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**Patent Protection in Europe: Integrating Europe into the
Community or the Community into Europe?**

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I. Introduction

Over at least the past decade patent protection of technological inventions has become ever more important both in terms of quantity and quality. The number of patents applied for has reached totally unexpected levels,¹ the scope of available protection has been extended far beyond traditional limits to computer programs of all kinds,² and to biotechnological inventions, including gene technology.³ At the same time, due to the creation of a Community Trademark, of Community Protection of Plant Varieties, and, recently, of a Community Design, but also due to the ever-widening harmonisation of copyright law,⁴ the Common

¹ EPO-patent applications have risen from 55.982 in 1991 (see EPO, Annual Report 1991, Munich 1992, p. 25) to 142.941 in 2000 (EPO, Annual Report 2000, Munich 2001, at p. 14); the German Patent Office received 42.718 applications for national patents in 1991 (Deutsches Patentamt, Jahresbericht 1992, Munich 1993, at p. 8) and 110.392 in 2000 (Deutsches Patent- und Markenamt, Jahresbericht 2000, Munich 2001, at p. 15); US-numbers for 1991 are 164.306, and 295.902 for 2000; see U.S. Patent Statistics 1963 – 2000 (http://www.uspto.gov/web/offices/ac/ido/veip/taf/st_co_00.htm); also Jaffe, The U.S. patent system in transition: policy innovation and the innovation process, 29 Res. Pol'y (2000) 531, 537; Riordan, What's Driving Patent and Trade Mark Application Filings" Eur. Int. Prop. Rev. 2000, 349.

² See Tauchert, Patent Protection for Computer Programs – Current Status and New Developments 31, IIC 812 (2000) = Patentschutz für Computerprogramme - Sachstand und neue Entwicklungen, GRUR Int. 1999, 829; Ohly, Software und Geschäftsmethoden im Patentrecht, CR 2001, 809; Kraßer, Erweiterung des patentrechtlichen Erfindungsbegriffs? GRUR 2001, 959; critical Likhovski, Fighting the Patent Wars, Eur. Int. Prop. Rev. 2001, 267; Lloyd, Intellectual Property in the Information Age, Eur. Int. Prop. Rev. 2001, 290; Schölch, Softwarepatente ohne Grenzen, GRUR 2001, 16; due to the extension of protection to business methods the matter has become increasingly controversial, so much that the legislature has asked for prior scientific advice, see Lutterbeck, Gehring, Horns, Sicherheit in der Informationstechnologie und Patentschutz für Software-produkte – ein Widerspruch? Berlin, Technische Universität, Institut für Angewandte Informatik, 2000, 18 et passim; Max-Planck-Institut für ausländisches und internationales Patent-, Urheber- und Wettbewerbsrecht, Fraunhofer Institut für Systemtechnik, Mikro- und makroökonomische Implikationen der Patentierbarkeit von Softwareinnovationen: Geistige Eigentumsrechte in der Informationstechnologie im Spannungsfeld von Wettbewerb und Innovation, Karlsruhe 2001 (Forschungsauftrag 36/00 des Bundesministeriums für Wirtschaft und Technologie, Berlin); PbT Consultants, The Results of the European Commission Consultation Exercise on the Patentability of Computer Implemented Inventions, London 2001 (<http://www.europa.ind/comm.internalmarket/en/indprop/softpatanalyse.htm>). As of recent, the Commission has submitted a Proposal for a Directive of the European Parliament and the Council on the patentability of computer implemented inventions, COM (2002) 92 final of February 20, 2002.

³ Literature is as abundant as in the software field, see only Fuchs, Patentrecht und Humangenetik, JZ 1999, 597; Plebani, Bio Protection and Licensing in Europe, les Nouvelles 2000 (March) 1; Busche, Die Patentierung biologischer Erfindungen nach Patentgesetz und EPÜ, GRUR Int. 1999, 299; Kienle, Die neue EU-Richtlinie zum Schutz biotechnologischer Erfindungen – rechtliche und ethische Probleme der Patentierung biologischer Substanzen, EuWiStR 1998, 156; Drahos, Biotechnology Patents, Markets, and Morality, Eur. Int. Prop. Rev. 1999, 441; Gold, Gallochat, The European Biotech Directive: Past as Prologue, 7 Eur. L. J. 331 (2001), all with references.

⁴ See Reg. 40/94 of December 20, 1994 on the Community Mark, OJEC 1994 L 11, 1; Reg. 2100/94 of July 27, 1994 on Community Protection of Plant Varieties, OJEC 1994 L 227, 1; Council Reg. 6/2002 of December 12, 2001 on the Community Design, OJEC 2002 L3, 1; Directive 29/2001 of May 22, 2001 on the harmonisation of certain aspects of copyright and related rights in the information society, OJEC 2001 L 167, 10; for the development of harmonisation of copyright law see Cohen Jehoram, European Copyright Law - Ever More Horizontal, 32 IIC 532 (2001); Pardo, Highlights of the Origins of the European Union Law on Copyright, Eur. Int. Prop. Rev. 2001, 238; for a general account of harmonisation/unification of intellectual property protection

Market has matured into a true Internal Market of intellectual property protection. Yet, patent protection in Europe rests unchanged on a fragmented and incomplete legal system for about a quarter of a century.

As astonishing as this state of the affairs may be, it has not raised much concern outside the patent community. Patent law is a very technical area of law both as regards its subject matter and its operation. However, it is a matter of general interest. In a free-enterprise economy patent protection constitutes a major legal instrument of general support to technological progress. It allows the "monopolisation" of market opportunities for innovations based on inventions, and, thus, the taking of risks in productive investments in new technologies. Yet, general awareness of patent law centres much more on the dangers, which patent exclusivities may cause for competition, than on the conditions of the well-functioning of the system in the first place.⁵ In particular, little public attention is paid to the institutional structure of the patent system, or to the problems these may cause for the integration of national systems into Community and/or European patent protection. As in any other field of the law, however, it is only by understanding the patent system as an institution that integration by harmonisation or by unification may be achieved successfully. Therefore, it is by reference to the institutional particularities of the existing national and European patent systems that an attempt is made to explain the difficulties of establishing a "supra-territorial" system of patent protection as a framework regulation for innovations in an integrating, yet highly differentiated market, such as the Internal Market of the European Union. In fact, the entire area of EU-influence must be taken into consideration, i.e. also the liberalised markets of the European Economic Area, of Eastern Europe, and of some neighbouring States like Switzerland or Turkey. This is so, because the real world problem is to bring legal protection of inventions and the economic integration of markets together, at least to the extent that market integration is itself driven by the law. As should become clear from the text, however, this process of concomitant legal

see Ullrich, Die gemeinschaftliche Gestaltung des Wettbewerbsrechts und des Rechts des geistigen Eigentums, in Müller-Graff (ed.), *Gemeinsames Privatrecht in der Europäischen Gemeinschaft*, 2nd ed. Baden-Baden 1999, 403.

⁵ For a discussion of the relationship between patent protection and competition, and of the proper operation of the patent system in general see Ullrich, Intellectual Property, Access to Information, and Antitrust: Harmony, Disharmony, and International Harmonisation, in Dreyfuss, Zimmerman, First (ed.), *Expanding the Boundaries of Intellectual Property*, Oxford 2001, 365; id., Technologieschutz zwischen Wettbewerbs- und Technologiepolitik, in Schricker, Dreier, Kur (ed.), *Geistiges Eigentum im Dienste der Innovation*, Baden-Baden 2001, 83; id. Legal Protection of Innovative Technologies, Property or Policy in Grandstrand (ed.), *The Swedish International Symposium on Economics, Law, and Intellectual Property*, forthcoming.

unification and economic integration meets with difficulties, which result less from institutional particularities of patent protection as such, than from the fact that present unification efforts tend to burden the already uneven operation and infrastructure of patent protection with exaggerated claims of market unity and political dominance. What may be needed, therefore, is not a political compromise as a way out of the existing stale-mate, but a reconsideration of the needs of market integration, and of the institutional requirements of a patent system, which is apt to satisfy industrial and public interests equally on all levels, national, international and supranational, throughout the Community and Europe.

1. From national to international patents

a) *National systems of protection*

At present, patent protection in Europe rests upon a multi-layered system. On the one hand there are the national systems of patent protection. Although, due to international conventions⁶ or due to unilateral adaptation, they are de facto quite uniform as regards the conditions of the grant of the patent, they differ considerably as regards the substantive terms of protection,⁷ the procedure and costs of granting protection,⁸ and the forms, costs and rigor of enforcement. National patent protection rests on legally complete and coherent systems, which mirror national public policy for innovation and competition. Such protection, however, no longer fully relate to market realities. The national patent systems only cover small national markets, not the transnational markets of most present day competition for

⁶ In particular the Strasburg Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions of November 27, 1963 (BGBl 1976, II 658); by contrast the WTO-Agreement on Trade Related Aspects of Intellectual Property of 1994 (BGBl 1994 II 1730) has had only limited harmonising influence on national patent laws in Western Europe.

⁷ Even where exclusivity is generally defined in similar terms, differences remain, e.g. as regards exceptions to protection (prior use or possession personelle), the conditions and practice of granting compulsory licenses, and the pre-requisites for and terms of sanctions for infringement, for a survey of national patent laws see Kraßer, *Die Harmonisierung der nationalen Patentgesetze*, in Beier, Haertel, Schrickler (ed.), *Münchener Gemeinschaftskommentar zum Europäischen Patentübereinkommen*, 22. Lfg., Cologne 1998, 119, 126 et seq.

⁸ In particular, there is a split between national patent laws, which grant protection only upon full prior examination of the patentability of an invention (Austria, Denmark, Germany, Sweden, Spain, United Kingdom) and those, which only require registration, and, possibly make enforcement dependent upon the submission of a search report (Belgium, France, Greece, Ireland, Italy, the Netherlands, Portugal). The difference is enormous both in terms of administration and substance of the system. Prior examination requires time and money, but affords legal certainty of the title granted and efficient enforcement, whereas registration systems operate more rapidly and cheaply, but provide only an unsafe title with little deterrent effect.

innovations. At best, they result in legal patchwork protection of broader, economically integrated markets. Nevertheless, they may satisfy local or regional needs of protection as well as the need for selective protection. The numbers of purely national patent applications have considerably fallen behind those of international applications, but they remain important enough to warrant national systems of protection of one kind or another.⁹

b) The European patent system

On the other hand, there is the European Patent system as established in 1973 by the Munich Convention for the Grant of European Patents (EPC).¹⁰ This system is run quite successfully by the European Patent Organisation, which is an independent international organisation acting through an Administrative Council and the European Patent Office (EPO). The system became operative in 1978, but it is limited to the centralised grant of national patents pursuant to standardised conditions. This means that, in essence, the European Patent system only represents a measure of administrative rationalisation of the granting procedure. It allows applicants to obtain by one application, and through one procedure of full examination, independent national patents for as many Member States as they designate among the 20 States,¹¹ which, at present, form the European Patent Organisation. Once granted, this so-called bundle of rights separates into independent national patents, which follow the different rules of Member States regarding the substance of the patent exclusivity, its existence, and its enforcement. In particular, there is no centralised procedure of maintenance - this is a matter of national administration -, and there is no European jurisdictional system allowing the centralised pursuit of infringers or a centralised attack on the bundle of rights. Thus, while a European patent application may aim at covering the entire European market, there is again,

⁹ See reference *infra* n. 75, and WIPO, *Industrial Property Statistics 1999*, Publication A, Geneva 2001: In France, out of 20998 domestic patent applications 13592 have been filed with the French Patent Office (INPI) and out of 44287 patents granted for France 12124 have been granted by INPI. Similar figures exist for Italy (9013/6281 and 32476/7068), Germany (74232/49662 and 49548/14868) or the UK (31326/21333 and 40687/7995), whereas the levels are lower for e.g. the Netherlands (6395/2545 and 21403/2956) or Spain (3394/2438 and 20066/2468). As to the merits of national patents see *infra* III. 2 b).

¹⁰ BGBl 1976 II 826, as revised in 1997 (BGBl 1997 II 1446).

¹¹ These are all 15 Member States of the European Union plus Cyprus, Liechtenstein, Monaco, Switzerland and Turkey. The EPO has invited another 8 Eastern European States (Poland, Czechia, Hungary, Estonia, Slovakia, Slovenia, Romania and Bulgaria) to join the organisation from July 1st, 2002 onwards (see EPO Press Release 1/99 of January 29, 1999), i.e. following the present revision of the EPC (see *infra* II.1) and the Community's accession to the EPO as originally planned (end 2001), but prior to and independently of these countries' accession to the European Union. Notwithstanding existing delays, the approach remains unchanged.

at least in law, no single patent that would fully capture that market reality. Indeed, the European patent is a "misnomer" for an exclusivity which is territorially fragmented into legally separate, independent and diverse rights.¹² What they have in common, however, is of considerable political interest, namely the conditions of grant (Art. 52 – 57 EPC), as well as the grounds for invalidation (Art. 138 EPC), the scope of protection *ratione materiae* (Art. 64 (2), Art. 69 EPC), and the term of protection (Art. 63 EPC).¹³ To this extent the European Patent Convention has created autonomous (not only: uniform!¹⁴) "European" law (Art. 2 (2) in fine EPC). It must be construed and applied identically in all Member States as a matter of Convention law.¹⁵ The problem, of course, is that such unitary construction and application of the European conditions of patentability, e.g. in invalidity proceedings, is left to national courts.

2. From international to supranational patents?

a) *The Community Patent Convention: An ill-born companion*

Such a hybrid system of territorially independent, semi-standardised national patents, which are centrally awarded, but decentrally maintained and enforced by national patent

¹² See Art. 2 (1) (2), Art. 64 (1) EPC. Diversity exists as regards the nature of the rights conferred by a patent or the definition of infringement, the exceptions thereto (fair use), the limitations (compulsory licenses), and the sanctions of infringement (injunction, damages).

¹³ Whereas the construction of the scope of protection *ratione materiae* (Art. 69 EPC) is a matter for both the granting procedure and the definition of the exclusivity in relation to infringement, the extension of protection of patentable processes to the products directly resulting therefrom (Art. 64 (2) EPC), and the term of protection (Art. 63 EPC) really are matters relating to the definition of the patent granted that could have been left to national law. The risk that, due to the national character of European Patents, there might be two different types of national patents (European patents and national patents proper), which have to co-exist on national markets, has been avoided mostly by adaptation of national patent standards to the European standards (so-called "cold harmonisation" (see Haertel, *Harmonisation of National Patent Law by European Patent Law*, 14 IIC 719 (1983) = *Die Harmonisierung des nationalen Patentrechts durch das Europäische Patentrecht*, GRUR Int. 1983, 2000). Note, that, as a matter of property law, the status of the European patent application is determined by national law, subject, however, to a minimum guarantee of protection, see Art. 67 EPC.

¹⁴ This caveat is necessary to make clear that the EPC-Member States are entirely free to run wholly independent and different national patent systems in regulatory competition with the hybrid European/national patent system. National patent systems have been harmonised only by the Strasburg Convention (supra n. 6), but membership to the Strasburg Convention is, *de iure* and *de facto*, independent from membership in the EPO (e.g. Belgium, Spain, Portugal, Greece never joined the Strasburg Convention). It is only the TRIPs-Agreement which, at present, provides for some uniformity of all national patent laws.

¹⁵ See Stauder, in Singer, Stauder, *Europäisches Patentübereinkommen*, 2nd ed. Cologne 2000, Art. 2, annot 7 et seq. and *infra* n. 122, 179.

administrations and courts, may have some strategic advantages for industry.¹⁶ However, this system fits the markets of the EEA and of the Community's Europe Agreements, which are only loosely integrated by free trade agreements, much better than the wholly integrated Internal Market of the Community itself.¹⁷ It was, indeed, right from the beginning the intention of the States establishing the European Patent Organisation to have a two-pronged system of transnational patent protection in Europe, namely the European Patent system for the central grant of national patents, which is accessible to any European State (Art. 166 (1) (a) EPC), and a Community Patent system. The latter would afford unitary and entirely homogenous patent protection throughout the European Economic Community, and, therefore, its membership would be limited to the Member States of the EEC.¹⁸ Thus, a specific "Community Patent Convention" (CPC) was drawn up as a "companion convention" to the EPC, which was negotiated and signed in different forms and at different times in Luxemburg in 1975 and in 1989 respectively.¹⁹ However, as it has never been ratified by all Member States, it turned out to be a major failure of unification of industrial property law and policy.²⁰

The reasons for the failure are manifold and complex. The CPC never really achieved full unification of the substantive terms of protection,²¹ it failed to propose a workable, centralised judicial system regarding litigation over validity and infringement of patents, it met with the envy of national administrations as regards central maintenance by the EPO and the

¹⁶ See Martinez, Towards a Patent Reform in Europe, 4 (5) J.W. Int. Prop. 767, 768 et seq. (2001); as regards selecting the countries of protection or as regards limiting the risks of invalidation, see Ullrich, Patentschutz im europäischen Binnenmarkt, GRUR Int. 1991, 1, 8 et seq.

¹⁷ See Ullrich, loc. cit. GRUR Int. 1991, at 10 et seq.

¹⁸ See Haertel, Die geschichtliche Entwicklung des Europäischen Patentrechts in Beier, Haertel, Schricker (ed.), Münchener Gemeinschaftskommentar zum Europäischen Patentübereinkommen, 1. Lfg., Cologne 1984, 5 et seq., sub No. 52 et seq. In fact, it was the European Community which initiated work on and the negotiation of the European Patent Convention; see also Beier, Grundzüge des europäischen Patentrechts, in Beier, Haertel, Schricker (ed.), loc. cit., 22. Lfg., Cologne 1998, 91 et seq. sub no. 10 et seq.

¹⁹ (Luxemburg) Convention for the European Patent for the Common Market (Community Patent Convention) of December 15, 1975, OJEC 1976 L 17, 1; Agreement Relating to Community Patents – Done at Luxemburg on December 15, 1989, OJEC 1989 L 401, 1 (incorporating inter alia the Convention on the European Patent for the Common Market and the Protocol on the Settlement of Litigation Concerning the Infringement and Validity of Community Patents (Protocol on Litigation)).

²⁰ For the history and the reasons see Krieger, Wann endlich kommt das europäische Gemeinschaftspatent? GRUR 1998, 256, 258 et seq.; Ullrich, loc. cit. in Müller-Graff, supra n. 4 at 428 et seq., both with references.

²¹ In particular, sanctions for infringement were left to national law with the exception of injunctions (Art. 34 CPC and Art. 36 Protocol on Litigation), as was the problem of prior use (Art. 37 CPC with Annex I of the Joint Declaration by Contracting States), and the issue of compulsory licenses (Art. 45, 47, 77, 83 CPC with Annex I of the Joint Declaration by Contracting States).

attribution of maintenance fees,²² it stumbled over seemingly technical matters such as conversion of Community patent applications into European patent applications, and it was blocked by the "language issue", i.e. the requirement of translating the letters patent in full or in part in all or in some of the Community languages.²³ In addition, as a matter of Community law, it was a doubtful instrument of unification, since, as an international convention, it could not create Community law proper. The CPC could therefore not ensure full compatibility with primary Community law,²⁴ nor muster full and active political support by Community institutions.

b) Changes of circumstances, change of roles

When the Community finally took the initiative by issuing a "Green Paper on the Community patent and the patent system in Europe",²⁵ the situation had changed considerably not only from what it was in 1975, but also from what it had been in 1989. Intellectual property, in particular patents, had become a trade issue due to the WTO-TRIPs-negotiations and the ensuing TRIPs Agreement, and, consequently, it had also become a problem of internal economic policy.²⁶ Patent protection had also been rediscovered as an instrument of innovation policy,²⁷ and concerns arose as to its availability for and use by industry.²⁸ At the

²² Krieger, Brouër, Schennen, Die dritte Luxemburger Konferenz über das Gemeinschaftspatent vom 11. bis 15. Dezember 1989, GRUR Int. 1990 173 reporting on the difficulties to satisfy particular interests of the patent profession and the financial interests of Member States in sharing the proceeds of maintenance fees.

²³ See Haertel, Die Luxemburger Konferenz über das Gemeinschaftspatent 1985 und die wesentlichen Ergebnisse, GRUR Int. 1986, 293, 298 et seq.; Krieger, Brouër, Schennen, loc. cit. GRUR Int. 1990, at 176 et seq.; Stauder, Substantive Law Aspects of the Community Patent - Translation Requirements, Switching, and the European or Community Option, 22 IIC 979 (1991). As to the importance of the language issue see infra II A 1 b) and B 2 a) (ii).

²⁴ See Art. 2 Agreement Relating to Community Patents (supra n. 19); Commission, The Need for a European Trademark - Competence to Create One, 11 IIC 58, 174 (1980) = Zuständigkeit der Gemeinschaft zur Schaffung eines europäischen Markensystems und Notwendigkeit ihres Tätigwerdens, GRUR Int. 1980, 33, 96, 101 et seq. discussing the distinction between the Convention approach and the regulation approach to unification of law.

²⁵ Commission, Document COM (97) 314 final; see also Commission, Promoting innovation through patents – The follow-up to the Green Paper on the Community Patent and the Patent System in Europe. Document COM (1999) 42 final.

²⁶ See Ullrich, loc. cit. in Grandstrand (ed.), supra n. 5, id, loc. cit. in Dreier, Kur (ed.), supra n. 5 at 108 et seq.

²⁷ Thus, the Green Paper, supra n. 25, has been brought under the heading: "Promoting innovation through patents"; see also Commission, Greenbook on Innovation, Bull EC, Supp 5/95 at 25 et seq.

same time, demand increased not only for broader coverage of new subject matter (computer programs, biotechnology, patents on scientific results), but also for coverage of larger markets as R+D costs seemed to be on the rise, and as R+D was increasingly done abroad either individually by firms or jointly by international interfirm cooperation.²⁹ In addition, greater patent awareness spurred the development of strategies for improved protection and exploitation, in particular exploitation of patents by contract rather than by own manufacture only.

Whether all these reasons hold true or not – the patent business is as complex and untransparent as are patent economics, and the incentive function of patents remains as controversial as ever³⁰ – pressure on public patent policy increased. In part it has been triggered by the patent administrations themselves which, in a short period of sluggish patenting by industry, became worried about the even operation of the patent system for all kinds and sizes of industry.³¹ Thus, the European Patent Organisation reacted as well not only by a price reduction for its services,³² but by a broader attempt to overhaul the operation of its system. The EPO had, indeed, become used to take a lead in European patent matters. So a sort of rivalry arose with the Community, which finally came up with a Proposal for a Council Regulation on the Community patent.³³ The rivalry is about influence and independence, the flags are unity versus uniformity, the battlefield is the administration of the grant and maintenance of protection, but also the organisation of its judicial enforcement. It is

²⁸ Europäisches Patentamt (ed.), *Nutzung des Patentschutzes in Europa*, Munich 1994, passim; Schalk, Täger, et al., *Wissensverbreitung und Diffusionsdynamik im Spannungsfeld zwischen innovierenden und imitierenden Unternehmen*, München 1999, 107 et seq.

²⁹ See Commission (ed.), *Report by the STRATA expert group on the "Role and Strategic Use of Intellectual Property Rights (IPR) in International Research Collaborations*, Brussels 2001 (forthcoming).

³⁰ Literature is abundant, for a recent survey see Grandstrand, *The Economics and Management of Intellectual Property*, Cheltenham 1999, 82 et seq.; Gallini, Trebilcock, *Intellectual Property Rights and Competition Policy: A Framework for the Analysis of Economic and Legal Issues*, in Anderson, Gallini, *Competition Policy and Intellectual Property Rights in the Knowledge-Based Economy*, Calgary 1998, 17, 18 et seq.; Benckler, *A Political Economy of the Public Domain: Markets in Information Goods Versus the Marketplace of Ideas*, in Dreyfuss, Zimmermann, First, *Expanding the Boundaries of Intellectual Property*, Oxford 2001, 267, 269 et seq.; Scherer, *The Innovation Lottery*, in Dreyfuss, Zimmermann, First, loc. cit. at 3 et seq.; for a critique of the incentive doctrine see inter alia Arundel, *The relative effectiveness of patents and secrecy for appropriation*, 30 (2001) *Res. Pol'y* 611; Harabi, *Appropriability of technical innovations: an empirical analysis*, 24 (1995) *Res. Pol'y* 981; Schalk, Täger, loc. cit. supra n. 28 at 101 et seq.

³¹ See references supra n. 28.

³² See infra II.1 a).

³³ Commission, Document COM (2000) 412 final of August 1, 2000, OJEC 2000 C E 337, 278.

a friendly rivalry about the establishment of an efficient system of patent protection in Europe. But it is also a fundamental rivalry of different modes of integration and of different concepts of the function of a patent system.

As of yet, the outcome is uncertain. The Community is determined to accede to the EPO as a new member, and the EPO is planning a second revision conference to negotiate the conditions of entry.³⁴ Thus, while the Community is about to define the terms of its request for membership, the EPO is working hard to continuously develop and complete its European system of patent protection. To put it in dramatic terms: While the Community is preparing its take-over bid, the EPO has already set out to defend its autonomy.

³⁴ See for the current development Wiesner, Neues vom EU-Wirtschaftsrecht, VPP-Nachrichten 2001 (4) 132 et seq.

II. Patent Protection in Europe: From Centralisation to Unification

A. The Revision of the European Patent System

In fact, the European Patent system was in need of a reform anyway. Conceptually it dates back to the early sixties both as regards the definition of the substance of protection³⁵ - the issue of the patentability of computer programs or of biotechnological inventions are well-known examples -, and as regards the organisation of the patent grant as if it were for separate national markets. In addition to problems of modernisation, however, there now was the problem of repositioning the EPO in view of the introduction of a genuine Community Patent. A Governmental Conference of EPO Member States, which was convened in Paris in 1999,³⁶ took up the challenge by giving a "Mandate" to two Working Parties and to the EPO essentially on three topics: (1) Improving access to the European patent, (2) preparing a revision conference with a view to modernising EPO procedures and to the introduction of the Community Patent, and (3) harmonising litigation concerning European patents. The issue of access and the outcome of the revision conference, which was held in Munich in November 2000,³⁷ will be dealt with in the following text. Harmonisation of litigation is a vast subject of its own. It cannot be dealt with here other than very summarily, although it is the important other half of a two-pronged reform effort. Indeed, by proposing a litigation system of its own, the European Patent Organisation really threw the gauntlet at the Community's feet. After all, it is the nature and the structure of the court system, which determines the kind and scope of uniformity or unity of patent protection. If European patents are efficiently enforced throughout Europe, why have a Community Patent?

