**ALLEA Statement on the Future Patent System of the European Union**

*This statement argues that the current European patent system does not satisfy the IPR needs of scientific research and falls short of the bold vision of the European Innovation Union. The statement supports the creation of a unitary European Union patent, as a supplement to existing European and national patents, of a single European patent judicature, and of a centralized European appeal court. In the absence of an unanimous position amongst Member States, however, the statement welcomes the alternative solution requested by 25 EU member states within the framework of enhanced cooperation, which will result in a European patent having unitary effect in all Member States except Italy and Spain.*
*Moreover, the statement draws attention in particular to the need to find a harmonized approach to regulations regarding employees' inventions and encourages the European Commission to re-launch efforts aimed at ensuring that European law provides for a grace period similar to the one existing in US law.*

**I.**

Patents protect the results of innovation in the technical sciences and secure investments in research and development. The importance of patent protection in the academic sector has increased in accordance with the growing recognition that research institutions are not only producers of pure knowledge, but also important contributors to the general innovation process and, by extension, to the welfare of society.
Whereas inventions – as contributions to the universal body of knowledge - are truly international in character, innovation processes that result from inventions are localized and regional and international cooperation in the area of patent protection are of utmost importance.
In Europe, the European Patent Convention of 1973 was a major step forward, but scoreboard analyses show that high translation and litigation costs continue to place European actors at significant disadvantage compared to US and Asian competitors. Hence, it has long been a prioritized task for European authorities to improve the patent system in Europe.
With the recent policy emphasis on the European Innovation Union, the scientific communities are called upon to support moves towards rendering more rational and more effective the EU patent system under which they operate. The Common Strategic Framework initiative indicates delivery of a proper IPR environment as one key step towards the Vision Europe 2020. Failure of political decision-makers and legislators to take the necessary measures risks further obstructing the development of a properly regulated market for innovative knowledge in Europe. An appropriate framework for IPR and patenting in Europe would include also provisions that ensure that no obstructions to further research or to equitable availability of products are created.

**II.**

Fifty years after establishing the first working group for the creation of a European Community patent, and 35 years after the conclusion of the Community Patent Convention in 1975 in Luxembourg (which, incidentally, never entered into force), the EU Commission and the Council are again attempting to create a unitary patent system.[1]
Two major issues are still waiting to be resolved, firstly, the structure and composition of the patent judicial system and, secondly, the translation arrangements for European Union patents.

[1] Council of the European Union, Proposal for a Council Regulation of the European Union Patent of 27 November 2009 (Doc 16113/09 – ADD 1 – CNS 2000/0177).

The Council presented a draft Agreement creating a European Patent Judiciary in March 2009.[2] On 6 July 2009 the Council requested the opinion of the Court of the European Union on the compatibility of the proposed dispute settlement system with the Treaty of the Functioning of the European Union. According to the opinion of the Court, which was delivered on 8 March 2011, the draft Agreement is not compatible with the provisions of the EU Treaty and the FEU Treaty.[3] Having turned the proposal down, the prospect of unitary patent judiciary is presently uncertain.

Furthermore, the Commission proposed a Regulation on translation arrangements in June 2010.[4] The proposal failed, however, to gain the required unanimous support from Member states, even after extensive efforts and a number of compromise proposals. Recognizing that unanimity could not be reached, 12 Member States required in November 2010 the Commission to present a proposal within the framework of enhanced cooperation according to Article 20 of the Treaty of the European Union.[5] The request was subsequently followed by another 13 Member States, which means that all Member states except Italy and Spain are now pursuing this option. The Council authorised the request for enhanced cooperation on 10 March 2011,[6] and the Commission issued on 13 April 2011 its revised Proposal for translation arrangements and implementing provisions.[7] According to this proposal, the EU patent specification published by the EPO in one of the three official languages of the EPC, with translation of the claims into the other two official languages, are to be the authentic text and no further translation will be required. Only in case of a dispute relating to an EU patent shall the patentee provide at the request and the choice of an alleged infringer a full translation of the patent into an official language of the Member State in which either the alleged infringement took place or in which the alleged infringer is domiciled.[8]

[2] Council of the European Union, Draft Agreement on the European and Community Patents Court and Draft Statute of 23 March 2009 (Doc. 7928/09).

