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from: General Secretariat of the Council

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Subject: Enhanced patent system in Europe
- Draft Council conclusions

Delegations will find in Annex annotated revised draft Council conclusions drawn up by the Presidency for discussion at the Permanent Representatives Committee meeting on 18 November 2009.

Changes in relation to the previous version (15148/09) are indicated.

Draft

COUNCIL CONCLUSIONS

on

AN ENHANCED PATENT SYSTEM IN EUROPE

THE COUNCIL OF THE EUROPEAN UNION,

- 1a. RECALLING that enhancing the patent system in Europe is a necessary prerequisite for boosting growth through innovation and for helping European business, in particular SMEs, face the economic crisis and international competition;
- 1b. CONSIDERING that such an enhanced patent system is a vital element of the Internal Market and that it should be based on two pillars, i.e. the creation of a Community patent and the setting up of an integrated specialised and unified jurisdiction for patent related disputes thus improving the enforcement of patents and enhancing legal certainty;
- 1c. ACKNOWLEDGING the considerable amount of work accomplished so far by the Council's preparatory bodies on the legal instruments needed to establish the above mentioned two pillars;
- 1d. AGREES that the following conclusions on the main features of the European and Community Patents Court (I) should form the basis of, while on the Community patent (II) they should form part of the overall final agreement on a package of measures for an Enhanced Patent System in Europe comprising the creation of a European and Community Patents Court, a Community patent, an Enhanced Partnership between the European Patent Office and central industrial property offices of Member States and, to the extent necessary, amendments to the European Patent Convention;

2 (ex3.) STRESSES that the following conclusions are without prejudice to the request for an opinion of the European Court of Justice¹ and are conditional on the opinion of the European Court of Justice concerning the compatibility of the envisaged European and Community Patents Court (below the ECPC) with the EC Treaty;

3.(ex2) TAKES NOTE of the Draft Agreement on the European and Community Patents Court in document 7928/09 of 23 March 2009 (below the Draft Agreement), acknowledges that some elements of the envisaged agreement have been under particular discussion [...];

3a. STRESSES, that the system here envisaged should be established with due regard to the constitutional provisions of the Member States and is without prejudice to the request for an opinion of the European Court of Justice; and that the establishment of the ECPC would be based on a mixed agreement that should be ratified by the Community and its Member States in accordance with their respective constitutional requirements;

3b. RECOGNISES that some Member States have fundamental legal concerns concerning the creation of the ECPC and its envisaged overall architecture as reflected in these conclusions, which would have to be revisited if the European Court of Justice confirms these concerns; while should the European Court of Justice decide that the system here envisaged is compatible with the Treaty and that an agreement on the creation of the ECPC is reached, the points on the main features of the ECPC would serve as a basis for the overall agreement.

¹ OPINION 1/09, European Court of Justice.

I MAIN FEATURES OF THE EUROPEAN AND COMMUNITY PATENTS COURT ²

THE EUROPEAN AND COMMUNITY PATENTS COURT

4. The ECPC should have exclusive jurisdiction in respect of civil³ litigation related to the infringement and validity of Community patents and European patents.
5. As outlined in the Draft Agreement, the ECPC should comprise a Court of First Instance, a Court of Appeal and a Registry. The Court of First Instance should comprise a central division⁴ as well as local and regional divisions.
6. The European Court of Justice shall ensure the principle of primacy of Community law and its uniform interpretation.

THE COMPOSITION OF THE PANELS

7. In order to build up trust and confidence with users of the patent system and to guarantee high quality and efficiency of the ECPC's work, it is vital that the composition of the panels is organised in a way which makes best use of experience of patent litigation among judges and practitioners at national level through pooling of resources. Experience could also be acquired through theoretical and practical training which should be provided in order to improve and increase available patent litigation expertise and to ensure a broad geographic distribution of such specific knowledge and experience.
8. All panels of the local and regional divisions and the central division of the Court of First Instance should guarantee the same high quality of work and the same⁵ high level of legal and technical expertise.

² ES, LT, EL, HU, LU, CY: general reservation on the principle of Council conclusions pending the procedure before the ECJ and prefer a progress report.

³ IT: insert "and administrative" to cover grant of compulsory licences.

