

# Unternehmer gegen Softwarepatentierung



## Comments on the Proposals of the Council's Working Party on Intellectual Property (Patents) regarding an EU Patent Jurisdiction

15.04.2008

# Unternehmer gegen Softwarepatentierung

## Comments on the Proposals of the Council's Working Party on Intellectual Property (Patents) regarding an EU Patent Jurisdiction

15.04.2008

The following comments by [patentfrei.de/](http://patentfrei.de/) Unternehmer gegen Softwarepatentierung are referring to the working document 7728/08 PI 14 from 19.3.2008 titled „European Union Patent Jurisdiction - Preliminary Set of Provisions for the future legal instrument“ (subsequently referred to as PI 14) <http://register.consilium.europa.eu/pdf/en/08/st07/st07728.en08.pdf>

and respectively to the referenced document „EU Patent Jurisdiction – Main features of the Court system (first part); Remedies, procedures and other measures (second part)“ <http://register.consilium.europa.eu/pdf/en/08/st07/st07001.en08.pdf> (subsequently referred to as PI 10).

### I. Preliminaries

The working document PI 14 presented by the Slovenian Presidency of the European Council describes the basic concepts for a possible institutional and procedural embodiment of a future European patent litigation system.

However, the details of this embodiment are not only formalities of small significance for the outcomes of lawsuits: The institutional and procedural design in fact definitely influences the evaluation of the legality of patent grantings in the European patent system, in which presently questions concerning patent legality, patent quality and patent are essential and of high importance for all parties involved. The discussion for a future European patent jurisdiction hence must not neglect these aspects.

Patents are monopolies for inventions, granted for a period of time. Their justification lies in the stimulation of innovative forces through the incentive of exclusive patent utilisation rights, but combined with the support of the general technical advance through the publication and thus discovery of the invention details. However, strong tendencies can be observed, especially in the recent past and in certain branches of the industry, that patents are increasingly used in a way that is incompatible with these principles. It is the duty of Jurisdiction and Legislation to counteract these detrimental excrescences.

### II. The Current Situation

In recent years, the number of patent grants per year has increased, while there also was a decrease in patent quality. This *patent inflation* is accompanied by a massive increase of intransparent and vaguely defined patent claims -- an inscrutable patent thicket has evolved that is being used for market foreclosure and the obstruction of competition<sup>1</sup>.

---

<sup>1</sup> See study of the German Federal Ministry of Economics scientific advisory board from March 24th 2007 <http://www.bmwi.de/BMWi/Redaktion/PDF/G/gutachten-des-wissenschaftlichen-beirats-patentschutz-und-innovation,property=pdf,bereich=bmwi,sprache=en,rwb=true.pdf>

# Unternehmer gegen Softwarepatentierung

Also the multiple warnings and strikes of the EPO patent examiners<sup>2,3,4</sup> against working conditions which are deemed incompatible with a high-quality patent examination speak for themselves. Even if substantial quality improvements in the examination process can be achieved in the short term, still the remaining flood of already granted patents of questionable quality that are in part valid for another twenty years is innumerably huge.

The frequently made simplistic equation of patent grants and general innovation has in fact no equivalent in reality: The amount of innovative products and concepts has not increased at the same rate as the number of granted patents. This is proved by the investments made in research and development within the OECD countries, which, according to a study<sup>5</sup> by the scientific advisory board of the German Federal Ministry of Economics from March 2007, significantly lags behind patents in terms of relative growth.

This massive increase in the number of patents is also due to the practice of extending the patent system to new areas, where they get in conflict with already existing protection claims. In particular in the field of software, *copyright law*, which is well-established and has been the basis for a prosperous market for many years, is now put in acute jeopardy by the patent system. According to the software patent database of the FFII, around 40.000 patents on software solutions and computer-based business methods have already been granted<sup>6</sup>; about 40.000 more patent applications are currently pending. This situation massively undermines the rights of software developers regarding their own works and in the worst case, given legal enforcability of these patents, will lead to a collapse of the software market as we know it -- with unpredictable consequences for the economy as a whole.

