ECIS European Committee for Interoperable Systems

ECIS ivzw-aisbl
Louizalaan 65 avenue Louise Box 2
B-1050 Brussels, Belgium

T/F +32 (0)2 706 24 15
info@ecis.eu
www.ecis.eu

ECIS comments on the Draft Agreement on the European Union Patent Court and the Revised proposal for a Council Regulation on the Community patent

The European Committee for Interoperable Systems ("ECIS") welcomes the opportunity to comment on (i) the recent Draft Agreement on the European Union Patent Court and draft Statute submitted by the French Presidency and (ii) the Revised Proposal for a Council Regulation on the Community Patent submitted by the Slovenian Presidency on behalf of the Council of the European Union to the Working Party on Intellectual Property ("Working Party"). Below it respectfully submits its observations on these proposals.

ECIS is an international, non-profit association of information technology companies founded in 1989 that endeavours to promote a favourable environment for interoperable ICT solutions. ECIS has for almost twenty years actively represented its members regarding issues related to interoperability and competition before the EU and other fora such as WIPO. ECIS' membership includes companies that are important patent holders and that rely on patents to protect and exploit their technological inventions.

Summary

ECIS would support a European Union Patent Judiciary system and a Community patent only if these are of high quality, are balanced for all interested parties, and ensure legal certainty and clarity across Europe.

The Draft Agreement on the European Union Patent Court

An EU patent litigation system such as envisaged by the Draft Agreement on the EU Patent Court would only be beneficial if the following five principles are incorporated:

First, a European Union Patent Judiciary should reflect a balance between the interests of both plaintiffs and defendants. The current proposed model for a European Union Patent Judiciary is disproportionately favourable to plaintiffs.

In keeping with a system which balances the interests of both plaintiffs and defendants, the Working Party should ensure that injunctions are not granted automatically. Injunctions should be discretionary and only granted based on the principles of equity. The competent courts should take into account the harm caused to both parties and weigh the interests of both parties before granting or denying an injunction. Legislators should stipulate the need to measure the injury suffered and the balance of convenience between the plaintiff and the defendant before granting injunctions. In addition, when balancing interests, the Court should be required to take into account how the issuance of an injunction could impact the public interest as a whole.

Second, ECIS considers that the legal framework should ensure that the judges at all levels and in all divisions should have sufficient technical competence to decide on the

highly complex technical matters that are often inherent to patent questions. All judges on any panel, especially of a local or a regional division, should be sufficiently qualified and experienced to adjudicate complex patent issues. In addition, ECIS encourages the Working Party to ensure that the panel of judges in a local or regional division consists not only of nationals of the Contracting Party concerned, but also nationals of other Contracting Parties with experience in the field. It is important to ensure that the composition of the panels in local or regional divisions is sufficiently internationalised in nature. As a result of the above, forum shopping will be avoided.

Third, ECIS believes that the current proposal for review of patent validity and infringement cases is disproportionately favourable to plaintiffs and that it therefore encourages forum shopping. Under the current proposal, the local division may bifurcate the case in the event of a validity counterclaim. Bifurcation would allow a patent owner to argue for a broader interpretation of the patent claims for infringement purposes, but to adopt a narrower interpretation for infringement purposes, putting the defendant at a disadvantage. This risk of different interpretations of the patent in validity and the infringement proceedings, may alternatively give rise to the need for a costly and time-consuming third court procedure in which the scope of claims has to be decided separately. Worse still, bifurcation runs the risk that the local division could grant a pan-European interim injunction, *i.e.* valid in all Contracting States, even before the validity of the patent has been properly tested, which would be unfair to the defendant but presents the plaintiff with minimum risk. An injunction can -- and usually would -- be devastating on a business -- even if the patent is later held invalid. So bifurcation, indeed even the threat of bifurcation, can be used tactically by plaintiffs in a potentially anti-competitive way, *i.e.* to stifle competitive innovation.

Additionally, stricter than the proposed rules should apply in designating competence among the local, regional or central divisions in patent validity and infringement cases. For example, infringement actions should be brought only before the local or regional division where the defendant is domiciled, rather than giving the option of bringing the action before the local or regional division where the actual or threatened infringement allegedly occurred. Alternatively, cases could be allocated to the local divisions by the central Registry. Additionally, when an infringement action is initiated at a local or regional division, while a validity action is already pending before the central division, the local or regional division concerned should ensure that it compulsorily refers the action on the infringement case to the central division in order to avoid potentially different interpretations of the same patent.

