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WORKING DOCUMENT

from: Presidency

to: Working Party on Intellectual Property (Patents)

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Subject : Community patent: translation of claims and distribution of revenue from fees

Delegations will find in Annex, for discussion at the meeting on 12 March 2008, a Presidency working document regarding the Community patent.

COMMUNITY PATENT

The Community patent is a fundamental, but still missing element of the EU's industrial property system. Together with the development of a patent jurisdiction for the Community, the creation of the Community patent title would provide users with an optimal patent system to encourage innovation and improve the competitiveness of the European economy.

In its Communication to the European Parliament and the Council (3 April 2007 COM (2007) 165 Final) "Enhancing the patent system in Europe", the Commission "is of the opinion that the creation of a single Community patent continues to be a key objective for Europe. The Community patent remains the solution which would be both the most affordable and legally secure answer to the challenges with which Europe is confronted in the field of patents and innovation...

The Commission considers that it should be possible to find effective solutions and it will explore with the Member States how to improve the language regime with a view to reduce translation costs of the Community patent while increasing legal certainty for all, and in particular for the benefit of SMEs. Possible options could involve fee reductions for SMEs or schemes allowing for flexibility in the translation requirements".

The Presidency wishes to relaunch efforts to create a Community patent, building on previous work with the goal of fulfilling the long-awaited expectations of patent users in Europe.

To reach a global agreement on the Community patent, the Presidency intends to focus the Council discussion on two major subjects:

- the question of translation of patent claims and
- the distribution of revenue from fees paid to maintain the Community patent in force.

I - TRANSLATION OF CLAIMS

The aim of the European Community must be the creation of a Community patent adapted to users' needs, in particular, as regards accessibility and cost effectiveness. On the one hand, it must be recalled that one of the main criticisms of the Common Political Approach of March 2003 from the majority of stakeholders was the translation arrangements for patent claims, including the high costs involved. On the other hand, a Community Patent with a multilingual character and the availability of translations would facilitate access to patent information in particular for SMEs and contribute to the spread of technical knowledge and innovation throughout the EU, including in those Member States where currently patent activity is low. At the same time solutions have to be found which reduce complexity and costs for the users and avoid legal risks. The following points should therefore be considered concerning translation arrangements for patent claims:

1. The Community patent should have a unitary character and ensure uniform patent protection over the entire EU territory.
2. The cost of the Community patent must be affordable in order to facilitate its use by SMEs. Moreover, the procedure for translating claims must be simple and made easy for applicants, consistent with the EU's policies on simplification and "Better regulation".
3. The proposed arrangements should ensure a high legal certainty of the Community patent and make it effectively enforceable, providing a strong element in the fight against counterfeiting, wherever it occurs in the EU. Moreover, the system must be consistent with the creation of a unified patent jurisdiction, where decisions should have effect for the whole of the EU.

In view of these criteria, the Presidency proposes to organise discussions between Member States on the Community patent on the basis of the following principles and options:

Common principles

Accessibility of the Community patent

Accessibility of the Community patent must reconcile the need for affordable costs for companies, especially SMEs, and the availability of translations of claims in the languages of the Member States which require it. This means that we must strive for pragmatic and realistic solutions that address this balance.

Given the current high cost and administrative burden of obtaining and filing translations in all official EU languages, solutions could either involve reducing the number of translations required, or providing an easier, more effective way of performing these translations.

Legal certainty of the Community patent

Only the language in which the patent is granted is, in principle, the authentic text and is legally valid, as is already the case with the European patent in accordance with the European Patent Convention. This provides legal certainty and should also be the basis for the Community patent.

However, when they are submitted by the patent holder (as in case of Option 1), translations of claims can be considered in infringement disputes concerning a Community patent where there is a difference between the translation of the claims in the national language and the language in which the Community patent is granted, in particular where the claims of the translation are narrower than the original text. This allows the interests of third parties, acting in good faith, to be taken into account. In any case, the protection of legitimate expectations of third parties can be ensured, in the case of patent-related disputes, by requiring the patentee to produce a full translation of the patent should a dispute arise.

On the basis of these orientations, two options are foreseeable:

Option 1: the “flexible” Community patent

The revised proposal for a Regulation on the Community patent (document 7119/04 PI 28) provides that when the patent is granted, the applicant must submit a translation of the claims in all official EU languages, unless a Member State waives the requirement for a translation into its official language(s). One option could be to provide flexibility in this respect and to allow the patent holder to submit only a limited number of translations. However, this would result in the Community patent only being enforceable against third parties in the territories of those Member States where a translation of the claims into the relevant official language has been supplied. If a translation were submitted at a later stage, the patent holder could only be awarded damages with effect from the date on which this translation was filed.

This option could greatly reduce the cost of the Community patent for businesses by instituting a “flexible” Community patent. Holders would have the right to decide, on a patent-by-patent basis, the extent of desired geographical coverage of protection and the translation costs they are willing to incur.

In addition, costs could be further reduced by providing financial incentives for those Member States who do not require a translation in their official language(s) in order to increase the number of patents for which protection is sought in their territory. In practice, translation costs are in fact high at present and in some Member States the translations themselves are rarely consulted by businesses especially since they are available only after the patent is granted.