Furthermore, a patent nowadays is seen more and more as a value in itself, independent of the patent's subject, and this view is even supported by politics. *Patent exploiters* are not themselves active in research and development, but concentrate solely on the trade with patents and on demanding license fees from others. This generates no innovation or any common economic value. On the contrary, capital is redistributed in a way that averts innovation: capital is withdrawn from research and development and is allocated to technologically unproductive enterprises or departments. This is carried to extremes by so-called *patent funds*, in which patents are reduced to mere objects of speculation.

## III. The Imperative of Utmost Diligence for the Design of a European Patent Jurisdiction

A European patent jurisdiction will centralize the present system of national jurisdictions. Judgments therefore will have a much larger scope than today. This strongly accentuates the need to carefully balance the system between all different interest groups, and to take aspects of economics and basic rights into consideration. Any mistakes made in those matters will have negative consequences a thousandfold more serious than what they would have been with the current system. The following aspects therefore need special consideration:

---

2 <http://www.suepo.org/public/docs/2004/zb0504.pdf>

3 <http://www.popa.org/pdf/misc/epocipo2007.pdf>

4 <http://www.heise.de/newsticker/meldung/82130>

5 see footnote 1

6 <http://gauss.ffii.org/Statistics/State>

# Unternehmer gegen Softwarepatentierung

- **Explore Different Interests**

The modalities of the embodiment of a European patent jurisdiction will have strong influence on the balance between the interests of patent holders on the one hand and those of the general public on the other, which is in fact deprived of certain rights by every granted patent. Europe must under no conditions allow a system to be established which is tailored specifically towards the preferences of patent holders!

The current Proposal in PI 14 is furthermore not covered by the list of questions from the *Consultation and public hearing on future patent policy in Europe* held by the Commission in 2006, and therefore just as little by its results. A public discussion concerning the Proposal must hence be stimulated and supported all the more. All interested groups must be consulted and their concerns be respected. The Commission and the member states are obliged to provide the necessary means for such a survey.

- **Recognize and Eliminate Conflicts of Interest**

The allocation of personnel in the different institutions of a European patent jurisdiction will be of critical importance. Judges and advisors are required to be free of conflicts of interest and to make decisions independently of the interests of single groups. Most notably their independence from patent offices must be absolutely guaranteed.

- **Make Legal Expenses Adequate**

The expenses caused by law suits are another important aspect, which is of special relevance for small enterprises. In today's practice, it is common to conduct the law suit in one country, and to settle the matter out of court in all the other countries in which the patent is valid. The total expenses of law suits in a future European patent litigation system must not exceed the costs arising from currently used procedures which lead to the same results in practice.

- **Provide a Corrective for Erroneous Trends in the Patent System**

The current tendency of extending the patent system more and more for the single benefit of patent holders must not be encouraged or even accelerated by any future centralization of the patent system. For instance, such a development was initiated in the USA with the establishment of a central court of appeal and was only recently corrected by the US Supreme Court. Such a corrective authority, obliged to regard economic aspects and basic rights, is also necessary for a European patent jurisdiction. The role of an authority superior to the patent court must go beyond supervising the correct formal integration of that court into the European legal framework.

- **Provide Legal Certainty**

The patent jurisdiction must at any time guarantee a balanced evaluation of patent claims. Or else the patent system will -- in favor of a minority -- develop into the Sword of Damocles hanging above the majority of the European economy. The system must not take as its norm the often cited *status quo* of the patent granting practice of the European Patent Office, whose harmful effects on the economy become more and more evident. Legal certainty must not only mean that patent holders can be certain of their good chances to enforce even questionable patents Europe-wide and with only few efforts. On the contrary, the general public has a right to demand that courts will set high standards on patent quality and will not allow the current protective rights, most notably copyright law, to be subverted by patents.

# Unternehmer gegen Softwarepatentierung

- **Specify Substantive Patent Law**

No future European patent court can free political authorities of their responsibility to create a precise legal framework. Political authorities are also responsible to correct those features of the patent system that became known to cause problems in the past. Hence, political authorities are obliged to provide an unmistakable substantiation for the exclusion of software from patentability, and generally to provide terms that will compel the European Patent Office to align their patent granting practice with existing legal requirements.