³⁵ In particular, the criteria of patentability contained in Art 52 et seq. EPC are those established by the Strasbourg Convention of 1963, (supra n. 6) which, in fact, was ratified by most Contracting States together with the EPC only in 1976.

³⁶ Conference of the Governments of Member States of the European Patent Organisation on the Reform of the European Patent System, held at Paris, June 24 and 25, 1999, the Mandate is reprinted in GRUR Int. 1999, 722.

³⁷ See Act Revising the Convention for the Grant of European Patents (http://www.european-patent-office.org/epo/dipl_conf/documents.htm) = Akte zur Revision des Übereinkommens über die Erteilung europäischer Patente (Europäisches Patentübereinkommen) vom 5. Oktober 1973, zuletzt revidiert am 17. Dezember 1991, GRUR Int. 2001, 309; Nack, Phélip, Bericht über die Diplomatische Konferenz zur Revision des Europäischen Patentübereinkommens, München, 20. - 29. November 2000, GRUR Int. 2001, 322 (= 32 IIC 200 (2001)); Bardehle, Die Ergebnisse der Diplomatischen Konferenz zur Revision des Europäischen Patentübereinkommens, Mitt. PatAnw 2001, 145 (underlining prior information and hearing of interested circles).

1. Facilitating Access to Protection

a) *The problem of fees*

- (i) The issue of facilitating access to European Patent protection is a permanent one, of course, and, therefore, has always been a major concern of the EPO in developing and improving its procedural practice. In addition to such continuous amendments, however, is the general issue of the attractiveness of the patent system for innovating industry, which is not simply a matter of user-friendliness of public service or of "selling" patents to industry. It is also one of public interest to the extent that patent protection may be a proper stimulus to technological innovation, in particular a means to associate the public to the private interest by overcoming industry's tendency to keep its inventions secret rather than to disclose new technology to the public for the benefit of research and further technological development.³⁸

As patents are registered rights, a major aspect of the proper functioning of the patent system is its costs, first, in terms of fees to be paid for the grant and maintenance of patents, i.e. the fees to be paid by the individual patentee, and, second, in terms of the administrative costs of establishing and running the system, i.e. the public expenditure. Both, the private and the public costs, are interdependent and raise complex problems of public policy.³⁹ Thus, the fees to be paid by the patentee for the grant of the patent largely, though not entirely,⁴⁰ represent risk money as the commercial future of the

³⁸ This is a classic element of the theoretical justification of the patent system; see Bernhardt/Kraßer, Lehrbuch des Patentrechts, 4th ed. Munich 1986, 25; for an empirical analysis see the references supra n. 30. However, the justification works only imperfectly as it neither solves the vertical patent dilemma of follow-on research to which it is addressed – the research exemptions from patent protection are narrowly defined (see Eisenberg, Bargaining Over the Transfer of Proprietary Research Tools: Is the Market Failing or Emerging? - in Dreyfuss et al. (ed.), Expanding the Boundaries Intellectual Property, Oxford 2001, 223 with references) nor has it ever been fully put to benefit, since patent information is both user unfriendly and under-used, comp. Schalk, Täger, loc. cit. at 105 echoing an age-old problem; Häusser, Die Dokumentation des Deutschen Patentamtes – ein unentdeckter Innovationsschatz, Mitt. Pat. Anw. 1980, 21; Grefermann et al., Patentwesen und technischer Fortschritt, Bd. 1 Göttingen 1974, 31 et seq.

³⁹ These are, however, only very rarely addressed in the patent literature other than in terms of a burden on the patentee, see Schickedanz, Jahresgebühren für Patente – Wozu eigentlich?, GRUR 1981, 313; Stuhr, Bemerkungen zu Schickedanz: Jahresgebühren für Patente – Wozu eigentlich?, GRUR 1982, 85; Metzger, Die Patentjahresgebühren, GRUR 1964, 531; Faust, Patentjahresgebühren, GRUR 1964, 369; Harraeus, Gedanken zur Problematik der Jahresgebühren, GRUR 1962, 549; for a justification see BPatG of December 17, 1981, GRUR 1981, 361 – Rückenahmefiktion.

⁴⁰ The patent application does not only provide some preliminary, albeit only ex post enforceable protection by a claim to compensation (see Art. 67 EPC), but also has a deterrent effect on competitors' R+D and market entry.

invention is still uncertain. The maintenance fees to be paid subsequently may not be set according to the actual commercial value of the invention as they are not taxes, but a payment for the maintenance of the right on the register.⁴¹ They may, nevertheless, take account of the utility of such maintenance, and of the public's interest in free access to non-used inventions. This is why maintenance fees usually are set on a progressive scale.⁴² The administrative costs of the patent system may be seen either as matter of public service in the interest of establishing and maintaining a system of private property rights, which has to be paid for by its users,⁴³ or they may be considered an expenditure for a public infrastructure, which serves the general interest of the economy. In the former case, fee structure should allow full recovery of costs. In the latter case, it will follow public policy considerations.⁴⁴ In practice, a combination of both considerations usually prevails, because granting patents and maintaining them on a register serves both legal certainty in the private interest, and a screening and information function in the public interest.

- (ii) Whatever may be the right mix of these and additional⁴⁵ considerations for a given economy, its determination becomes even more complex in the case of the European Patent Organisation. For one thing, due to the split nature of the European patent, the EPO has sovereign control only over filing, processing and granting fees, but not over maintenance fees. Even in the first respect, however, its autonomy is limited, because decision-making power within the Organisation is controlled by Member States. These

⁴¹ In fact, as a matter of German administrative law, fees are admissible only as a quid pro quo, at least in part, for a service rendered by the administration, see Heun, in Dreier (Hrsg.), Grundgesetz, Kommentar, Vol. 3, Tübingen 2000, Art. 105 annot. 19 with references.

⁴² See Busse, Patentgesetz, 5th ed. Berlin 1999, § 17 annot. 3; BPatG, supra n. 39.

⁴³ This is the approach underlying the EPC patent system. Thus, Art. 40 (1) EPC requires granting fees and national contributions resulting from maintenance fees to cover the full costs of the EPO (see Dornow, in Münchener Gemeinschaftskommentar zum Europäischen Patentübereinkommen 10th Lfg. Cologne 1986, Art. 40, annot. 3 et seq.); it is also the approach underlying the privatisation of the US Patent and Trademark Office.

⁴⁴ It is only on the basis of the latter approach that reduction of fees for particular types of applicants (small and medium sized enterprises, public research organisations), which are frequently asked for (and granted in e.g. the USA), may be justified vis-à-vis anti-subsidy rules; comp. inter alia Schalk, Träger, loc. cit. at p. 117 et seq.; EPO (ed.), Nutzung des Patentschutzes in Europa, loc. cit. at p. XVI, 12 et seq., 41 et seq.

⁴⁵ Thus, fees may differ for examined and non-examined rights, they may or may not discriminate against particular routes of processing an application etc., see EPO, Kompass - Überlegungen zu Perspektiven des Europäischen Patentsystems, Munich 1993 (Dok (A/46/93) sub No. 55 et seq.

may tend to protect the patent granting interests of their national administrations. Maintenance fees are set independently by Member States as the patents granted are national in character and maintained on the national register. However, the proceeds are shared with the EPO according to a ratio set by the EPO's Administrative Council (Art. 39 (1) EPC).⁴⁶ The EPO and Member States must set fees and contributions so as to allow the EPO to run a balanced budget (Art. 40 (1) EPC). As both sides have their own fiscal interests, the EPO in assuring its financial independence as an international organisation, the Member States in low contributions to the EPO allowing them to actually benefit from domestic maintenance fees,⁴⁷ their views on the right fee to set may tend to converge towards the setting of high levels of fees.

In addition, as the European patent really confers a bundle of independent rights of exclusivity over national markets, which have to be designated in the application (Art. 79 EPC), it is not only the maintenance fees which Member States determine according to national needs. Rather, the entire EPO fees (i.e. for filing, searching, examining and granting the patent) are assessed in terms of a plurality of markets protected by the bundle of rights granted. Centralisation of the granting process represents nothing other than a means of enhancing the efficiency of the system, but it does not change its territorial orientation. In fact, additional designation fees (Art. 79 (2) EPC), however small, are asked for, which do not correspond to any additional work or service. It is only the overall costs, which are calculated to make the European way profitable for the applicant who wishes to cover more than 3 – 4 Member States.⁴⁸ Therefore, whatever the realities of the markets and their degree of economic integration, the EPO, *de iure*, is based on the concept of nationally separate markets. Indeed, as the Member States of

⁴⁶ The ratio may be 25 : 75 in favour of the EPO (possibly the ratio corresponding to the services actually rendered by national administrations, see Dornow, in Münchener Gemeinschaftskommentar, loc. cit., 10. Lfg., Art. 39 annot. 6), but actually is 50 : 50 since quite sometime, see Weiss, Singer, Stauder, loc. cit. Art. 39 annot. 2; and the critique by Armitage, Updating the European Patent Convention, 22 IIC 1, 3 (1991).

⁴⁷ Member States thus benefit from maintenance fees for patents for which they have had no costs! They do not, of course, share in the proceeds of the application and granting fees of the EPO; these, it should be noted, represent by far the minor part of the fee income of patent administrations (see Dornow in Münchener Gemeinschaftskommentar, loc. cit., 10. Lfg. Einleitung 1. Teil V, annot. 6, Art. 39 annot. 3, Osterwalder, Kosten des Patentschutzes in Europa, GRUR Int. 1995, 579, sub No. 7), so that, in principle, a reduction in annual maintenance fees means an increase in application and granting fees. The income of the EPO, however, is mainly based on processing fees (about 70 %) rather than on Member State contributions resulting from annual national maintenance fees (20%), see Weiss in Singer, Stauder, loc. cit., Art. 37, annot. 3 (referring to the 1996 budget).

⁴⁸ See Osterwalder, loc. cit. GRUR Int. 1995, 579 at No. 1, 7.

the European Union do not represent the whole of EPO, but only the majority, and as they are Members of the EPO acting in their own right and not as Members of the Common Market, there is no way to determine fees as if the European Patent covered only one market.⁴⁹ This is even more true, as important Member States, such as Switzerland or Turkey, by express abstention or lack of invitation, do not even belong to the European Economic Area.

- (iii) It is against this background that the problems and the criticism of fee-setting for European patents must be assessed.⁵⁰ Thanks to its success and to the comfortable financial position resulting therefrom,⁵¹ the EPO has been able to enhance its attractiveness by reducing the grant fees in several stages since 1996, in particular by successively lowering the application and the search fees by about 40 %, and the designation fees by more than 100%,⁵² so that the overall grant fees came down to less than 75 % of the original level.⁵³ The effect of this welcome move, however, was and is

⁴⁹ This is frequently misunderstood not only by US-American authors (Helfgott, Why Must Filing in Europe Be So Costly, 74 JPTOS 787 (1994); Berrier, Jr. Global Patent Costs Must Be Reduced, 36 IDEA 473, 477 (1996); but also by European authors, see Armitage, Updating the European Patent Convention, 22 IIC 1, 2 (1991).

⁵⁰ As to the influence, which the costs of obtaining a patent have on the selection of territories of protection see Bednarek, Planning a Global Patent Strategy to Maximize Value: Where you to Get the Most "Bang for Your Buck", 77 JPTOS 381 (1995); Berkowitz, Getting The Most From Your Patents, Res. Tech'y Mangement 1993 (March-April) 26; Rebel, Gewerbliche Schutzrechte – Anmeldung – Strategie – Verwertung, 3rd ed. Cologne 2001, 94 et seq.; generally Grandstrand, loc. cit. 218 et seq. and the references supra n. 44.

⁵¹ In 2000, the EPO's annual budget was 1.450 Mio. DM, fee income was 953.4 Mio. DM from application and granting, 373.5 Mio. was the share in annual maintenance fees; assets of the EPO amount to 2.173.1 Mio. DM, reserves to 1.954.0 Mio. DM, see EPO, Annual Report 2000, Munich 2001, at 68 et seq. (1,-- DM = ~ 0,50 €).

⁵² In 1997 filing fees have been reduced from 600,-- DM to 250,-- DM, search fees from 1.900,-- DM to 1.700,-- DM and designation fees from 350,-- DM to 150,-- DM, see EPO, Annual Report 1996, Munich 1997, 50 et seq.; in 1999 search fees have again be lowered from 1.700,-- DM to 1.350,-- DM, and a limit has been set to designation fees in that by designating and paying for 7 Member States the designation fees for all 20 Contracting States are paid up, see EPO, Annual Report 1998, Munich 1999 at p. 32. The latter move is particularly interesting in that it shows EPO's determination to act as a patent administration for the entire European, in fact for the Common Market, its major Member States being designated by far the most frequently (EPO, Annual Report 2000., loc. cit. at p. 23). In fact, according to Art. 79 EPC as revised at the Munich Conference of December 2000, all Contracting States are presumed to have been designated unless otherwise stated in the application.

⁵³ This is a rough estimate as it is difficult to make exact comparisons on the basis of published literature, which uses differing methods of calculation. However, in 1995, the fees for the filing, grant, designation and validation (by national offices) of a European patent for 8 Member States amounted to 11.610,-- DM or 26 % of overall patenting costs of 45.510,-- DM, see Osterwalder, loc. cit. GRUR Int.1995, at p. 584. This does not include maintenance fees and costs of controlling maintenance by either in-house or by out-house counsel (so that life-time costs of a patent may run up to 50.000,-- €). In addition, the correct assessment of costs of counsel are controversial, in particular as regards international comparisons (see Beier, Die tatsächlichen Patentkosten im europäischen und im nationalen Verfahren – Ergebnisse einer FICPI-Studie, GRUR Int. 1995, 113; Helfgott, loc.

that it only highlighted the problems of fee setting for European patents. The EPO can not, however, ask for high fees on the application or grant of patents on the ground that it hands out patents for so many States, since its job is not essentially different from that of any other patent administration,⁵⁴ except that it has to handle multilingual procedures and to pay international salaries to its staff.⁵⁵ By contrast, as regards maintenance fees, it is not the EPO, but Member States which may set the level independently. This they may do quite legitimately in accordance with their national interests, as determined by the function patents should fulfil with respect to their domestic markets and/or their domestic industry. At any rate, there always remains the basic problem, that maintenance fees have to be paid for as many States as are covered territorially by the European bundle of patent rights. So it must be more expensive than simply "one patent".

b) The language problem

In addition, the very fact that the EPO grants patents for as many States as are designated by an applicant entails another cost burden, which has become ever more visible as the general processing costs have been lowered, namely the costs of translating the patent in the languages of all the countries of designation. Indeed, whereas for purposes of the grant procedure, applicants may and must choose only one of the three official procedural languages of the European Patent Office, namely English, French or German (Art. 14 EPC), which already may be a language burden, additional translations costs are bound to arise in view of the pluri-national character of the "bundle of rights" granted. This national character became ever clearer as the number of Member States, which invoked their right under Art. 65 EPC to have the patent translated from the procedural language in their official language,

cit. 74 IPTOS at 791 et seq. (1994)). These comparisons are very questionable anyway, due to differences of procedure, of processing times, of patent scope, quality of examination etc. Currently, filing, processing and grant fees of the EPO seem to amount to about 14 % of overall patenting costs of about 30.000.--€, see Commission, Proposal for a Council Regulation on the Community Patent, COM (2000) 412 final sub. I 2.4.3; comp. also Rebel, loc. cit. at 52 et seq.

⁵⁴ See for this argument Armitage, loc. cit. 22 IIC 3 (1991).

⁵⁵ Multilanguage-institutions are costly even if the procedure is held in one language only (as is the case in the EPO, but claims have to be translated in all the 3 official languages, Art. 14 (7) EPC), since it entails high fix costs for linguistic services of all kinds; international salaries are high, but are an advantage as well since they attract highly skilled staff, as noted by Armitage, loc. cit. 22 IIC 2 (1991).

increased. As a result, the costs of translation grew ever higher.⁵⁶ It is only recently that this trend seems to have been reversed by an "Art. 65 Agreement" entered into last year in London by major EPO-Member States. It is to the effect that no translation is required in case the patent is issued with respect to Member States having one of the three EPO languages as one of their official languages. Thus, Germany or France would accept English language patents and, conversely, the UK would accept German or French language patents if that is the case exceptionally.⁵⁷ Member States not having official EPO languages as an official national language may not require a translation in case the European patent is granted or translated into an EPO language, which they have designated as an "official" language for purposes of patent law. However, they may additionally require a translation of the patent claims into their official domestic language.

This apparent cosmopolitanism is explained largely by the self-interest of States to promote the patenting activities of their industries. For the most part industry is used anyway, if not compelled, to handle much of its patent matters in English.⁵⁸ In fact, the London Protocol solves only half of the factual problem of translation,⁵⁹ and it most likely discriminates against the less globalized and/or the southern Member States.⁶⁰ Moreover, it does not solve the legal

⁵⁶ On average, letters patent comprise 20 pages of highly technical text, namely a description of the invention, a statement of the problem to be solved by the invention, a description of the prior art and of how the problem is solved, the "claims" defining the scope of the exclusivity, and an abstract. Costs of translation have risen from 8.000,-- DM to 22.000,-- DM within 10 years, and they account for almost 40 % of the total patenting costs, see EPO, Annual Report 1996, loc. cit. at p. 51; for more details and differences of translation costs see Osterwalder, loc. cit. GRUR Int. 1995 at p. 583.

⁵⁷ The intergovernmental "Agreement on the application of art. 65 of the European Patent Convention" has been signed inter alia by Denmark, France, Germany, Liechtenstein, Monaco, the Netherlands, Sweden and the United Kingdom, but not by Italy or Spain; it is now up for ratification. The dominance of English-language applications results from that 50 % of all applications are in English anyway (28,3 %:US, 17 %: Japan; 4,3 %:UK, see EPO, Annual Report 2000, loc. cit. at p. 21), and that in view of the need to apply internationally (e.g. via PCT), in particular in the USA and Japan, English language applications do have cost advantages (in particular for applicants from anglophile countries like Sweden or the Netherlands).

⁵⁸ See supra n. 57.

⁵⁹ See Kober, Die Rolle des Europäischen Patentamts im Spannungsfeld globaler Wirtschaftsentwicklungen, GRUR Int. 2001, 493, 495.

⁶⁰ As is mostly the case, the effects of gearing the system towards the needs of its major users are ambivalent: Non-English-speaking and non-anglophile countries will have additional costs of patenting (but see international patenting needs, supra n. 57) and of patent information, but non-acceptance of foreign-language patents may mean non-participation in the system altogether, as the countries in question are already those with very low designation rates (see EPO, Annual Report 2000, loc. cit. at p. 23: Whereas France, Germany, and the UK attract over 90 % designations each, Italy has a designation rate of 71 %, Spain of 49 %, and the potential winners of the new regime, the Netherlands, Sweden or Switzerland rate from 52 % to 41 %, Ireland 21 %, Portugal 23%, Greece 22 %, Finland 9 %). The only safe assumption is that the patent bar had and has good reasons for

problem of languages at all as it basically applies only to domestically recognised official EPO-languages.⁶¹ The legal problem results directly from the national character of the European patent. This national character implies not only that the terms of the patent as a legally enforceable right of exclusivity (i.e. the claims) must be defined and recognisable in the language of the country of protection and prohibition.⁶² It also means that, as a matter of domestic economic policy, the patent (i.e. the full letters patent) must be adapted to meet its public purposes, i.e. both its incentive and its information function vis-à-vis competitors, improvers and other interested parties, including less polyglot small industry.⁶³

c) *Problems of functionality*

The language issue is a serious problem of access to patent protection, but it is only one of the problems affecting the efficient operation of the European patent system. There are broader systemic problems which are hardly ever discussed seriously.

- (i) The fact of the matter seems to be that the patent system, and the European patent system in particular, no longer really operates along the lines that are commonly invoked to justify exclusive protection. Thus, the disclosure requirements, rather than serving a function of general information, really satisfy only a specific, system-intrinsic function of defining and delineating both the legal titles and the prior art as an obstacle

favoring a limited language regime, since this will both facilitate the job of patent attorneys and enhance dependence of industry upon their services.

⁶¹ The option to voluntarily accept patents in an official EPO-language, which is not the official language of a designated country would seem to be manageable on a broader scale only by anglophile countries, such as the Netherlands or Sweden, possibly Denmark and Switzerland.

⁶² Therefore, Art. 2 of the Art. 65–Agreement provides for the right of Member States to require that, in case of controversy, the patentee must, upon request by the alleged infringer or by a court, submit a translation into the official language of the country, where the infringement took place; see also infra sub. B 2 a) (ii).

⁶³ It is, indeed, surprising to see that the patent system's information deficit (see supra n. 38) causes so little alarm in discussions over the language issue. It is no comfort that much, if not most technical information literature is in English anyway, since this does not reduce, but rather enhances the information gap. Referring non-anglophone or non-anglophile countries to the establishment of substitute information systems (see Commission, Proposal for a Community Patent, loc. cit. sub. 2.4.4) only enhances their costs and reveals the bias of legislative patent policy towards protection, in particular easy availability of protection for the club of major players (see for user concentration in the patent system, DPMA, Annual Report 2000, Munich 2001, p. 17 covering both German and European applications).

to the acquisition of new titles.⁶⁴ Contrary to its alleged public policy function, and to the legislator's intent, the disclosure requirement has been downgraded to a subservient function only, while the overriding goal is to grant and to obtain protection. In addition, the system does not work evenly for all Member States or for all enterprises, but turns around the needs of 4 or 5 major Member States,⁶⁵ and of a relatively small number of large clients. Applications by small and medium sized enterprises or by the lonely individual inventor may not be negligible in the aggregate,⁶⁶ but these applicants lack lobbyist influence. Language requirements, therefore, appear to be a legalistic burden, which seems to be obsolete in view of the international practice of the more important part of the clientèle. This is all the more true as the system is perceived less as an element of the infrastructure Member States provide for in the public interest, than as an expedient way of granting titles to protection in the private interest. The high costs of its operation has not hindered the system from being successful as the costs are still lower than decentralised patent acquisition from national administrations,⁶⁷ and as they are not discriminatory. They may be higher than patenting costs abroad.⁶⁸ However, in view of the international patenting activities of the major users of the system, they only add to

⁶⁴ Typically applicants and patent departments in industry attach more importance to the patent documentation than do any other users or departments, which obtain the information they need from many other sources (see EPO, (ed.), *Nutzung des Patentschutzes in Europa*, loc. cit. at p. 168 et seq.). Therefore, it comes as no surprise that translations of English applications into other "home country"-languages attract little interest. However, Art. 83, 100 lit. b) EPC and Rule 27 of the Implementing Rules require full disclosure so that an expert may actually use the invention. Does this mean that only English-speaking experts are ordinary experts even in non-English speaking Member States?

⁶⁵ As to the designation rates see supra n. 60; as to the country of origin of applications see supra n. 57 and EPO, *Annual Report 2000*, loc. cit., at p. 21 (Germany: 20 %; France: 6,7 %; Netherlands: 4,4 %, U.K.: 4,3 %; Switzerland: 3,5 %; Italy: 3,2 % and the rest of the EPO-Member States: 7,3 %). Low designation rates mean low income from maintenance fees and, in particular, low participation in the benefits of the European Patent: While domestic industry is, in principle, free to use the inventions in question, they may do so only on local markets (see CJEC of February 29, 1968, case 24/67, *Parke, Davis/Probel*, Rep 1968, 85), provided these are large enough to support independent production. In addition, they are exposed to foreign competition based on the strength of protected markets of the export country (with only the limited risks of parallel reimports pursuant to CJEC of July 14, 1981, case 187/80, *Merck/Stephar* Rep. 1981, 2063; of December 5, 1996 cases C-267/95 and C-268/95, *Merck/Primecrown*, Rep. 1996 II 6285).

⁶⁶ Thus, 71,3 % of all 17.000 applicants in Germany file only 1 application per year, which amounts to 23,5 % of all applications, whereas 49,3 % of all applications are made by only 23 % of all applicants, see DPMA, *Annual Report 2000*, loc. cit. at p. 21.

⁶⁷ See Osterwalder, loc. cit. GRUR Int. 1995, 586 (sub. 7).

⁶⁸ See references supra n. 49, and Commission, Proposal for a Community Patent, loc. cit. sub. 2.4.3.2.

the overall costs of "global" protection, but, in logic, they hardly represent a comparative advantage or disadvantage.⁶⁹

- (ii) In fact, high European patenting costs have not hindered industry taking out patents as a matter of pure prestige,⁷⁰ an indicator of that high costs are a problem of equal access of all European industry⁷¹ rather than an issue of international disparities, and they have not impeded the success of the EPC system. The success has even been big enough to distract attention from some other systemic problems haunting the European Patent. These are twofold. One is the "internal" problem of the excessively time-consuming grant procedure. Despite the use and permanent up-dating and up-grading of modern information processing, the grant period has become ever longer. In half of the cases the applicant will receive a first examination report only after 2 _ years, and again in 50 % of the cases the definite grant will occur only after more than four years.⁷² There are not many industries nowadays which have innovation periods allowing such a waste of time. The EPO seems to be largely out of tune with its objective, which is to promote innovation by granting protection in advance of the investment decisions industry has to make for bringing its inventions to the market.

Yet, however important such concerns may be, they apparently do not undermine the utility of the system altogether, at least not for the major users of the system: For one thing foreign applicants do not need more than easy entry into the system. They can wait for full protection until they really need it, relying meanwhile on the fact that, due

⁶⁹ 50 % of European patent applications are of foreign (U.S. and Japanese) origin (EPO, Annual Report, loc. cit. at p. 21); 44,5 % of all US patent applications in the US are of foreign origin (with Japan and Germany having by far the largest share, i.e. 31.296 and 10.234 respectively out of 120.000, see US PTO Statistics 2000, loc. cit. supra n. 1).

