions

- 3.1 What advantages and disadvantages do you think that pan-European litigation arrangements as set out in the draft EPLA would have for those who use and are affected by patents?
- 3.2 Given the possible coexistence of three patent systems in Europe (the national, the Community and the European patent), what in your view would be the ideal patent litigation scheme in Europe?

We think the EPLA scheme if implemented (we are not talking about fine detail of the existing draft) would have enormous advantages for patent users. The most important are:

1. *Flexibility of language – the court would use the language(s) most appropriate for the case – minimising translation costs in most cases. It must be recognised that often the sole language will be English.. That is what an American would use in a dispute with a Japanese. English is not a cost to most of European industry because all substantial companies have to have patents around the world in English and are obliged to conduct their worldwide patent and technical business in English. It must equally be accepted that for those companies who do not, or only have limited. English, translation and interpretation would be necessary. That would be the only fair way to proceed. The prospect of having to sue in a relatively obscure European language was itself enough to defeat the existing “common political approach.”*

2. *Flexibility in all aspects of the court machinery. This would be a new court, moulded specifically for the purpose of resolving patent disputes. It should operate as far as possible electronically, with an electronic dossier, communication by email and considerable use of video conferencing – which is already widely used in business generally and is now being used in litigation as well.*

3. *The court would not have to have its seat in Luxembourg. Bearing in mind that it will may hear live witnesses from around the world, as well as the lawyers and experts, it is important that it be in a really accessible place. This also applies to the Judges – who will continue to operate as national judges. The court can readily have a regional presence – either on a permanent basis or on an ad hoc basis, sitting where convenient for the parties.*

4. *An experienced and respected judiciary. It will possible to use the existing experienced patent judges of Europe as the backbone of the court. Many of these Judges know and respect one another – they believe they can work together. And industry knows them and trusts them. In the early years the court may not have much work – to appoint special judges with little or nothing to do (which the common political approach probably involved) would be pointless.*

5. *For substantive patent law (validity and infringement) the court would operate as in effect a supra-national court. Such questions of patent law would not go to the ECJ. We believe that is what industry wants – and we are far from sure that the ECJ is equipped or would wish to deal with the questions that arise. It is finding trade mark law rather difficult – hence the number of references. There is also a vital time factor here. The current times for references would be unacceptable to industry if applied to patents. The national courts of Europe have speeded up, an ability to appeal or refer questions of patent law to the ECJ would have the reverse effect.*

6. *So the relationship of an EPLA court with the ECJ would be the same as the relationship between a national court and the ECJ is today. The EPC would not be EU law, just as it is not today. The ECJ would not rule on it.*

7. *Subject to cases actually pending, the EPLA court could assume immediate jurisdiction for existing European patents. This is an important consideration, given that if Community patents come into existence they can only start from a given date and infringement actions are unlikely to be significant until some 5 to 10 years after that date (patents are often litigated towards the end of their lives rather than at the beginning).*

Now it is true that the EPLA countries would not be pan-EU. Some EU countries would not join – and some non-EU countries would be in – particularly Switzerland which has a long tradition of respected patent judges. Whilst that might be “untidy” we believe in practice an EPLA would serve Europe and the EU well – it would in practice serve as the court for Europe. A win (or loss) there would in practice be decisive for the whole of the EU.

We see no harm in the Community patent as a designation of the European patent, but this matter is straightforward. Its presence or absence should not affect the arrangements made in respect of the EPLA.

Section 4 –Approximation and mutual recognition of national patents

The proposed regulation on the Community patent is based on Article 308 of the EC Treaty, which requires consultation of the European Parliament and unanimity in the Council. It has been suggested that the substantive patent system might be improved through an approximation (harmonisation) instrument based on Article 95, which involves the Council and the European Parliament in the co-decision procedure with the Council acting by qualified majority. One or more of the following approaches, some of them suggested by members of the European Parliament, might be considered:

- (1) Bringing the main patentability criteria of the European Patent Convention into Community law so that national courts can refer questions of interpretation to the European Court of Justice. This could include the general criteria of novelty, inventive step and industrial applicability, together with exceptions for particular subject matter and specific sectoral rules where these add value.
- (2) More limited harmonisation picking up issues which are not specifically covered by the European Patent Convention.
- (3) Mutual recognition by patent offices of patents granted by another EU Member State, possibly linked to an agreed quality standards framework, or "validation" by the European Patent Office, and provided the patent document is available in the original language and another language commonly used in business.