## IV. Problematic Aspects of the current proposals of the Council's Working Party on Intellectual Property (Patents)

In the following, we present seven concrete aspects in which the PI 14 Proposal is not in conformance with the requirements explained so far. In fact, there are even more aspects that require critical discussion. However, addressing all of them would go beyond the intention of this paper, which is to stimulate a discussion regarding the proposed model of the patent jurisdiction.

### 1. The Impact of the EPO on a European Jurisdiction

The proposal plans to let members of the European Patent Office (EPO) Board of Appeal pronounce judgment in a European patent jurisdiction, provided they are first relieved of their duties at the EPO (see PI 10 Section 12). However, the impartiality of that circle must be questioned. Is it conceivable that former members of the EPO Board of Appeal will in general show a favourable attitude towards the EPO's patent examination guidelines, since they have been developed from the Board of Appeal's decisions.

Actually it is the criteria of those EPO Examination Guidelines, together with the prevailing problematic working conditions of the patent examiners, that are responsible for the decrease of patent quality in Europe and the constant extension of patentability to new areas. By involving members of the EPO Board of Appeal in the institutions of a European Patent jurisdiction, the EPO's interpretation of law would directly find its way into the jurisprudence of the highest judicial authority and thus intensify the inflationary trend of the European Patent System even more.

*Remark: Regarding software patents, it is very problematic that the members of the EPO Board of Appeal are equipped with the preconception<sup>7</sup> that software ideas and computer-based business methods are generally patentable; such a conception bypasses the intentions of the exclusions from patentability<sup>8</sup> stated in Art. 52 II of the European Patent Convention and turns them into its direct opposite. This conception became eminently obvious mid-year 2007 during the evaluation<sup>9</sup> of the Amazon patent on a method for ordering gifts through the internet (EP0927945) before the EPO Board of Appeal. It was decided that this method was "technical" and therefore patentable in principle, because "at least a computer system is included in the granted subject matter". This criterion however is in practice always fulfilled, since a computer system is virtually indispensable for the utilisation of any software. It would not be surprising to see the EPO release from work and*

---

<sup>7</sup> see EPO Examination Guidelines for computer programs and business methods:

[http://www.epo.org/patents/law/legal-texts/html/guiex/e/c\\_iv\\_2\\_3\\_6.htm](http://www.epo.org/patents/law/legal-texts/html/guiex/e/c_iv_2_3_6.htm)

[http://www.epo.org/patents/law/legal-texts/html/guiex/e/c\\_iv\\_2\\_3\\_5.htm](http://www.epo.org/patents/law/legal-texts/html/guiex/e/c_iv_2_3_5.htm)

<sup>8</sup> <http://www.epo.org/patents/law/legal-texts/html/epc/1973/d/ar52.html>

<sup>9</sup> see decision from 30.07.2007, available through the EPO publication server:

<http://www.epo.org/patents/patent-information/european-patent-documents/publication-server.html>

# Unternehmer gegen Softwarepatentierung

*suggest as judges such members of its Board of Appeal, which would reliably represent EPO's attitude regarding those kind of patents at the new European Patent Court*

The proposed waiting time of six months after resignation from the EPO (see PI 14 Art. 10) before taking up office as judge in the EU Patent jurisdiction is not suitable for solving this issue. It must be ensured that the organs of the EU Patent jurisdiction can develop a court practice that is independent of the legal conception of the EPO, especially in the first years after its establishment. An almost direct shift from EPO to EU Patent Court must therefore be ruled out. Instead, technical judges should be recruited without exception from the Boards of Appeal of national patent offices and courts.

An integration of former members of the EPO Board of Appeal may only take place after the new Eu Patent Court court has consolidated its own decision practice, for instance after lapse of time of 5 years after the first invalidation process decision. For former members of of the EPO Board of Appeal an additional appropriate waiting time between the resignation from the EPO before taking up office at the organs of the EU Patent jurisdiction must be established (for example five years after resignation from the EPO). Further on, it must be guaranteed that employees of the EPO may not become members of the advisory committee of the EU Patent jurisdiction and also may not act as experts within the proposed "List of Experts" (see below).

