Part I.

Abstract

"Reopening the Software Patents Debate in Europe" is a report from the FFII working group on European Affairs. This is a working draft 1.0a.

This report looks at the the latest proposal ("EU-EPLA") by the Portuguese EU Presidency for an EU Patent Court. The report examines the proposal, and concludes that its main goal is the legal validation of the European Patent Offices (EPO)'s controversial granting of software and business method patents through "interpretation" of the European Patent Convention (EPC).

The report details the process by which national high courts, which do not agree with the EPO's practice, would be eliminated and replaced by trusted judges and patent experts. The report concludes that this proposal gives excessive law-making and enforcement powers to the EPO, nominally an administrative, not a legislative body, and achieves EU-wide software patents, despite the EU Parliament's formal rejection of this in 2005.

Introduction

> "The acrimonious debate over the proposed directive on computer-implemented inventions might never have arisen if the patent litigation system in Europe had been unified, thereby eliminating the possibility of disparate national rulings on the same patent matter." - *David Sant, former EPO lobbyist in Brussels*

In the 1990s a general consensus predisposed patent professionals in Europe for a scope expansion of patent law to software and business methods that was met with little notice by software professionals who focussed on what persons in the business are supposed to do. The development of patent case law in the United States preceded administrative decision moves of the European Patent Office's Boards of Appeal which forced examiners to grant software patents.

But ever since the legal enforceability of these granted software patents has been in question, and uninitiated politicians tend to blame "mistakes" of examiners for dubious patents. Patents are arbitrated in national high-courts, which have kept a view closer in line with the exclusions of patentable subject matter. In the field of software, national courts often reject patents which are granted by the EPO and upheld by its Technical Boards of Appeal (TBA). Legal Judges often found the interpretations of the Boards of Appeal flawed which has many reasons, among them institutional dependence and absence of legal qualification.

The first attempt to overcome that situation in European substantive patent law was the revision of the European Patent Convention in 2000. Unexpectedly the diplomatic conference did not delete "programs for computers" from the list of invention exclusions in Article 52(2) and the software patent industry continued to rely on the workaround teachings. The next attempt was an EU directive on the patentability of computer-implemented inventions that was finally rejected by European Parliament in 2005. It would have codified the workarounds of the EPO that are applied in its granting practice. The intense public debate shocked the patent technocrats and players from non-EU countries who were unwilling to capitulate to the European Parliament that affirmed the legal exclusion of software patenting.

Another remaining possibility for getting enforceable software patents is to unify the national patent courts in support of software patents. This can be done by informal means of judicial coordination or by the creation of an European Patent Court that handles jurisdiction for Europe as a whole,

staffed with trusted judges. A already existing model for a specialized court is the US Court of Appeal of the Federal Circuit (CAFC) which institution in 1982 led to an erosion of substantive patent law in the United States without interference of the legislator.

The European Union already discussed a proposal for an European Patent Judiciary in Luxembourg for the Community Patent which did not receive a warm welcome from the patent community. Against this EU solution and the stalled community patent, the EPO staged its European Patent Litigation Agreement, that would effectively get it a judicial arm and would make it further independent from political influence. It would also block any EU patent policy.

The European Parliament in a resolution put forward its demands for improvements to EPLA (12 Oct 06): independence of judges, democratic control, litigation costs and a patent quality process. A consequent legal study ordered by European Parliament concluded that EPLA could be carried out outside the EU as patent policy is part of the *acquis communutaire*. The German presidency ignored the Parliamentary resolution and legal study, and continued to push for EPLA. This EPLA proposal is now "dead" (J. Gaster[1]). However, the German delegation in the European Council of Ministers is bent to include many elements from the EPLA and the German patent court system in a new EU-EPLA proposal.

The Portuguese EU-EPLA proposal

Documents

- 11622/07 Portuguese Presidency: Towards an Enhanced Patent Litigation System and a Community Patent - How to Take Discussions Further, Jul 12 2007[2]
- 13675/07 Portuguese Presidency: Towards an EU Patent Jurisdiction - Points for discussion, Oct 10 2007[3]
- 13878/07 German delegation: The Separation of Invalidity and Infringement Proceedings and the Use of Technical Judges in a European Patent Court System, Oct 12 2007[4]
- 14492/07 Portuguese Presidency: Towards an EU Patent Jurisdiction - Points for discussion in the IP (Patents) working group, Oct 30 2007[5]
- 14912/07 Portuguese Presidency: Enhancing the patent system in Europe (progress report for permanent representative), Nov 7 2007[6]
- 15162/07 Portuguese Presidency: Enhancing the Patent System in Europe (progress report for the competitive council), Nov 16 2007[7]

Overview

Based on wide consultations with selected business groups, the Portuguese Presidency transformed elements from the EPO-EPLA into a new proposal for an EU-EPLA and tries to push for a new specialized patent court together with Germans. According to the ECJ GAT vs LuK case, the competence of judging European patents lies in the jurisdiction of the National courts of the Member States. The EU-EPLA draft gets national courts completely out of charge for cases that involve national bundle patents granted by EPO and future Community Patents.

