



COMMISSION OF THE EUROPEAN COMMUNITIES

EN

Brussels, 1.8.2000  
COM(2000) 412 final

2000/0177 (CNS)

Proposal for a

**COUNCIL REGULATION**

**on the Community patent**

(presented by the Commission)

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## EXPLANATORY MEMORANDUM

### 1. GENERAL

#### 1.1. Context

In the European Union, patent protection is currently provided by two systems, neither of which is based on a Community legal instrument: the national patent systems and the European patent system.

The national patent appeared first. In the Member States of the European Community, the national patent has undergone *de facto* harmonisation. First of all, all the Member States are parties to both the Paris Convention for the Protection of Industrial Property of 20 March 1883 (as last amended on 14 July 1967) and the Agreement of 15 April 1994 on Trade Related Aspects of Intellectual Property Rights (referred to hereinafter as the TRIPS Agreement). Several Member States are also party to the Council of Europe's Convention of 27 November 1963 on the unification of certain elements of patent law.

The idea of the Community patent dates back to the 1960s. At that time, initial thought was given to the creation of a patent system applicable to the nascent European Community in its entirety. However, it quickly became apparent that this approach could not take on more tangible form in a purely Community context. Thus it was that the initiative finally led to the signature on 5 October 1973 of the Convention on the Grant of European Patents (referred to hereinafter as the "Munich Convention"), to which all the Member States gradually acceded.

The Munich Convention is governed by conventional international law and does not form part of the Community legal order. The Munich Convention established a European Patent Organisation, the constituent bodies of which are the European Patent Office (referred to hereinafter as the "Office") and the Administrative Council. It lays down a single procedure for the granting of patents. This task has been assigned to the Office. However, once the European patent has been granted, it becomes a national patent and is subject to the national rules of the contracting States designated in the application. At present, nineteen countries are members of the European Patent Organisation. Apart from the Member States of the European Community, these are Switzerland, Liechtenstein, Monaco, Cyprus and, in the near future, Turkey. What is more, several Central and Eastern European countries<sup>1</sup> have been invited to accede to the Munich Convention from 1 July 2002 at the earliest.

A second attempt by the EC Member States to create a Community patent led in 1975 to the signing of the Luxembourg Convention on the Community patent (referred to hereinafter as the "Luxembourg Convention"). This Convention was amended by an Agreement concluded in Luxembourg on 15 December 1989 concerning Community patents and including, amongst other things, the Protocol on the Settlement of Litigation concerning the Infringement and Validity of Community Patents.

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<sup>1</sup> Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania, Slovakia and Slovenia.

The Luxembourg Convention is a Community convention. In essence, the Convention would have transformed the national stages in the granting of European patents into a single stage common to the Member States. The Luxembourg Convention never entered into force because the only Member States to ratify it were France, Germany, Greece, Denmark, Luxembourg, the United Kingdom and the Netherlands.

The failure of the Luxembourg Convention has generally been attributed to the costs of the Community patent, chiefly that of translation, and to the judicial system. Under the Convention, a patent had to be translated into every Community language. Interested parties felt that this requirement was excessive. Under the highly complex judicial system, national judges would have been able to declare a Community patent invalid with effect for the entire territory of the Community. This aspect aroused the distrust of interested parties, who considered it to be a major element of legal uncertainty.

## **1.2. Recent work**

Following the failure of the Luxembourg Convention, the Commission's Green Paper on the Community patent and the European patent system<sup>2</sup>, which was part of the follow-up to the First Action Plan for Innovation in Europe<sup>3</sup>, launched a broad discussion on the need to take new initiatives in relation to patents. The Green Paper elicited a large number of opinions from interested parties, the European Parliament<sup>4</sup> and the Economic and Social Committee<sup>5</sup>. In addition, the Commission, together with the Luxembourg Presidency of the Council, held a hearing on 25 and 26 November 1997 open to all users of the patent system. The Commission also staged a meeting of experts from Member States on 26 January 1998.

After this extensive consultation process, the Commission adopted, on 5 February 1999, a Communication on the follow-up to the Green Paper on the Community patent and the patent system in Europe<sup>6</sup>. The aim of this Communication was to announce the various measures and new initiatives which the Commission was planning to take or propose in order to make the patent system attractive for promoting innovation in Europe.

The initiative concerning the Community patent was announced and sketched out in broad outline in the Communication dated 5 February 1999. This proposal incorporates most of that broad outline.

At the European Council in Lisbon on 23 and 24 March 2000, the Heads of State or Government of the Member States underlined the importance of introducing a Community patent without delay.

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<sup>2</sup> COM(97) 314 final, of 24 June 1997.

<sup>3</sup> COM(96) 589 final, of 20 November 1996.

<sup>4</sup> OJ C 379, 7.12.1998, p. 268.

<sup>5</sup> OJ C 129, 27.4.1998, p. 8.

<sup>6</sup> COM(1999) 42 final, of 5 February 1999.