## 2. Accession of the Community to the European Patent Convention

Ultimately, the patenting of software and business methods can only be effectively prevented by the creation of substantive regulations within the Community and their implementation in the European Patent Convention. These regulations must be designed to leave a minimum scope for interpretation regarding the patentability of subject matters comprising software elements. Not only the courts, but also the patent offices, especially the EPO, must observe these regulations as mandatory when evaluating the validity of granted patents, or respectively when designing the examination guidelines for the granting of patents.

In particular considering that the EPO shall in future carry out the examination for the envisaged Community Patent<sup>10</sup>, this precondition can not be stressed too strongly.

With respect to enforcing strict rules for patentability, we consider an integration of the EPO into the Community to be the more viable way rather than the accession of the Community to the European Patent Convention, as the current proposal of the council's working party suggests, because only by this means can a sufficient control of the EPO through democratically legitimised institutions of the Community be ensured.

An integration of the EPO into the Community following the example of the Alicante Office for Harmonization in the Internal Market for Trade Marks and Designs (OAMI) is also in accordance with the views of experts who were playing a leading part in creating and designing the current European Patent System. The following both persons can be quoted: Otto Bossung<sup>11</sup>, one of the founding fathers of the EPO, and Alfons Schäfers<sup>12</sup>, member of the appeal committee of the EPO administrative council who had supported the new office during important milestones during its formation stage.

---

<sup>10</sup> Council document 6985/08 PI 9 <http://register.consilium.europa.eu/pdf/en/08/st06/st06985.en08.pdf>

<sup>11</sup> [http://www.suepo.org/public/bossung\\_en.htm](http://www.suepo.org/public/bossung_en.htm)

<sup>12</sup> <http://www.suepo.org/public/ex08004cpe.pdf>

# Unternehmer gegen Softwarepatentierung

## 3. The Influence of Patent Lawyers on Jurisdiction

The working document PI 14 proposes an “advisory committee” for the EU Patent jurisdiction, whose members should be chosen “among the most experienced patent practitioners” (PI 14 Art. 9 und PI 10 section 12). Exclusion clauses for patent lawyers who are working on behalf of private enterprises are not provided in this document.

Without such exclusion clauses, the committee would give unreasonable influence on jurisdiction to patent-law firms: According to the proposal,

- the committee shall give recommendations for the choice of judges for the EU patent jurisdiction
- the committee shall appoint the members of the “List of Experts” which will provide the judges with technical expertise (see PI 10 section 13)

Patent lawyers must however generally be seen as biased since they are contractually obliged to represent the interests of their clients and offices. Any recommendations for the appointment as judges given by a committee manned by patent lawyers cannot be considered as impartial.

*Remark: Especially for lawsuits concerning software patents, whose principal legitimacy is highly controversial, the involvement of patent lawyers in advisory committees is highly problematic: patent lawyers with their specialist field in software have an existential self-interest that software solutions are generally viewed as patentable subject matter: The validity of those patents is in the interest of their clients, and the lawyers themselves earn considerable revenues through software patenting.*

It also raises the question why the opinions of practitioners from research and development, scientific experts, and parliamentary experts groups are not designated by the proposal to be taken into consideration for the advisory committee. Their independence can usually be assumed as long as they do not follow a secondary occupation for private businesses or do not hold patents themselves.

## 4. Members of the „List of Experts“

For the members of the „List of Experts” (PI 10 section 13) there are also no exclusion clauses provided that would prohibit persons working for private enterprises. The same conflict of economic interests can exist here as in the context of the “advisory committee”. Additionally it must be ensured that no employees of the EPO can become a member of the List of Experts. An appropriate exclusion clause must be added to the phrasing “IP offices”.

## 5. Absence of a Court of Appeal to Correct Judgments of the European Patent Court

The construction suggested by the proposal lacks an unspecialized judicial authority which could ensure that the patent system obeys economic interests and conforms to basic rights. According to the current proposal the European Court of Justice (ECJ) might only be involved in cases where the “uniformity of the Community legal order” would be affected (see PI 10 section 8). The ECJ would hence not be involved in evaluation concerning aspects of substantive law (especially the interpretation of legal provisions for the exclusion from patentability) or concerning criteria for the appropriate assessment of compensation claims. In other words, the ECJ would not be authorized to act like the US Supreme Court recently did, namely to correct an erroneous patent granting and jurisdiction practice in matters of substantive examination or to correct judgments with excessive or disproportional claims of the prevailing party.