Option 2: the Community patent with translation performed by a central service

While the first option would allow a reduction in translation costs by limiting the number of languages for which translations need to be provided, a second option should seek to simplify translation procedures and reduce costs and complexity in a way which would make it affordable to have translations available in all official EU languages.

This could be achieved by establishing a central service to carry out translations for all required languages. Applicants would no longer have to deal with translations, which would be taken care of by the system. At the same time, they would have protection throughout the Community without having to take decisions on the extent of geographical coverage. The central service would make use of existing technical expertise and work already performed in automated technical translation, such as that at the European Patent Office (EPO). The system developed there currently functions with certain language pairs and would be extended to include all official EU languages before the Community patent comes into operation. Some additional human support may, however, be necessary for certain language pairs during a transitional period.

An automated translation system would involve the creation of databases of electronic dictionaries of technical terms directly linked to the International Patent Classification system. This would ensure a highly precise translation of technical vocabulary, avoiding ambiguities where the same word has a different meaning according to the field of technology. The creation of these databases could benefit the European patent system as a whole and enhance the dissemination of patent information in general. Not only would they improve the provision of information to the public at large in all official EU languages, but they could also be used by national offices and the EPO for searching prior art in different languages.

Automated translation would be available to any interested party by a simple click via the website of the central service concerned. The use of a central service combined with the electronic dictionaries would ensure coherence of translations and use of terminology and contribute to their informative value for third parties. Translations would be available at an early stage from the moment of the publication of the patent application, whereas one of the reasons why traditional translations of claims are rarely consulted is that they are available very late, only months after the patent has been granted. Furthermore, an automated translation system would make it possible to process not only translations of the claims but also other parts of the patent, or of the patent in its entirety, as well as of the supporting documentation at the request of interested parties.

Consequently, it could ensure a truly multilingual patent and considerably enhance the diffusion of patent information throughout the EU and in all official EU languages. It should be clear, though, that such automated translations, by their very nature, could be for information purposes only and could not produce any legal effect.

The creation and maintenance of such an automated translation system, and in particular, of technical terminology databases, could be supported by Community funding to the extent necessary, given the advantage to the patent system and its beneficial effect on the promotion of innovation in the EU. Once the system and in particular the required databases are built up, the budgetary implications for running the system are expected to be marginal in any event. Furthermore, a financial incentive could be provided to those Member States who participate in the setting up of the system, in particular, the electronic dictionaries for their respective languages.

II – DISTRIBUTION OF FEES

A second question which requires consideration is that of the distribution of revenue received from the renewal fees for the Community Patent.

The Competitiveness Council studied this question in the context of adoption of the common political approach on the Community Patent on 3 March 2003.

Regarding the question of renewal fees, this approach comprised several different elements:

1. The renewal fees should be equivalent to the fees paid on an average European Patent, i.e. one which covers about 8 Member States. In this way, the renewal fees for a Community Patent offering protection over all the EU territory would be lower than for an average current European Patent.
2. The fees would be directly payable to the European Patent Office (EPO), which would be responsible for granting the Community Patent. The EPO would keep 50% of renewal fees to cover the costs it incurs in processing the Community Patent.

3. The remaining 50% of renewal fees would be distributed to National Patent Offices (NPOs) of Member States. A distribution key would determine the allocation of these fees.

In the common political approach of 2003, it was agreed that the distribution key should be based on a basket of fair, equitable and relevant criteria, which should reflect patent activities and the size of the market. They should also apply a balancing factor to be applied where Member States currently have a disproportionately low level of patent activities.

The Presidency therefore proposes the following procedure:

- The Council should agree, as part of the package concerning the Community Patent, on the relevant criteria for the level of renewal fees and for the allocation of the 50% share being distributed among NPOs.
- A Select Committee comprising the European Community and all EU Member States would be established. This committee shall, once the Community patent enters into force, implement these criteria and fix both the level of the renewal fees and the precise distribution key for their allocation.
- The Select Committee shall periodically review its decisions, taking into account economic development and changes in patenting activity.

The distribution of fees should be based on an appropriate mix of different economic criteria such as population and the evolution of patent activity in Member States. Some of these elements were already included as criteria when the Luxembourg Agreement relating to Community Patents was adopted in 1989. Although the current partition of fees and level of patent activity has to be taken as a starting point, the distribution key should take into account the fact that patent activity in those Member States that currently have the lowest levels is expected to increase over time. Moreover, the current distribution of renewal fees in Member States reflects the limited geographical coverage of patents, given that the bulk of European patents cover a limited number of Member States. Considering that the future Community patent will, in principle, cover the entire EU territory, the distribution of fees should be balanced towards Member States which currently have the lowest levels of validations. In addition to this balancing factor, these criteria could include variables concerning the stimulation and promotion of innovation.

Furthermore, as set out in option 1 of the section above on translation of claims, a premium could be provided for in order to encourage Member States to facilitate translation arrangements by dispensing with claim translations. Alternatively, as is set out in option 2 of the section on translation of claims, provision could be made for a premium for those Member States participating in the establishment of the automated translation service, in particular the electronic terminology dictionaries.

It is proposed that the Council makes a definitive choice on the method and criteria used to determine the level of renewal fees and the distribution key, with implementation in practice being entrusted to the Select Committee.
