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PARLIAMENTARY OFFICE FOR THE EVALUATION OF SCIENTIFIC AND TECHNOLOGICAL CHOICES (OPECST)

The London Protocol concerning European patents

Public hearing of Thursday 11 May 2006 organized by Mr. Henri Revol, Senator for the Côte-d'Or, President of the OPECST Mr. Claude Birraux, Deputy for the Haute-Savoie, Executive Vice President of the OPECST

On the instigation of Mr. Claude Birraux, the Parliamentary Office for the Evaluation of Scientific and Technological Choices decided to hold a public hearing open to the press on the London Protocol concerning European patents. This hearing took place on 11 May 2006.

Summary

The framework of the debate

• The position of the French language in the European patent system

The French language enjoys a "privileged" system, as do German and English.

France occupies a privileged position in the European patent system. What's more, this system was largely inspired by France, which played a "key" role in its construction, as it also did in the process that eventually resulted in the London Protocol signed in 2001.

The European Patent Convention (EPC) of 1973 established French as one of the three "official languages" of the European Patent Office (EPO), alongside English and German. While the EPO originally numbered seven member states, this number had increased to twenty at the conclusion of the London Protocol and today gathers together 31 states speaking 23 languages.

French is one of the EPO's three "working languages", meaning that it is spoken fluently at the Office and that, of the EPO's 6,500 permanent employees, 1,700 are French speakers and 1,100 are French citizens.

The status of French, German and English as the EPO's three official languages facilitates the process for French, German and English-speaking patent filers, while creating constraints for others: the registration must be made in one of the three official languages (or, failing that, the request must be translated); the same official language used for the application is also used during the examination procedure; the patent is published by the EPO in the official language used in the application and figures in the data bank in this same language; claims are necessarily published in the EPO's three official languages.

However, legally speaking, the original patent is valid in the language of its registration and issue.

With regard to these points, the London Protocol makes no modifications. It "only" modifies article 65 of the Convention which allows each member state to demand a complete translation of a patent (claims, description and drawings) in its own official language, with the European patent system being based upon the principle that there exist as many national patents as there are designated states. But the complete translation is but an option; therefore, it was demanded by neither Germany nor the United Kingdom during the first few years of the EPC.

The European patent process must be supported.

The European patent, which covers a market of some 550 million consumers, has given rise to a real process: in the space of five years, the number of European patent requests has gone from 140,000 to 200,000, an increase of 42%. France is the second language at the EPO for patent registrations and 50% of French requests processed by INPI are eventually successful, which represents a higher-than-average success rate.

In addition, the number of first registrations processed by INPI remains stable, which shows that "French businesses first seek protection in France". 90% of these businesses file their patent applications at INPI and in French, with various incentive measures having been undertaken, such as the subcontracting of research reports to the EPO at reduced costs.

Nevertheless, the current situation presents signs for concern:
- While the number of patent applications made at the EPO in French has risen in relative terms, the overall share of French registrations has decreased to 7%, behind both German (18%) and English (75%).

- 40% of French industrial firms have given up applying for a European patent because of its cost. The cost of obtaining a standard European patent (8 designated countries) amounts to €32,000, compared to €14,000 in the United States and €8,000 in Japan, due in particular to translation costs.

What's more, France faces a particular problem: only a quarter of French SMEs file a patent application during their lifetime, compared to half of the SMEs in the United States and 55% of Japanese SMEs.

• France's position in the London Protocol

The coming into effect of the London Protocol depends on its being ratified by France.

The terms of this agreement call for the ratification or adherence of eight member states belonging to the European Patent Convention, including those three states in which most European patents took effect in 1999.

As of today, the parliaments of six states (the United Kingdom, Germany, Monaco, Latvia, Iceland and Slovenia) have ratified the Agreement and it is currently being ratified in Denmark.

The London Protocol establishes the EPO's three official languages.

The measure defines two systems:

- One applies to those countries having as their official language one of the EPO's three official languages (France, Germany, the United Kingdom, Switzerland, Belgium and Austria): these countries

agree to not demand a complete translation, keeping in mind that the claims will in any case be translated by the EPO into its three official languages.

- The second system applies to the remaining states, which retain the right to demand a translation of the patent claims in their official language, but must choose one of the EPO's three official languages and can demand a complete translation in this language.

However, by this measure, the member states retain the right to demand that, in case of litigation, the holder of a patent furnish a complete translation of the patent in one of the concerned state's official languages. There is also a third system not defined by the Agreement: this system allows members to demand a complete translation in accordance with Article 65 of the European Patent Convention. This system applies to those EPO member states which do not ratify the London Protocol.