## **2. PROPOSAL FOR A COUNCIL REGULATION**

### **2.1. Subject**

This proposal for a Regulation is aimed at creating a new unitary industrial property right, the Community patent (see 2.4.). It is essential for eliminating the distortion of competition which may result from the territorial nature of national protection rights; it is also one of the most suitable means of ensuring the free movement of goods protected by patents.

The creation of a Community patent will also enable undertakings to adapt their production and distribution activities to the European dimension. It is considered to be an essential tool if we are to succeed in transforming research results and the new technological and scientific know-how into industrial and commercial success stories - and thereby put an end to the "European paradox" in innovation - while at the same time stimulating private R&D investment, which is currently at a very low level in the European Union compared with the United States and Japan.

The Community patent system will coexist with the national and European patent systems. Inventors will remain free to choose the type of patent protection best suited to their needs.

### **2.2. Legal basis**

As already announced in the Communication of 5 February 1999<sup>7</sup>, the legal basis of the proposal for a Regulation is Article 308 of the EC Treaty. Use of this legal base is in accordance with what has been done in relation to the Community trade mark<sup>8</sup> and Community designs<sup>9</sup>.

The form chosen for the instrument - a Regulation - is warranted by a number of considerations. The Member States cannot be left with any discretion either to determine the Community law applicable to the Community patent or to decide on the effects and administration of the patent once it has been granted. The unity of the patent could not be guaranteed by less "binding" measures.

### **2.3. Link between the Regulation on the Community Patent and the European Patent Organisation**

The main thrust of this proposal is the creation of a "symbiosis" between two systems: that of the Regulation on the Community patent, a European Community instrument, and that of the Munich Convention, a classic international instrument. This means not only that the Regulation on the Community patent will have to be adopted (2.3.1.) but also that the Munich Convention and the status of the Office will have to be taken properly into account (2.3.3.), that the Community will have to accede to the Munich Convention (2.3.3.), and that account must be taken of the

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<sup>7</sup> COM(1999) 42 final, pages 9 and 12.

<sup>8</sup> Council Regulation No 40/90/EEC of 20 December 1993 on the Community trade mark, OJ L 11, 14.1.1994, p. 1.

<sup>9</sup> Amended proposal for a Council Regulation on Community Design of 21 June 1999, COM(1999) 310 final.

scope for ensuring consistency in the future development of the Regulation and the Convention (2.3.4.).

### 2.3.1. The Regulation on the Community patent

By virtue of the Community's accession to the Munich Convention and the designation of the Community as the territory for which the Community patent can be granted, the provisions of that Convention applying to European patent applications will, in principle, be applicable to applications for Community patents. Even though this text refers to an application for the Community patent, in legal terms such an application will, under the Munich Convention, be an application for a European patent designating the territory of the Community.

Only when the patent has been granted by the Office will it become a Community patent under the Regulation.

In the light of Community accession to the Munich Convention, it is not necessary for the Regulation to refer to the substantive rules of the Munich Convention and its Implementing Regulations in force on a specific date. In essence, the Regulation is limited to governing the Community patent once granted. The Regulation will also contain specific rules which will depart from the Convention. The Regulation will, for instance, introduce some improvements compared with the European patent as regards the cost of the patent, translations and the system of appeals to courts of law.

### 2.3.2. The Office and the Munich Convention

As already mentioned, the authority responsible for examining patent applications and granting Community patents will be the Office. However, the Office is not a Community body. It is nevertheless intended that it will grant Community patents by virtue of the Community's accession to the Munich Convention and of a revision of that Convention.

The current Munich Convention does not allow the Office to perform these functions. To achieve that, the Convention would have to be amended. Now is an opportune time to act, as the Munich Convention is currently undergoing revision. In accordance with the mandate adopted by the intergovernmental conference of the member states of the European Patent Organisation in Paris on 24 and 25 June 1999, two working parties were set up to carry out the preparatory work for a reform of the patent system in Europe, particularly with a view to reducing the cost and lead time involved in the granting of a patent, and for the harmonisation of litigation relating to the Community patent.

It should be borne in mind that the envisaged revision of the Munich Convention will require the Contracting States, including four non-EU countries, to agree to the Convention being amended in such a way as to enable the Office to assume these new functions and make accession by the Community possible.

The objective of the proposed Regulation is not to amend the present structure of the European patent system. The Regulation does not provide for the setting-up of new special departments within the Office. Rather, the Office would be charged with specific tasks relating to the Community patent. What is more, it will continue its

activities concerning the European patent as an international body independent of the Community.

Similarly, the Office will apply to the Community patent the case law which it has developed for the European patent, to the extent that the rules in the Regulation and the Convention are identical.

### 2.3.3 Community accession to the Munich Convention

Community accession to the Munich Convention is the essential instrument for achieving the objectives of the Regulation. To this end, the Commission will present to the Council a recommendation for a negotiating mandate.

The accession of the Community to the Munich Convention should make it possible to achieve the best possible symbiosis between the European Patent Organisation and the Community.

