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EUROPEAN COMMISSION

Brussels,
COM(2010) XXX

2010/xxxx (CNS)

Proposal for a

COUNCIL REGULATION (EU)

on the translation arrangements for the European Union patent

{SEC(2010) 796}
{SEC(2010) 797}

EXPLANATORY MEMORANDUM

1. CONTEXT OF PROPOSAL

In the European Union (EU), patent protection is currently provided by national patents granted by Member States or by European patents granted by the European Patent Office (EPO) under the European Patent Convention (EPC). When a European patent is granted, it must be validated in Member States where protection is sought.

For a European patent to be validated in a territory of a Member State, national law may *inter alia* require that the patent proprietor files a translation of the European patent into the official language of that Member State. In order to reduce the costs caused by validation requirements, in 2000 the EPC Contracting States adopted the so-called "London Agreement"¹ which is currently in force in ten EU Member States. The London Agreement is an optional scheme and therefore results in differences in the translation regimes in the EU Member States. Seventeen Member States are not parties to the London Agreement and still require a translation of the entire patent into their official language. Only France, Germany, Luxembourg and the United Kingdom (which have an official language in common with one of the official languages of the EPO) have agreed to dispense entirely with translations requirements. Six other EU Member States that have ratified the London Agreement (but do not have a language in common with the EPO) have agreed to dispense with translation requirements only in part. They still require translation of the claims into their official language and, in some Member States, also a translation of the description into English where the European patent has been granted in French or German.

Therefore, the current patent system in the EU, in particular in terms of translation requirements, involves very high costs and complexity. A European patent validated in 13 countries costs as much as 20 000 EUR, of which nearly 14 000 EUR arises from translations alone. This makes a European patent more than 10 times more expensive than a US patent costing about 1 850 EUR². The high costs in Europe would be considerably reduced with an EU patent having cost-effective, legally-secure and simplified translation arrangements. Under this proposal, processing fees for the EU patent covering all 27 Member States would be less than 6 200 EUR, with only about 10% due to translations. By improving accessibility to patent protection, particularly for small and medium-sized enterprises (SMEs) and public research organisations, an affordable EU patent should be an important element in stimulating innovation and competitiveness in the EU.

In August 2000, the Commission adopted a proposal for a Council Regulation on the Community patent on the basis of Article 308 EC³. This aimed at the creation of a unitary Community patent title that is affordable in terms of translation costs. After grant of the patent by the EPO in one of the official languages of the EPO (English, French or German) and publication in that language together with a translation of the claims into the other two official languages of the EPO, the Community patent would have taken effect in the entire EU. In

¹ Agreement on the application of Article 65 EPC, OJ EPO 2001, 550.

² Bruno van Pottlesberghe de la Potterie and Didier François, the Cost factor in Patent Systems, Université Libre de Bruxelles Working Paper WP-CEB 06-002, Brussels 2006, see pp.17 et seq.

³ Proposal for a Council Regulation on the Community patent - COM(2000) 412.

2002, the European Parliament adopted a Legislative Resolution⁴. In 2003, on the basis of a common political approach⁵, the Council started discussions on a different solution requiring translations of claims into all EU languages. However, no final agreement on this was reached, given that this approach was rejected by the users of the patent system as too costly and too complex.

Discussions on the proposal were re-launched in the Council after adoption by the Commission of the Communication "Enhancing the patent system in Europe" in April 2007⁶. The Communication confirmed the commitment to the creation of a single Community patent. It also offered to explore with Member States an approach to the translation arrangements with a view to reducing translation costs while facilitating the dissemination of patent information in all EU official languages.

In December 2009, the Council adopted conclusions on an "Enhanced patent system for Europe"⁷ and a general approach on the proposal for a Regulation on the EU Patent⁸. Due to the change of legal basis for the creation of the EU patent following the entry into force of the Lisbon Treaty, the translation arrangements for the EU patent that were initially present in the Commission proposal of 2000 must now become the subject of a separate proposal. The present proposal largely reflects the translation system in the original Commission proposal, but builds on the progress made in the Council since the re-launch of the discussions in 2007.