The issues of the London Protocol

• The diplomatic issue and the risk of a weakening of the French position.

The hearing demonstrated that three problems remain that obscure the debate.

Would the other EPO member states be carried along by France's ratification?

Would France's ratification, which is necessary for the Agreement to take effect, calm the reservations of the other EPO member states which, like France, are hesitating or refuse to give up their right to complete translations? For some, France can "revive" the process; for others, the strength of the French example remains to be proven.

In any case, it should be pointed out that just seven countries (France, Germany, the United Kingdom, Switzerland, the Netherlands, Sweden and Denmark) represent "90% of European patents".

Does France's non-ratification threaten the continued use of French as an official EPO language?

Speakers in favor of ratifying the Agreement argue that this would "perpetuate" the use of French as an official EPO language; it "sets in stone" this privilege. For the others, the non-ratification in no way threatens the current situation.

During the groundwork that eventually led up to the London Protocol, the project presented by Sweden and Switzerland, with German support, recommended retaining only English as an official language.

Would France's ratification open the way to an improved European patent, or even lead to the creation of a Common Market patent?

Translation costs are not the only expenses of obtaining a European patent. Annuities represent a "much greater" handicap even though they're set by each state, with INPI's rates being lower than those fixed by the other national patent offices. Will the London Protocol lead to a lowering of these costs and simplify the procedures for litigation and obtaining a patent?

In addition, the Common Market patent defines a linguistic system similar to that of the European patent amended by the London Protocol, including in particular the principle of not translating patent descriptions. Will the London Protocol's ratification allow it to afterwards impose three official languages for the Common Market patent or to make progress on the subject of translations, blocked during the 2003 compromise? Will it facilitate the implementation of the Common Market patent, directly applicable in 25 states, and the institution of a central court, capable of reducing the costs of

counterfeiting lawsuits, which can currently cost 5, sometimes even 10 million euros, a prohibitive cost for "the weakest" players (i.e., small businesses and research bodies)?

• The linguistic issue and the ambiguous risk of "all English".

While the risk of "all English" constitutes a recurring subject of debate, it was evoked just as often to justify the Agreement as it was to demonstrate its "harmfulness".

What will those states do which do not have French, German or English as an official language?

Will they renounce complete translations? And if they opt for an official EPO language, which language will they choose?

Opinions differ. While, according to one speaker, these countries will opt for English - the process provided for by the Agreement representing in his view the "drain valve" for the entire system - for others, this hypothetical choosing of English should be considered in context, because, on the one hand, for certain languages, a translation from English is simply less expensive and, on the other hand, the London Protocol opens the door for French patents to the British and German markets, which constitute "major markets" for French SMEs.

Which linguistic system will the French patent filers adopt?

Certain French firms, including the largest companies, already tend to file their applications in English; the same is true for French researchers who choose to publish in English: it is simpler to apply in English. Will the ratification accelerate or slow down such behavior?

Again, opinions differ. On the one hand, registering in English saves money for those interested in accessing the American system; on the other hand, applying in French would suffice to access the European market and "French businesses first seek protection in France". In addition, the difficulties encountered by young, innovative businesses on the European market risk to encourage them to first file in the United States where costs are lower.

Which patent registration language will non-European companies choose?

On this subject, it is clear that non-European companies will choose to apply in English and will no longer have to produce a complete translation of their patents in French when they concern France; on the other hand, a French translation of patent claims will remain obligatory, whether or not they concern France.

• The industrial and technological issue

The ambivalence of the "patent culture"

The hearing demonstrated that while everyone acknowledges the importance of patent rights, two competing conceptions exist.

The patent confers rights to its holder and defines third-party obligations. For some, the patent holder's situation needs to be improved and translation costs represent a "tax" on innovation that must be reduced in order to render the European patent even more attractive; third parties and patent filers are often the same persons. For others, this does not justify sacrificing the third parties; it is only natural that the patent holder assume "the procedural costs" and be obliged to render intelligible the third-party obligations stipulated by his/her patent.

According to some, in direct line with the Lisbon Strategy, we must not only encourage the "proliferation" of patents by lowering the cost of acquiring protection, we must also favor early patent registrations, encourage the creation of patent portfolios, circulate ideas, and maintain a spirit of competitiveness. For others, we must beware of the "perversity" of certain strategies which seek to exclude competitors by filing an excessive number of patents.