⁴ HU: no need for a central division with special exclusive competence.

⁵ LT delete "same" twice.

9. Divisions in a Contracting State where, during a period of three successive years, less than fifty cases per year have been commenced, should either join a regional division with a critical mass of at least fifty cases per year or sit in a composition whereby one of the legally qualified judges is a national of the Contracting State concerned and two of the legally qualified judges, who are not nationals of the Contracting State concerned, come from the pool of judges to be allocated to the division on a case by case basis.⁶
10. Divisions in a Contracting State where, during a period of three successive years, more than fifty cases per calendar year have been commenced should sit in a composition whereby two of the legally qualified judges are nationals of the Contracting State. The third legally qualified judge, who would be of a different nationality, would be allocated from the pool of judges. The legally qualified judges from the pool should be allocated on a long term basis⁷ where this is necessary for the efficient functioning of divisions with a high work load.⁸
11. All panels of the local and regional divisions should comprise an additional technical judge⁹ in the case of a counterclaim for revocation or, in the case of an action for infringement, when requested by one of the parties.¹⁰ All panels of the central division should sit in a composition of two legally qualified judges and one technically qualified judge. The technically qualified judge should be qualified in the field of technology concerned and be allocated to the panel from the pool of judges on a case by case basis. Under certain conditions to be defined in the Rules of Procedure and with the agreement of the parties, cases in the First Instance may be heard by a single legally qualified judge.

⁶ EL, HU: reservation on making the availability of a local division or the composition of the panel dependent upon the number of cases dealt with per year.

⁷ UK: clarify that it will not be longer than one year. DE: against such limitation.

⁸ EL, IT, HU, DK: reservation on pp. 9 and 10, instead all panels should have the same composition. According to HU, this should be two local judges and one technical judge from the pool and all divisions shall be able to hear direct actions for revocation.

⁹ EL, CY: reservation on technical judges.

¹⁰ FI: add "or decided by the division concerned."

12. The allocation of judges should be based on their legal or technical expertise, linguistic skills and relevant experience.

12a. The provisions regarding the composition of the panels and the allocation of judges should ensure that the ECPC is an independent and impartial tribunal in the meaning of Article 47 of the Charter of Fundamental Rights of the European Union.¹¹

JURISDICTION IN RESPECT OF ACTIONS AND COUNTERCLAIMS FOR REVOCATION

13. In order to ensure that local and regional divisions work in an expeditious and most efficient way, it is vital that the divisions have some flexibility on how to proceed with counterclaims for revocation.

- (a) Direct actions for revocation of patents should be brought before the central division.
- (b) A counterclaim for revocation can be brought in the case of an action for infringement before a local or regional division. The local or regional division concerned may;
 - (i) proceed with the counterclaim for revocation; or,
 - (ii) refer the counterclaim to the central division and either proceed with the infringement action or stay those proceedings;¹² or,
 - (iii) with the agreement of the parties, refer the whole case for decision to the central division.

¹¹ OJ C 364, 18.12.2000, p. 1.

¹² EL, IT, HU, DK, UK, IE: reservation on split jurisdiction. As a compromise, UK suggested keeping only the first sentence and UK has no reservation on p. 13 if the old wording in p. 20 (as in 14040/09) is reintroduced. UK wants clarification that direct actions for infringement can be brought to the central division. DE and CZ: strong objection to remove the split jurisdiction.

LANGUAGES OF PROCEEDINGS¹³

14. The Draft Agreement, the Statute and the Rules of procedure¹⁴ should provide for arrangements which would guarantee fairness and predictability of the language regime for the parties. Furthermore, any division of the ECPC should provide translation and interpretation facilities in oral proceedings to assist the parties concerned to the extent deemed appropriate, in particular when one of the parties is an SME or a private party.¹⁵
15. The language of proceedings of the local and regional divisions should in general be the language(s) of the Contracting State(s) where they would be established. Contracting States may however designate one or more of the official languages of the European Patent Office as language of proceedings of the local or regional division they host. The language of proceedings of the central division should be the language of the patent. The language of proceedings of the Court of Appeal should be the language of the proceedings at the First Instance. [...]