⁷⁰ See SZ of 7./8. July 2001, 22 "Erfinderisch wie noch nie" reporting on EPO President Kober's presentation of the annual report and the high number of applications for patents, which will never be used other than for prestige purposes.

⁷¹ See EPO (ed.), *Nutzung des Patentsystems in Europa*, loc. cit. at 33 et seq.; Schalk, Täger, loc. cit. at 118 et seq.

⁷² EPO, Annual Report 2000 at p. 20; note that procedures before the German Patent and Trademark Office are somewhat quicker, but by far not quick enough with an average of 32 months (or roughly 2 _ years, i.e. the time the EPO needs to issue an examination report!). In part, the delays are due to the rapid increase of applications, which creates an increasing backlog, see SZ of July 20.VII.2001 at p. 20 ("Patente sollen schneller erteilt werden", reporting on a planned increase of manpower), DPMA Annual Report 2000, loc. cit. at p. 19. Note also that lengthy procedures are not necessarily the fault of the patent office alone, see infra n. 73.

to the results of an early novelty search and possibly also of domestic patent examination in their home country, they have a sound expectancy of protection.⁷³

For another, nationals of EPO-Member States may use a similar strategy by applying first for national patents, and then carry the application over, including the national priority, to the European system.⁷⁴ This, of course, is an option only where national patent systems and offices still operate satisfactorily, a question which brings up the issue of the relationship between the European and the national patent systems. This is the "external" problem of the EPO.

- (iii) Indeed, the success of the EPO has been achieved largely at the expense of Member States' domestic patent systems. The overall number of national patent applications has decreased dramatically,⁷⁵ so dramatically that smaller countries running an examination system could no longer afford it,⁷⁶ unless they had a privileged status within the EPO.⁷⁷ Member States with a larger home basis have done better, at least in the recent "pro patent" era⁷⁸ with its general increases in IPR applications. Thus, the German Patent and Trademark Office has managed to attract not only purely domestic, but also potentially

⁷³ On the one hand, priority rules, in particular the first-to-file system (Art. 60 para 2 EPC), and economic pressures require early patenting; on the other hand, uncertainties about the patentability of an invention and about its commercial prospects invite delaying the prosecution of the application. This is why, under German patent law, examination is deferred until the applicant submits an explicit request, § 44 (1) (2) PatG.

⁷⁴ This seems to occur quite regularly, not the least reason being a reduction of the risk of high costs linked to an EPO-application, see DPMA, Annual Report 2000, loc. cit. at p. 16; the usual practice in Germany seems to be to first apply for a German patent, to immediately make a search request (§ 43 PatG), and then, on the basis of a "negative" search report (i.e. disclosing no anticipation of the invention by prior art), file an "improved" and safer European patent application on the basis of a claim for priority according to Art. 87 et seq. EPC, see Rebel, loc. cit., 67 et seq.

⁷⁵ See Philipps, Time to Close the Patent Office Doors, Eur. Int. Prop. Rev. 1990, 151; Osterwalder, loc. cit. GRUR Int. 1995 at 585 (between 1978 and 1992, national patent applications in EPO-countries have dropped from 255.000 to 95.000); the German Patent and Trademark Office received only some 11.000 direct applications from foreign applicants out of about 65.000 direct applications, see DPMA, Annual Report 2000, loc. cit. at p. 16 (note that another 80.000 foreign applications are made indirectly via the European Patent System, meaning that almost a 2/3 majority of patents and patent applications covering Germany come from abroad, but that only a small minority of these are fully handled by the national administration).

⁷⁶ This is the case of the Netherlands, which gave up their allegedly very strict examination system in 1995 (see Kraßer, in Münchener Kommentar, loc. cit. at p. 148, and *ibid.* at p 159 regarding a similar reaction by Switzerland).

⁷⁷ Such as e.g. Sweden under Section III of the Protocol on the Centralisation of the European Patent system of October 5, 1973 (reprinted in Singer, Stauder, loc. cit. at p. 1077 et seq.; for this protocol see *infra* B 1 b) (iii).

⁷⁸ See Grandstrand, loc. cit. at 4 et seq.

European applications by rendering a relatively rapid "first check" service which at least German applicants seem to frequently use before entering into the European patent system.⁷⁹ However, countries running a mere registration system only do not have this escape route. In fact, and possibly by design, their systems are altogether on the loser's side since, due to some sort of a tacit agreement among EPO-Member States, maintenance fees for both nationally and EPO-granted patents are set at the same level, i.e. the fee is the same for an unsafe, non-examined and a safe, examined patent.⁸⁰

Again, the combined effects of all these developments give an advantage to big international users, and to Member States with a strong patent system, while smaller and weaker countries become even more weakened, their users being obliged to go abroad to benefit from similar advantages. This development is all the more noteworthy as the establishment of the European patent system has been strongly supported by the small countries, and by the countries, which are weak in terms of patent structures. They have done so in the hope of overcoming the deficiencies of their own (mere registration) systems, and of taking equal benefit from the new system. Apparently, it is not the patent system which makes a strong innovative industry, but innovative industry makes a strong patent system for itself.

2. Re-positioning the EPO

a) *Few reforms*

However grave the problems listed above may be, they do not seem to give rise to much political concern. The Paris Ministerial Mandate covered the language problem primarily as an issue of costs, it only vaguely requires or a shortening of EPO patenting procedures, and it does not address the overall operation of the EPO system or its relationship with national patent systems at all. Rather, its focus is on re-positioning the EPO in view of the EU's determination to finally establish a Community Patent system. According to the Mandate, the

⁷⁹ Comp. supra n. 74.

⁸⁰ There may be reasons to this equal treatment of unequal patents, such as giving an incentive to innovate on the basis of examined patents and a disincentive to risk innovation with unexamined patents, but the effect is a distortion of systems competition by impeding alternatives of protection see infra III. 2 b).

EPC needed to be revised with a view to making the political decision-making process of the EPO more effective, and to allow membership of and cooperation with the EU. In addition, a revision conference should deal with a number of issues of modernising substantive EPO law, and of rearranging some procedural mechanisms.⁸¹ Ultimately, however, the political straight jacket, into which the all-or-nothing unanimity requirement of Art. 172 EPC presses any revision conference,⁸² led Member States to split the reform program into two "baskets" of negotiation issues, and to deal only with the "consensus" issues at the Revision Conference of November 2000, thereby leaving some of the more controversial issues unsolved during the conference.⁸³

- (i) It is not the objective of this paper to discuss the issues of substantive law of the EPC⁸⁴ and/or the organisational rearrangements made to streamline the EPO examination process.⁸⁵ Two points, however, are of an institutional interest as well.

⁸¹ Reform desiderata are not systematic, but selective, and much of them come from within the EPO (see EPO, EPO Kompass – Überlegungen zu Perspektiven des europäischen Patentsystems, Munich 1993, passim) or are expressed in "gray literature" only by interested circles; for a general discussion see Bezenberger, Gedanken zum europäischen Patentrecht, GRUR Int. 1987, 367; Tootal, The European Patent System: Time for a Review? Eur. Int. Prop. Rev. 1995, 415; Beier, Die Zukunft des geistigen Eigentums in Europa, GRUR Int. 1990, 675, 677 et seq.; Armitage, loc. cit. 22 IIC 1 et passim (1991).

⁸² Art. 172 (4) EPC provides that member States, which have not ratified a revision of the EP convention within the delay provided for in the revision act or acceded to it, automatically lose membership in the EPO, i.e. an undesired revision operates like an expulsion by the majority (Art. 172 (2) EPC requires a _ majority for revision with a _ quorum, see Schennen in Singer, Stauder, loc. cit. Art. 172, annot. 6). Art. 172 (4) EPC thus departs from traditional revision rules, which allow membership to continue after revision on the conditions of the pre-revision text. However, such a rule is incompatible with the principle of uniformity of patents granted by the EPO, because it would result in the coexistence of patents granted on different conditions.

⁸³ The EPO had submitted a "Basic Proposal for the Revision of the European Patent Convention" (see for the full text of 252 p., http://www.european-patent-office.org/epo/dipl_conf/documents.htm); for a report see Nack, Phélip, loc. cit. GRUR Int. 2001 ,322; Kober, loc. cit. GRUR Int. 2001, 493 et seq.

⁸⁴ The much debated issue of the introduction of a grace period regarding pre-publications by the inventor applying for patent protection (see § 3 (1) 2nd sent. GebrMG), which formed part of the Mandate (supra n. 36) was not on the agenda; by contrast, the long-desired revision of the patentability of new medical applications of known chemical compounds (see art 54 (5) EPC) has been achieved by the introduction of a new Art. 54 (5) allowing the patentability of any new and inventive use of known compounds. Read in combination with the revised text of Art. 54 (4) EPC, this means that a cascade of potentially dependent patents has been created, namely patents on new compounds, on any new medical uses of such compounds, and on new specific uses of such medically useful compounds, provided always that the new uses have been "discovered" subsequently to the known ones, see Nack, Phélip, loc. cit. GRUR Int. 2001 at 324 et seq. Another ever recurring problem, which has been solved by a verbal compromise, is the determination of the scope of protection *ratione materiae*, in particular the treatment of equivalents, see Art. 69 and the Protocol on interpretation of Art. 69 EPC as revised, also Nack, Phélip, loc. cit. GRUR Int. 2001, 325 et seq.; Bardhele, loc. cit. Mitt. PatAnw. 2001, 146.

⁸⁵ To be sure, such technical issues may have considerable practical effects. One such example is the revision of Art. 16, 17 EPC and Section I of the annexed Protocol on Centralisation: Under the old rules search and examination are separated both as to substance and location, the search being reserved to The Hague-Office of

Thus, as regards the two major issues of substantive law, i.e. the clarification of the status of biotechnological inventions and of software related inventions, the EU, though not yet a member of EPO, did cast a long shadow over the revision conference. The biotechnology issue was not even put on the agenda in view of the fact that the EU had issued a harmonisation directive, which, on the one hand, had not been transformed into national law by all EU Member States as it still meets with political resistance, but which, on the other hand, is criticised by some EPO Member States as being too restrictive.⁸⁶ The question of patent protection of computer programs was taken off the agenda during conference negotiations by a "no change"-decision in view of the EU's determination to harmonise Member State law in this respect by yet another directive. However, due to the open software-movement, this directive has not been drawn up in a draft version until very recently.⁸⁷ The EPO already has a well-established practice on both matters, which is in part even enshrined in the "Regulations Implementing the European Patent Convention".⁸⁸ Thus, patents continue to be handed out as definite titles of property.

EPO as a matter of maintaining the former Institut International de Brevets, the joint search facility of France and Benelux. The BEST-project of the EPO, however, aimed at Bringing Examination and Search Together, meaning that one staff member (instead of two) would do both jobs, be it at Munich headquarters of the EPO or at The Hague, see Braendli in Münchener Gemeinschaftskommentar, Art 4, annot. 93 et seq. This efficiency-enhancing measure met not only with scepticism, as the decisions do not necessarily improve, but it also required a new guarantee for the existence of The Hague-Office and its staff (the Centralisation Protocol has been revised accordingly), which, if it is not simply a guarantee of counterproductive waste, means that the applicant's representative, the patent attorney, now may have to go to The Hague to discuss the case with the examiner. So either the applicant's costs rise and local advantages of the Munich-patent bar decrease, or the patent bar must open-up new branches in The Hague (if a reasonable specialisation develops). The next question then is: Why local offices of the EPO only in The Hague rather than in other capitals as well? Of course, the EPC as it stands (Art. 6) excludes such "subsidiarization", but the "spectre" of – user friendly? – decentralisation versus – cost-saving? – centralisation, of bureaucratic interests and comparative local advantages will make its appearance with the Community Patent, see infra text at n. 147 et seq.

⁸⁶ The transformation deadline of Art. 15 (1) Directive 98/44 of the European Parliament and the Council of July 6, 1998 on the legal protection of biotechnological inventions (OJEC 1998 L 213, 13) expired on July 30, 2000, half a year before the conference, but e.g. Germany has not yet transformed the directive, parts of the public opinion asking even for early amendment of the directive. For the resistance of EPO-Member States see Wiesner, Neues vom EU-Wirtschaftsrecht, VPP-Rundbrief 2000 (2) 57; Körber, Bericht über die Diplomatische Konferenz zur Revision des Europäischen Patentübereinkommens vom 20. bis 29. November 2000 in München, VPP-Rundbrief 2001 (1) 20.

⁸⁷. See supra n. 2.

⁸⁸ See supra n. 2, 3 and see rules 23 b) et seq. of the Implementing Regulations of October 5, 1973, BGBl 1976 II 915, as amended by Decision of the Administrative Council of June 16, 1999, O.J. EPO 1999, 437; see also EPO OJ 1999, 574 for an official commentary. The biotechnology issue, therefore, really is about elevating it to the democratic level of the Convention, and, for the European Community, about how to bring the Community Patent in line with the Directive, i.e. only by an implementing rule or by a Convention rule.

While the Conference, in a Final Resolution, pointed to these problems, the EPO, speaking through the Chairman of its Administrative Council, was bold enough to state what has been clear and publicly admitted by high national officials even before the conference:⁸⁹ The EPO will – and must as a matter of law – continue its practice of granting biotechnology and software patents in accordance with technical progress as applications come in, however controversial the issues may be.⁹⁰ In political terms this is not only evidence of the fact that the reform proposals really were largely "symbolic politics".⁹¹ Rather, it underlines the strong, autonomous position of the EPO as a "law maker",⁹² the excessively long gestation period for any legal changes – the biotechnology issue is on the table for half a generation and legislative action will hardly ever catch up with technological development –, the frightening inflexibility of Convention law in such fast moving areas of market regulation as is industrial property law,⁹³ and the power and weakness of the EU as a future member of the EPO. Its voting position will be formidable, but so might be the veto position of other members. The EPO is hardly a good forum for a pro-active legislative patent policy. Policy, therefore, will be made on the technocratic level of implementation and administration.⁹⁴

⁸⁹ See Lutz, Revision des Europäischen Patentübereinkommens, VPP-Rundbrief 2000 (4) 17.

⁹⁰ See with respect to computer programs Grossenbacher (Chairman of the Administrative Council of EPO), Statement of November 29, 2000 on the conclusion of the Revision Conference, EPO Press release (http://www.european-patent-office.org/news/press_rel/2000_11_29_e.htm); Kober, loc. cit. GRUR Int. 2001, at 494; as regards biotechnological inventions see supra n. 88. The statements are, indeed, entirely correct as Art. 52 (1) (2) (3) EPC and Rules 23 b) Implementing Regulation are applicable law, but who sets the limits of such application?

⁹¹ See M.Edelman, The Symbolic Uses of Politics, Urbana 1964.

⁹² See also infra sub. b); note that the Implementing Regulations are binding even national courts in invalidity proceedings, unless they find them to be in conflict with the EPC, Art. 164 (1) (2) EPC; the situation is different for the Examination Guidelines which are only internal administrative instructions of a general character (Art. 10 82) (a) EPC, see Weiss in Singer, Stauder, loc. cit. Art. 10, 11, annot. 6, and *ibid.* Schennen, Art. 164, annot. 6 et seq..

⁹³ This also means that legislative mistakes, such as, arguably, the ambiguous exclusion of computer programs from patentability by Art. 52 (2) (3) EPC (see Ullrich in Ullrich, Körner, Der internationale Softwarevertrag, Heidelberg 1995, sub. No. 48 et seq.), tend to be carried on for too long, or to be corrected unsatisfactorily by administrative practice and the courts.

⁹⁴ As ratification of international conventions already leaves only little room for parliamentary influence (other than mere rejection), such non-explicit delegation to secondary rules and practice really raises issues of democratic legitimacy; these cannot be dealt with here (but see infra III 2 c)). For the institutional strengthening of the EPO see infra sub b) (i).

(ii) Among the many "practical" modifications of procedure,⁹⁵ the introduction of a new limitation procedure (Art. 105 a – c EPC 2000) merits being mentioned, because it brings both an additional element of unification and of centralisation into the European patent system, which strengthens the position of the EPO.⁹⁶ The purpose of the (auto-) limitation procedure is to allow the patentee, subsequent to the grant of the European patent, to request that "the European patent be revoked or be limited by an amendment of the claims" (Art. 105a (1) EPC rev'd.). The patentee may wish to have the patent grant so corrected in case he had – inadvertently – overstated the claims in his original application by reference to the then relevant prior art, and, therefore, has exposed them to charges of invalidity. Introducing this procedure into the EPC means that the patentee may so limit all the patents in his European "bundle of rights" by one stroke (Art. 105 b (3) EPC 2000), even though he is now in the "post grant"-phase, where his patents have become national and independent. The underlying rationale of central limitation is that limitation relates to the patent as applied for and granted centrally, and that it helps to avoid nationally different decisions on matters of Convention law, i.e. the assessment of patentability. However, there is no central attack counterpart to this centralised anticipation of an attack.⁹⁷ So the need for a centralised litigation system becomes all the more obvious.

b) *but more autonomy*

(i) A whole series of amendments to the EPC relate to technicalities of the existing organisation and procedure of the EPO, which, over time, have proven to be in need of revision in the interest of practicality. Most of the changes made to this effect seem to be of a technical nature. They relate simply to marginal matters,⁹⁸ to legal formalities⁹⁹

⁹⁵ Comp. supra n. 85 and text infra sub b); for the introduction of a new Art .112 a EPC relating to judicial review of gross procedural errors made by the Boards of Appeals see Nack, Phélip, loc. cit. GRUR Int. 2001, at 325.

⁹⁶ See for details Nack, Phélip, loc. cit. GRUR Int. 2001 at p. 325.

⁹⁷ Third parties may use opposition procedure for central attack (Art. 99 EPC), but there is a time limit of 9 months following publication of the patent grant. Note also that the patentee may still limit his patent during decentralised invalidity proceedings before national courts, Art. 138 (3) EPC as revised.

⁹⁸ Such as the handling of inventions, which are subject to State secrecy rules (Art. 77).

or to handling the grant procedure,¹⁰⁰ including issues of evidence¹⁰¹ and of costs,¹⁰² or they only serve to clarify the law. However, the common thread running through almost all of these amendments is that they are not made in the form of text revisions of the Convention, but by way of referring the matter to the "Implementing Regulations",¹⁰³ and in that respect, they are not all that marginal. The Implementing Regulations may be modified by a decision of the Administrative Council of the EPO (Art. 33 (1) (b) EPC), i.e. by the Representatives of Member States acting as an internal organ of the EPO (Art. 26 EPC). The decisions are taken by simple majority vote, at least as a rule (Art. 35 (1) EPC), and the exceptions to this rule, the requirement of three quarters majority (Art. 35 (2) EPC), have been narrowed down considerably by the Revision Conference. As a result of the broadened delegation of regulatory power and the ensuing broadening of the simple majority rule, the EPO has gained quite some operative autonomy.

While it is not to be expected that the EPO will use this power in the foreseeable future for purposes other than to improve on present procedures,¹⁰⁴ systemic changes are not excluded. For example, the possibility, which Art. 115 EPC offers third parties for making observations during the grant and the opposition procedure,¹⁰⁵ has become subject to a reservation: the observations must be made in accordance with the "Implementing Regulations". This is quite normal as a matter of procedural law, but it may limit and possibly affect the "populist" nature of this right to submit

⁹⁹ E.g. the form of translation (Art. 14 (2) EPC), the formal requirements for fixing the date of filing (Art 80, 90), the form of claiming priority (Art. 88); the form requirement for the patent grant (Art. 97); the formalities of opposition (Art 99) etc.

¹⁰⁰ E.g. handling of the search report (Art. 92, 96 EPC), of the publication of the patent application Art. 93), examination of opposition (Art. 101, 102) and intervention in opposition proceedings (Art. 105).

¹⁰¹ E.g. general rules on taking evidence, Art. 117 EPC.

¹⁰² See Art. 104, 106 (3) – (5) EPC.

¹⁰³ Reference see supra n. 88.

¹⁰⁴ E.g. Art 121 EPC: requests for further processing of the application in case time-limits have not been observed by the applicant are likely to be granted generously, but may be limited if the overall situation of EPO's workload and operation changes.

¹⁰⁵ Although the wording of Art. 115 EPC does not explicitly allow to present observations in opposition procedures, it is constant practice to admit them (see Schachenmann in Singer, Stauder, loc. cit. Art. 115, annot. 12), and this has been made explicit now by the text as revised.

observations.¹⁰⁶ There are also other examples. Thus, the increase of patent applications and its likely progression with the advent of the Community Patent, the excessive processing time, and the interest of some early applicants to "buy safe time" for checking the commercial potential of an invention and to deter competitors,¹⁰⁷ might induce the EPO to switch from a system of immediate and "mandatory" examination of a patent application, as is presently required by Art. 94 EPC,¹⁰⁸ to a system of deferred examination.¹⁰⁹ This, indeed, is what the deletion of Art. 95 EPC and the amendment of Art. 94 EPC now allow the Administrative Council to do, since the time limit for requesting an examination has been relegated from the Convention to the Implementing Regulations, and it may even do so by a simple majority vote.¹¹⁰ This is a major departure from the intentions of the original framers of the EPC;¹¹¹ and it would be a major change to the system. Originally, it was assumed that the broad territorial coverage of the "bundle of rights" and its high costs would attract only such valuable inventions to the EPO as would be put to use rapidly. Reduced costs and deferred

¹⁰⁶ The third party need not be actually or potentially aggrieved or otherwise affected by the patent, and, conversely, does not enjoy the right to oppose the patent grant or benefit from any other "formal" procedural rights (other than the right to be taken seriously), see Schachenmann in Singer, Stauder, loc. cit. Art. 115, annot. 3 et seq., 21 et seq. (pointing also to the general right to inspect public files, Art. 128 (3) EPC). Note that Art 115 EPC is the basis for a procedurally correct "protest" by the general public against politically undesired patent grants (biotechnological inventions etc.), and that it's general availability (no fees!) may easily be curtailed by requirements of form, of fees, of substantiation etc.

¹⁰⁷ Comp. supra n. 74.

¹⁰⁸ Art. 94 EPC provides that the EPO examines the patent application and the invention "upon written request" as to whether it meets the (patentability) requirements of the Convention. If the request is not made within 6 months following the publication of the search report, the application is deemed to be withdrawn. Thus, the "request" really has only two functions, namely to allow the applicant to withdraw the application (or to amend it) before examination in view of the results of the search report, and to allow the EPO to raise the examination fee (the request is not accepted before the fee is paid, Art. 94 (2) 2nd sent. EPC).

¹⁰⁹ In the comments supporting the "Basic Proposal" (supra n. 83) it is stated that, at present, it is not intended to change the 6-months period for requesting examination as provided by Art. 94 (2) EPC, but that this may become necessary in case of changes of the international filing system of the Patent Cooperation Treaty or in case of an "extreme increase of the workload of examiners", so that "some sort of a deferred examination system" might be the result.

¹¹⁰ At present, a decision of the Administrative Council to extend the Art .94 period for requests of examination requires a _ majority, see Art. 35 (2) EPC. Due to the deletion of Art. 95, Art 35 (1) EPC now applies, which requires only a simple majority vote..

¹¹¹ Thus, Art. 33 (1) (a) EPC makes it clear that, in the case of Art. 94, the Administrative Council may use its general power to modify time limits only in accordance with Art. 95, and Art. 95 (4) EPC expressly requires the Administrative Council to "lay down measures with a view to restoring the original period as soon as possible". With the deletion of this condition, the provisional character of a deferred examination system has been given up as well. For the historical decision not to follow the example of Germany, which, when overhauling its patent law in 1968, had introduced deferred examination (see § 44 (2) PatG), see Singer in Münchener Gemeinschaftskommentar, loc. cit., 2. Lfg., Art. 94 annot. 4 et seq.; Art. 95, annot. 4 et seq.

examination may mean a large influx of applications for patents that are never pursued to grant,¹¹² but that nevertheless raise a deterrent claim of exclusivity.¹¹³

- (ii) By contrast, the Revision Conference seems to have weakened the external autonomy of the EPO vis-à-vis third countries. Indeed, the Conference paved a new way for transforming international patent law into EPO law, i.e. the law of international treaties, such as the WTO-TRIPs-Agreement or the WIPO administered patent treaties,¹¹⁴ and the patent related (harmonisation) law of the European Union. In view of the difficulties, the uncertainties and the costs of an EPC revision conference, which, under public international law, is necessary for such transformation,¹¹⁵ a specific amendment procedure has been introduced. Thus, according to Art. 33 (1) b), Member States simply delegate the power to revise the EPC itself (rather than merely the Implementing Regulations) to the Administrative Council. The mechanism operates with many safeguards to protect the sovereignty and the independent interests of EPO-Member States. The decision to transform international or EU patent law into EPC law may be taken only at unanimity, and only if all Member States are represented; it may not be taken before the international treaty has entered into force or before the transformation period of EU-secondary law, if there is one, has expired. In addition, there is a "cooling off" period of one year allowing a Member State to withdraw the consent given by its

¹¹² Thus, in Germany the number of annual requests for examination considerably lags behinds the number of applications (in 2000: 37804 requests and 64802 applications filed directly with the DPMA or pending in the national phase of PCT). Even when taking account of the time lag due to deferred examination, the withdrawal rate must be high, since the request curve is much flatter than the applications curve. However, examination requests made simultaneously with the application are on the increase, possibly due to the preference for the national route to a European Patent, see DPMA, Annual Report, loc. cit. at p. 19.

¹¹³ See Art. 67 EPC, § 33 PatG; note that the claim for compensation of the use of the published invention as applied comes into being and is enforceable upon publication of the application (i.e. with in 18 months from the filing date). It is only if the application is withdrawn or dismissed that the claim extinguishes retroactively, § 58 (2) PatG; see as to the effects and the operation of the provisional protection Schäfers in Benkard, Patentgesetz, 9th ed. Munich 1993, § 33 annot. 1, 10, 15. The deterrent effect, of course, is not the risk of having to pay a compensation, but the threat of market foreclosure in the future, i.e. the blocking of opportunities of innovation.