For some, technological monitoring intervenes before the issuance of the patent, from the moment of the first registration, when the data linked to the research reports are available, which demonstrates that complete translations, which are provided upon the patent's issuance (4 to 10 or 5 to 7 years later) are worthless; what's more, only 1.7% of translations are currently consulted at INPI. For others, the spread of information constitutes the patent's "compensation" and 75% of the information contained in a patent is not to be found in any other document; the patent language, "judicial-technical" in nature, is not easily accessible and demands a certain specialization; heavy sanctions are planned for counterfeiting.

For some, only patent claims are important since they define the extent and scope of the protection. For others, the description is necessary for an appreciation of the scope and validity of the claims and to estimate whether or not the filed patent is indeed "exploitable".

To what extent do translation costs inhibit innovation?

The costs of obtaining a European patent are too high and a decrease in these costs would create a virtuous circle, with more and earlier registrations, an increase in the number of designated countries, and greater funding of research activities. Any reduction of this cost, no matter how small, and any measure designed to simplify the procedures would favor the development of young, innovative businesses and development activities undertaken by research bodies.

On this subject, the debate mainly centred on the evaluation of translation-cost savings made thanks to the London Protocol, with the exact amount varying depending on the type of patent and the number of designated countries.

For a "standard patent", designating the eight most commonly designated states, savings are in the order of 30%, or €9,000. According to the report prepared by Mr. Vianès, translation and validation costs represent 50% of the cost of obtaining a "standard" European patent, 70% if 20 states are designated, and 80% for 31 designated states. For a 20-page patent (4 pages of claims and 16 pages of description) with 31 designated states, the translation costs amount to €30,800; the London Protocol would divide this amount by five.

In the more common scenario consisting of 4 translations made for 6 designated countries (including maintenance annuities), translation costs represent 22% of the total cost for 10 years of protection, with protection generally being assured for a period of 8 to 10 years. For a 9,000-word patent, a single translation costs €1,800; over a period of 20 years, this represents a cost of €90 per year and €450 for 5 translations.

Translation costs for the CNRS total €3 million; translating only the claims into two official languages would represent savings of €1.5 million.

However, looking beyond these accounting differences, opinions vary regarding the expected effects. For some, translation costs divert resources from research and development activities, even though this expense is "useless" since the descriptions do not constitute a decisive element of protection and the translations are not consulted, with technological monitoring occurring at the time of the patent application's publication. For others, renouncing complete translations would transfer translation costs to "third parties" and fuel litigation.

Would the American and Japanese companies benefit from a "windfall effect"?

Doesn't the London Protocol open the European market to American companies and Japanese companies applying in English, while European companies will need to use English and Japanese in order to access the American and Japanese markets?

However, other elements need to be taken into consideration: translation costs penalize French and European companies within their own market; the supposed "windfall effect" would therefore be "counterbalanced" by a reinforcement of the European companies; France is already designated in 95% of patents filed by non-European companies and the European market is the "principal" market for European - and especially French - companies; while 60% of French patent registrations extend to other countries, the designated countries are "for the most part" European.

Must language constitute a "trade barrier"?

While for some, "multilingualism represents a defence against globalization", for others, French companies must act more "aggressively" and forego protecting themselves by imposing excessive translation costs on their competitors.

French, which is more precise than other languages and less spoken than English, is an economic asset, even a "competitive advantage" for French patent filers.

What are the prospects offered by new language technologies?

Despite globalization, all countries have not pursued a research and industrial policy in the language technology domain on par with the stakes. While these technologies have interested Europe and Japan, the United States has remained reticent. However, these technologies provide "acceptable results" in specialized domains. Computer-assisted translation already allows for decreased translation times and while human editing proves necessary, it is not always needed for simple technology monitoring.

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The hearing also touched upon other subjects: improve the quality of translations made of French claims; decrease the delay and costs of obtaining a patent; support companies and research organizations registering in French; simplify litigation procedures; pursue an ambitious industrial and research policy for computer translations; encourage funding for young, innovative companies; correctly measure the impact of previously established legislation.

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A complete report of the hearing will soon be published
and available online at the National Assembly and Senate websites.

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Parliamentary Office – National Assembly, 233 Boulevard Saint Germain, 75355 Paris 07 SP - Tel:33 (0)1 40 63 88 15 - Fax: 33 (0)1 40 63 88 08
Senate, 6 Rue Garancière, 75291 Paris Cedex 06 - Tel: 33(0)1 42 34 25 58 - Fax: 33 (0)1 42 34 38 55 – www.assemblee-nationale.fr - www.senat.fr