EU-EPLA is a model for a regionalized European Central Court specialized in patents with two instances. Member states can chose to establish up to three regional chambers and can share regional chambers. Regional chambers are not mandatory. The costs for the Central court is borne by the EU. A right of appeal to the European Court of Justice is available subject to a prior approval by the First Advocate General.

The new court is aimed to be dominated by technical judges and an advisory pool of technical experts. Contrary to popular belief, "technical" here refers to patent professionals that are not

eligible to a judicial office (i.e. "legal" judges) who received an academic title prior to becoming patent professionals, but they are not professionals skilled in the art with recent first hand work experience in a field of technology. The right of proposal for both technical and legal judges rests upon a committee of patent professionals. This raises certain concerns over the impartiality of the Court.

Patent professionals usually lack a required judicial neutrality in matters of substantive patent law since commercial and institutional interests of their community clearly profit from expansive interpretations. Their incentives and belief systems as part of the "patent community" discourse are for instance evidenced by Dr. Birgitte Andersen (Birkbeck College, University of London). The same applies for the proposal to recruit judges from the patent institutions and boards of appeal which would carry the institutional smell. It is not ruled out that members of the patent judiciary and advisers could also serve as patent professionals, for instance as attorneys, members of patent offices, boards of appeal or other functions which imply a conflict of interests. The only independence safeguard is that "members of the Boards of Appeal of the EPO should not be eligible to serve in parallel to their functions as members of the Boards of Appeal as a judge of the EU patent jurisdiction". The EU-EPLA model as discussed by the Council states that:

> Judges could be recruited amongst members of the EPO or national offices' Boards of Appeal, patent judges, patent attorneys etc. To this effect a pool of distinguished patent judges would be created at Community level.

The German delegation has put great pressure on the bifurcation of invalidity and infringement procedures. Their Council paper was perfectly orchestrated two days after a Portuguese proposal. According to the German plan, only chosen specialized judges of the Central Court may decide certain invalidity cases. A general disadvantage of a bifurcation is that it drives costs of proceedings for all parties up. Another practical problem from the split model surfaced in Germany, where such bifurcation is the national practice: in invalidity proceedings, patent holders tend to narrow the patent down while in infringement proceedings, the patentee aims to broaden the coverage. Unlike bifurcation a joint procedure keeps a better balance between both parties involved.

The current proposal from Portugal discriminates a party that seeks invalidation and is therefore disproportionate.In cases of invalidity the regional court is limited either to reject the invalidation or to refer it to the central court, along with a preliminary opinion. The discrimination of the regional courts in terms of invalidity proceedings points that the drafters do not trust judges of the regional chambers. This is further shown by the designation of specialists from the Central Court to help the regional chambers. Member states (MS) need to be aware that foreigners will take part in regional patent litigation proceedings and sit on the same bench:

> The judges of the first instance divisions at MS level should come from the Member states concerned. However, these divisions would be entitled to include judges from another MS on the bench.

A curiosity of the Portuguese Proposal is the depiction of judges as incompetent. According to the Portuguese presidency, "internships" and "judges academies" are required to build up a pool of judges:

> A training framework for patent judges should be set up at Community level in order to improve and increase available patent litigation expertise and to ensure a broad geographic distribution of such specific knowledge and experience [&] The training framework would reflect best practices in Member States and focus on gaining practical experience. Towards this end it would involve internships in the patent judiciary of other Member States already having substantial levels of patent litigation activity.

The background is a lack of legal judicial qualification of future "technical" judges. The judges

academy may be due to forge the "ability required for appointment to judicial office". Furthermore, the judges' drill facility synchronizes the future members of the judiciary, therefore keeping the pluralistic experience of transnational cooperation under control.

Finally, we note that the current EU-EPLA deliberations in the Council have not addressed the concern of "forum shopping". With multiple regional chambers and bifurcation that aspect is certainly worth to get further examined to fully understand the legal economics of the EU-EPLA court.