15a. Any subsequent decisions which would in any way affect the arrangements regarding the language of proceedings under the Agreement on the ECPC should be adopted by unanimity.

THE TRANSITIONAL PERIOD

16. The transitional period should not last longer than five¹⁶ years after the entry into force of the Agreement on the ECPC.

¹³ ES: general reservation on pp 14 and 15.

¹⁴ FI: oppose a reference to the Rules of Procedure: language issues should be dealt with in the Agreement or the Statute.

¹⁵ FI: reservation on the last sentence, too costly to provide such facilities.

¹⁶ IE, UK: replace "five" by "seven" or a sufficient number of cases (2000). UK: transitional period p. 16 and the time for review in p. 19 ought to be identical. DE: not more than five years, should not make any link with the transitional period as in p. 19.

17. During the transitional period, proceedings for infringement or for revocation of a European patent may still be initiated before the national courts or other competent authorities of a Contracting State having jurisdiction under national law. Any proceedings pending before a national court at the end of the transitional period should continue to be subject to the transitional regime.
18. Unless proceedings have already been initiated before the ECPC, holders of European patents or patent applications granted or applied for prior to the entry into force of the Agreement on the ECPC should have the possibility to opt out of the exclusive jurisdiction of the ECPC, if the opt out is notified to the Registry no later than one month before the end of the transitional period.¹⁷

REVISION CLAUSE CONCERNING THE COMPOSITION OF PANELS AND COUNTERCLAIMS FOR REVOCATION

19. The Commission should closely monitor the functioning, the efficiency and the implications of the provisions regarding the composition of the panels of the First Instance and the jurisdiction in respect of actions and counterclaims for revocation, see points 9, 10 and 13 above. Either seven¹⁸ years after the entry into force of the agreement on the ECPC or after a sufficient number of infringement cases approximately 2000 have been decided by the ECPC, whichever is the later point in time, and if necessary at regular intervals thereafter, the Commission should, on the basis of a broad consultation with users and an opinion of the ECPC, draw up a report with recommendations concerning the continuation, termination or modification of the relevant provisions which should be decided by the Mixed Committee.¹⁹

¹⁷ FI, BE, LV, HU, PL: reservation on p. 18, no opt out or as short as possible. FI, LV, DK, HU: as a compromise, one could extend the transitional period in p. 16 to eight years if there is no or a short opt-out. UK: objections to a shortened period for the opt out.

¹⁸ SK: replace "seven" by "six." IT prefers "five."

¹⁹ CZ, EL, HU, CY: reservation on enabling the Mixed Committee to amend or terminate provisions of the Agreement. CZ (supported by CY): delete "which should be decided by the Mixed Committee."

20. The Commission should in particular consider alternative solutions that would reinforce the multinational composition of the panels of the local and regional divisions that would make a referral to the central division of a counterclaim for revocation, or the whole case, subject to agreement of both parties.²⁰

PRINCIPLES ON THE FINANCING OF THE ECPC²¹

21. The ECPC should be financed by the ECPC's own financial revenues consisting of the court fees, and at least²² in the initial stages as necessary by contributions from the European Community and from the Contracting States which are not Member States.
22. A Contracting State setting up a local division should provide the facilities necessary for that purpose.²³
23. The court fees should be fixed by the Mixed Committee on a proposal by the Commission which should include an assessment by the Commission of the expected costs of the ECPC. The court fees should be fixed at such a level as to ensure²⁴ a right balance between the principle of fair access to justice, in particular for SMEs and micro-entities, and an adequate contribution of the parties for the costs incurred by the ECPC, recognising the economic benefits to the parties involved, and the objective of a self-financing court with balanced finances. Targeted support measures for SMEs and micro-entities might also be considered.
24. The ECPC should be organised in the most efficient and cost effective manner and should ensure equitable access to justice.

²⁰ FI, UK, SK, DK: too vague, prefer previous version as in 14040/09. DE, DK, CZ suggested leaving the outcome open. DE (supported by CZ) put forward the following: "The Commission should particularly consider the functioning of the composition of the panels of the local and regional divisions as well as of the referral to the central division of a counterclaim for revocation."