¹¹⁴ In particular the Patent Cooperation Treaty, the application of which is a major part of the EPO's activities (see Art. 150 et seq. EPC) as a receiving office for international applications (Art. 151 EPC), as designated office (Art. 183) for EPO Member States, and as an office doing international searches and making provisional examinations (Art. 154, 155 EPC). These activities and related legal rules cannot be dealt with here; for issues of centralisation see infra sub B 1 b) (iii).

¹¹⁵ See, however, for the adoption of the EU's principles on patentability of biotechnological inventions by incorporation into the Implementing Regulations supra n. 88, and the cautionary remark by Körber, (loc. cit. VPP-Rundbrief 2001 (1) 324) to the effect that Art. 33 (1) (b) - safeguards should teach the EPO a lesson about the reasonableness of making its own patent policy without really asking Member States for full approval.

representative in the Administrative Council.¹¹⁶ It is however a delegation of sovereign power to an internal organ, and it has a "nucleus" of auto-transformation, because it is one thing to give or refuse consent as a diplomatic delegation, and quite another to refuse consent when acting within an organisation, let alone to withdraw it once it has been given.¹¹⁷ As regards EU law in particular, it must be noted also that not all EPO Member States are Member States of the Union,¹¹⁸ so they are under no obligation to accept EU law, but risk being subjected to it. Conversely, the new mechanism clearly does not solve the European Union's interest in ensuring the primacy of Community law over national law, since there is no automatism of transformation into EPC law; yet EPC law governs the bundle of national patent rights and, in the future, the Community Patent as well. The new mechanism, therefore, mirrors the ambivalent relationship between the European and the Community Patent system. The fact that they are made for each other does not mean that they always fit or go together. They are not twins, but sister systems, one worrying about its independence, the other about its primacy.

It is probably also in the light of this new exposure to political power, and not only as a reaction to the general increased politico-economic importance of the patent system, that the Revision Conference has introduced a new political body, the Conference of Ministers of the Contracting States. This Conference of Ministers "shall meet at least every five years to discuss issues pertaining to the Organisation and to the European patent system". While it has no decisional powers, and may neither anticipate nor derogate decisions of the existing organs, it may exercise quite some informal influence,

¹¹⁶ See Art. 33 (1) (b), (5), and Art. 35 (3) EPC as amended. A State representative may, indeed, find it difficult to oppose the majority in the Council or he may be more patent-minded than the majority of his home-country Government. The consequences of the withdrawal of the consent are not very clear. Art 172 (4) EPC may not possibly apply, since its application would undermine the protective character of the Art .33 (1) (b)-requirements. Yet, a complete failure of transformation due to the withdrawal is as "inconceivable" as is the direct refusal of transformation by one Member State alone, e.g. if it is opposed to EU-law. Again, it appears that the safeguards really are "symbolic", and the mechanism of Art. 33 (1) (b) EPC really is intended to work automatically.

¹¹⁷ Note that, once the new mechanism has been ratified by Member States, it will operate as an enabling mechanism with no automatic feed-back to national legislatures, since there will be no additional ratification any more of the amendment of the EPC in the Art. 33 (1) (b)-areas. Contrary to the position of some Governments, including the German Government, as reported by Nack, Phélip, loc. cit. GRUR Int. 2001, 323, national sovereignty is, indeed, affected.

¹¹⁸ Apparently Sweden, a Member State of the EU, opposed the amendment on constitutional grounds (which are reasonable enough, see n. 117) while Switzerland, a non-EU Member, strongly (and surprisingly) supported it, see Nack, Phélip, loc. cit. GRUR Int. 2001, 323.

it will add to the political visibility of the EPO, and, thus, it will contribute to the legitimacy of the development the European patent system will take.¹¹⁹

B. The Establishment of a Community Patent System

1. Combining the Community Patent with the European Patent

a) Uniting the European bundle of patent rights

The degree of uniformity, which the European Patent system provides for patent protection in Europe, is already considerable.¹²⁰ It reaches way beyond the centralisation and standardisation of the pre-grant phase into the post-grant phase not only as regards invalidation (Art. 138 EPC),¹²¹ but also as regards fundamental aspects of protection, such as the period of protection (Art. 63 EPC) and the scope of protection *ratione materiae* (Art. 64 (2), 69 EPC). Thus, all European patents are of the same kind, i.e., as a matter of convention law,¹²² each national right within the European bundle has an identical genetic code. Therefore, it must be construed, applied and maintained equally in all Member States with respect to the invention covered. It is only the attribution of ownership in case of controversial inventorship,¹²³ the determination of the privileges flowing from the exclusivity, the exceptions to the exclusivity, its limitations in the public interest, and the rules on

¹¹⁹ The idea seems to have been to institutionalise the Ministerial Conference, which issued the Mandate for the present revision (see *supra* n. 36), see Körber, *loc. cit.* VPP-Rundbrief 2001 (1) 20.

¹²⁰ See *supra* I 1 b) with notes 12 et seq.

¹²¹ The limitation of the grounds of invalidation (Art. 138 EPC) is, of course, due to that any extension of these grounds would indirectly undercut the standardisation of the criteria of patentability (see Schennen in Singer, Stauder, *loc. cit.* Art. 138, annot. 4). The limitation does not mean, however, that Member States are prevented from sanctioning non-use or misuse of patents by forfeiture of the exclusivity (not by nullification of the right, see Art. 5 A Paris Convention) or from granting compulsory licenses on other grounds of public policy.

¹²² See *supra* n. 15; also Bruchhausen, *Die Methodik der Auslegung und Anwendung des europäischen Patentrechts und des harmonisierten nationalen Patentrechts*, GRUR Int. 1983, 205 (but note that the construction of unilaterally harmonized national patent law is a different matter); the identity of convention law throughout the territories of EPO-Member States, and the resulting principle of uniform interpretation may not be negated solely because there is no binding hierarchy of interpreters of the law (as in EU-law), see Beier, Ohly, in *Münchener Gemeinschaftskommentar*, *loc. cit.* Art. 1, annot. 9 et seq., and *infra* n. 179.

¹²³ As distinguished from both the right to claim the patent as a title and the problem of independent concurrent inventorship, which are matters covered by Art. 60, 61 EPC.

infringement, which are left to the sovereign decision by the national legislator, and, as a consequence, are left for the European Union to rule on in the interest of the Internal Market.

Yet, the Community will hardly limit itself to ruling on these matters alone, and to do so only by way of harmonisation of the national rights, which make up the European bundle of patents. While such an approach might be good enough to undo the distortions resulting from differently defined national rights of exclusivity, it would still be in conflict with the Internal Market to the extent that it leaves their territorial separation and independence intact.¹²⁴ It is true that in areas of intellectual property law where protection arises by operation of the law whenever protectable subject matter is created, the Community has limited itself to mere harmonisation of national rules.¹²⁵ But when the establishment and the existence of the legal title depends on a formal grant, centralising the granting procedure without "melting" the rights resulting therefrom into one unitary right of exclusivity is an imperfect approach, at least within an Internal Market, because it leaves enterprises and States with the burden of a decentralised administration of the maintenance of the rights on the register.¹²⁶

In addition to these arguments, there is the need to make the legal exclusivity attractive for private individuals as an incentive for innovation, and for public government as an instrument of innovation policy. It is only in case of a unitary title that fees can be fully controlled by the Community so that costs become acceptable for industry, that the language issue may be approached more directly,¹²⁷ and that the terms of protection can be readily adjusted not only

¹²⁴ For this rationale of introducing the Community Patent see Commission, Proposal for a Community Patent, loc. cit. sub. 2.1; note that the Proposal has been presented to the public exclusively in terms of EU-innovation policy, see "Commission proposes the creation of a Community Patent, Press release of July 5 2000; as to the incompatibility of the "bundle of rights"-approach with the Internal Market see supra sub. I.2.a) with notes 16, 17, and Ullrich in Müller-Graff (ed.), loc. cit. at p. 433 et seq.; Martinez, Towards a Patent Reform in Europe, 4 (5) J.W. Int. Prop. 767 (2001).

¹²⁵ Thus, copyright law has been largely harmonised in the EU, but no attempt to unification has ever been made or is likely to be made, for the reasons see Ullrich, *Perspektiven der Gemeinschaftsschutzrechte*, (forthcoming); see also infra III.2. a).

¹²⁶ But see infra n. 305. The benefits (publicity/transparency of rights attaching to invisible information) and costs of the patent (or trademark etc.) register should not be underestimated: The application for a patent, its grant, limitation, surrender or revocation need to be registered; fees are levied on an annual basis, and, if not paid in due time, entail the loss of the right; assignments may, and under many legal systems must be brought to the register, and so may or must (exclusive) licenses; see § 23, 30 et seq. PatG; Art. 6, 15 (5), 18, 19 (3), 20, 23 24, 56 Community Patent Proposal.

¹²⁷ It is, indeed, hard to imagine that by a harmonisation directive, the Community could oblige Member States to accept, let alone to substitute a foreign language for their domestic official languages with respect to patents, which are based on national law, rather than directly on Community law.

to the requirements of market unity, but to the necessities of an innovation policy of the Community's own making.¹²⁸ The Commission has, indeed, not left any doubt as to the innovation policy rationale of the Community Patent.¹²⁹ In fact, the establishment of a separate system of patent protection in addition to the EPO and the national systems cannot be justified unless it has a proper purpose and an attraction of its own. However, these political overtones and the interest to control the operation of the system also mean that the administration of the Community Patent system implies more than a simple management task. Leaving it to the European Patent Organisation, therefore, raises problems of supra-Community governance of Community matters, which are new for the Union.

b) European administration of Community Patents

- (i) The easiest way to understand these problems is to compare the approach to the Community Patent, as originally envisaged by the Member States of the EU and of the EPO,¹³⁰ with the new Community approach. The former was an EPO oriented approach based on specific enabling provisions set forth in Art 142 et seq. of the EPC. A group of Member States of the EPO – the EU Member States –, by sort of practising a patent law integration "à géométrie variable", would join more closely and would decide, by way of a specific convention, to have their common territories as one territory of designation, and to apply identical post grant rules to the EPO granted patent. The EPO would allow them to establish specific organs within the EPO that would carry out

¹²⁸ It is true, however, that, on the one hand, the Community has used harmonisation for innovation policy purposes as well, and, on the other, that the innovation policy rationale of patent protection is subject to quite some scepticism, see references supra n. 30, 38, and Ullrich, Geistiges Eigentum zwischen Wettbewerbs- und Industriepolitik, in Dreier, Kur, (ed.) Geistiges Eigentum im Dienste der Innovation, Baden-Baden 2001, 83 et seq.; id. Legal Protection of Innovative Technologies: Property or Policy, in Grandstrand (ed.), The Swedish International Symposium on Economics, Law, and Intellectual Property (forthcoming).

¹²⁹ See supra n. 27, 124, and see in particular the "Impact Assessment Form" annexed to the Commission's Community Patent Proposal, loc. cit. sub. 4.

¹³⁰ References see supra n. 20; see also Beier in Münchener Gemeinschaftskommentar, loc. cit., 1. Lfg. Cologne 1984, 54 et seq. Note that at no moment has it been considered seriously to set up a Community Patent Office of its own, as was done in the cases of the Community Trademark and of the Community Plant Variety protection (see supra n. 4). The reason is that, in view of the huge investments necessary to establish a patent office administering an examination system for the grant of patents (see supra n. 51 for the EPO), doubling the facilities and the staff of the EPO (close to 5000 employees!) by a Community Office would represent an obvious waste of resources. By contrast, in the fields of trademarks or plant variety protection, there exist no comparable European or international registration systems, which could be asked to operate the Community system of protection as well.

additional, group specific tasks under the guidance and responsibility of the President of the EPO, such as keeping the Community Patent Register.¹³¹ The group would also be allowed to form its own Select Committee within the Administrative Council of the EPO to regulate its common matters, such as for example Community Patent fees.¹³² The Community Patent Convention (CPC) thus appeared to be simply a special sub-agreement within the EPO, that caused much less problems for the EPO than it did for the Community.¹³³ It is true that, originally, the Convention accepted the principle that a European patent application designating a Community country would mandatorily result in a Community Patent (no-option principle).¹³⁴ However, the Community Patent was based on convention law, not on Community law. While the Convention accepted priority of Community law, it did not constitute part of the Community legal order.¹³⁵ Member States acted as sovereign States outside, though with deference to the Community, and they acted individually in both the CPC and the EPC framework. The CPC ultimately was no more than a closer circle of Members of the same larger club. In matters relating to patent granting it was the club at large that would decide with all members having equal voting rights, and if ever matters of the Community Patent would spill over to the granting of patents or to the running the EPO in general, it would again be the club that decides.

Of course, there was a risk that, within the EPO, the CPC members would act jointly even with regard to EPO matters, since they now had common rather than individual

¹³¹ See Art. 7 Community Patent Convention 1989 (supra n. 19).

¹³² See Art. 11 et seq., 16 Community Patent Convention 1989 (supra n. 19).

¹³³ See Schäfers, Anmerkungen zu einem gemeinschaftsrechtlichen Gemeinschaftspatent, GRUR Int. 1999, 820 et seq.; Commission, The Need for a European Trademark - Competence to Create One 11 IIC 58, 174 (1980) = Zuständigkeit der Gemeinschaft zur Schaffung eines europäischen Markensystems und Notwendigkeit ihres Tätigwerdens, GRUR Int. 1980, 33, sub. F IV.

¹³⁴ Art. 3, 33, 86 Community Patent Convention 1975 (supra n. 19) as compared with Art. 3, 30 (6), 81 Community Patent Convention 1989 (supra n. 19), and see Stauder, Substantive Law Aspects of the Community Patent - Translation Requirements, Switching, and the European or Community Patent Option, 22 IIC 979 (1990); the departure from the no-option principle is important because it could mean that, due to the interconnection between the European patent and their national patent law, EU-Member States regain a proper sovereign interest within EPO (but see infra sub c).

¹³⁵ See Art. 2 Agreement Relating to Community Patents (supra n. 19); Commission, The Need for a European Trademark, loc. cit. GRUR Int. 1980, 103 (sub. IV 2); obiter CJEC, opinion 1/94 of November 15, 1994, Rep. 1994 II 5267, 5418, No. 103.

patent law interests. However, that risk was limited by the voting rules of the EPC,¹³⁶ and by the fact that, even within the CPC, Member States acted independently according to their - possibly diverging - national interests.¹³⁷ The Community Patent Regulation, by contrast, will create an entirely new, and most likely, a more complex situation. The reason is that it proposes a clearly Community oriented approach to the Community Patent, this being directly based on a Community regulation, and thus part of the Community legal order. However, that Community concept is not fully carried through, because the Community Patent will be a genuinely EPO generated patent in that it will be convention born, not Community born. Moreover, it will not be the sole patent available throughout the Community, but will compete with pure European patents, namely national patents granted centrally by the EPO, since the Community legislature has renounced a priori to re-adopt the no-option principle.¹³⁸ This failure to opt for a no-option rule, though welcomed as a practical matter by industry,¹³⁹ entails a number of complications both in EU-EPO relations and in the Community Patent's overall operation as a part of the regulation of the Internal Market.

- (ii) Indeed, the principle of "optionality" of the Community Patent means not simply the co-existence of two independent international patent systems in Europe, one mandatorily unitary, and the other voluntarily uniform. Rather, both systems are linked together, on the one hand by the EPO's control over patent grant, and, on the other, by the Community's interest in controlling both the conditions of grant of the Community patent and those of the rivaling bundle of European patents. This, presumably, is one of the reasons why the Community wishes to directly link the Community Patent to the European patent system by joining the EPO as a member, rather than to establish a full Community Patent system of its own, the administration of which would be sub-

¹³⁶ See Art. 35 (2) EPC and supra sub. II A 2 b) (i).

¹³⁷ The heterogeneity of interests is clearly evidenced by the different patenting potential of EU-Member States (see supra n. 60, 65), by the dispute on fee-sharing (see Krieger, Brouër, Schennen, Die dritte Luxemburger Konferenz über das Gemeinschaftspatent vom 11. bis 15. Dezember 1989, GRUR Int. 1990, 173, 178), and, above all, by the very failure of the convention approach to the establishment of a Community Patent, Member States simply being unable to agree on a "common position".

¹³⁸ See Commission, Proposal for a Community Patent, loc. cit. sub. 2.1 in fine.

¹³⁹ See Economic and Social Council, decision of March 29, 2001, OJEC 1980 C 155, 80 sub No. 1.6; Deutsche Vereinigung für Gewerblichen Rechtsschutz und Urheberrecht, Stellungnahme vom 27. September 2000, GRUR 2001, 491 sub. No. 7.

contracted to the EPO.¹⁴⁰ Clearly, a subcontracting approach would mean full responsibility and control over the definition and the operation of the entire system, including the substantive law of patent grant. Therefore, it would also require quite some capacity building for the exercise of that responsibility and control at the level of the Community. In addition, it would involve a risk of divergent European and Community law developments¹⁴¹. By contrast, the accession approach seems to allow the Community to simply graft the Community Patent onto the European patent system. That way it may benefit not only from the working and administrative capacities of the EPO, but also from its expertise and capacities of patent policy implementation. The underlying assumption, however, namely the distinction between the European pre-grant phase of patenting and a post-grant phase of Communitarian patent protection, is highly artificial. In fact, it is belied by the Community's second objective of accession, which is to gain influence over the internal decision making process of the EPO, namely the pre grant phase. Moreover, the division of tasks inherent in the EPO system, and its organisation have been conceived in view of the interests of Member States acting individually and on the basis of national territories, not with a view to a Community wishing to establish its own, unitary and/or supranational patent policy.

Of course, the accession as such is not a real problem. It only requires some re-drafting of the European Patent Convention given that membership is not yet open to international organisations, but limited to States.¹⁴² Similarly, on a purely technical

¹⁴⁰ In its decision of May 31, 2001, the Council of Ministers has decided on a "common approach", which gives the EPO a "central role" in the grant and administration of Community patents, but this "without prejudice to the legal form of the relationship between the Community and the European Patent Organisation" (Council, Doc. SN 2778/01 (PI) of June 1, 2001 = GRUR Int. 2001, 373). Major Member States, such as Germany, Italy, Spain and the United Kingdom, seem to prefer the subcontracting approach (see Wiesner, Neues vom EU-Wirtschaftsrecht, VPP-Rundbrief 2000 (4) 110; Hucko, Der Verordnungsvorschlag der EU-Kommission zum Gemeinschaftspatent – aus der Sicht des BMI, VPP-Rundbrief 2000 (4) 105). However, the Commission's Proposal for a Community Patent (loc. cit. sub. 2.3.3) is based on the accession of the EU to the EPO, and the Commission has already set up a "Working Document" (in the form of a "non-paper") on "A Community Strategy for the introduction of the Community Patent within the framework of a revision of the European Patent Convention" (SEK (2001) 744 of May 7, 2001) setting forth the Commission's concept of the EPC-revision, including the proposed texts of the amendments.

¹⁴¹ This is what industry seems to fear more than the advantage of rapid adaptation of patentability requirements to new technological developments, see Körber, Der Verordnungsvorschlag der EU-Kommission zum Gemeinschaftspatent aus der Sicht der Industrie, VPP-Rundbrief 2001 (1) 8; contra: Armitage, EU Industrial Property Policy: Priority for Patents? Eur. Int. Prop. Rev. 1996, 555.

¹⁴² See Schäfers, loc. cit. GRUR Int. 1999, 821, and Commission, Working Document, loc. cit. ad Art. 1 et passim.

level, the accession of the EU to the EPO does not seem to raise more than organisational issues, such as the establishment of a special department for the administration of the Community Patent once it has been granted.¹⁴³ In reality, however, accession of an international organisation grouping major members, possibly even the majority of the members of the receiving organisation, obviously is quite different from accepting membership of individual States, be it only because the decision making process is altered. On the one hand, voting in groups becomes institutionalised.¹⁴⁴ On the other, individual Contracting States may see their voting power involuntarily elevated to the level of an "isolated veto" right, which only a true David may actually be able to use against the Goliath-like group member.¹⁴⁵

- (iii) Even on the purely administrative level, entry of a Goliath-like international organisation into the existing organisation may bring quite some unexpected problems. Thus, contrary to its earlier assertion of non-interference with EPO structures,¹⁴⁶ the EU now wants the national patent offices of its Member States to share in the EPO's workload of processing patent applications.¹⁴⁷ This looks like a sound proposal, since it is made with a view to speeding up granting procedure, and to bringing the grant process closer to the client.

In reality, the proposal hides a serious problem. On the one hand, it largely underestimates what it took and takes to establish and maintain a high quality,

¹⁴³ The establishment of particular departments for Community patent matters had already been provided for under the convention approach (see supra text at n. 131), and is now again suggested by Commission, Working Document, loc. cit. ad Art. 15, although in its Proposal for a Community Patent the Commission did not see any necessity for such particular departments, loc. cit. sub. 2.3.2.

¹⁴⁴ Commission, Proposal for a Community Patent, loc. cit. sub. 2.3.4 already requires Member States to "cooperate loyally in the negotiation with the European Patent Organisation with a view to facilitating the realisation of the objectives of the proposal", and claims that once the regulation is adopted, the Community alone will have exclusive external jurisdiction. In addition, it relies on EU-Member States' majority within the EPO as a way of safeguarding the "consistency between the Regulation and the Munich Convention".

¹⁴⁵ See with respect to Art. 35 EPC as amended supra II A 2 b, and as to the Community's power to safeguard its – existing and developing! – *acquis communautaire* infra sub. c) (iii) (iv).

¹⁴⁶ Commission, Proposal for a Community Patent, loc. cit. sub. 2.3.2.

¹⁴⁷ See Council of Ministers, common approach, loc. cit., sub. 1; Commission, Working Document, loc. cit. sub. 1.3; 2.7; the matter will be decided politically, most likely to the effect that national patent offices may do a certain amount of novelty searches, see Wiesner, *Neues vom Wirtschaftsrecht*, VPP-Rundbrief 4/2001 at 133 et seq.; European Parliament, Committee on Legal Affairs and the Internal Market, Report Palacio Valleserandi of February 26, 2002 on the Proposal for a Community Patent Regulation, proposing to introduce new Art. 1^{bis} 1^{ter} on decentralised procedure, in particular decentralised search.

uniformly handled international examination and grant process.¹⁴⁸ In fact, the re-decentralisation approach directly collides with the fresh legalisation of EPO's BEST-practice and its expected gains in processing time,¹⁴⁹ and it is incompatible with the spirit of the Protocol on Centralisation as annexed to the EPC.¹⁵⁰ On the other hand, the re-decentralisation approach is half-hearted.¹⁵¹ It is unlikely to help the small national offices, since applicants may opt to go directly to the European Patent Office, and it will not assist the small inventors, who will not see the costs of their European/Community Patent reduced nor will they get it more rapidly. In particular, re-decentralisation cannot compensate the loss of business which national patent offices, and not only the smaller

¹⁴⁸ Note that uniformity of examination and granting must be guaranteed for some 150.000 applications, and for 50.000 grants of patents for inventions, which are sub-divided in about 60.000 technical categories with an overall in-flow of 1 Mio. new technical documents each year, and all this for applications originating from culturally and technically very diverse countries. Uniformity means equal screening quality, equal control over claim drafting and limitation, equal assessment not only of the novelty of inventions (Art. 53 EPC), but also of the inventive activity (or non-obviousness by reference to the knowledge of an ordinary expert, see Art. 54 EPC), which is a notoriously subjective standard. Even if the latter assessments remain centralised, there is still the link between the nature and quality of the search for prior art and with the assessment of novelty and inventive activity.

¹⁴⁹ See supra n. 85; after all the BEST-project is to ensure the handling of the patent application by one unit rather than by different units; re-decentralisation undermines this effort in that it again splits the granting process, obliging the EPO to operate on the basis of files it has not established itself, which means double work, coordination effort, and, therefore, loss of time and increase of costs (and certainly so even with the use of modern information technology). Existing cooperation between the EPO and some national offices as regards PCT-search activities (see EPO, Annual Report 2000 loc. cit., at p. 52) do not contradict these objections nor are they excluded to the extent that they are based on a desirable division of labour (see infra n. 151) rather than imposed by national bureaucratic interests.

¹⁵⁰ With the exception of the maintenance of the Hague Office (see Section I of the Protocol, and supra n. 85) the Protocol on Centralisation is meant precisely to ensure the central role of the EPO following a period of transition (Sect. IV (1)), see Sect. II. An additional purpose is to allow national patent offices to survive as or to develop into international examining offices under the PCT, see sect. III, Sect IV (2), provided always that this does not jeopardise the well-functioning of the EPO. But at no point was it intended as a basis for general division of labor, let alone of granting activities between the EPO and national offices along any principles of "subsidiarity", since this would run contrary to the optimisation objective of the European patent system. The question also is, which of the national offices should have its existence guaranteed at what costs (only the big ones!?), and why on the basis of fees levied from European or Community patent applicants, rather than on the basis of the public treasure, if a Member State considers the national patent system to represent a necessary domestic infrastructure.

¹⁵¹ It is not altogether inconceivable to depart from the central-office approach followed by all national patent administrations in Europe or abroad (notably the USA), since intellectual property titles, such as design protection, have been granted decentrally under former German law, and in copyright law the grant is decentral by nature. The only important thing is to have a central register, to which all instances have easy access (as may be achieved with modern information technologies). Certainly, the Commission (Working Document, loc. cit. sub. 1.3) is entirely wrong when stating that authorizing national offices to independently examine and grant patents would amount to the "mutual recognition of national patents", since it is Community patents, which would be handed out in conformity with a general principle of Community law, which is that national authorities, not a Community administration, administer and apply Community law. The real point is that decentralisation may not be made on the basis of maintaining national authorities as such (with competence in all fields of technology), but only on the basis of specialisation as, indeed, some offices have never examined in all fields, but only in some (then of national interest).

ones, are likely to experience once the Community Patent is introduced. These losses are not simply of bureaucratic concern (which, of course, they are as well¹⁵²). Rather, they may result in Member States' examining and granting capacities becoming sub-critical both as regards income and coverage of all or at least the major fields of technology.¹⁵³ In addition, Member States may lose their general expertise in patent policy and thus may no longer be able to determine and run a national patent system of their own choice.