Legal Base

The EU Treaties provide a legal base for a centralized jurisdiction for patents in Europe. It needs to be carefully examined if they are sufficient for the current EU-EPLA to come into force.

Article 225a

Nice art 225a	Lisbon art 225a (amendments emphasised)
The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Court of Justice or at the request of the Court of Justice and after consulting the European Parliament and the Commission, may create judicial panels to hear and determine at first instance certain classes of action or proceeding brought in specific areas.	*The European Parliament and* the Council, acting *in accordance with the ordinary legislative procedure*, may establish *specialised courts attached to the General Court* to hear and determine at first instance certain classes of action or proceeding brought in specific areas. *The European Parliament and the Council shall act by means of regulations either* on a proposal from the Commission after consultation of the Court of Justice or at the request of the Court of Justice after consultation of the Commission.
The decision establishing a judicial panel shall lay down the rules on the organisation of the panel and the extent of the jurisdiction conferred upon it.	The *regulation* establishing a *specialised court* shall lay down the rules on the organisation of the *court* and the extent of the jurisdiction conferred upon it.
Decisions given by judicial panels may be subject to a right of appeal on points of law only or, when provided for in the decision establishing the panel, a right of appeal also on matters of fact, before the Court of First Instance.	Decisions given by *specialised courts* may be subject to a right of appeal on points of law only or, when provided for in the decision establishing the *specialised court*, a right of appeal also on matters of fact, before the *General Court*.
The members of the judicial panels shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office. They shall be appointed by the Council, acting unanimously.	The members of the *specialised courts* shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office. They shall be appointed by the Council, acting unanimously.
The judicial panels shall establish their Rules of Procedure in agreement with the Court of Justice. Those Rules shall require the approval of the Council, acting by a qualified majority.	The *specialised courts* shall establish their Rules of Procedure in agreement with the Court of Justice *of the European Union*. Those Rules shall require the approval of the Council.
Unless the decision establishing the judicial panel provides otherwise, the	Unless the *regulation* establishing the *specialised court* provides otherwise, the provisions of the Treaties

provisions of this Treaty relating to the Court of Justice and the provisions of the Statute of the Court of Justice shall apply to the judicial panels.	relating to the Court of Justice *of the European Union* and the provisions of the Statute of the Court of Justice *of the European Union* shall apply to the *specialised courts*. *Title I of the Statute and Article 64 thereof shall in any case apply to the specialised courts.*

- Is the phrasing "at first instance" compatible with the EU-EPLA proposal with two instances?
- Only Lisbon would provide "specialised courts". Nice "judicial panels" of the ECJ seem to be not wanted by EU-EPLA. The Lisbon treaty needs to come into force first. That would imply a procedure which gives Parliament more say. The current EU-EPLA proposal does not reflect the demands from the European Parliament (12 Oct 2006).
- The ECJ has to agree with the EU-EPLA proposal.
- The independence of patent professionals as "technical judges" is doubtful.
- The Treaties mandate legal judges: patent professionals usually do not "possess the ability required for appointment to judicial office".
- Article 225a has already been used for the creation of the European Union Civil Service Tribunal. See also EU law blog: Civil Service Tribunal goes live ! for more details about the function of this court.

Article 229a

Nice art 229a	Lisbon art 229a (amendments emphasised)
Without prejudice to the other provisions of this Treaty, the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice in disputes relating to the application of acts adopted on the basis of this Treaty which create Community industrial property rights. The Council shall recommend those provisions to the Member States for adoption in accordance with their respective constitutional requirements.	Without prejudice to the other provisions of this Treaty, the Council, acting unanimously *in accordance with a special legislative procedure* and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice *of the European Union* in disputes relating to the application of acts adopted on the basis of this Treaty which create *European intellectual* property rights. *These provisions shall enter into force after their approval by* the Member States in accordance with their respective constitutional requirements.

- Art 229a enables competence shifts to the ECJ only. Specialized courts created in Nice Art 225 might not be part of the ECJ (needs confirmation).
- EPO patents are not European intellectual property rights as there is no community substantive patent legislation. The EU would need to codify the relevant EPC provisions ("add the house to the roof").
- Community patents become European intellectual property rights once adopted.
- Lisbon would imply a procedure which gives Parliament more say. The current EU-EPLA proposal does not reflect the demands from the European Parliament (12 Oct 2006).
- Nice Art229a might not be needed to create a Community jurisdiction for European patents, since Art 225a might be enough: "The decision establishing a judicial panel shall lay down the rules on the organisation of the court and the extent of the jurisdiction conferred upon it"
- What constitutional difficulties would arise esp. with regard to languages?