The Council conclusions affirm the need for a Regulation to cover the translation arrangements, which should come into force together with the Regulation on the EU patent. The conclusions confirmed that in order for the EU patent to become operational, to the extent necessary, amendments might be made to the EPC. The Council also agreed on the main features of the unified patent court which is another main element in improving the patent system in Europe. The conclusions, however, are without prejudice to the pending opinion of the Court of Justice of the European Union on the compatibility of the draft Agreement creating the unified patent court with the EU Treaties.

Furthermore, in the Europe 2020 strategy⁹ the Commission, as part of the Flagship Initiative "Innovation Union", reaffirms its commitment to working towards the creation of a single EU patent and a specialised patent court in order to improve the framework conditions for innovation as a driver for future growth. On 25-26 March 2010 the European Council agreed on the major elements of this strategy¹⁰. The need for business and innovators, particularly SMEs, to have access to an attractive and cost-effective single patent regime and jurisdiction system was also highlighted in the report to the President of the Commission by Mario Monti¹¹. This report recommended adoption of both the single patent and the unified patent court as a matter of urgency, stated that the patent is a test ground on which to measure the seriousness of the commitment to a re-launch of the Single Market, and called for the Commission to maintain its ambition in this area. The Commission Communication on the

⁴ European Parliament legislative resolution on the proposal for a Council regulation on the Community patent - COM(2000) 412 - C5-0461/2000 - 2000/0177(CNS) (OJ C 127E, 29.5.2003, p. 519–526).

⁵ Council document 7159/03.

⁶ Communication from the Commission to the European Parliament and the Council - COM(2007) 165.

⁷ Council document 17229/09.

⁸ Council document 16113/09 Add 1.

⁹ Europe 2020 "A strategy for smart, sustainable and inclusive growth" - COM(2010) 2020.

¹⁰ European Council Conclusions, 25/26 March 2010, EUCO 7/10.

¹¹ "A new strategy for the Single Market – at the service of Europe's economy and society" - Report to the President of the European Commission José Manuel Barroso by Mario Monti, 9 May 2010.

"Re-launch of the Single Market" planned for autumn 2010 should re-affirm the patent reform as one of the priorities for such re-launch. The present proposal covering the translation arrangements of the EU patent is therefore an essential part of achieving this goal.

2. CONSULTATION OF THE INTERESTED PARTIES

In January 2006, the Commission launched a broad consultation on the future patent policy in Europe¹². More than 2500 replies were received from a variety of stakeholders, including businesses in all sectors of the economy, industry associations, SME associations, patent practitioners, public authorities and academics. The replies clearly showed disappointment with the lack of progress on the Community patent. In particular, sharp criticism was voiced against the translation arrangements of the Council's common political approach of 3 March 2003¹³. Nearly all stakeholders rejected this solution as being unsatisfactory due to the high costs and practical difficulties for patent proprietors as well as the legal uncertainty for all users of the patent system resulting from the legal effect which would have been given to translations. The support for other options varied substantially; some stakeholders requested an English-only regime, while others preferred various multilingual arrangements. Despite these criticisms, stakeholders did, however, express continued support for a unitary, affordable and competitive Community patent. These messages were affirmed at a public hearing held on 12 July 2006.

Discussions with stakeholders have continued following adoption of the Communication in April 2007. On 16-17 October 2008, the Commission organised a conference on Industrial Property Rights in Europe jointly with the French Presidency¹⁴. Participants reiterated that the EU patent "should be cost-effective, legally secure and reduce complexity", and expressed broad support for new initiatives to develop specialised machine translations for patent documents for purposes of patent information¹⁵.

Translation arrangements for the EU patent were also extensively addressed in the consultation on the Small Business Act in 2008. Again, stakeholders identified high patenting costs as the main obstacle to patent protection in the EU and requested the creation of a unitary EU patent as soon as possible¹⁶. In their separate submissions to the consultation, businesses in general and SME representatives in particular unequivocally requested a significant reduction of the costs of patenting (including translation costs) for the future EU patent¹⁷. Other recent position papers from stakeholders have referred to translations for the EU patent. A new approach based on specialised machine translations is generally welcomed, but it is emphasised that such machine translations must not have any legal effect and be used for information purposes only.