# Unternehmer gegen Softwarepatentierung

## 6. Preferential Treatment of Patent Holders through Separation of Infringement and Validation Proceedings

Given the working conditions of patent examiners at the EPO, there are on average only 2 days time for the processing of a patent application (including examination, correspondence, and formalities). Furthermore, the examination process does not take into account a substantial part of the technical state of the art, be it outside the patent literature (e.g. internet sources for the IT sector) as well as inside the patent literature (e.g. Chinese patent filings). That is why the examination by the EPO can today only be regarded as preliminary examination in the best case. An adequately thorough examination does only take place during opposition or invalidation proceedings, thereby taking into account the objections of the opposing party or plaintiff respectively.

In view of the huge number of questionable patent grantings we consider the separation of infringement and invalidation proceedings following the German model as highly problematic. For companies accused of patent infringement, it is fatal that the patent holder is generally in a privileged position in this scenario: the infringement court in Germany does in general not investigate whether the patent has been legitimately granted. The court also does not usually suspend the infringement proceeding when an invalidation proceeding has been filed in parallel, in order to await the decision regarding the validity of the patent in question. Thus, the conviction of an alleged patent infringer can easily happen on the basis of a patent that is actually illegitimate.

It is most unlikely that small and medium enterprises, whose existential business activities are stopped by court order, will be able to keep themselves alive until the outcome of an invalidation suit that probably is lasting for years.

There are two possible options for solving this problem:

1. Infringement and validity of a patent are examined within the same legal proceeding.

or

2. Noticeably increase the chances for the suspension of an infringement proceeding in case of an invalidation proceeding filed at the same time.

The second option requires the reversion of the current prerequisites for a suspension. That means that when a patent is being opposed, any related infringement proceeding must be suspended without exception. In case of an invalidation suit it means that the infringement proceeding must principally be suspended, unless it is obvious that the invalidation suit will with the utmost probability have no chance of success. A criterion for this purpose could be whether an invalidation suit against the patent in question has already been unsuccessful.

It is absolutely necessary that such tangible criteria be established during the further embodiment of PI 10 section 5.

## 7. Informal Consultations

Finally we want to stress that the previous informal consultations (see PI 1 section 1) of only a few stakeholders by the Portuguese and Slovenian presidency do not represent an adequate instrument for the exploration of all the different stakeholder interests. These consultations are in addition lacking transparency of any kind: neither the names nor the results of the informal consultation have been made available to the public. We consider it necessary that the Commission does hold a regular consultation in order to give opportunity to all interested groups to bring in and present to the public their views regarding the proposals of the patent working group.

7

# Unternehmer gegen Softwarepatentierung

## About patentfrei.de / Unternehmer gegen Softwarepatentierung

patentfrei.de is an initiative by small and medium-size German enterprises. It has been founded in 2004 to oppose the highly controversial software patent directive, which has been eventually turned down by the EU Parliament. In the sense of patentfrei.de's "Common Declaration Against Patents on Software", patentfrei.de continues to represent small and medium-size enterprises. Their biggest concern is not protection *through* patents, but protection *against* patents.

Supported by partner associations, the patentfrei.de initiative represents today about ten thousand German SMEs with the main focus on IT, software development and the automation sector.

patentfrei.de's internet address is: <http://www.patentfrei.de>

patentfrei.de' official partner associations:



BVMW  
Bundesverband  
mittelständische  
Wirtschaft



Berufsverband  
Selbständige in  
der Informatik e.V

> **patentverein.de** <

Industrie-Fachverband  
Motor, Sensor, Automation



Open Source  
Automation  
Development Lab



LIVE Linux-Verband e.V.



International Technical  
Channel Association



Kölner Internet Union



DZUG e.V.  
Deutschsprachige Zope  
User Group