Lastly, the EU patent litigation system should not allow patent holders to exercise their rights abusively and distort competition. In particular, ECIS agrees that the Court must "ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and shall not distort competition."[1] The European Patent judiciary system should provide safeguards ensuring that granted patent rights are not used abusively against other companies in order to prohibit them from accessing essential information to develop new interoperable products and to reduce innovation in the ICT industry.

[1] Article 23 (2), Draft Agreement on the European Union Patent Court and draft Statute, Working Document No. 14970/08, Brussels, 4 November 2008.

Thus, for example, judges should take into account the potential (or actual) distortion of competition when measuring the potential harm for either of the parties in deciding to grant or refuse an injunction (interim/provisional or permanent).

Revised proposal for a Council Regulation on the Community Patent

ECIS would support a Community patent system only if the rights and limitations associated with the patent are clearly defined, and these definitions do not lead to or allow a broadening of the current scope of patentable subject matter or of patentability generally, either by law or by interpretation of the law by the judiciary. A new, additional pan-European patent system only makes sense if the system ensures that the patents granted are of indisputably high quality. If a Community patent system is to be adopted, that system must provide legal clarity and certainty, as well as measures supportive of collaborative innovation and interoperability.

First, the Community patent should be of high quality. The Draft Proposal should ensure the application of high quality standards in the process of granting Community patent protection. Patent protection with a Community-wide scope should be granted only to technologies innovative enough to be protected by exclusive rights.

If it is contemplated to introduce deferred examination as a means to help eliminate the backlog of patent applications awaiting examination by the EPO, ECIS recommends that specific time limits should be set within which requests for an examination should be made after the publication of the patent application, as it contrary to the public interest for unexamined applications to remain on file indefinitely. It must also be possible for third parties to request examination at any time.

In addition, ECIS considers that patent quality would be greatly enhanced by opening up the patent examination process and the identification of prior art even more to public participation.

Further, ECIS strongly supports the introduction of a voluntary Licences of Right regime. ECIS favours introducing a voluntary Licence of Right system that would ensure wider access to technology essential to achieving software interoperability and that would sufficiently protect access to open standards. According to this system, any person interested in using the patented invention to manufacture and market interoperable software would be able to obtain a licence to use the essential patent for that purpose.

It is crucial in the software industry to ensure that patent protection will not be used strategically to prevent legitimate follow-on innovation. A Licence of Right to use a patented invention guarantees that any interested party will have legitimate access to the patent to develop interoperable software without fear of patent holders trying to assert their exclusive patent rights to block the development of new products.

The Licence of Right regime could help address the problems faced by "innocent infringers" (an "innocent infringer" being an individual or business that did not know or could not reasonably be expected to have known of the patent), given that they would no longer be vulnerable to injunctions, which is particularly important in the case of individuals or businesses for which the use of patented inventions is essential in order to achieve software interoperability. Licences of Right will be a useful tool to SMEs, which are unable to bear the costs of translating a

published Community patent and which may unwittingly infringe that patent. Under a Licence of Right regime there is certainty that licences will be available and "innocent infringers" will have less fear when marketing their products.

The proposal must provide businesses with adequate financial incentive to opt for the voluntary Licences of Right regime. Thus, for example, a patent holder filing a written statement with the EPO that Licences of Right are available should receive a significant reduction of the renewal fees for the Community patent that fall due after the receipt of the statement.

Further, licences to patents essential to a standard for achieving software interoperability should be read in light of Fair and Non-Discriminatory ("FRAND") terms. A FRAND licensing commitment to such essential patents should be made clearly and irrevocably in advance, so as to avoid the implementation and development of a standard being subsequently hindered by potentially unreasonable claims from right holders. Depending on the context it may be appropriate to set the royalty rate at zero. In the case where the cost of FRAND licensing is more than zero and the technology is covered by multiple patents owned by more than one owner, FRAND royalties for individual patents should not exceed the contribution made by the patented technology and moreover the resulting cumulative royalties should remain reasonable.

Conclusion

We hope that ECIS' concerns and comments will be taken into account. We remain at your disposal for further discussion.