²¹ FI, UK, DK: scrutiny reservation on this section until the results of the ongoing economic study are made available.

²² UK, AT, IE: delete "at least" and replace by "only" to stress the self financing character of the ECPC. UK, DE, AT, IE support a self-financed ECPC. FR, HU, BE: need to keep options open.

²³ EL, HU, DK: reservation on p. 22, all divisions should enjoy the same treatment.

²⁴ AT: insert "recovery of total cost of court proceeding by maintaining in individual cases."

25. The ECPC costs and financing should be regularly monitored by the Mixed Committee, and the level of the court fees should be reviewed periodically, in accordance with point 23 [...].

25a. At the end of the transitional period, on the basis of a report from the Commission on costs and financing of the ECPC, the Mixed Committee should consider the adoption of measures aimed at the objective of self-financing.

ACCESSION

25b. Initially, accession by Contracting States of the European Patent Convention who are not Member States of the European Community should be open for Contracting Parties to the European Free Trade Agreement. After the transitional period, the Mixed Committee could by unanimity decide to invite Contracting States of the European Patent Convention to adhere if they have fully implemented all relevant provisions of Community law and have put into place effective structures for patent protection.

II THE COMMUNITY PATENT

TRANSLATION ARRANGEMENTS

25c. The Community Patent Regulation should be accompanied by a separate regulation, which should govern the translation arrangements for the Community patent adopted by the Council with unanimity in accordance with Article 118 second subparagraph of the Treaty on the Functioning of the European Union. The Community Patent Regulation should come into force together with the separate regulation on the translation arrangements for the Community patent.

THE RENEWAL FEES²⁵

26. The renewal fees for Community patents should be progressive throughout the life of the patent and, together with the fees due to be paid during the application phase, cover all costs associated with the granting and administration of the Community patent. The renewal fees would be payable to the European Patent Office, which would retain 50 percent of the renewal fees and distribute the remaining amount among the Member States in accordance with a distribution key to be used for patent related purposes.
27. A Select Committee of the Administrative Council of the European Patent Organisation should, once the Community Patent Regulation enters into force, fix both the exact level of the renewal fees and the distribution key for their allocation. The Select Committee should be composed only of representatives of the Community and all the Member States. The position to be taken by the Community and the Member States in the Select Committee would need to be determined within the Council. The level of the renewal fees should in addition to the above mentioned principles be fixed with the aim of facilitating innovation and fostering the competitiveness of European business.²⁶ It should also reflect the size of the market covered by the Community patent and be similar to the level of the renewal fees for what is deemed to be an average European Patent²⁷ at the time of the first decision of the Select Committee.
28. The distribution key should be fixed taking into account a basket of fair, equitable and relevant criteria such as for instance the level of patent activity and the size of the market.²⁸ The distribution key should provide compensation for, among other things, having an official language other than one of the official languages of the European Patent Office, [...]for having disproportionately low levels of patent activity and for more recent EPC-membership.
29. The Select Committee should periodically review its decisions.

²⁵ UK, DK: scrutiny reservation on the Renewal fee section

²⁶ HU, DK: mention also the need for harmonious co-existence of the three (national/European/Community) patent systems.

²⁷ RO: define "average European Patent." HU: delete "and be similar...first decision of the Select Committee." add "be sufficiently high to ensure the economic balance of the system." DK prefers "take into account the level of the average European patent".

²⁸ SK: The criteria are too general.

THE ENHANCED PARTNERSHIP²⁹

30. The aim of the Enhanced Partnership is to promote innovation by enhancing the efficiency of the patent granting process through avoiding duplication of work, with the goal of more rapid delivery of patents which will increase speed of access to market for innovative products and services and reduce costs for applicants.³⁰
31. Enhanced Partnership should pave the way for the European Patent Office to make regular use, where appropriate, of the result of any search carried out by central industrial property offices of Member States of the European Patent Organisation on a national patent application the priority of which is claimed in a subsequent filing of a European patent application.³¹
- 31a. Central industrial property offices can play a vital role fostering innovation. All central industrial property offices, including those which do not perform searches in the course of a national patent granting procedure, can have an essential role under the Enhanced Partnership, advising potential applicants including SMEs, disseminating patent information and receiving applications.