¹² The consultation document, replies from stakeholders and a report on the preliminary findings of the consultation are available at http://ec.europa.eu/internal_market/indprop/patent/consultation_en.htm.

¹³ Council Document 6874/03, 2490th Council meeting - Competitiveness (Internal market, Industry and Research), Brussels, 3 March 2003.

¹⁴ Documents and conclusions of the Conference are available at http://ec.europa.eu/internal_market/indprop/rights/index_en.htm.

¹⁵ See Council document 6985/08, 28 February 2008 and Council document 8928/08, 28 April 2008.

¹⁶ Small Business Act for Europe, Report on the Results of the Open Consultation, 22 April 2008, available at www.ec.europa.eu/enterprise/newsroom.

¹⁷ UEAPME Expectations on the Proposal for a European Small Business Act, 14 December 2007, available at www.ueapme.com. Response to the Consultation on a Small Business Act for Europe, 2 April 2008, available at <http://www.eurochambres.eu>.

3. IMPACT ASSESSMENT

This proposal is accompanied by an impact assessment which compares the economic impact of four options:

- 1) An EU patent system in English only,
- 2) An EU patent processed, granted and published in one of the three official languages of the European Patent Office with claims translated into the other two official languages,
- 3) An EU patent processed, granted and published as in option 2, but with claims translated into the other four most commonly spoken EU official languages; and
- 4) An EU patent processed, granted and published as in options 2 and 3, but with claims translated into all EU languages.

The analysis carried out in the impact assessment has demonstrated that Option 2 is the preferable option as it maintains the linguistic regime of the well-functioning system of the EPO and implies only minimum translation costs.

4. LEGAL ELEMENTS OF THE PROPOSAL

The Lisbon Treaty has established a new legal basis, Article 118 TFEU, for the creation of European intellectual property rights providing uniform protection throughout the European Union. The first paragraph of this Article sets out the basis for establishing measures creating these rights in accordance with the ordinary legislative procedure. Based on this Article, the EU patent will be created by Regulation xx/xx on the European Union patent. As follows from Regulation xx/xx, the EU patent will be a European patent granted by the EPO.

The second paragraph of Article 118 provides for the basis to establish language arrangements applicable to European intellectual property rights providing uniform protection by means of regulations adopted by a special legislative procedure with the Council acting unanimously after consulting the European Parliament.

The problems of high costs and complexity that arise from the current fragmented patent system, in particular, the translation requirements established by Member States can only be addressed by a unitary patent created at the level of the EU.

5. BUDGETARY IMPLICATION

The proposal indicates the necessity *inter alia* for arrangements concerning the rolling out of the automated machine translation programme of the EPO. The proposal has no impact on the EU budget.

6. DETAILED DESCRIPTION

6.1. Comments on the articles

Article 1 – Subject matter

This Article defines the subject matter of this Regulation.

Article 2 – Definitions

This Article provides for definitions of the main terms used in this Regulation.

Article 3 – Publication of the EU patent specification

This Article provides that once the specification of an EU patent is published in accordance with Article 14(6) EPC, no further translation is required. Article 14(6) EPC provides that specifications of European patents are published in the language of the proceedings (one of the three EPO official languages in which the application for the patent has been filed – English, French or German) and includes translations of the claims in the other two official languages of the EPO. This minimum requirement established in the EPC will also apply to EU patents, but no further translations after the grant of the EU patent will be required. The Article also specifies that in accordance with the EPC the EU patent specification in the language of the proceedings will be the authentic text.

This requirement is identical with the Commission's original proposal for a Community patent Regulation in August 2000 and builds on the existing system of official languages at the EPO and the use of languages by the majority of applicants¹⁸. This solution is likely to have a positive impact on all users of the patent system in Europe by achieving a considerable reduction in translation costs.

Article 4 – Translation in case of a dispute

This Article requires that in the case of a legal dispute the patent proprietor provides at the request and the choice of the alleged infringer a full translation of the EU patent into an official language of the Member State in which either the alleged infringement took place or in which the alleged infringer is domiciled. The patent proprietor shall also provide a full translation of the EU patent into the language of proceedings of the competent court in the European Union at the request of that court. The costs of such translations shall be borne by the patent proprietor.