To make the case for approximation and use of Article 95, there needs to be evidence of an economic impact arising from differences in national laws or practice, which lead to barriers in the free movement of goods or services between states or distortions of competition.

Questions

- 4.1 What aspects of patent law do you feel give rise to barriers to free movement or distortion of competition because of differences in law or its application in practice between Member States?
- 4.2 To what extent is your business affected by such differences?
- 4.3 What are your views on the value-added and feasibility of the different options (1) – (3) outlined above?
- 4.4 Are there any alternative proposals that the Commission might consider?

We think the whole premise here is mistaken. The biggest “hampering” of free movement is the possibility of different results in different countries in respect of the same patent and the same alleged infringement.

We do not feel it would be helpful for the ECJ to become involved in questions of substantive patent law – and we believe industry to be of like mind. We have touched on the delay and ability (and willingness) of the ECJ to deal with related topics. Any proposal which involves that will fail. Major efforts are made to secure a uniform interpretation of the EPC in the Contracting States by means of interchange of information among judges and practitioners. This area of the law has long been recognised as having a major international dimension, and we see no advantage whatever in submitting difficult questions to an overworked court with no particular experience of patents.

There is insufficient evidence to support the application of Art. 95 “Mutual recognition” of patents granted in different Member States is unnecessary while we have the EPO, and, potentially, a Community designation of the European patent. Domestic patent offices now serve to satisfy the needs of those who seek local protection only. It is not necessary to have the “mutual recognition” proposed..

Section 5 – General

We would appreciate your views on the general importance of the patent system to you.

On a scale of one to ten (10 is crucial, 1 is negligible):

- 5.1 How important is the patent system in Europe compared to other areas of legislation affecting your business?
- 5.2 Compared to the other areas of intellectual property such as trade marks, designs, plant variety rights, copyright and related rights, how important is the patent system in Europe?
- 5.3 How important to you is the patent system in Europe compared to the patent system worldwide?

Furthermore:

- 5.4 If you are responding as an SME, how do you make use of patents now and how do you expect to use them in future? What problems have you encountered using the existing patent system?
- 5.5 Are there other issues than those in this paper you feel the Commission should address in relation to the patent system?

Patents are the core basis justifying investment in innovation and development.. Other IP rights are important in their own spheres too, but it is patents which are the main IP right for R&D. We do not have a business and so cannot directly answer 5.5 or 5.3. On the other hand we can give a view as to the importance of patents. We cannot put it better than Mark Twain's Connecticut Yankee in the Court of King Arthur:

"I knew that a country without a patent office and good patent laws was just a crab, and couldn't travel anyway but sideways or backwards."

If the Commission and Council are serious about advancing European competitiveness it is vital that they should understand the needs of industry and respond to those needs. Pursuit of other objectives will only serve to frustrate European research, development and investment.

- (1) If you would like the Commission to be able to contact you to clarify your comments, please enter your contact details.
 - (a) Are you replying as a citizen / individual or on behalf of an organisation?
 - (b) The name of your organisation/contact person:
 - (c) Your email address:
 - (d) Your postal address:
 - (e) Your organisation's website (if available):

- (2) Please help us understand the range of stakeholders by providing the following information:
 - (a) In which Member State do you reside / are your activities principally located?
 - (b) Are you involved in cross-border activity?
 - (c) If you are a company: how many employees do you have?
 - (d) What is your area of activity?
 - (e) Do you own any patents? If yes, how many? Are they national / European patents?
 - (f) Do you license your patents?
 - (g) Are you a patent licensee?
 - (h) Have you been involved in a patent dispute?
 - (i) Do you have any other experience with the patent system in Europe?