In short, there are systems interdependencies between the Community Patent, the European patent and national patents. This not only implies that the introduction of the Community Patent will have a deep impact on national systems, which belies the Community's intention to leave national systems intact. It also means that compensating this impact by allowing national patent administrations of EU Member States to participate in the process of granting Community/European patents will affect the autonomy and role of the EPO as a non Community institution, and it will do so even as regards its basic function, which is to grant patents centrally. Contrary to what the political trend suggests, therefore, these interdependencies should not be covered up by dubious compromises of cooperation between the EPO and national patent authorities. Rather, they should be approached by a clear separation of the European/Community Patent system and the national patent systems. To this effect the latter must be strengthened, not weakened so that they can subsist in their own right.¹⁵⁴

¹⁵² Quite apart from that such - perfectly understandable - bureaucratic concerns may not, as such, block system's changes, they seem to be relied on beyond legitimacy with a view to obtain a redistribution of tasks and of the location of public IPR-administrations, see Wiesner, *Neues vom Wirtschaftsrecht*, VPP-Rundbrief 2001 (2) 63, 64, pointing to that only some offices would obtain such compensation, namely those of some politically strong Member States. Such selection, even if ultimately based on reasonable considerations, creates envy, and a new problem for the EPO as regards its relationship with non-EU-Member States. These may ask for the same decentralisation.

¹⁵³ See supra A 1c) (iii), and Landfermann, *Der Verordnungsvorschlag der EU-Kommission zum Gemeinschaftspatent - aus der Sicht der nationalen Ämter*, VPP-Rundbrief 2000 (4) 103.

¹⁵⁴ See infra III.2.

c) *EPO membership of the EU: a very special relationship*

- (i) There are, of course, also other, more legitimate interests which the Community would like the EPO to take into account. The Community must, indeed, make sure that the EPO administers the Community Patent in full accordance with its law and policy. This is a problem of any delegation of Community tasks to specialised agencies.¹⁵⁵ In the case of the EU-EPO relationship this problem is compounded by the fact that the EPO is an independent international organisation, which has its own Member States, and its own genuine tasks, and thus must serve several functions and satisfy a diversity of interests. The issue that highlights the problem in an exemplary manner is fee setting. Clearly, the Community must be able to determine autonomously maintenance fees.¹⁵⁶ However, not only are maintenance fees only part of the overall costs of a patent, so that the Community also has an interest in controlling grant fees. In addition, the income from the maintenance fees normally is used to cross-subsidise grant costs, and it must be so used in the interest of better access to the patent system. As a consequence, the EU and the EPO must settle the matter together with due regard to the interests of non-EU members of the EPO.
- (ii) The issue of fee setting may be left to negotiation before accession, and to compromise within the Administrative Council of the EPO, once the EU has become an EPO member. More subtle, but no less intricate complications are bound to arise in the legal relationship between EPO convention law and Community law. This will be so, because the Community has become aware of the fact that, by joining the EPO, it might loose control over the politically most interesting elements of the patent system.¹⁵⁷ Thus, the

¹⁵⁵ See Vos, Reforming the European Commission: What role to play for EU agencies, 37 C.M.L.Rev. 1113 (2000) = Les agences et la réforme de l'administration européenne, Rev. franc. admin. publ. 2000, 393 with references

¹⁵⁶ According to the Commission's working document, loc. cit. sub. 1.2 and ad Art. 149g), 149i), the maintenance fees will be fixed by the Select Committee as a matter of its rule-making authority regarding the Implementing Regulations applying to the Community Patent.

¹⁵⁷ The following discussion also applies to all other rules of substantive patent law, which the EPC standardises with respect to European patents, such as Art. 63 EPC (period of protection or "patent length"), Art 64 (2) EPC (process products), Art. 67 EPC (provisional protection), Art .69 EPC (scope of protection *ratione materiae*, including the doctrine of equivalents), Art. 138 EPC (grounds for invalidation), because, although post-grant rules, they apply to the Community Patent as an EPO-granted European patent. Thus, the Community Patent largely is predetermined by European harmonisation through international convention law (see supra sub a) (i)). It is only Art 63 (2) EPC which allows Member States to depart from European convention law with respect to the determination of the period of protection by national law. Therefore, it is not quite clear, why the

criteria of patentability, in particular the concept of patentable invention and the conditions a patentable invention must satisfy in order to actually merit the grant of a patent, thus novelty and non-obviousness, determine the scope of appropriability of new technologies.¹⁵⁸ The matter currently is of high interest as regards patentability of business-related computer programs, or the transformation of the Community's policy in the area of biotechnology into national law, and new problems may easily arise as technology advances.¹⁵⁹ The Community's concerns operate on to two different levels, namely, on the one hand, the introduction of its legislative policy into EPO law, and, on the other, the harmonious application of such Community generated rules by both the EPO and Community courts.

On the first level of legislative policy, the Community's concerns regarding the existing *acquis communautaire* may be taken care of easily. The acceptance of the *acquis* by the EPO must simply be made a condition of entry of the EU into the EPO at the accession/revision conference.¹⁶⁰ However, easy as this is as a matter of law, it may be difficult as a matter of politics. First, not all non-EU members of the EPO find existing EU legislation attractive.¹⁶¹ Second, unlike a simple revision of the EPC, accession to it may be obtained only on political, if not only on legal unanimity.¹⁶² It is, indeed, hard to imagine that EU-Member States might use their majority vote within the EPO to revise

Commission's Working Document, *loc. cit.* ad Art. 149 c, also enumerates the additional certificates of protection for medicinal and for phytosanitary products (Reg. 1768/92 of June 18, 1992 (OJEC 1992 L 182, 1); Reg. 1610/96 of July 23 1996 (OJEC 1996 L 198, 30)) as an *acquis communautaire* that needs special treatment under the EPC. The Community, as all EPO-Member States, is free anyway to legislate autonomously in this area, i.e. the matter is one for the Community Patent Regulation.

¹⁵⁸ See Art. 52 – 57 EPC (Art. 56 requiring non-obviousness as a measure of inventive activity).

¹⁵⁹ See as to the patentability of computer programs and of biotechnological inventions references *supra* n. 2, 3; Directive 98/44/EC of the Parliament and the Council of July 6, 1998 on the legal protection of biotechnological inventions (OJEC 1998 L 213, 13).

¹⁶⁰ This is what Commission, Working Document, *loc. cit.* sub. 1.4, 2.6 and ad Art 149 b) (2) proposes.

¹⁶¹ See Wiesner, *Neues vom EU-Wirtschaftsrecht*, VPP-Rundbrief 2000 (2) 57 as regards acceptance of the EU-Directive on biotechnological inventions (*supra* n. 159).

¹⁶² Whereas a revision of the EPC may be decided by _ majority (Art. 172 (2) EPC), a revision amending Art. 166 (1) EPC so as to allow entry of the EU may be a different matter in that it affects the fundamental structure of the EPO, and in that Art .172 (4) EPC leaves no option to continue membership on the terms of the non-revised convention, as would be the case normally, comp. Seidl-Hohenveldern, Loibl, *Das Recht der internationalen Organisationen*, 6th ed. Berlin 1996, Nr. 1530 et seq., Verdross, Simma, *Universelles Völkerrecht*, 4th ed. Berlin 1992, § 794; Karl, *Vertrag und spätere Praxis im Völkerrecht*, Berlin 1983, 81 et seq.; but the specific EPC-situation seems to be unclear under public international law.

the EPC in view of a not unanimously desired EU accession, since this would amount to the threat of expulsion of minority Member States, and would therefore amount to an attempt of a hostile and complete take-over of the EPO by the EU. Fortunately enough, non-EU Member States of the EPO will most likely accept the existing *acquis communautaire*, albeit grudgingly.

Once the EU has entered the EPO, binding the EPO to Community law will raise new problems. Art. 33 (1) (b), (5) and Art. 35 (3) EPC, as revised,¹⁶³ will not apply. They require unanimity of EPO members and allow for a cooling off period regarding definite transformation of EU law into EPO law. However, these articles are not meant to adapt EPO law to the requirements of the Community Patent. Rather they are intended as a way of adapting EPO rules for all EPO Members, in particular non-EU Members, to Community law. They provide therefore for the reception of EPO external law into EPO law as a matter of EPO's self-interest. The Trojan horse for policing the EPO-granted Community patent according to the Community's legislative interest, by contrast, will entail introduction into the EPC of a specific provision to the effect that the EPO has to apply the patent law *acquis communautaire* as it develops.¹⁶⁴ This provision will then be complemented by the Implementing Regulations as they specifically relate to the Community Patent. In addition, the EU specific Select Committee of the Administrative Council of the EPO will be charged with surveillance of the proper application of the *acquis communautaire* by the EPO.¹⁶⁵ In short, the EU asks for automatic and self-controlled transformation of its law into EPO convention law, at least to the extent this applies to EU Member States.

However, the ruse is not a particularly fine one. For one thing, it is not entirely clear how a candidature for accession to an international organisation of "standardisation" of patent law can legitimately be submitted with the reservation of an authorisation to unilaterally modify even the most fundamental principles of that organisation, such as, in the case of the EPC, the standardised concept of invention or the other standardised

¹⁶³ See supra A 2 b).

¹⁶⁴ See note 160.

¹⁶⁵ Art. 149 (3) EPC as proposed by Commission, Working Document, loc. cit.

criteria of patentability.¹⁶⁶ For another, it is not easy to see, though not impossible, that the EPO, by its one grant procedure, would hand out two – ultimately totally – different types of patents, one for the Community, another for the other EPO Member States.¹⁶⁷ Such a departure from the principle of a bundle of standardised European patents would be all the more surprising as, in the eyes of the Community, its maintenance is one of the major advantages of the accession approach.¹⁶⁸ Politically therefore the Community is in reality asking for EPO's total subjugation to the Community's patent policy.

- (iii) In fact, even though the Community has abandoned the no-option principle, it also takes care that the rules to which it subjects the EPO-granted and administered Community Patent do not amount to an invitation to opt for the European patent. Thus, it requires that, whatever EPO relevant rules of patent law the Community legislates, they must equally be applied by the EPO to patent applications designating EU Member States as such, namely applications which are made for genuinely European patents covering part or all of the Community territory. This is a new way of "soft" adaptation of Euro-national patents to the Community Patent by an international instrument, the treaty of accession of the EU to the EPC. In addition, it is a complicated way of harmonising national patents via, first, the enactment of a Community directive or regulation, and, second, its more or less automatic transformation into EPO convention law by virtue of a Community-specific enabling provision of the EPC,¹⁶⁹ or by virtue of amended rules of the Community-specific Implementing Regulations. As such it really lack any charm. This mandatory parallelism of the Community Patent and of the European patent designated for (all or some) EU Member States either will reinforce the Community's dominance of the EPO altogether, or it may be the beginning of the end of EPO

¹⁶⁶ This, however, is precisely what the EU claims when asking for the acceptance of the controversial directive on biotechnological inventions, see Commission, Working Document, loc. cit. Art. 149 b (2), and the Protocol as annexed, and see supra n. 3, 159, 161. The patentability of business methods (supra n. 2) will raise similar problems when submitted for "consideration" at the second revision/accession conference.

¹⁶⁷ E.g. an applicant for European patent bundle relating to biotechnological inventions will obtain exclusivities of different scope or duration as regards the EU and Switzerland with all the consequences that this entails in terms of distortion of competition, of costs of administration and divergences of court rulings in case of litigation. The problems increase if, e.g., the EU would redefine the concept of novelty (such as by introducing a period of grace) or modify the non-obviousness test (e.g. by abandoning the mosaic test etc.).

¹⁶⁸ Commission, Working Document, loc. cit. sub. 1, 3rd para.; see also Körber, loc. cit. VPP-Rundbrief 2001 (1) 8.

¹⁶⁹ See supra n. 160, 165; as to the relationship between Community harmonisation and the EPO see also infra sub. III 2 b).

solidarity. It establishes a total divide between EU and non-EU members of the EPO, which the "optionality" of the Community patent seemed to avoid by allowing Member States to have a European patent policy of their own. Taking out a European patent with respect to the Community territory now is reduced to a mere matter of costs.¹⁷⁰ This division of the EPO certainly is not less worrying because it may be held in abate as long as the non-EU members of the EPO simply, though probably reluctantly, follow the EU-policy, or because it will make itself felt only over time as the policies of the EU and of non-EU members actually diverge. The fact simply is that two separate groups are established, which may have diverging patent policy interests even if (or because!) the market covered by a European patent really is an integrated one. The fact also is that, as a matter of law, EU Member States really will have only a formal role to play in the EPO, since they will not have any individual patent policy stakes of some substance any more.¹⁷¹

- (iv) Unfortunately, the Community's approach does not even have the merit of bringing the European patent system back into the Community, as some authors wish.¹⁷² In fact, full integration of the European patent into the Community's legal order may not necessarily be desirable. The EPO considers itself to be a forerunner of closer market integration. Its ambition is to overcome EU parochialism by taking step towards an overarching, at least pan-European patent system, which is open to more States than only the EU members. Its strategic goal is to be well-positioned once a global patent system is to be negotiated. Serving more States than merely the EU might then be an asset both for the European Patent Organisation and for the Community.¹⁷³

¹⁷⁰ If it remains worthwhile at all in view of the relatively low fees to be set for the Community patent (see *infra* 2 a)). Most of the time, applying for a Community Patent and a patent in Switzerland will do, certainly once the future East European EPO-members have joined the Community as well.

¹⁷¹ They will have seat and vote in the Select Committee (Art. 149; (4) EPC as proposed by the Commission in the Working Document cited *supra*) mainly to discuss fees and income distribution among them. However, their *de facto* role may be more important as they have more expert knowledge than the Community, and as they may give a more direct feed-back of the effects of the Community patent on local markets and industry. So there is likely to be a split between influence and legitimacy.

¹⁷² See van Benthem, *The European Patent System and European Integration*, 24 IIC 435, 439 et seq. (1993); Straus, *The present state of the patent system in the European Union*, Luxembourg 1997, 60 et seq., Bossung, *Rückführung des europäischen Patentrechts in die Europäische Union*, GRUR Int. 1995, 923.

¹⁷³ See Körber, *loc. cit.* VPP-Rundbrief 2001 (1) at p. 8; Kober, *loc. cit.* GRUR Int. 2001, at p. 497; note that the World Intellectual Property Organisation (WIPO) already once proposed a World Patent System, and that, at present, it is again pushing for full international harmonisation of national patent laws, as well as for the

On the other hand, the Community's approach is far from safeguarding Community law principles as reliably as it seems. The reason is that, contrary to what the Commission suggests in its Proposal for a Community Patent,¹⁷⁴ the Community Patent will not be entirely based on Community law, but at least in part on EPO convention law as well. The application of that convention law by the EPO may not, however, be entirely controlled by the Community. The Community patent will be based on convention law, first, because it is granted by the EPO as an international organisation acting on its own supranational authority rather than on the basis of a delegation of Community powers, as would be the case under a sub-contracting approach.¹⁷⁵ Second, even after the grant, the European/Community patent is subject to a number of convention rules, either because the grant defines its scope (Art. 64 (2); 69 EPC), or because the EPC defines its terms (Art. 63 (1) EPC), or because, indirectly, the EPC also defines the grounds of invalidation (Art. 138 EPC).

Both situations must be distinguished. As regards the patent grant, there is no specific transformation into Community law. Rather, it is simply by accepting the EPC via ratification that patents, granted as a matter of convention law, will have direct effect within the Community.¹⁷⁶ By contrast, as regards the post-grant phase, there will be, in addition to ratification, an express Community regulation adopting the convention rules

permanent development of the Patent Cooperation Treaty, which already allows international patent applications, see WIPO-magazine 2002 (1) 6 "Harmonisation of Patent Law Moves Ahead"; WIPO-magazine 2001 (11-12) "WIPO Patent Agenda".

¹⁷⁴ Commission, Proposal for a Community Patent, loc. cit. sub. 2.2 claims that the legal basis of its proposal would be Art. 308 EC-Treaty, as it is for the Community Trademark and the Community Design. These rights, however, are granted by the Office of Harmonisation for the Internal Market, a genuine Community institution. It is only with respect to the establishment of this institution that Art 308 (ex 235) had to be relied on, see infra n. 175.

¹⁷⁵ Whereas it may be that the Community may allow an international organisation to exercise sovereign power in Community matters in the form of granting patents covering the Community territory (see CJEC opinion 1/76 of April 26, 1997 – *Stillelegungsfonds für die Binnenschifffahrt* – Rep. 1977, 741, 761 et seq. (sub. III); Schäfers, loc. cit. GRUR Int. 1999, 823), it still needs a basis to do so under internal law. Arguably this may be found in Art. 308 EU-Treaty (see CJEC of July 13, 1995, *Spain/Council*, Rep. 1995 I 1985 at No. 23), but the better arguments are for reliance on Art. 95, see Drasch, *Die Rechtsgrundlagen des europäischen Einheitsrechts im Bereich des gewerblichen Eigentums* (Art. 100a, 235, 36 und 222 EGV), EuR 1998, 118, 131 et seq. Note also that the Community wants to subject Euro-national patents to the *acquis communautaire* (supra (iii)), so that Art. 95 EU-Treaty comes into play at any rate. Comp. also infra n. 300.

¹⁷⁶ The so-called "validation" of the European patent by registration on the national register upon submission of a translation (Art. 65 EPC) has a declaratory effect only, see correctly relying on the retroactive, fiction-based effect only of non-validation Schennen in Singer, Stauder, loc. cit. Art. 64, annot. 5 et seq. (12).

as Community rules.¹⁷⁷ This, however, does not mean that the convention rules in question become part of the *acquis communautaire*,¹⁷⁸ which, by virtue of some sort of primacy, the EPO, when applying the corresponding rules of the EPC, has to specifically observe in the form they are construed by Community courts. Rather, both the courts of the Community and the EPO have to construe and to apply these convention dependent rules – for example Art. 64 (2) and 69 EPC relating to the scope of protection *ratione materiae* – in conformity with the standardisation purpose of the EPC.¹⁷⁹ There cannot be any supremacy of construction by Community institutions or courts as required by the Commission¹⁸⁰ or else this purpose, which reaches beyond the Community patent to all European patents granted with respect to non-EU territories, would be put in jeopardy. The Community simply must accept that it joins an international agreement on "uniform" law, which harmonises some aspects of patent law for a larger number of States. It must apply these rules of harmonisation in an international, not a parochial perspective.¹⁸¹

The matter may be different, where the EPC does not provide for internationally identical rules, or where the Community, on the basis of its specific reservation for the *acquis communautaire*, expressly departs from EPC standardisation rules. However, even these departures from the general law of the EPC have binding force on the EPO not as Community law, but as convention law, into which the Community rules have

¹⁷⁷ See Art. 7 lit. a (= Art. 64 (2) EPC), Art. 27 No. 1 lit. a (= Art. 63 EPC) Art. 28 (= Art. 138 EPC) of the Proposed Community Patent Regulation, which, surprisingly enough, does not provide a rule on the scope of the patent *ratione materiae* (Art. 69 EPC); national patent law of Member States adopted the same approach, see §§ 9 No. 2; 14, 16, 21, 22 (1) PatG.

¹⁷⁸ Contra Commission, Working Document, loc. cit. sub. 1.5 in fine.

¹⁷⁹ See supra n. 15; Bruchhausen, loc. cit. GRUR Int .1983 at 207 et seq.; and generally Kropholler, Internationales Einheitsrecht, Tübingen 1975, 263 et seq., 273 et seq., 242 et seq.; Teichmann, Die "Europäisierung des Zivilrechts" und ihre Auswirkungen auf die Hermeneutik, Festgabe Zivilrechtslehrer 1934/1935, Berlin 1999, 627, 637 et seq.; Frantzen, Privatrechtsangleichung durch die Europäische Gemeinschaft, Berlin 1999, 331 et seq.; Kötz, Der Bundesgerichtshof und die Rechtsvergleichung, in Festgabe 50 Jahre Bundesgerichtshof, Munich 2000, 825, 826 et seq..

¹⁸⁰ Commission, Working Document, loc. cit. sub. 1.5.

¹⁸¹ This proposition is supported by general principles of interpretation and construction of the rules of international conventions, which, due to ratification, have been formally transformed into national law, see for the States' duty to apply these rules in conformity with their international origin and purpose, Schreuer, Wechselwirkungen zwischen Völkerrecht und Verfassung bei der Auslegung völkerrechtlicher Vorträge, in Ress. Schreuer, Wechselwirkungen zwischen Völkerrecht und Verfassung bei der Auslegung völkerrechtlicher Verträge, Heidelberg 1982, 61, 67 et seq.; BGH of June 25, 1969, BGHZ 52, 216, 219 et seq.; and supra n. 179.

been transformed by virtue of the treaty of accession. It may be part of this transformation that the EPO must apply such rules in the way they are construed by Community courts. However, since there is no hierarchical link between the EPO and Community courts, there is little control even of this limited "supremacy". Rather than proposing some common EU-EPO mechanism for preliminary rulings on controversial questions of law, as is sometimes done in similar agreements, but which might be too heavy a machine, the Community requires a general authority of control over EPO administration of Community patents.¹⁸² It is on this somewhat pretentious assumption that, as far as the post-grant stage of the Community Patent is concerned, in particular invalidation proceedings, the Community relies on the efficiency of the generally available remedies, including the Commission's right to bring an action for invalidity before Community courts.¹⁸³

2. Designing the Community Patent to User Needs

a) *Costs of the Community patent*

- (i) Due to the new principle of "optionality" of the Community Patent, of the European patent and of national patents, the Community patent will be introduced and accepted only if it can and will be an attractive alternative to the European and national systems of patent protection. This is much less a matter of the EU-EPO relationship analysed above or of the substantive rules of protection of the Community, which to a large extent have been pre-established consensually by the Community Patent Convention of 1975 and 1989,¹⁸⁴ than a matter of the costs arising for the applicant and patentee over the lifetime of the patent.

In this regard the fees, both for the grant and renewal, have been treated as a *cura posterior*. There has been general agreement that they should be comparable to those

¹⁸² Art. 149i (3) of the EPC-revision as envisaged by the Commission, Working Document, loc. cit. would apply even to European patents proper designating Community territories since the entire new Part 9A of the EPC would apply to both Community patents and to such European patents.

¹⁸³ Commission, Working Document, loc. cit. sub. 1.5; Art 40 Proposal Community Patent Regulation.

¹⁸⁴ See supra n. 19 and infra sub b).

levied abroad by the major competing nations.¹⁸⁵ However, discussions seem to be moving in another direction. The new point of reference are the average fees of a European patent covering the Common Market: in order to be attractive,¹⁸⁶ the Community patent ought to be cheaper than a European patent. This is certainly true, but the point of reference is ill defined. It is still based on the concept that patents are granted for national territories, rather than for one Internal Market. Lurking in the background of this concept is the problem of the redistribution of fee income among Member States.¹⁸⁷ This issue, which has already "aggravated" negotiations for the Community Patent Convention till the very last minute,¹⁸⁸ is in reality entirely without legitimacy. Fee income from a Community Patent should go into the Community budget, where it should be earmarked for patent related expenditure, thus for example for a patent information system. As long as this simple truth is not accepted, prospects for easy agreement within the Council of Ministers, and for comparable (rather than competitive¹⁸⁹) fees, are not the best.

- (ii) Just as in the case of European patents, a major factor of the official costs of the grant of Community patents (as distinguished from attorney fees and internal costs of the applicant) concerns translation of the patent into the official Community languages¹⁹⁰

¹⁸⁵ See Commission, Proposal for a Community Patent Regulation, loc. cit. sub. 2.4.3; for obvious reasons no figures have been advanced as of yet.

¹⁸⁶ See Commission, Working Document, loc. cit. sub. 1.2; Council of Ministers, Common Approach, loc. cit. sub. 1. As the current average fees are calculated by reference to those for 8 EPO-Contracting States, the rumor goes that the fees for 6 EU-Member States designated under the European system might be a basis for "negotiation" within the Council of Ministers.

¹⁸⁷ See Commission, Working Document, loc. cit. sub. 1.2.

¹⁸⁸ See supra n. 22, and note that there is no guarantee that the fee income thus distributed will actually go into the budget of national patent offices; it might just as well "disappear" in the general national budget.

¹⁸⁹ Regulatory competition between patent systems, by definition, is imperfect, since enterprises do not have an option of applying for patents in one country rather than in another. Normally, they have to seek protection in all places where they and/or their competitors operate, i.e. product competition determines the choice of patent protection. Moreover, Community experience in the area of internal free trade clearly indicates that enterprises will not shun national markets simply because their is no, is less, or is only more expensive protection available, see only CJEC of January 20, 1981, cases 55/80 and 57/80, Musik-Vertrieb Membran/GEMA, Rep. 1981, 147; of July 14, 1980, case 187/80, Merck/Stephar, Rep. 1980, 2063; of December 5, 1996, cases C-267/95, Merck/Primecrown, Rep. 1996 I 6285. The issue, therefore, really is one of affordable patenting costs for domestic industry.

¹⁹⁰ See Commission, Proposal for a Community Patent Regulation, loc. cit. sub. 2.4.3.1; 2.4.4, id., Green Paper on the Community Patent, loc. cit. sub. 3.3, and supra sub. A1 b). According to the Commission, translation of the patent documents into one EPO language, and translation of the claims into the other two official EPO-

other than those of the EPO grant procedure. The matter is generally discussed in terms of costs, expediency and political acceptance rather than in terms of legal soundness, let alone in terms of cultural identity and aspirations, or of mutual respect and cohesion of the Community.¹⁹¹ While it cannot be examined here in any detail either, some aspects may be noted nevertheless.