Article 5 – Report on the implementation of this Regulation

This Article provides for an evaluation exercise including a report on the implementation of the Regulation. Not later than five years from the date of the entry into force of this Regulation, the Commission shall present to the Council a report on the operation of the

¹⁸ Currently, 88.9% of the applicants of European patents file their patent applications either in English, French or German. Applicants from Europe use these languages as their filing language in 93% of the cases.

translation arrangements for the EU patent and, where necessary, make proposals for amending this Regulation.

Article 6 - Entry into force

This Article provides that this Regulation shall enter into force on the twentieth day after its publication in the *Official Journal of the European Union*, but shall apply from the date of entry into force of the Regulation on the European Union patent. Since the substantive legal provisions applicable for the EU patent as a European intellectual property title would be governed by the EU Patent Regulation, but the translation arrangements applicable for these patents would be regulated by the present proposal, the two legislative instruments would have to be applied jointly.

6.2. Accompanying measures to be established together with the creation of the EU patent

Translations for the provision of patent information

Necessary arrangements shall be made between the European Union and the EPO to make machine translations of patent applications and patent specifications available in all official languages of the European Union without additional costs for the applicants. Such translations should be available on demand, online and free of charge on publication of the patent application. They would be provided for purposes of patent information and would not have legal effect. This would be made clear to users through an appropriate disclaimer. Contrary to the current practice where translations are provided several months after grant – when they are less needed and rarely consulted - their early availability could significantly improve the dissemination of patent information, in particular for individual inventors, researchers and innovative SMEs. The machine translation programme will aim to deliver high quality translations based on technical standards including electronic dictionaries with vocabulary linked to the international patent classification system.

High quality machine translations have already been developed by the EPO in a limited number of languages. The Commission is also supporting a project for machine translations (Patent Language Translations Online, PLuTO)¹⁹, which involves developing translation software on the basis of patent documentation covering all official languages of the EU Member States over the next five years. The creation of the EU patent would necessitate the acceleration of work and the roll-out of such a programme covering all EU languages. The implementing provisions applicable to the machine translation system would have to be established by the Select Committee of the Administrative Council of the EPO composed of representatives of the EU and all Member States.

Reimbursement of costs

European patent applications may be filed in any language in accordance with Article 14(2) of the EPC. Where the language of filing is not an official EPO language, a translation of the application into one of the official languages of the EPO must be provided, within a prescribed time period, so that the application can be processed by the EPO. Under the current Implementing Regulations of the EPC²⁰, applicants filing in a language not in common with

¹⁹ Information available at http://cordis.europa.eu/home_en.html.

²⁰ Article 14(4) EPC; Rule 6(1) of the Implementing Regulations.

official languages of the EPO are eligible for a partial reimbursement of the translation costs at various stages of the procedure before the EPO by way of a fee reduction. This would also apply to EU patents. However, with respect to applicants for EU patents based in EU Member States, necessary arrangements shall be made to provide not only for a partial, but for a full reimbursement of the translation costs up to fixed ceilings. These additional reimbursements would be financed from the fees of EU patents collected by the EPO. These arrangements would have to be established by the Select Committee of the Administrative Council of the EPO composed of representatives from the EU and of all Member States.

Proposal for a

COUNCIL REGULATION (EU)

on the translation arrangements for the European Union patent

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular second paragraph of Article 118 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Parliament²¹,

Acting in accordance with a special legislative procedure,

Whereas:

- (1) The European Union patent (hereinafter referred to as the "EU patent") has been created by virtue of Regulation xx/xx on the European Union patent²². In accordance with the first paragraph of Article 118 of the Treaty, the Regulation provides for uniform patent protection throughout the European Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.
- (2) Translation arrangements for the EU patent that are cost-effective, simplified and ensure legal certainty should stimulate innovation and should, in particular, benefit Small and Medium-Sized Enterprises (SMEs) and be complementary to the Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions "Think Small First" - A "Small Business Act" for Europe²³. Such translation arrangements should make access to the EU patent and to the patent system as a whole easier, less costly and less risky.
- (3) Since the European Patent Office (hereinafter referred to as the "EPO") is responsible for the grant of European patents, including EU patents, the translation arrangements for the EU patent should be built on the current procedure applied by the EPO. Those arrangements should aim at achieving the necessary balance between the interests of economic operators and the public interest in terms of the cost of proceedings and the availability of technical information.