²⁹ HU, ES, DK, FI, UK, AT: reservation on this section, need to provide for work sharing and cooperation in onward tasks. NL, FR, BE, DE, LU, IT: against going any further.

³⁰ FI, DK: add "Enhanced Partnership should both make use of national patent offices' existing expertise and strengthen their capacity to enhance the overall quality of the patent system in future."

³¹ FI, DK, PL: p. 31 should read as follows (changes marked): "In the framework of Enhanced Partnership, central industrial property offices of Member States of the European Patent Organisation shall have a right, if they wish to do so, to conduct searches under commonly agreed search standards. Enhanced Partnership should therefore pave the way for the European Patent Office to make regular use, where appropriate, of the work carried out by central industrial property offices of Member States of the European Patent Organisation [...]." HU: replace "pave the way for" with "enable" and delete "where appropriate" or replace it by "as a general rule."

32. Enhanced Partnership should fully respect the central role of the European Patent Office in examining and granting European patents. Under the Enhanced Partnership the European Patent Office would be expected to consider but not be obliged to use the work provided by participating offices.³² The European Patent Office should remain free to carry out further searches. The Enhanced Partnership should not restrict the possibility for applicants to file their application directly³³ at the European Patent Office.³⁴
33. Enhanced partnership would be subject to periodic reviews, adequately involving views of the users of the patent system. In addition, regular feed back from the European Patent Office³⁵ to the participating offices on how search reports are utilised at the European Patent Office would be essential for the enabling of the fine-tuning of the search process to the benefit of the optimal utilisation of resources.
34. Enhanced partnership should be based on a European Standard for Searches (ESS), containing criteria for ensuring quality. The ESS should in addition to searches include standards on inter alia training, tools, feedback and assessment.
35. The ESS should be implemented within the context of the European Patent Network (EPN)³⁶, in particular, the Utilization Project³⁷ and the European Quality System³⁸, within the policy of the European Patent Organisation.

³² HU, BG: should read "...would as a general rule, be expected to consider and use the work provided by participating offices carried out in accordance with quality standards."

³³ PL: delete "directly" (cases of state security etc).

³⁴ LU: delete last sentence, superfluous.

³⁵ FI, DK: replace "Office" by "Organisation".

³⁶ EPO documents CA/120/06 and CA/PL 8/09.

³⁷ EPO document CA/147/08 Rev. 1.

³⁸ EPO document CA/122/06 and CA/PL 8/09.

36. The participation of central industrial property offices in an Enhanced Partnership should be voluntary but open to all. In the spirit of facilitating the utilization and pooling of all available resources, regional cooperation should be encouraged. In addition the possibility of limiting the participation of a central industrial property office to one or more specific technical fields should be further analysed, tested and evaluated.³⁹
37. The steps now taken should be without prejudice to any future development of the Enhanced Partnership.⁴⁰ Against this background, the European Patent Office and Member States should give comprehensive evaluation of the functioning and the further development of the Enhanced Partnership, based on experience gained through the implementation and the performance achieved by central industrial property offices in meeting the ESS.

AMENDMENTS TO THE EUROPEAN PATENT CONVENTION AND ACCESSION OF THE COMMUNITY TO THE EUROPEAN PATENT CONVENTION

38. In order for the Community patent to become operational, to the extent necessary, amendments would [...] be made to the European Patent Convention (EPC).⁴¹ The Community and its Member States should take any necessary measure and put them into force, including those for the accession of the Community to the EPC. Amendments to the EPC deemed necessary in this regard should not imply any revision of substantive patent law, not related to the creation of the Community patent.

³⁹ FI, DK, EE: add "as an alternative to the full participation in the search work as provided in paragraph 31."

⁴⁰ AT, DK: add "to be interpreted in the spirit of the common political approach agreed on 3 March 2003." Alternatively, support FI proposals on pp 30, 31 and 36. HU: add "including alternative models for work sharing between the European Patent Office and central industrial property offices, especially in respect of tasks to be performed under the Patent Cooperation Treaty."

⁴¹ SK, BG: specify that the Diplomatic Conference for the revisions of the EPC will not be convened until quality machine translations are available for all EU languages.