[3] Opinion 1/09.

[4] Proposal for a Council Regulation (EU) on the translation arrangements for the European Union patent of 30 June 2010 (COM (2010) 350 final, 2010/0198 (CNS)).

[5] Request from Denmark, Estonia, Finland, France, Germany, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Sweden and the United Kingdom.

[6] Council Decision 2011/167/EU of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection (OJ L 76, 22.3.2011, p. 53).

[7] Proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements of 13 April 2011 (COM(2011) 216/3) and Proposal for a Regulation of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection of 13 April 2011 (COM(2011) 215/3).

[8] Proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements of 13 April 2011 (COM (2011) 216/3).

**ALLEA's view**

1) The **creation of a European patent with unitary effect**, as a supplement to existing European and national patents, is already long overdue. The possibility of creating **a single European patent judicature** should be explored further and EU law compatible solution elaborated as soon as possible.

While acknowledging the valuable efforts of the European Patent Office, there is no doubt that the lack of a single European patent judicature has led to considerable uncertainty and divergent application of patent law at national level. For instance, European patents granted by the European Patent Office repeatedly experience differing interpretation in designated States, i.e. the same European patent is, e.g. often revoked in Germany and in the United Kingdom, but upheld in France and Spain, etc. In the US a centralized appeal instance – The Court of Appeals for the Federal Circuit – was established in 1982 to overcome problems similar to those experienced in Europe today, and has been, according to the general opinion, a success.

**Some background facts**

Translations: A European patent validated in 13 countries can cost as much as €20.000, of which costs nearly €14.000 arise from translation fees alone, and in which attorneys fees are not yet taken into account. This risks making a European patent far more than 10 times more expensive than a US patent, costing about €1.850.

It may be noted, however, that also under current rules translations are not required during prosecution of applications, which may last for a considerable period of time, without this seeming to cause competitors of the applicant noticeable distress. Since the entering into force of the European Patent Convention in 1977, European patent applications after their publication and up to the patent grant have been available only in either English (some 85%), German (some 10%) or French (some 5%).

Litigation costs: they can vary significantly according to the type of proceedings, complexity of the case, technical field etc. Parallel litigation in four countries would typically vary between €300.000 and €2 Mio. at first instance alone.

Furthermore, the *considerable costs* stemming from current translation requirements and the need for multiple litigation procedures entail significant disadvantages for European innovators compared to their US and Asian counterparts. These costs are to a large extent unproductive and superfluous. Academic institutions and their researchers/inventors are particularly affected by the present high costs and risks; this often contributes to making them refrain from entering the patenting process altogether. The same is true for their partners from industry, if they belong to the category of SMEs.

**ALLEA's views**

2) ALLEA welcomes the initiatives by the European Commission and the Council aimed at significantly **reducing the costs** of obtaining patent protection in Europe. This may induce academic institutions and their researchers/inventors to make more appropriate use of the tools available under the existing and evolving IPR frameworks.
3) The **language regime** proposed by the Commission, which aims at significantly reduced costs for translation, is vital for the success of the unitary patent system.
4) The creation of a **European Patent Judiciary** having jurisdiction both in relation to unitary and European patents is essential in order to avoid costly multiple litigation procedures.

5) A **centralized European appeal court** (but not necessarily a centralized first instance court) is of utmost importance for the coherent and dynamic development of European substantive patent law. A centralized court may be expected to clarify the interpretation of provisions that are of central importance also for academic research, such as for instance the experimental use exception, allowing for experiments to be undertaken on patented inventions

**III.**

Even though the preferred solution would obviously be a patent system comprising all Member States, taking into account that such a system seems to be unfeasible in the foreseeable future, the current proposal for a solution within the framework of enhanced cooperation, comprising for the time being 25 Member States, deserves support.