According to Art. 65 EPC, Member States may subject translation of patents granted by the EPO by to a requirement of translation into one of the official languages of the Member States for which the patent is granted. In its Proposal for a Community Patent the Commission suggests the simple renouncing of the option provided for by Art. 65 EPC. This would mean accepting the European patent as a Community patent in the form in which it is granted by the EPO according to Art. 14 (7) EPC, namely in one of the official language of the EPO with the claims (and only the claims) being translated into the other two official EPO languages alone.¹⁹² The rule is somewhat stricter than the language regime agreed upon in London as regards the European patent,¹⁹³ but this is explained by the large number of Community languages. Even if only the claims of the Community patent have to be translated in all the present and future (!) EU languages, this in itself would bring about additional costs of several thousand Euros per patent. These would again be doubled if, as apparently proposed by some Member States, the "abstract", that is the summary of the new technical teaching, would have to be translated as well in order to meet the patent system's information function.¹⁹⁴ The

language would cost 2200 € on average; translation of the full patent documents into all three EPO-languages would cost 5100 €, and full translation into the 10 working languages of the Community 17.000 €.

¹⁹¹ For a general and differentiated discussion see Fenet, *Diversité linguistique et construction européenne*, Rev. trim. dr. eur. 2001, 235; Gundel, *Zur Sprachenregelung bei den EG-Agenturen - Abschied auf Raten von der Regel der "Allsprachigkeit" der Gemeinschaft im Verkehr mit dem Bürger?* EuR 2001, 776 (comparing also the language regime of the Community trademark and of Community protection of plant varieties, which, however, is less intricate); Vos, loc. cit. Rev. franc.admin. publ. 2001, at 405 et seq., all with references.

¹⁹² See Commission, *Proposal for a Community Patent Regulation*, loc. cit. sub. 2.4.4; id., Working Document, loc. cit. ad Art. 65 expressly and unnecessarily excludes reliance by Member States on Art. 65 (1) EPC. If this is meant to exclude Art. 65 (1) EPC not only for the Community patent (as suggested by the comments sub. 2.5), but also for the European patent proper, i.e. granted via designation of Member States on the basis of the optionality (as the wording of Art 65, as proposed, implies), it raises serious doubts of competence and constitutionality, since the Community hardly can prescribe Member States, which language to use for national titles of property.

¹⁹³ See supra sub. A 1 b) and n. 57.

¹⁹⁴ See supra n. 190, and Wiesner, *Neues vom Wirtschaftsrecht*, VPP-Rundbrief 2001 (2) 63, 64.

costs, therefore, may easily become prohibitive and, if so, the issue would no longer simply be one of costs versus culture, but one of access to the patent system altogether.

From a legal point of view, the Commission's proposal assumes that the Community legislator has at least a large margin of discretion when determining the language regime of the property titles the Community grants as a matter of its own authority. The reason seems to be that the language regime of the Community is based on secondary law only.¹⁹⁵ The Court of Justice, while, in principle, recognising Member States' interest in safeguarding their own language vis-à-vis free trade interests of the Community,¹⁹⁶ has taken a liberal stance vis-à-vis the limitation of languages in Community proceedings relating to intellectual property.¹⁹⁷ However, the claims of a patent – as construed in the light of the entire letters patent¹⁹⁸ - define a statutory right to enjoin others from using the technical teaching of the invention directly, or from making and selling products embodying this teaching, and to seize such products or the means for putting the invention into effect (Art. 43 proposed Community Patent Regulation). If that statutory claim is expressed only in a few Community languages, and not in the language of the defendant, or of the court where the action is brought, an issue of fair trial arises of necessity. This is all the more so, as the very reasons that make patent translations so difficult and costly render defending oneself in infringement proceedings pursuant to the claim difficult and costly. In fact, the construction of the claims and the definition of the infringement, in particular when it comes to infringement by equivalent means, are such intricate matters that the patent law

¹⁹⁵ See Art. 290 EC Treaty and Reg. 1/58 of April 15, 1958 on the language regime of the Community; Fenet, loc. cit. Rev. trim. dr. eur. 2001, at 239. Art. 21 EC Treaty, which provides for a right to communication with the Community institutions in all the official Treaty languages (Art. 314), has been worded narrowly so as to exclude its application to communication with Community agencies. This is highly problematic, as delegation of Community authority to agencies becomes ever more frequent, see Gundel, loc. cit. EuR 2001, at 779 et seq.

¹⁹⁶ But see as regards the national translation requirement under Art. 65 EPC, the escapist approach of CJEC of September 1, 1999, case 4-44/98, BASF/Deutsches Patent- und Markenamt, Rep. 1999 I 6269; Fenet, loc. cit. Rev. trim. dr. eur. 2001, at 248 et seq. with references.

¹⁹⁷ Court 1st Inst. of July 12, 2001, case T-120/99, KiK/OHIM, not yet officially published; the Court of 1st Instance, by emphasising the legitimacy of making the most common European languages the only language of procedure, most patently disregards any consideration of minority protection; see also the critique by Gundel, loc. cit. EuR 2001, at 782.

¹⁹⁸ See art. 69 EPC with the Protocol on the interpretation of Art. 69, as annexed to the EPC, and Article 2 of the text of this protocol as revised at the Munich Revision Conference of November 20-29, 2000, providing expressly that "For the purpose of determining the extent of protection conferred by a European patent, due account shall be taken of any element which is equivalent to an element specified in the claims".

community asks for a specialised court system with technical judges sitting on the bench.¹⁹⁹ Nevertheless, it is assumed that justice will be served on the basis of statutory claims written in a foreign language which the patentee chose and which is imposed on the defendant!

It would also seem that the Commission got it wrong when, in Art. 43 and 44 (3) of its proposed regulation, it provides the defendant with a foreign language defense only as regards claims for damages, not as regards injunctions. The injunction really is the sword of damocles hanging over the potential infringer. It means that the infringer's business may be blocked altogether, however inadvertently he came to infringe the patent. The injunction may be used even against the innocent, autonomous technological development of the infringer, it does not require any showing of negligence, and it applies even in cases of non-literal, non-"1:1" infringement. Whereas it may be plainly justified without any additional language safeguards where the infringer acts *mala fide* or is careless,²⁰⁰ it should be subject to language safeguards in other cases, particularly so since most injunctions are granted by way of interim measures.

From a patent policy perspective the language issue is no less complex. It is certainly true that the information function of the patent system is not its best aspect.²⁰¹ The disclosure of the invention is made with a legal bias rather than with technical frankness, since the claims are intended to define the legal exclusivity as broadly as possible rather than to explain the practical operation of the invention. It may also be that non-English technical and/or patent literature is hardly ever consulted.²⁰² But is this a reason to neglect it altogether or one to improve the situation? Of course, the

¹⁹⁹ See Dreiss, Keussen, Zur Streitregelung beim Gemeinschaftspatent, GRUR 2001, 891; and *infra* sub. III 1.

²⁰⁰ Comp. for a cautious approach Art 35 Litigation Protocol of the Community Patent Convention 1989, *supra* n. 19. For instance, an intermediate solution might be to presume negligence, and consequently, allow the injunction to be granted, where the patentee voluntarily has had a translation published in the language of the infringer's home country, as Art .58 Proposed Community Patent Regulation invites him to do.

²⁰¹ As to the little use that is made of patent information see EPO (ed.), *Nutzung des Patentschutzes in Europa*, *loc. cit.* at 167 et seq., and references *supra* n. 38, 63.

²⁰² See to this effect Commission, Proposal for a Community Patent Regulation, *loc. cit.* sub. 2.4.4; note, however, that any restrictive approach to the language issue also means frustrating the public's interest in understanding and, possibly, invalidating or limiting patents, an interest, which is recognised by the absence of any particular requirement of standing to sue for invalidity or to oppose the patent grant, see Art. 99 EPC.

translation business is a vested interest of patent attorneys in some regions of the Community,²⁰³ but it is also a way of communicating Community inventions to the outside world. Moreover, the proponents of "English only" do not act in full innocence either. Certainly, our times do not favour burdening the individual patentee with private costs of translations that are meant to contribute to the public purpose of the patent system. If, ultimately, "anglicising" the patent system will be unavoidable as regards the patent grant, this will also mean the increased specialisation and isolation of the patent community, which is already far advanced. In addition, it will result in a bias in favour of big business or, at least, in favour of specific businesses, a bias which already is no less pronounced.²⁰⁴ In addition, there is the risk that the simplification of the system, which seems to result from the virtual one-language regime, will produce other, less visible frictions. For one thing, the language problem does not simply disappear. English is a foreign language in most parts of Europe, so that translation problems are bound to arise, though probably on different levels. For another, a restrictive language regime may limit full acceptance of the Community patent by all segments of industry. Finally, it should be recognised that any intermediate approach, such as admitting only a limited number of (major) languages, only adds to the discriminatory effects of the language regime on the non-admitted languages. So probably it must be either one language or all languages rather than a superficial political compromise²⁰⁵.

b) Rules of substantive law

Since the proposed Community Patent Regulation essentially relates only to the law governing patents once they have been granted by the EPO, its rules of substantive law do not

²⁰³ See with respect to Art. 31 Community Patent Convention 1989 establishing a presumption of reliability for translations made by the (Greek, Portuguese, Spanish) patent bar(s); Krieger, Brouër, Schennen, loc. cit. GRUR Int. 1990 at p. 177; Wiesner, Neues vom Wirtschaftsrecht, VPP-Rundbrief 2001 (2) 63 et seq.

²⁰⁴ See as to the size of applicants, and the comparatively high rate of use made by some industry branches DPMA, Annual Report 2000, loc. cit. at p. 17 et seq.; EPO, Annual Report 2000, loc. cit. at p. 22 Traditionally machine engineering, electronic engineering, and chemical and pharmaceutical industry "dominate the scene".

²⁰⁵ But see European Parliament, Committee of Legal Affairs and the Internal Market, Report Vallelersundi, loc. cit. proposing, by a mistaken analogy, the language regime of the Community Mark, that is 5 languages. But the language regime of the Community Mark essentially is a matter of procedural languages, not one of defining claims and disclosing the subject-matter of protection. In addition: Will the proposal of the EP withstand demands by new Member States, or will they be discriminated right from the outset? Note also that Art. 22 Charter of Fundamental Rights requires "respect of ... linguistic diversity", which is hardly compatible with a "major-language" approach.

have to cover such controversial issues as the patentability of business methods or biotechnology inventions. As regards its own field of "post-grant" rules, the Proposal essentially adopts the principles that have been agreed upon when the Community Patent Conventions of 1975 and 1989 were negotiated, and that have mostly been adopted since by national legislatures for national patents as well. This holds true for such matters as the definition of what constitutes infringement as well as of the exceptions to and the sanctions and remedies for infringement.²⁰⁶ It is nevertheless noteworthy that the Regulation, following in this respect the example of the Community Trademark Regulation, proposes a complete system of protection. It covers even matters such as claims for damages, thus possibly interfering with the general tort law of Member States. The proposed Regulation also settles the once controversial matters of prior user rights and compulsory licenses as a matter of Community law, but abstains from fulfilling the promise Member States once made as regards harmonisation of national patent law in some of these respects.²⁰⁷

As regards in particular the rules on compulsory licences of Community patents, they follow traditional lines. Thus compulsory licenses may be granted in case of non-use (Art. 21 (1)), of refusals to licence owners of dependent improvement patents (Art. 21 (2)), and in case of emergencies, and of antitrust violations (Art. 21 (3)). Basically, Art. 21 and Art. 22, which latter relates to the conditions of the compulsory license, follow Art. 31 TRIPs Agreement. However, the grant of both compulsory licenses in the public interest and as an antitrust remedy raise a problem of competence. For one thing, the Community may define only Community interests, but not a public interest in general. For another, contrary to its ambiguous wording, the Regulation may not establish a general authority to grant compulsory licenses in the interest of competition. It is the competition rules of the Treaty, which alone determine the grant of compulsory licenses in the interest of competition in general, notably in the case of dominant undertakings, which abusively refuse to license third parties.²⁰⁸

²⁰⁶ For the Conventions see supra n. 19, and the annotations by Ullmann in Benkrad (ed.), *Patentgesetz*, loc. cit., Internationaler Teil, annot. 155 et seq. with references; as to the corresponding harmonisation of national law see Kraßer in *Münchener Gemeinschaftskommentar*, loc. cit. 22. Lfg 1998, 122 et seq.

²⁰⁷ See Art. 37, 45 et seq., 77, 83 Community Patent Convention 1989 and the Corresponding "Resolutions" in Annex I to the Convention as well as the "Declaration on the Adjustment of National Patent Law" in its Annex II. Much of the "adjustment" has already been made by Member States (see Kraßer, supra n. 205), so there is no need to go beyond these voluntary adaptations to EPC and GPC-principles.

²⁰⁸ See Ullrich in Immenga, Mestmäcker (ed.), *EG-Wettbewerbsrecht*, loc. cit. at p. 1255 et seq. (1258 et seq.) with references.

Probably, it would also be wise if the Commission reserved to itself the power to grant compulsory licenses in situations of emergency only. The authority to rule on issues of compensation of licences of right, on compulsory licenses for dependent patents, and on compulsory licenses in cases of non-use should be left to the Community's intellectual property courts,²⁰⁹ even though the assessment of insufficient use is a matter situated at the borderline between the exercise of administrative discretion and the pure application of a rule of law.

²⁰⁹ See also Deutsche Vereinigung für Gewerblichen Rechtsschutz und Urheberrecht, Stellungnahme zum Vorschlag für eine Verordnung des Rates über das Gemeinschaftspatent, GRUR 2001, 491. As to the establishment of Community intellectual property courts, see *infra* sub. III 1 a).

III. Patent Protection in Europe: By and Beyond the Community?

1. Winning the rivalry: Unitary patent enforcement, which way?

As proposed, the Community Patent Regulation will not solve all the problems the Commission listed in the Green papers by which it started its patent policy initiative.²¹⁰ Some of them, such as the (re-) introduction of a period of grace in case the inventor pre-discloses a patentable invention, or the patentability of computer programs and biotechnological inventions, concern the European patent system rather than the Community Patent.²¹¹ Others, such as the status of employee inventions, are a matter for general harmonisation rather than one for isolated treatment under a Community Patent Regulation. Indeed, national laws on employee inventions must be harmonised, if at all, with respect to all - European, Community and national - patent systems. The divergences are such that harmonisation with respect to one type of patents only would totally bias preferences regarding the choice of one or the other system.²¹²

By contrast, the Community Patent Regulation, as proposed, tackles another major issue from the Green Paper's agenda, namely the centralisation of litigation relating to the validity and the infringement of the Community Patent. The disagreement between the Contracting Parties of the Community Patent Convention over a sufficiently ambitious proposal for the establishment of a Common Patent Appeals Court²¹³ has been a major reason for the failure of the Convention approach to the Community Patent. Curiously enough, the Commission's new

²¹⁰ See supra n. 25.

²¹¹ As regards the issue of the period of grace, see Straus, Grace period and European and international patent law, Weinheim 2000; Götting, Die Neuheitsschonfrist im Patentrecht, Mitt Pat Anw. 1999, 81; as regards the patentability of computer programs and of biotechnological inventions see supra n. 2, 3, 86, 88, 90, 159.

Whereas the limits of the patentability of computer programs still need to be clarified by the Community (see supra n. 2, 90), it has taken a clear, though controversial stand on the patentability of biotechnological inventions, see supra n. 3, 86.

²¹² Comp. Straus, Arbeitnehmererfinderrecht: Grundlagen und Möglichkeiten der Rechtsangleichung, GRUR Int. 1990, 353. The problem of harmonising national laws on employee inventions, of course, is that they are not simply at the interface of patent law and labour law, but really are interdependent with national labour law as well as with the principles on attribution of the results of employed labour in general, and they are, more than anything else in patent law, the result of national traditions, both social and cultural.

²¹³ See Stauder, Die Vereinbarung über Gemeinschaftspatente, das Streitregelungsprotokoll und das Änderungsprotokoll, GRUR Int. 1986, 302; Foglia, Procedural Aspects of Litigation Relating to Community Patents, 22 IIC 970 (1991).

proposal seems to be too ambitious to succeed, and again it has to face rivalry from the European Patent Organisation. The story is too complicated and its outcome too uncertain to be told here in full. However, it has at least to be sketched out shortly, because it may well hold the key for an adequate solution to the problem of patent protection in the Community, should the proposal for the Community Patent Regulation fail or its adoption be postponed ad calendas graecas.

a) (A) *Community Patent Court(s)*

The Community Patent will be of unitary character and equally valid throughout the Community. It will also be, by virtue of the direct and indivisible effect of Community law, uniformly enforceable in all Member States by all national courts. Nevertheless, there is a need to centralise litigation on its validity and infringement. This need arises, first, from the risks to the unity of the Community Patent which result from divergent national court decisions,²¹⁴ in particular from divergent invalidity decisions operating only inter partes. Second, the need also arises from the potential for forum shopping based on different national systems of patent enforcement,²¹⁵ different legal traditions and attitudes regarding patents, and, most importantly, on different levels of judicial expertise in the highly technical matters of patent law.

- (i) The Commission, in its Proposal for a Community Patent, has submitted a radical solution to the problem of safeguarding the unitary character of the Community Patent. It simply proposes the establishment of a single Community intellectual property court comprising chambers of first instance and chambers of appeal, which would then have exclusive jurisdiction over all forms of infringement and invalidity actions, including counterclaims, declaratory judgements, injunctions, provisional measures and the award of damages.²¹⁶ To this effect, the Proposal extends unification of the protection of the

²¹⁴ See e.g. as regards the various analytical approaches towards non-literal infringement Franzosi, Three European Cases on Equivalence – Will Europe Adopt Catnic? 32 IIC 113 (2001).

²¹⁵ See the country reports in 31 (6) IIC 625 et seq. (2000), a special issue on "Patent Enforcement in Selected Countries".

²¹⁶ See Commission, Proposal for a Community Patent Regulation, loc. cit. sub. 2.4.5 and ad Art. 30 (3); Schade, Das Streitregelungssystem zum Gemeinschaftspatent nach dem Verordnungsvorschlag der Kommission, GRUR 2000, 827; Sydow, loc. cit. GRUR Int. 2001, at 691 et seq.

Community Patent even to the substantive law of sanctions. This is a unique, but a necessary approach in order to ensure full independence from the national law of Member States.

However, as logical as the proposal is, it is far from ensuring unitary jurisdiction over the unitary exclusive right. As the Community Patent Regulation will not cover the patent granting phase, there is no provision for Community court control over decisions, which the EPO may render in procedures relating to the grant or to the limitation of patents, or in opposition procedures. It would, indeed, be politically, and possibly even legally difficult to give Community courts power to directly control the decisions of an international organisation of which the Community is only a Member.²¹⁷ Thus, applicants for and opponents of a Community Patent will have no remedies against decisions rendered in the EPO-internal, quasi-judicial system, and there will be no common court guaranteeing uniformity of case-law. In addition, the court having natural vocation to guarantee such uniformity, the European Court of First Instance,²¹⁸ will have only a marginal, possibly conflicting role in that it will have jurisdiction over the decisions, which the Commission will be authorised to take under the Community Patent Regulation, for example decisions on the various types of compulsory licenses.²¹⁹ Whereas the Court's jurisdiction will most likely be limited to dealing with exceptional cases, there is yet a fourth line of jurisdiction, which is of greater practical importance. This is the jurisdiction held by national courts over patent related matters other than infringement and invalidity, such as attribution of patent property and licensing

²¹⁷ Commission, Proposal for a Community Patent Regulation, loc. cit. sub. 2.4.5.2, justifies its choice on the ground, first, that it is desirable to retain "for as long as possible the unified treatment of simultaneous applications for a Community patent and a European Patent", and, second, that the internal appeals procedure of the EPO is good enough. This justification of the Commission's choice is rather questionable, since it subtracts a major element of Community patent policy to direct and immediate judicial control, (see Dreiss, Keussen, Zur Streitregelung beim Gemeinschaftspatent, GRUR 2001, 891 sub No. 8), and since it is at odds with basic considerations of the separation of powers (see Leith, Revision of the EPC, the Community Patent Regulation and "European Technical Judges", Eur. Int. Prop. Rev. 2001, 250). The real reason is that by not adopting the sub-contracting approach, the Community has given away this part of its autonomy anyway.

²¹⁸ See Art. 225 (3) EU Treaty as (and if) revised by the Treaty of Nice, OJEC 2001 C 80, 1.

²¹⁹ See Commission, Proposal for a Community Patent Regulation, loc. cit. sub. 2.4.5.2 in fine, and Art. 20 (5), 21; however, most of these decisions should be directly left to the IPR-court anyway, see supra text at n. 209.

transactions. On these matters national courts may submit preliminary questions to the Court of Justice, which the EPO and the Community IPR court cannot.²²⁰

- (ii) The Commission's proposal for a Community IPR court, whose organisation and composition has yet to be defined, has the advantage of overcoming the national law/Community law dichotomy of the judicial system once proposed by the Community Patent Conventions. In particular, there are no problems of either substantive or procedural law regarding direct appeals from national courts, which the CPC had proposed as "designated" Community patent courts.²²¹ Other problems, however, remain. One is that centralisation of patent litigation in one single Community IPR court entails problems of capacity building, of location, and of both equal and easy access.²²² Another is that a Community IPR court cannot be established other than by a revision of the EU Treaty. Therefore, even though it has failed to lay the basis for a broader judicial system of the Community, all the hopes of the Commission now rest on the ultimate ratification of the Treaty of Nice.²²³ The Treaty of Nice provides, indeed, for the optional establishment of judicial panels attached to the Court of First Instance (Art. 220 rev. EU Treaty), which would have jurisdiction in specific areas of Community law both as regards judicial control of Community decisions (Art. 225 A (2) rev. EU-Treaty), and litigation in the field of Community intellectual property law (Art. 229 A rev. EU-Treaty).²²⁴ This option would allow the Community to have the decisions,

²²⁰ In the future, however, preliminary, questions will go to the Court of 1st Inst., see supra n. 218, which may also be the Court of appeals for Community IPR-courts, whatever there nature, see infra sub. III 1.

²²¹ See Art. 1 et seq., Protocol on Litigation, supra n. 19, Brinkhof, Die Schlichtung von Patentstreitigkeiten in Europa, GRUR 2001, 600, at 603 correctly points out that a centralised review on appeal of patent judgements is almost unfeasible, if lower courts apply different rules of procedure.

²²² See Schade, Das Streitregelungssystem zum Gemeinschaftspatent nach dem Verordnungsvorschlag der Kommission, GRUR 2000, 827, 830 et seq. and references infra n. 231, 232. These concerns are shared on the political level, see Landfermann, Stand der Diskussionen um ein europäisches Patentgerichtssystem - Ausblick, VPP-Nachrichten 2001, 113, 114.

²²³ Apparently, the Commission is revising its Proposal in view of the Treaty of Nice see Landfermann, loc. cit. VPP Nachrichten 2001, 113, 114 et seq.; Wiesner, loc. cit. VPP-Nachrichten 2001, 132 et seq. European Parliament, Committee of Legal Affairs and the Internal Market, Report Palacio Vallelersundi, loc. cit., already takes account of the changed legal and political environment by proposing a decentralised jurisdiction on the level of first instance and a centralised court on the level of appeals, all linked to Art. 225A, 229A Treaty of Nice.

²²⁴ Assuming that, contrary to a textual reading of Art. 220, as revised, the Court of 1st Inst. and the specialised panels adjunct to it are still part of the "Court of Justice", or else Art. 229 A rev. Text, which allows to attribute litigation relating to Community IPR Legislation to the "Court of Justice", would make no sense at all, since the CJEC should see its workload diminished, not enhanced. The matter is not clear, however, see for a first account

which the Community may take under the Community Patent Regulation, reviewed by the same court, which is competent for private litigation on infringement and invalidity both at first instance – the panels –, and on appeal – the Court of 1st Instance.

In addition, as national courts deciding in other patent related matters may, in the future, request preliminary rulings from the Court of 1st Instance,²²⁵ uniformity of judgments would be guaranteed almost perfectly. However, even though the Council of Minister's "Common Approach"²²⁶ instructs the "Permanent Representatives Committee", and, consequently, also invites the Commission to set up "jurisdictional arrangements for the Community patent ... in accordance with the framework of Articles 225a and 229a of the Treaty as adopted at Nice"²²⁷ - major obstacles lie still ahead.

Thus, there remains the problem that decisions by the EPO are not subject to the Community's judicial control. There is also a need to establish specific procedural rules for these "patent panels" (which are bound to become general Community IPR panels²²⁸), since the existing rules of the Court are much too geared to the review of administrative decisions.²²⁹ The most important problem, however, is that the judicial panels are conceived as jurisdictional units attached to and under the control of the Court of 1st Instance. They are thus part of a centralised jurisdiction. It is hard to see

Johnston, Judicial Reform and the Treaty of Nice, 38 CML Rev. 499, 503 et seq. (2001); Sack, Zur künftigen europäischen Gerichtsbarkeit nach Nizza, EuZW 2001, 77, 78 et seq.; Kamann, Das neue gemeinschaftliche Gerichtssystem nach dem Vertrag von Nizza, ZEuS 2001, 627, 639.

²²⁵ Art. 225 (3) EU-Treaty, as rev.-Nice.

²²⁶ See supra n. 140.

²²⁷ Thus, the Council does away with Protocol Declaration No. 17 to the Treaty of Nice, which is to the effect that the insertion of Art. 229 A shall not prejudice the decision on the jurisdictional framework of Community IPR-litigation.

²²⁸ Art. 229 A rev. Nice refers to all matters of "industrial property" (not intellectual property, as this would include copyright), meaning both inter-partes litigation and review of granting decisions. This would imply a total revision of the judicial system of the Community Trademark, which is based on national courts, acting as "designated" Community courts, and on Boards of Appeals incorporated into the OHIM. In fact, such extension to trademark and design matters seems to be already envisaged by Member States, see Luxemburg's Declaration (as annexed to the Treaty of Nice, OJEC 2001 C 80, at p. 87), that it will not claim Luxemburg as a seat of a judicial panel substituting the Boards of Appeals of the OHIM.