²¹ OJ C , , p. .

²² OJ C , , p. .

²³ COM(2008) 394.

- (4) In case of a dispute concerning an EU patent, it is a legitimate requirement that the patent proprietor provides a full translation of the EU patent into an official language of the Member State in which either the alleged infringement took place or in which the alleged infringer is domiciled. The patent proprietor is also required to provide a full translation of the EU patent into the language of proceedings of the competent court in the European Union at the request of that court. Such translations should be provided at the expense of the patent proprietor.
- (5) In order to facilitate access to the EU patent, in particular for SMEs, applicants who do not have a language in common with one of the official languages of the EPO should be able to file their applications in any other official language of the European Union. As a complementary measure, for applicants obtaining EU patents and having their residence or principal place of business within a Member State which has an official language other than one of the EPO official languages, a system of additional reimbursements of the costs related to the translation from that language into the language of the proceedings of the EPO, beyond what is currently already in place for the European patents, should be established by the time this Regulation applies.
- (6) In order to promote the availability of patent information and the dissemination of technological knowledge, a system of machine translations for EU patent specifications into all official EU languages should be in place by the time this Regulation applies. Such machine translations should serve for information purposes only and should not have any legal effect.
- (7) Since the substantive provisions applicable to the EU patent as a European intellectual property title are governed by Regulation xx/xx on the European Union patent, and they are completed by the translation arrangements provided for in this Regulation, this Regulation should apply from the date of the entry into force of Regulation xx/xx.
- (8) In accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union, the objective of the action to be taken, namely the creation of a uniform and simplified translation regime for the EU patent, can be only achieved at European level. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve this objective.
- (9) This Regulation is without prejudice to the rules governing the languages of the Institutions of the Union established in accordance with Article 342 of the Treaty on the Functioning of the European Union and to Council Regulation 1/1958 determining the languages to be used by the European Economic Community,

HAS ADOPTED THIS REGULATION:

Article 1
Subject matter

This Regulation establishes the provisions on the translation arrangements applicable to a European Union patent.

Article 2
Definitions

For the purposes of this Regulation, the following definitions shall apply:

- (a) "European Union patent", hereinafter referred to as the "EU patent", means a patent as defined in Regulation xx/xx on the European Union patent.
- (b) "EU patent specification" shall include the description, the claims and any drawings.

Article 3
Publication of the EU patent specification

- 1. After the publication of the EU patent specification in accordance with Article 14, paragraph 6, of the Convention on the Grant of the European Patents of 5 October 1973, as amended (hereinafter referred to as the "EPC"), no further translations are required.
- 2. The text of the EU patent in the official language of the European Patent Office referred to as the language of the proceedings in Article 14, paragraph 3, of the EPC shall be the authentic text.

Article 4
Translation in case of a dispute

- 1. In the case of a dispute relating to an EU patent, the patent proprietor shall provide at the request and the choice of an alleged infringer, a full translation of the patent into an official language of the Member State in which either the alleged infringement took place or in which the alleged infringer is domiciled.
- 2. In the case of a dispute relating to an EU patent, the patent proprietor shall provide at the request of the competent court in the European Union in the course of legal proceedings, a full translation of the patent into the language of the proceedings of the court.
- 3. The cost of the translation referred to in paragraphs 1 and 2 shall be borne by the patent proprietor.

Article 5
Report on the implementation of this Regulation

Not later than five years from the date on which this Regulation enters into force, the Commission shall present to the Council a report on the operation of the translation arrangements for the EU patent and where necessary make proposals for amending this Regulation.

Article 6
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply from [*date of the entry into force of Regulation xx/xx on the European Union patent*].

This Regulation shall be binding in its entirety and directly applicable in the Member States in accordance with the Treaties.

Done at Brussels,

For the Council
The President