**ALLEA's view**

6) The current proposal for a solution within the framework of **enhanced cooperation**, comprising for the time being **25 Member States**, is clearly a step in the right direction.

The current proposal gives occasion to the following general observations by ALLEA, which reflect the basic needs of the European academic community to be able to productively use the patent system for successful transfer of knowledge into innovative products and processes, and which have been summarized above as ALLEA's views No.2-5.:

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ALLEA draws, however, attention to the fact that even the most recent Proposal for a Council Regulation of the European patent does not provide for a harmonized/unitary regulation of employees' inventions.

ALLEA is fully aware of the past failed attempts of the EU Commission to address this issue, but it is of the opinion that this should not prevent a new attempt for harmonizing at least such basic aspects of employees' invention law as definitions of the different categories of service inventions, the rights of employers and employees to such inventions, or, for instance, who and under what conditions is entitled to apply for a patent. It is no exaggeration to state that laws regulating employees' inventions among EU Member States, such as Belgium, Germany, France, Italy, the Netherlands, Sweden and the United Kingdom, differ nearly to the largest possible extent. Especially in view of the steps taken towards a unitary EU patent this deplorable a situation should be remedied as soon as possible.

**ALLEA's view**

7) ALLEA encourages renewed efforts to arrive at a meaningful, **harmonized regulation of employees' inventions** that will facilitate implementation of the future unitary EU patenting rules.

**IV.**

ALLEA recognizes that the establishment of a unitary patent system would represent a significant step forward also for patenting within the academic sector, but notes that further improvements are also needed in order to make the patent system better suited for the needs of this sector (as well as for the needs of small and medium sized enterprises).
A comparison of current European law with US legislation and case law in the field of patents makes this abundantly clear, in particular when it comes to the legal framework for the exploitation of academic inventions: the well known *Bayh-Dole Act*, which explicitly allows universities and other research institutions to retain intellectual property rights based on publicly funded research, entered into force as early as 1980. This and other legislative initiatives aimed at the protection and dissemination of research results have made US academic institutions important participants in the innovation process. Comparatively, little has been done in Europe to attain the same goal, except from fragmented initiatives at national level.

In order to promote the role of universities and research institutions in the European innovation process, of particular importance for future development of a knowledge based economy (KBE) within united Europe.

**ALLEA's views**

8) ALLEA encourages the European Commission to re-launch efforts aimed at ensuring that European law provides for a **grace period** similar to the one existing in US law, but preceding the Union priority date. This will reduce the risk of accidentally depriving scientists and their institutions of the chance to acquire patent protection while at the same time facilitate early publication and dissemination of research results. Moreover, the introduction of a grace period into European law would certainly increase the chances that the present U.S. patent law reform, which, if adopted, will replace the first to invent system with a "first inventor to file" system, be finally passed by the Congress.

The **rights and obligations of researchers, institutions and industry partners** vary between the Member States, and are to some extent insufficiently clarified. It should be investigated whether harmonization is possible and needed with respect to, in particular, the right to apply for patents and the entitlement to remuneration for inventions that are assigned from researchers to institutions or industry partners. ALLEA and its Member Academies, with their partner organizations in science, industry and politics, could offer to further explore this issue.

European law does not provide a **statutory framework** enabling universities and other publicly funded research institutions to effectively exploit and protect their research results. The need for a harmonized framework and the possible structure and content of such a framework, in particular with respect to results that emerge from public-private partnerships, could be further explored by the ALLEA Standing Committee on Intellectual Property Rights in cooperation with the Member Academies and related scientific organisations.

Competent organs of the European Union and those of the Members States should also invest further efforts for improving the ability of non-industrial research institutions and cooperating SMEs to better use the patent system nationally, regionally and internationally to the benefit of their international competitiveness.

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