²²⁹ Thus, the claim is frequently made that technical judges should sit on the bench, and that patent attorneys should be admitted to pleading, see Sedemund, Treiber, Braucht ein europäisches Patentgericht den technischen Richter? GRUR 2001, 1004; Dreiss, Keussen, Zur Streitregelung beim Gemeinschaftspatent, GRUR 2001, 891, 893 et seq.

how their establishment as Community IPR courts of first instance could meet, as the "Common Approach" requires, "factors such as cost effectiveness, demand and local languages, closeness to users and use of existing infrastructure and expertise". To comply with these criteria the judicial panels/Community IPR courts must sit as regional courts,²³⁰ they would have to be composed of expert judges drawn from the national judiciary,²³¹ and they would have to use more or other languages than the working languages of the EPO.

Most of these "factors" mirror the desiderata voiced by the patent community,²³² and they are perfectly legitimate. They guarantee equal access to the courts for small and medium sized industry, and they allow for drawing upon the local expertise of both the judiciary and the patent bar. This would not only facilitate the establishment of the Community IPR courts, but would also help to maintain national capacity for national IPR-litigation.²³³ In particular, imposing EPO working languages even in court procedure in private litigation, rather than admitting local languages, would really frustrate the interests of the majority of Community Member States.²³⁴ But, taken together, all these factors mean that Community patent litigation risks to remain exposed to many of the problems the Proposal set out to solve by centralisation. Again

²³⁰ Specialised judicial panels need not be located in Luxemburg (see supra n. 228), but whether they may be sub- divided and spread over the Union is an open question, see Johnston, loc. cit. 38 CML Rev. at 514 (n. 44) (2001).

²³¹ This is a widespread desideratum, (see Dreiss, Keussen, loc. cit., GRUR 2001, at 893; Leith, loc. cit., Eur. Int. Prop. Rev. 2001, at p. 253; critical Pagenberg, loc. cit. 31 IIC at 487 et seq. (2000)), but it requires that national judges may sit on Community courts "by delegation"!

²³² See references supra n. 229, 231, and Tilmann, Die Zukunft der Patent-Streitregelung in Europa, GRUR 2001, 1079; for a generalist's critique of the Commission's Centralisation approach see Lipp, Europäische Justizreform, NJW 2001, 2657, 2660 et seq.; Sydow, Die Ausdifferenzierung des Gerichtssystems der EU - Zur Struktur der künftigen europäischen Patentgerichtsbarkeit, GRUR 2001, 689.

²³³ See Brinkhorst, loc. cit. GRUR 2000 at p. 602; the matter is controversial, because there should not be a draught of judges from national to Community courts, and part-time judges will not do. One of the relevant questions in this regard is whether the overall number of patent cases will remain stable, or whether it will increase; see as to the biased patent litigation culture Stauder, Patent- und Gebrauchsmusterverletzungsverfahren in der Bundesrepublik Deutschland, Großbritannien, Frankreich und Italien, Cologne 1989.

²³⁴ Again it is a matter of costs, and a multilingual language regime may amount to negating justice (see Dreiss, Keussen, loc. cit. GRUR 2001, at 894 et seq.). But should a Greek defendant, who is sued for infringement by a Portuguese patentee before a regional Community IPR-Court in Poland as the forum delicti commissi (goods in transit!), really have only the choice between Polish and English? Having to plead in a foreign language, as a plaintiff or as a defendant, always has a taint of an unfair trial.

there is the problem of determining the proper forum,²³⁵ there is the problem of high costs of translations, and there is the – arguably healthy - rivalry between regions and national IPR bars²³⁶ over who is to get the lion's share of the 1.000 or so annual cases.

b) *A European Patent Judiciary*

While the Community's proposed patent regulation is stuck fast with its problems of costs, language and the unratified Treaty of Nice, the European Patent Organisation steadily advances with a project, which, at the moment, is said to be a fall-back solution, should unitary litigation system for the Community Patents fail to be established.²³⁷ In reality, the establishment of a proper "European Patent Judiciary" is a rival project with the potential to unsaddle the Community's proposal for a Community Patent altogether.²³⁸

The project started out as a reaction to the rather troublesome situation of patent litigation in Europe. Indeed, under the European Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters,²³⁹ national courts took jurisdiction over foreign patents while others did not or even blocked the former by negative declaratory judgments.²⁴⁰

²³⁵ See as to the necessity to admit suits before the forum delicti commissi Dreiss, Keussen, loc .cit. GRUR 2001, at 893; Tilmann, loc. cit. GRUR 2001, at 1079 holds forum shopping to be just the other side of the coin of regulatory competition between judicial systems.

²³⁶ For the claim of patent attorneys to be admitted to pleading before European/Community IPR-courts see Dreiss, Zehn Gründe für eine Vertretungsbefugnis der Patentanwälte in Europa vor einem künftigen Europäischen Patentgericht, Mitt. PatAnw. 2000, 475; and the contributions in epi-Information, special issue 1999: 1st CNIPA-Forum: "The Patent Attorney in Court". Full centralisation does not only render access to the court more difficult for foreign parties, in particular for small and medium-sized industry, but also gives an enviable advantage to the local bar (but decentralisation will favour multinational law firms).

²³⁷ See Landfermann, loc. cit. VPP-Nachrichten 2001, at p. 113, 116.

²³⁸ This is the official jargon used in the Proposal for a "European Patent Litigation Protocol", which is being prepared, see infra n. 244; Cole, Centralised Litigation for European Patents: New Proposals for Inclusion in the EPC Revision Package, Eur. Int. Prop. Rev. 2001, 219.

²³⁹ See Grabinski, Zur Bedeutung des Europäischen Gerichtsstands- und Vollstreckungsübereinkommens (Brüsseler Übereinkommen) und des Lugano-Übereinkommens in Rechtstreitigkeiten über Patentverletzungen, GRUR Int. 2001 199; Barbosa, From Brussels to the Hague - The Ongoing Process Towards Effective Multinational Patent Enforcement, 32 IIC 729, 735 et seq. (2001), both with references. Note that the Convention has been transformed into Community law by Regulation 44/2001, OJEC 2001 L12, 1 et seq.

²⁴⁰ See Barbosa, loc. cit. 32 IIC 735 et seq. (2001); Grabinski, loc. cit. GRUR Int .2001, 199 et seq. (in particular with references to the leading Dutch case law and to foreign courts following or refusing to follow the Dutch example); Stauder, Cross-Border Protection of European Patents, Part One - A Stocktaking, 29 IIC 497 (1998); Gauci, Beware of the Danger which Lurks in the Netherlands: The Pan-European Injunctions, Eur. Int. Prop. Rev. 1998, 361; for the "blocking courts" see inter alia Trib. gr. inst. Paris of April 28, 2000, The General Hospital v. Laboratories Byk France, GRUR Int. 2001, 173 with critical annot. Treichel; Rechtbank Brussels of

Therefore, the Paris Intergovernmental Conference²⁴¹ also gave a Mandate for exploring several ways of improving patent litigation in Europe, such as the institution of an international arbitration system, or the establishment of a joint advisory expert body for patent matters. However, the Working Group, which was set up for this purpose, rapidly went quite a step further by focussing its discussions on the elaboration of a European Patent Litigation Protocol (EPLP). Taking the form of a complementary protocol to the European Patent Convention, it would be optional for member States, would cover both invalidity and infringement suits, it would centralise litigation at least on the appellate level, but preferably, in one way or another (local courts, peripatetic court), also on the level of first instance, and it would give these courts exclusive jurisdiction and provide their judgements with full effect in all Member States.²⁴²

The work was about to become a direct challenge to the Community when it hit sharply on some of the same problems the Community has, namely on problems of capacity building for a "European Patent Judiciary", on the requirements of equal and easy access to the courts and on vested professional interests.²⁴³ Yet the conceptual work is going on.²⁴⁴ If carried to its end, it would mean not only the establishment of an international, convention based judiciary for European patent litigation, which renders directly enforceable judgements over the entire

May 12, 2000, GRUR Int. 2001, 170; Swedish Högsta Domstolen of June 14, 2000, GRUR Int. 2001, 178, and see von Meibom, Pitz, Die europäische "Transborderrechtsprechung" stößt an ihre Grenzen, GRUR Int. 1998, 765; Lundstedt, Jurisdiction and the Principle of Territoriality in Intellectual Property Law. Has the Pendulum Swung Too Far in the Other Direction? 32 IIC 124 (2001) = Gerichtliche Zuständigkeit und Territorialitätsprinzip im Immaterialgüterrecht! Geht der Pendelschlag zu weit? GRUR Int. 2001, 103). Note that the pan-European controversy concerns only national patents granted centrally by the EPO, that, as a practical matter, the cases have been about literal infringement only, and that jurisdiction over foreign patents was taken only if the "head" of the infringing party was located domestically.

²⁴¹ See supra n. 36.

²⁴² See "The First Steps Towards an Optional Protocol Under the European Patent Convention on the Settlement of Litigation Concerning European Patents (EPLP), - The Structure Paper of the Working Party on Litigation Mandated by the Intergovernmental Conference of the Member States of the European Patent Organisation on the Reform of the Patent System in Europe, 31 IIC 560 (2000); Cole, loc. cit., Eur. Int. Prop. Rev. 2001, 219; Schade, Gerichtliche Regelung der Patentstreitsachen in Europa: GRUR Int. 2000, 101; Willems, The European Patent Court of First Instance, Mitt. Pat.Anw. 2000 394.

²⁴³ See Pagenberg, The First Instance European Patent Court – A Tribunal Without Judges and Attorneys? 31 IIC 481 (2000); and see references supra n. 222.

²⁴⁴ Work has advanced to a "Second Proposal For an EPLP", which has been discussed at the July 11 – 13, 2001 meeting of the Sub-Group on Litigation of the Working Group established by the Paris Ministerial Meeting (text to be found sub: <http://ige.ch/D/jurinform/j14105.htm>, Swiss Federal Institute of Intellectual Property); the result was a "Third Proposal for an EPLP (Doc. WPL/SUB 20/01), which is circulating unofficially; see also Tilmann, loc. cit. GRUR 2001, 1080 et seq.

bundle of Euro-national patents, but it would also bring about full harmonisation of the substantive rules of patent infringement.²⁴⁵ Of course, the system will not be perfect, since it will co-exist with, on the one hand, the administrative jurisdiction of the EPO's Board of Appeals over decisions rendered in grant or in opposition proceedings,²⁴⁶ and, on the other, with national court rulings on other patent-related matters.²⁴⁷ However, the picture that emerges is that of a full-fledged system of autonomous patent protection based on international convention law. Were it not for the missing rules on compulsory licenses, it would look as complete and beautiful as the Community Patent!

As stated, at the moment, work on the establishment of a European patent judiciary is being carried on in parallel to the Community efforts, and in close cooperation with the Community.²⁴⁸ However, the Community seems to be well aware of that the European Patent Organisation might be about to build up more than simply a fall-back position, should the Community's attempts fail. Thus, in the expert meetings with Member States, the Community seems to insist that Member States are foreclosed from establishing a system of judicial cooperation outside the Community,²⁴⁹ such treaty making power having passed to the Community by virtue of the combined effect of Art. 65 EC Treaty, and of the transformation of the Convention on Jurisdiction and Enforcement of Judgments into Community law by Regulation 44/2001.²⁵⁰ This, of course, is a claim to exclusivity, which aims at cutting the

²⁴⁵ This holds true not only for the law of sanctions, including damages (see Art. 93 "Second Proposal For an EPLP", supra n. 244, now Art. 106 et seq., Third Proposal, supra n. 244), but also for the definition of infringement, of the exceptions to protection, the burden of proof, provisional protection during granting procedure, and the rights of the prior user etc., see Third Proposal, supra n. 244, Art. 7 - 14.

²⁴⁶ Art. 97 99 et seq., 106 et seq. EPC.

²⁴⁷ Such as litigation regarding license agreements, co-ownership disputes, or attribution and remuneration of employee inventions.

²⁴⁸ See supra n. 237.

²⁴⁹ Reported by Landfermann, loc. cit. VPP-Nachrichten 2001, 113. Regarding judicial cooperation with third countries, as would be the case for the EPLP, the Commission's reliance on the Court's AETR-case-law (CJEC of March 31, 1971, case 22/70, Commission/Council, Rep. 1971, 263), has its limits, the more so as regards matters, which have not been fully covered by the Community. Thus, a European Patent Judiciary relating essentially to non-harmonized patent law matters, and substituting recognition and enforcement of foreign judgements altogether between EU-Member States and between EU- and non-EU-States, may be a different matter; see CJEC of November 15, 1994, opinion 1/94, WTO-GATS/TRIPs, Rep. 1994 I 5267 sub. No. 77, 88, 103; and comp. CJEC of March 28, 1996, opinion 2/94, ECHR, Rep. 1996 I 1763, No. 23 et seq. In fact, the issue is not merely one of the distribution of treaty-making power between the EU and its Member States, but one of the Member States' authority to move on with integration outside the EU with third States where the Community is inactive or unable to act, see infra 2 c) and IV.

²⁵⁰ See supra n. 239.

rival's legs before he even gets to stand on them. Whether it is legally sound or not²⁵¹, politically it is only as good as the progress the Community makes in overcoming the various other hurdles to the introduction of a Community Patent. As long as these prospects are dim, the argument has only little deterrent potential. More important, should the Community really fail, it might even be compelled politically to support Member States efforts to establish a separate European patent judiciary.

In addition, there are two other points. One is that under the principle of "optionality" of Community or European patents, and in the absence of harmonisation of national laws relating to European patents, the Community's opposition to Member States carrying the "optionality" further to enforcement matters appears to be based on a formalistic rather than on a substantive argument. The offer of an option simply is not a serious one if it does not include the availability of a reasonable enforcement system as well. If this is not what the Community wishes to see, it should reconsider such half-hearted "optionality".

The other point is that it would be unwise for the Community to establish its own patent enforcement system without due regard to the interests of non-EU members of the EPO. These may not be marginalized by excluding them from a common court system, since the Community patent is only one within the bundle of rights which constitute the European patent. It will suffer, if its sister patents are treated differently in other jurisdictions as regards interpretation and invalidation²⁵². However, non-EU members of EPO may not simply be associated to a Community court system,²⁵³ should the Community eventually accomplish its project. The Community, therefore, has an interest in supporting the establishment of a European Patent Judiciary as an active founding member. How is this to be reconciled with its

²⁵¹ See supra n. 249; the Third Proposal for an EPLP (supra n. 244) seeks to escape the problem by qualifying the courts of the European Patent Judiciary as national courts within the meaning of Art .22 Reg. 44/2001 (supra n. 239), but this solves only problems of divergences of venue, not the issue of treaty-making power.

²⁵² For one thing, non-EU-judgements on patents granted by the EPO will cast a shadow over the Community-counterpart of those patents; for another, given the extra-Community size of most markets, Community patentees may be hurt on more than simply the fringes of their markets, if they lose their protection outside the Community or, worse, if they (or their competitors) can maintain protection (only) outside, not inside the Community.

²⁵³ See for the Court of Justice's reluctance to accept a double role as a judge on both Community law, and superficially identical law of an international treaty having its own objectives CJEC of December 14, 1991, opinion 1/91, EEA-Agreement, Rep. 1991 I 6079 sub. No. 47 et seq.; see also CJEC of April 26, 1977, opinion 1/76, Stilleungs-fonds für die Binnenschiffahrt, Rep. 1977, 741 sub No. 22.

ambitions for its own system of a Community Patent and a Community Patent Court? Would there be enough demand and capacity for two co-existing systems, and enough reason to accept the complexities of their interrelationship?

2. Unitary or uniform, democratic or technocratic patent protection?

a) *The issue is not unity, but*

Given all the obstacles that stand in the way of a Community Patent and which fore shadow half-hearted compromises affecting the utility of a Community Patent, given also its many interdependencies with the European patent system, it is useful to seriously consider the alternative proposed by the European Patent Organisation. First, assuming that the work on the European Patent Litigation Protocol will succeed, it will result in the establishment of a broadly uniform European patent system. In addition to the existing uniformity of the grant conditions and all grant-related matters, the law of infringement, including the definition of exceptions from and sanctions for infringement will be harmonised. All that will be left for further harmonisation is the law of compulsory licensing, and thus the matters of direct, "interventionist" public interest. These matters may be included in the EPLP, and all the more easily so as the grant of most compulsory licenses should be attributed to a court, in casu to a court of the European Patent Judiciary.²⁵⁴

Second, the completion of the European patent system by an EPLP represents a voluntary, flexible process of selective integration, which is driven by the self-interest of industry and the circles concerned. Just as economic need and pressure led to bringing the language issue to some sort of an intermediate solution at London,²⁵⁵ and just as they might lead to the establishment of a European Patent Judiciary, so too will they ultimately lead to broader integration. Other countries, which still hesitate, will subsequently join the EPLP, should it start with some members only.

²⁵⁴ See supra B2 b) with n. 209. Note that little use has been made of compulsory licenses in the past, but they may become more important, be it only as a deterrent from refusals to deal, because the number of patent dependencies is bound to increase.

²⁵⁵ See supra II a 1 b).

Third, the European patent system is an open system. Art. 166 EPC allows all European States to join as their markets merge economically, and they may so join the EPO long before they are admitted to the Community. This is what happened in the past, it is what is planned for the future, and it is an asset for the Community as it may help its industry to geographically expand its markets. Bringing the EPO under EU control, therefore, is to be welcomed only, if that enhances rather than dilutes or blocks the efficiency and the adaptability of the European patent system to new developments.

Fourth, as compared to an almost completely uniform bundle of national patent rights, which are granted centrally by the EPO, and enforced or invalidated with effect throughout the signatory States of an EPLP (and therefore most likely throughout the entire Common Market), the unitary character of a Community Patent represents more a symbol of market integration than a necessity. For one thing, there is no unification at all in the related field of copyright, but only harmonisation on a rather broad scale.²⁵⁶ For another, the protectionist effects of market segregation, which may result from territorially independent exclusivities, have been largely overcome due to the application of the principles of the free movement of goods and services to the exercise of intellectual property rights.²⁵⁷ The opportunities, which remain for separating markets, will generally be available under a unitary Community Patent as well. It allows, as indeed it must, agreements on all kinds of territorially and otherwise limited, exclusive or non-exclusive licenses.²⁵⁸ The difference, which will remain, are nationally defined assignments, which arguably afford broader territorial protection,²⁵⁹ and the territorially selective acquisition or abandonment of protection. The latter, however, is much more a matter of costs than of segregation of territories. As such, it has lost much of its

²⁵⁶ See for overviews Röttinger, Urheberrecht und Europarecht: Rechtspolitik und Rechtsetzung der Europäischen Gemeinschaft, ZEuS 2001 (2) 285; Reinbothe, Geistiges Eigentum und die Europäische Gemeinschaft, ZEuPrivR 2000, 5; and the references supra n. 4.

²⁵⁷ See for an account, Reindl, Intellectual Property and Intra-Community Trade, 1996 Fordh. Corp. L. Inst. 453 (B. Hawk ed. 1997); Ullrich, International exhaustion of intellectual property rights: Lessons from European Economic Integration, Mélanges Waelbroeck, Brussels 1999, 205; id. in Immenga, Mestmäcker (ed.), EG-Wettbewerbsrecht, Munich 1997, 1146 et seq.. Note that, conversely, Community law outrules also any nationally protectionist patent policy, see CJEC of February 18, 1992, case C-30/90, Commission/United Kingdom, Rep. 1992 I 829; of October 27, 1992, case C-191/90, Generics/Smith Kline and French Laboratories, Rep. 1992 I 5335.

²⁵⁸ See Ullrich in Immenga, Mestmäcker, loc. cit. at 1226 et seq., 1238 et seq.; id. Intellectual Property, Access to Information and Antitrust: Harmony, Disharmony, and International Harmonisation, in Dreyfuss et al. (ed.), Expanding the Boundaries of Intellectual Property, Oxford 2001, 365, 375 et seq. with references.

²⁵⁹ See Ullrich in Immenga, Mestmäcker, loc. cit. at 1188 et seq., 1235 et seq. with references.

interest under the new policy of the EPO regarding fee setting.²⁶⁰ At any rate, the Community may no longer justify the establishment of the Community Patent merely on grounds of maintaining market unity. By recognising the principle of "optionality" of the Community Patent, it obviously accepts the risks of market segregation, which are possibly associated with the choice of the European patent by applicants. The true issue, therefore, is not safeguarding market unity. Rather it must be

b) *the control of patent policy*

If there were any need to show the preponderant importance of the Community's desire both to develop and determine a patent law policy of its own, and to establish and maintain full and exclusive control over it in the Community,²⁶¹ such evidence is supplied by the extension of the safeguard of the existing and evolving *acquis communautaire* to applications for European patents designating the territories of EU-Member States.²⁶² Whereas this is an understandable claim,²⁶³ the policy impact of the introduction of the Community Patent will reach much further: it will directly affect national patent systems.

- (i) Indeed, provided that the costs of the Community patent will not hamper its success altogether, there is not much risk in predicting that its availability will relegate national patents to a secondary rank only. They may still serve as a transitional step on the way to obtaining a Community patent.²⁶⁴ Generally, however, they will be chosen only as a form of protection for merely regional, sub-European innovations. When the European patent was introduced, Member States reacted by upgrading the substantive rules of their national patent laws both as regards the criteria of patentability and the terms and limits of protection against infringement.²⁶⁵ That was a bold, but reasonable reaction at

²⁶⁰ See supra II A 1 a); in this respect, circumstances certainly have changed since 1992, see Ullrich, Patentschutz im europäischen Binnenmarkt, GRUR Int. 1991, 1. The problem, which remains, is that of maintenance fees, and the decentralised, national administration of the patent register with the management costs, which this entails for industry; but see infra n. 305.

²⁶¹ Comp. supra n. 27.

²⁶² See supra II B 1 c) (iii).

²⁶³ See infra sub. c).

²⁶⁴ See supra text at n. 74.

²⁶⁵ See Kraßer in Münchener Gemeinschaftskommentar, loc. cit. 22. Lfg. 1992, 122 et seq. with references.

the time. It cannot be repeated now. Adaption of national law to Community law will not enhance the attractiveness of national systems by reference to the Community patent. At best, it will bring both systems locally on a par. In addition, Member States may not react by up-grading their national systems beyond Community measures as regards patentability, because this would be counterproductive and inadmissible under international convention law.²⁶⁶ What they might do is to enhance the terms of protection or facilitate access to protection by downgrading or by broadening the criteria of patentability. There might therefore a "race to the top" of ever more and stricter protection at ever more permissive conditions of access to protection.²⁶⁷

Whatever the wisdom of such uni-directional regulatory competition among Member States and between Member States and the Community may be,²⁶⁸ the Community, which as of yet has interfered only exceptionally with national patent policy by adopting harmonisation measures,²⁶⁹ seems to be determined to simply undercut it. Thus, in its "Common Approach", "the Council of Ministers welcomes the intention of the Commission to organise rapid consultations in order to create a basis for further consideration as regards the possible impact of a Community utility model in legal, practical and economic respects".²⁷⁰ This statement seems to be the result of a most

²⁶⁶ Art. 27 WTO-TRIPs-Agreement limits the requirements, to which Member States may subject the grant of patents, i.e. patents *must* be granted for inventions, whenever these are new, non-obvious and industrially applicable.

²⁶⁷ See as to the limits of regulatory competition in matters of patent protection supra n. 189. Whatever competition remains involves the risk of a "race to the top" of protection, which arguably is another form of the "race to the bottom", see Ullrich in Kur, Dreier, loc. cit. at 105 et seq.. Note that not all present and future Member States of the EU are bound by the Strasburg Convention (supra n. 5), and that the TRIPs-Agreement, though binding all EU-Member States, leaves enough room for divergent national patent polices, certainly so as regards "strengthening" and broadening protection, see Reichman, Bargaining Around the TRIPs-Agreement: The Case for Ongoing Public-Private Initiatives to Facilitate World Wide Intellectual Property Transactions, 9 Duke L.J. Compar. Int'l L 11 (1998); Correa, Yusuf, Intellectual Property and International Trade – The TRIPs Agreement, Den Haag 1998, 132 et seq.

²⁶⁸ Comp. infra sub. (ii).

²⁶⁹ The important exceptions are the Directive 98/44 on the protection of biotechnological inventions (supra n. 86), and the introduction of supplementary protection certificates for medicinal products (Reg. 1768/92 of June 18, 1992, OJEC 1992 L 182, 1) and for phytosanitary products (Reg. 1610/96 of July 23, 1997, OJEC 1996 L 198, 30), which allow to extend the patent term under specific circumstances.

²⁷⁰ See supra n. 140.

doubtful political bargain.²⁷¹ Not only does it give the "green light" to the harmonisation of national utility model law, since the Commission believes that this must come first as a matter of preparing the introduction of a Community Utility Model.²⁷² It also is an unfair blow at most national patent systems. In all Member States, which grant patents on the basis of a mere registration (rather than an examination) system, patents already play precisely the role which utility models have in Member States running a system of prior patent examination.²⁷³ The only difference the Community's initiative might bring about for such "registration" countries is the availability of protection for "sub-patentable"²⁷⁴ inventions. The Community would therefore occupy precisely that field, into which Member States might or might not wish to step in by regulatory competition.

- (ii) In fact, the interested circles generally are not very keen to obtain such an additional, Community-wide system of protection.²⁷⁵ There is, indeed, not much wisdom in having a multilayer system of protection of inventions consisting of Community Patents, Community-like European patents, harmonised national utility model law plus a Community Utility Model, and in between, non harmonised national patent law! It

²⁷¹ Wiesner, Neues vom Wirtschaftsrecht, VPP-Rundbrief 2001 (2) 63 et seq. suspects that Spain will not consent to the introduction of the Community Patent, unless a Community Utility Model is introduced as well, and then administered by the OHIM at Alicante (!). Clearly, however, a utility model register must be run by a patent administration, since it implies a minimum of a technical examination, and, normally, is coupled with search facilities. Therefore, the EPO or its subsidiary at the Hague (or national patent offices) are better qualified.

²⁷² See Commission, Green Book: Utility Model Protection in the Internal Market, COM (95) 370 final, at p. 52 et seq.; Kraßer, Harmonisation of Utility Model Law in Europe, 31 IIC 797 (2000) with references.

²⁷³ As compared to patents, utility models may have a shorter term, lower thresholds of access to protection, but a more limited scope as regards protectable subject matter. Most of these differences, however, are debatable as a matter of legislative policy (see only Kraßer, loc. cit. 31 IIC 797 (2000); Tootal, Second Tier Protection, Eur. Int. Prop. 1994, 511). Therefore, the main difference is non-examination. Where, under national law, patents are not examined, existing utility model protection totally lacks interest and importance (e.g. France, Italy).

²⁷⁴ See Reichman, Of Green Tulips and Legal Kudzu: Repackaging Rights in Subpatentable Innovation, in Dreyfuss et al. (ed.), Expanding the Boundaries of Intellectual Property, Oxford 2001, 23 with references; in favor of the Community initiative: Goebel, Die Schutzwürdigkeit kleiner Erfindungen in Europa - die materiellrechtlichen Schutzvoraussetzungen für Gebrauchsmuster in den nationalen Gesetzen und dem EU-Richtlinienvorschlag, GRUR 2001, 916. In order to properly assess this harmonisation initiative, it is necessary, on the one hand, to closely examine the - presumably divergent - patent granting and invalidation practice in EU-Member States (i.e. how selective is the non-obviousness criterion really, once novelty is established?), and on the other, to properly assess the relationship between the protection of sub-patentable inventions by utility models, and the protection available under the national laws against unfair competition (which seem to be up for harmonisation as well, see infra n. 276).

²⁷⁵ See Commission, Working Document SEC (2001) 1307 of July 26, 2001 relating to a new inquiry into the impact of a Community Utility Model with a view to up-date the Greenbook on Utility Model Protection in the Internal Market.

would make no sense either to also harmonise national patent law. The issues that are really at stake are two fold. One is whether patent-like protection should really be made available below the level of existing and internationally agreed upon standards of patentability.²⁷⁶ This is no easy issue given our limited economic knowledge about an optimal system of protection,²⁷⁷ the obvious risks of over-protection,²⁷⁸ and of the apparently satisfactory operation of utility model systems in some countries. The reasonable way to overcome such uncertainty normally would be systems competition, not systems harmonisation. Systems competition may not work properly in the field of patent law.²⁷⁹ Nevertheless, in order to at least avoid collective failure, the Community should leave the matter of new forms of patentable subject matter and of new forms of "patents", petty or otherwise, to Member States as a sort of testing grounds.²⁸⁰

The other issue is that of providing inventors an affordable access to protection of inventions, which may be exploited only on a regional, sub-European level. Here again the answer is to enable Member States to efficiently run low-cost systems of protection, be it patents in registration countries, or both patents and utility models. Therefore, instead of undermining national systems of protection by overzealous harmonisation and unification, the Community should care for their viability both in terms of

²⁷⁶ See supra n. 266, and note that the Community seems to also consider harmonisation of national law on unfair competition as it relates to misappropriation of competitors' innovative achievements, thus establishing yet another layer of protection, and problems of systems' coherence, see Schricker, Bodewig, Elemente einer Harmonisierung des Rechts des unlauteren Wettbewerbs in der Europäischen Union, WRP 2001, 1367, 1481 et seq.

²⁷⁷ See references supra n. 30, 38, and the cautionary remarks made by the Max-Planck-Institute and the Fraunhofer-Institute, supra n. 2, sub. 6.2, 6.5, which are to the effect that patent protection should be extended to business methods only once more empirical knowledge has been obtained, inter alia by monitoring the results of existing legislation of other, more risk-taking States.

²⁷⁸ See Commission, Working Document, supra n. 275 sub. 2.2.2, 2.2.3.

²⁷⁹ The supra n. 266, 269. Note also that, due to the creation of long lasting property titles, regulatory competition of intellectual property protection is very difficult to control and to revise, once its effects are found to be negative.

²⁸⁰ Thus, Austria pioneered by providing utility model protection for software algorithms see Horvath, Ortner, Country Report Austria in Ullrich, Körner, Der internationale Softwarevertrag, Heidelberg 1995, 775, 788. Moreover, not only software-related business methods, but service ideas have repeatedly been proposed for patent protection, and may need to be considered more seriously, once the former are - in law or (more likely) in fact - admitted to protection, see Cohausz, Patente für Dienstleistungen? GRUR 1989, 797; van Raden, Wertenson, Patentschutz für Dienstleistungen, GRUR 1995, 523; van Raden, Dienstleistungen - Dienstleistungspatente, in van Raden (ed.), Zukunftsaspekte des gewerblichen Rechtsschutzes, Cologne 1995, 117; Schindlbeck, Dienstleistungen - Schutzzfähigkeit von Dienstleistungen als Beitrag, *ibid.* at 123 et seq.

adaptability to the needs of local industrial structures,²⁸¹ and of administrative sustainability.²⁸²

c) *What kind of policy?*

Clearly, upon completion by a European Patent Litigation Protocol with all its harmonising and centralising effects, the European patent system will also affect the attractiveness of national systems of protection, and it will do so in an even harsher manner than it already does.²⁸³ However, as in the past, national systems may and will adapt themselves so as to become complementary. The EPO has no control over the law and administration of purely national patents. In fact, the European Patent System, by providing a bundle of national rights, however harmonised, has always been and will continue to be based on a division of labour with national systems of protection, be it in terms of the scope of the markets served, be it in terms of the modalities of the granting procedure, or be it in terms of the costs of both the acquisition and the enforcement of the rights.²⁸⁴

²⁸¹ Such region-specific design of protection is not incompatible with the objectives of market integration and market unity of the EU, but corresponds to the safeguard of both locational competition (*Standortwettbewerb*), which is the subject of regulatory competition, and the principle of subsidiarity; see for the concept of systems competition the contributions in *Streit, Wohlgemuth* (ed.), *Systemwettbewerb als Herausforderung an Politik und Theorie*, Baden-Baden 1999, and more specifically with respect to EU integration the contribution by *Mussler*, *Systemwettbewerb als Integrationsstrategie der Europäischen Union*, *ibid.* at 71 et seq. The theory certainly has its limits, since systems competition is much more plausibly to defend when placed within an institutional framework of a largely integrated market, than as a general proposition.

As regards the relationship between "federal" and "State" intellectual property protection, it may be noteworthy, that in the USA federal States have developed forms of protection specifically designed to support region-specific industry, and that whenever challenges have been brought against such "misappropriation" statutes under the pre-emption doctrine, this has been done for the sake of maintaining competition, not for the sake of guaranteeing primacy of protection by federal intellectual property law, *comp. Bonito Boats v. Thundercraft Boats*, 489 US 141, 103 L Ed. 2d 118 (1989).

²⁸² See *supra* sub. II A 1 c) iii), and n. 151. National offices might also cooperate in various ways and/or specialise in examination rather than serve as mere subsidiaries of the EPO. Therefore, it is hardly defensible to simply let them dry out, and, thus, to do away silently with national patent systems altogether, as some parts of interested circles would like to have it tacitly, and as is expressly suggested by *Laddie*, *National J. P. Rights: A Moribund Anachronism in a Federal Europe?* *Eur. Int. Prop. Rev.* 2001, 402.

²⁸³ See *supra* II 1 c) (iii).

²⁸⁴ Central enforcement under a EPLP-system will be cheaper only by comparison to decentralised enforcement of a multitude of national patents, not by comparison to the enforcement of one or two patents for locally sold innovations. Litigation of national patents concerning local innovations will involve no or less language problems, lower awards of damages, lower fees for both the court and the attorney, and lower collateral expenses.

Clearly also, an EPC/EPLP solution may not be easily tolerated by the Community, certainly not unless and until the Community's initiative clearly is bound to fail. First, as a matter of Community law, it is not entirely clear to which extent Member States may supplement legal integration by "parallel agreements" of legal harmonisation. However, if they may do so, then it is only in areas, where the Community has neither an express power of harmonisation nor exercised its general or its implied authority. Such is the case of the establishment of a patent system of the Community's own making. An additional question is, whether such parallel agreements may be concluded by some Member States only, or whether it must be or may be made binding on all Member States.²⁸⁵ The issues are of a general nature, and cannot be discussed here.²⁸⁶ The interesting point, however, is that reliance on such parallel agreements on EU-internal harmonisation might pave the way for "open" integration, whereby the Community allows or tolerates that its Member States standardise the regulation of "supra-Community" markets jointly with interested third States. As such "external" integration is dependent upon the creation of a surplus by reference to EU-internal integration - the harmonisation of national laws - it ought to be admissible as a matter of facilitating external trade both for the Community's industry and for the industry of third countries. After all, pioneering for more international trade is the *raison d'être* of a Common market in a global order of free trade.

²⁸⁵ Note that such "multilateral agreement" by a commitment of Member States is not without precedent in the area of intellectual property: When the Community once failed to oblige all Member States to adhere to the Berne Convention for the Protection of Literary and Artistic Property, Member States subsequently accepted a corresponding self-commitment, see Ullrich, loc. cit. in Müller-Graff, (ed.), loc. cit. 2d. ed. at 451, n. 235. By contrast, a merely plurilateral agreement resulting in a patent law integration "à géométrie variable" should raise additional distrust, since it would reinforce the existing bias of the European patent system in favour of large Member States, see supra II A 1 c) (i).

²⁸⁶ Such "parallel agreements" are generally admitted, albeit hesitantly, as regards matters, which are "at the margin" of Community-based harmonisation of law, and/or which are of a complementary nature (see Oppermann, *Europarecht*, 2d ed. Munich 1999, No. 610 et seq.; Hatje in Schwarze (ed.), *EU-Kommentar*, Baden-Baden 2000, Art. 293, annot. 11, and in extenso de Witte, *Chameleonic Member States: Differentiation by Means of Partial and Parallel International Agreements*, in de Witte, Hanf, Vos (ed.), *The Many Faces of Differentiation in EU Law*, Antwerpen 2001, 231, 255 et seq.). In this regard, the Community's reliance on Art. 308 EC-Treaty, rather than on Art. 95 EC-Treaty as the legal basis of the Community Patent (see supra n. 175), may have been unfortunate, since it shows how much the proposal is situated at the margin of the Community's authority (even if, admittedly, Art. 308 EU-Treaty confers a mandatory authority to act on the Community). In fact, the Community would have accepted such "parallel agreement", namely precisely the CPC, had this been ratified by Member States. The EPC/EPLP-approach only differs in that it does not necessarily group all EU-Member States (which has been accepted for the CPC as well, see its Protocol on Entry into Force, OJEC 1989 L 401, 51), and in that it admits participation by third States. Note that participation of third States in the EPC/EPLP-approach adds a dimension to a problem, which will become ever more important as the Community enters into other areas of internationally uniform private law (see e.g. Commission, *Communication on European Contract Law*, OJEC 2001 C 255, 1). Should the Community itself join such international conventions, oblige its Member States to do so, or double the law of these conventions by harmonisation measures of its own?

Second, a counter-argument may, of course, be based on the fact that mere reliance on an EPC/EPLP-solution will, at least in part, frustrate the Community's interest in a patent policy of its own. This is an important argument. The Community would certainly always retain its authority as regards international trade matters,²⁸⁷ which, due to the WTO-TRIPS-Agreement, have become so important in the field of intellectual property. External and internal patent policy, however, are interdependent. Therefore, it is certainly problematic that, in the absence of a Community Patent, the Community would have virtually no influence on the determination of the standards of patentability, these being a matter of the EPO's supranational autonomy.²⁸⁸ Even as regards the post-grant rules of patent law, the Community would have difficulties in imposing its concepts of patent policy. Of course, European patents, once granted, will always be national in character, even if uniform due to EPLP harmonisation. However, the Community could hardly revise these EPLP harmonised rules on the basis of its own authority to harmonise national law without bringing Member States in conflict with their obligations under the EPC/EPLP, and without taking account of the reactions of non-EU members of the EPC/EPLP. As a result, the Community would be obliged to rely on international cooperation for any further harmonisation of European patent law relating to patents covering the territories of EU Member States.²⁸⁹

The weight, which such frustration of the Community's autonomy in patent matters carries, depends largely on political preferences rather than on legal argument.²⁹⁰ First, what value should be attached to the establishment of a harmonised pan-European patent system, which, in accordance with market realities, ensures uniformity of protection beyond Community

²⁸⁷ See Art. 133 para 5 EU-Treaty; CJEC of November 15, 1994, opinion 1/94, WTO/GATS/TRIPs, Rep. 1994 I 5267.

²⁸⁸ Thus, the Directive 98/44 of July 6, 1998 on the legal protection of biotechnological inventions, supra n. 159, harmonises national patent law only, but has been adopted in its essence only unilaterally by the EPO, see supra n. 88. Clearly, this is a frustrating, non-communitarian approach.

²⁸⁹ The Community's position would be the more uneasy as, arguably, Art. 133 (5) EC-Treaty would not apply, since negotiation and agreements with the EPO are not a matter of commercial policy, i.e. no trade related matters of intellectual property protection, but general matters of harmonisation.

²⁹⁰ The obvious legal argument regards the relationship between Community law and the EPC/EPLP. While the primacy of Community law, in particular of the Treaty's principles of free movement of goods and services, would not be put into question, uniform interpretation of these rules would be in jeopardy, if the procedure of Art. 234 E-Treaty were not available. The proposed EPLP seeks to solve the problem by qualifying European Patent Courts as national courts, see Art 16 Third Proposal for an EPLP, supra n. 244.

borders, as compared to the Community's interest in fully controlling its "domestic" patent policy? Second, what claim to a specific patent policy may the Community actually raise?

Taking the latter argument first, it is noteworthy that the Community largely justifies its Proposal for a Community Patent on considerations of general industrial policy.²⁹¹ The patent system, however, may more properly be analysed and defined as a market regulation, which, as a framework regulation for dynamic competition, should operate neutrally so as to indistinctively support innovation.²⁹² As such, it raises not only complex issues of balancing short and long term objectives of competition policy, but requires a careful delimitation between private interests in appropriation of individual knowledge and the public interest in open access to broadly useful general knowledge.²⁹³ This, in turn, is not only a matter of economic policy. It implies judgment on a broad range of issues such as cultural and educational policy, the maintenance of ethical standards, the provision of affordable health care,²⁹⁴ the harmonisation of patent protection with other forms of intellectual property and with other areas of the law etc. These issues have been dealt with differently at different times, and are bound to consistently reappear, as the recent debate on the patentability of biotechnological inventions, on business methods, or on the scope of protection for pharmaceuticals shows.²⁹⁵ Technological development and the concomitant ever expanding reach of patent protection are bound to produce new problems. Therefore, the democratic

²⁹¹ See supra n. 27, and recitals 1, 7 of Directive 98/44 of July 6, 1998 on the legal protection of biotechnological inventions, supra n. 159. Note that, in a policy perspective, the patent system is less a matter of domestic industrial policy than of trade policy, because protection is not granted to domestic enterprises alone, but to all enterprises domestic or foreign, and regardless of whether they produce locally or not (see Art. 27 (1) (2) TRIPS-Agreement). In fact, European (and Community) patent protection largely benefits foreign enterprises, see supra n. 57, 65.

²⁹² For a development of this argument see Ullrich, Standards of Patentability for European Inventions, Weinheim 1977, 105 et seq.; id., Grenzen des Rechtsschutzes: Technologieschutz zwischen Wettbewerbs- und Industriepolitik, in Kur, Dreier, Geistiges Eigentum im Dienste der Innovation, Baden-Baden 2001, 83, 118 et seq.; id., Legal Protection of Innovative Technologies, - Property or Policy, in Grandstrand (ed.), loc. cit. sub III.

²⁹³ See references supra n. 30, 38, and the revealing statement attributed to J. Newton "If I have seen far, it is by standing on the shoulder of giants" (quoted from Scotchmer, Standing on the Shoulders of Giants: Cumulative Research and the Patent Law, 5 J. Ec. Perspec. 29 (1991), and which he might have made precisely when standing on the shoulders of another giant, to which the same saying is attributed, the medieval platonist Bernard de Chartres, of the "School of Chartres" see Boockmann, Wissen und Widerstand - Geschichte der deutschen Universität, Berlin 1999, 47.

²⁹⁴ See references supra n. 2, 3, and the contributions in Rev. int. dr. écon. 2000, No. 1: Brevets pharmaceutiques, innovations et santé public = Remiche (ed.), Pharmaceutical Patents, Innovations and Public Health, Rev. int. dr. écon., special issue, Brussels 2001.

²⁹⁵ See supra n. 294.

legitimacy of patent protection, its definition and specification through a democratic process of legislation, rather than through technocratic self-determination, is of paramount importance, and the more so the more heterogeneous the constituencies of the territories covered by patent protection actually are.

This is not the place to discuss the democratic legitimacy of patent protection, this being largely pre-determined by the globalised framework established by international conventions, in particular the WTO-TRIPS Agreement.²⁹⁶ On the European level, it would seem at first glance that the European patent system scores poorly as regards its democratic legitimacy. Indeed, the democratic deficit, which characterises any legal system that is built on international convention law only, is compounded by the technocratic, patent-centric nature of the EPO as an international organisation.²⁹⁷ The Community Patent, however, does not have any better claim to democratic backing. As its introduction - unnecessarily²⁹⁸ - is based on Art. 308 of the EC Treaty, it is a matter, which is determined by the Commission and the Council only, the European Parliament being only consulted once in the process of legislation.²⁹⁹ Community Patent policy, therefore, once and for all, is left exclusively to governmental determination.³⁰⁰ This is quite different from general harmonisation of law, where, in the area of patent law, the European Parliament adopted a clear profile in the matter of biotechnological inventions.³⁰¹ Therefore, the alternative between the establishment of a

²⁹⁶ The margin of manoeuvre, which the TRIPS-Agreement leaves for national patent policies, is controversial, see references supra n. 267.

²⁹⁷ Compare supra n. 90, and n. 88, 115 regarding the EPO's stance vis-à-vis the patentability of computer program or biotechnological inventions respectively, and see Drahos, *Biotechnology Patents, Markets and Morality*, *Eur. Int. Prop. Rev.* 1999, 441.

²⁹⁸ See supra n. 175.

²⁹⁹ This is one of the reasons, why the Court tends to extensively rely on other enabling provisions of the Treaty in the area of harmonisation, see e.g. CJEC of July 7, 1992, *Parliament/Council*, Rep. 1992 I 4193. Notwithstanding its weak position under Art. 308 EU-Treaty, the Parliament is seeking to play an active part in supporting the establishment of a Community Patent, but, in view of the Council's hesitations, has not yet submitted a definite report, see the Draft Report Palacio Vallelersundi of the Committee on Legal Affairs and the Internal Market (EP Doc. 2000/0177 (CNS) Provisional).

³⁰⁰ Whereas Art. 100a EU-Treaty allows to harmonise national intellectual property protection even by extending it or by introducing new forms of protection into national law, at least a full system of Community protection arguably may be based only on Art. 308 EU-Treaty, see supra n. 175. The problem, however, is that, once such Community titles have been introduced, their further development and adjustment to socio-economic necessities should neither be pressed in the straightjacket of Art. 308 EU-Treaty nor excepted from parliamentary co-decision.

³⁰¹ See Gold, Gallochat, loc. cit. 7 *Eur. L. J.* at 337 et seq. (2001).

Community Patent and the completion of a European patent system inherently is about technocratic leadership, not one about a more democratic patent policy. The nature of this alternative becomes all the more clear as the Community, by insisting even under the principle of "optionality" upon the substantive parallelism of the Community Patent and the European patent, actually circumvents the role which the European Parliament would normally play as regards harmonisation of national patent law. After all, European patents, though granted centrally and supranationally, are national patents in substance. It is only due to the convention approach of the European Patent system that harmonisation of these national patents escapes the European Parliament. But then, at least national parliaments have to give their consent in the ratification process.

IV. Conclusion

At the moment, it is an open question whether and on what terms a Community Patent will be introduced, or whether the European patent system will assume its function on a broader geographic level. Both are technocratic and both are based on a pro-patent rationale. In particular, the Community's initiative relies on enhanced patent protection as a matter of increasing international competitiveness of European industry, it therefore mirrors a patent-centric regulatory approach (or "interventionism" for that matter). The EPC/EPLP approach follows a rather straightforward functionalist rationale, which might give it better chances to ultimately succeed, because, by now, the Community has to satisfy so many interests at a time.³⁰²

One may wonder, whether these intrinsic difficulties and differences really are more important than those that have surrounded or still surround other successful or unsuccessful harmonisation efforts.³⁰³ After all, the political options are clear enough to set priorities. First, in the form in which it is proposed and pursued, the Community Patent will marginalize third countries within the European patent system, and it will marginalize this system as such, even if it were upgraded by a European Patent Litigation Protocol. Second, a failure of the Community Patent Proposal is likely to clear the way for the introduction of an optional system of asymmetric, internal and external integration, in that some or a majority of EU Member States, and some of the remaining EPO Contracting States, would jointly establish an international EPC/EPLP patent system. This would be a largely independent and autonomous international organisation, probably loosely connected to the EU in that its EU members remain bound by Community law. The former approach follows a Community-centric strategy with an almost mercantilist perspective of allowing industrial policy at home and enhancing trade policy vis-à-vis the outside world. The latter approach, by contrast, simply is

³⁰² The obvious examples are the language issue, where the Community must face opposition on grounds of cultural policy (Art. 151 EC-Treaty) and of protection of minority interests, or the interdependencies with other, related policies and locational interests, such as those in utility model protection, see supra n. 271.

³⁰³ It would be tempting to make a comparison with the introduction of the Community Mark (supra n. 4), which also was faced with a rivalling alternative, namely the international registration system established by the Madrid Agreement on the International Registration of Trademarks (MMA). However, the position of the MMA was weaker than that of the EPO, and it is an international, not, at least not in legal terms, a European system, as is the European patent. In addition, national trademark law had been harmonised beforehand, and it was never put into question as to the necessity of its continued existence, see generally Ullrich in Müller-Graff (ed.), loc. cit. at 435 et seq. with references.

power-centric and interest-oriented along a narrow user profile with little regard to the integrationist objectives of cohesion.

Third, an intermediate approach towards full and open integration might be conceived of, which consists of the mandatory adoption of the EPC/EPLP-proposal by all EU Member States, and, possibly, though not necessarily, by all non-EU Contracting States of the EPO. This approach, on which the Community and its Member States must agree as an alternative to the introduction of a Community Patent, might have a number of advantages. On the one hand, a common EU-EPO patent would not be burdened by problems of "optionality" and of maintaining an *acquis communautaire*, and it would lessen pressure on third States. Instead, it would follow a functionalist principle of integration driven by the self-interest of Member States and of the circles concerned, as regards for example the language issue - voluntary adherence to the London Art. 65-Agreement! - , and, more generally, the further development of the patent system.³⁰⁴ In addition, the function of national patent administrations as regards validation and maintenance of EU-EPO-patents would remain largely unaffected,³⁰⁵ and the role national courts and national languages might have to play within the European Patent Judiciary, at least at first instance, could be better respected. Finally, in order to succeed, this common EU-EPO approach would not need to be based on package deals linking it to concessions in other, unrelated areas of Community policy.

On the other hand, as a matter of general patent policy, the common EU-EPO patent would best meet the elementary requirements which, in view of the very purpose of patent protection as a framework regulation of innovative markets, inherently determine the success of a patent system: The terms of protection must be responsive to the various needs and conditions of the entire market on which the patent is to serve as a stimulus for or a means of competition, and the geographic reach of protection must be co-extensive with the territories on which it is

³⁰⁴ The EPO already has a record of reforms in areas of common self-interest of Contracting States in enhanced protection (see as regards revision of Art. 63 (2) EPC Ullrich in Müller-Graff (ed.), loc. cit. at 433). Note that, as regards the pre-determination of the development of patent protection by international conventions, the EU will always retain control due to Art. 133, in particular 133 (5) EC-Treaty, see supra n. 287.

³⁰⁵ While this looks like a major drawback, the reality probably is that validation and maintenance of EU-EPO-patents may be handled electronically in a coordinated manner by the EPO and by national patent offices with a view to reducing handling costs by enterprises, while safeguarding the Contracting States financial interests. After all, these are the true justification of validation and maintenance, and they must anyway be subject to reform and approximation in the long run, see supra n. 47, and text at n. 80.

supposed to bear fruit.³⁰⁶ In an international setting, these two requirements mean that national and supranational systems of protection may co-exist to the extent that they are intended to serve differently sized and/or structured markets, and that they should be conceived of differently so as to operate in a mutually supportive way with respect to the interdependencies of the markets covered. It is, therefore, one of the most worrying aspects of the Community Patent Proposal that the Community seems to have as little sensitivity for the multi-level dimension its Proposal has inside the Union, as for the complex international institutional structures, into which a Community Patent is to be placed.

The Community Patent is not the only or the first Community instrument of harmonisation, which must operate on a multi-level basis. However, the Community's proposal fails altogether to sufficiently care for the co-existence of national patent systems as a basis for establishing a broad and equal "patent culture" upon which to build an effective Community Patent. Member States' systems are marginalized, possibly even sacrificed to low-inventorship systems of sub-patent protection. As regards the international dimension, the Community Patent, as proposed, fails to use the European patent system as a platform for broader European integration. As a consequence, the role of the European Patent Organisation as a counterpart to other patent systems in the world trading and patenting system may become weakened rather than strengthened. In short, the Community's initiative follows the mode of an exclusive or at least a pre-emptive, centrally controlled integration rather than that of an open and flexible integration. The latter mode, however, would better satisfy both the principle of subsidiarity on the internal level, and, on the external level, the exceptional status of regional integration in the world trading system.

Clearly, the Community's initiative for a Community Patent has many merits, not the least being that it has spurred EPO reform activities. It would, however, be neither surprising nor disastrous at all, if, ultimately a common EU-EPO patent system would be installed instead of a Community Patent. It could be a forerunner of a new form of Community assisted, supra-Community integration, which we are likely to see in the future in other areas.

³⁰⁶ This is the sound rationale underlying the principle of territoriality in international patent law, see Ullrich, Technology Protection According to TRIPs: Principles and Problems, in Beier, Schricker (ed.), From GATT to TRIPs - The Agreement on Trade-Related Aspects of Intellectual Property Rights, Weinheim 1996, 357, 362 et seq., 381 et seq.