The EC Member States, which already have an obligation to ensure compliance with Community law in matters relating to the legal protection of biotechnological inventions in the international arena, will be required under the proposal concerning the Community patent to coordinate to an even greater extent the opinions which they express within the bodies of the European Patent Organisation, pursuant to Article 10 (ex Article 5) of the EC Treaty.

### 2.3.4. Consistent and simultaneous development of the Regulation on the Community patent and of the Munich Convention

The Munich Convention is currently undergoing revision, and further amendments may follow. Independently of this work, it is possible that the Regulation will have to be amended in line with future developments in society.

In order to guarantee, as far as possible, the consistent and simultaneous development of the Regulation and the Munich Convention, the following factors will have to be taken into account:

- first, amendments to the Munich Convention made prior to the adoption of the Regulation on the Community patent will automatically apply to the Community patent;
- secondly, in order to guarantee that the revision of the Munich Convention moves in the right direction, under Article 10 of the EC Treaty Member States should, after the proposal for a Regulation has been adopted by the Commission, cooperate loyally in the negotiations with the European Patent Organisation with a view to facilitating the realisation of the objectives of the proposal. After the adoption of the Regulation, external jurisdiction over the Community patent shall fall within the exclusive remit of the Community.
- thirdly, as regards subsequent developments in the framework of the Munich Convention, it will be possible to lay down corresponding rules according to the nature of the changes made, either in the form of an amendment to the Regulation or within the Implementing Regulations which will be adopted via a comitology procedure.

- fourthly, given that Member States currently form a large majority among the Contracting States of the European Patent Organisation, they should be in a position effectively to ensure that revisions made to the Munich Convention do not jeopardise either the integrity of Community law or the desired consistency between the Regulation and the Munich Convention.

## **2.4. The main features of the Community patent**

The Community patent must be of a unitary and autonomous nature (2.4.1.). It must stem from a body of Community patent law (2.4.2.), be affordable, (2.4.3.), have appropriate language arrangements and meet information requirements (2.4.4.), guarantee legal certainty (2.4.5.) and coexist with existing patent systems (2.4.6.).

### **2.4.1. Unitary and autonomous nature of the Community patent**

The Community patent must be unitary in nature. It will produce the same effect throughout the territory of the Community and may be granted, transferred, declared invalid or allowed to lapse only in respect of the whole of the Community.

The Community patent must be of an autonomous nature. It shall be subject only to the provisions of the proposed Regulation and to the general principles of Community law.

### **2.4.2. Law applicable to the Community patent**

The proposed Regulation introduces specific provisions applicable to Community patents. It is important to note that the Regulation does not set out to depart substantially from the principles embodied in national patent law already in force in the Member States; these have all acceded to the Munich Convention and have, moreover, largely harmonised substantive patent law in accordance with the Luxembourg Convention, even though the latter Convention has never entered into force. The same applies concerning the specific rules of the TRIPS Agreement, which links the Community and the Member States.

On this basis, the provisions of the Munich Convention concerning such subjects as conditions of patentability, for example, will be applicable to the Community patent. Thus, in accordance with the provisions of the Munich Convention, Community patents will be granted in respect of inventions, whether products or processes, provided that they are new, involve an inventive step and are capable of industrial application. Similarly, exceptions to patentability will be covered by the Munich Convention. Amendments made to the Convention in the course of the intergovernmental conference currently under way for the revision of the Convention will of course be applicable to the Community patent.

By contrast, the effects of the Community patent, once granted, will be governed by the provisions of this Regulation. This applies, for instance, to the limitations of the effects of the Community patent.

As regards the use of a patented invention without the patent proprietor's authorisation, the proposed Regulation would incorporate the best practice in force in the Member States: the granting of compulsory licences would thus be possible. Although the Regulation makes no such specific provision, Member States would

remain free to take any action necessary for the protection of their essential security interests, in accordance with Article 73 of the TRIPS Agreement.

#### 2.4.3. Affordable cost of the Community patent

At present, an average European patent (designating eight Contracting States) costs approximately EUR 30 000. The fees due to the Office for such an average European patent account for approximately 14% of the total cost of the patent. The cost of representation before the Office represents 18% of the total cost. The translations required by the Contracting States account for approximately 39% of the total cost. The renewal fees currently paid to Member States represent something in the order of 29% of the cost of an average European patent (between the fifth and the tenth years). Of this income, 50% accrues to the Office and 50% to the Contracting State concerned.

This proposal is aimed at making the Community patent more affordable and more attractive than the present European patent. These aspects depend to a very large extent on the costs associated with translations (2.4.3.1.) procedures (2.4.3.2.) and litigation (this point will be dealt with under 2.4.5.).

##### 2.4.3.1. *Translation costs*

As far as translation costs are concerned, the comparative table below gives a fairly accurate idea of the probable effect of the recommended solution. The three scenarios are based on the following assumptions: applications comprising an average volume of 20 pages, three pages for the claims, 15 claims. As the texts concerned are of a highly complex and technical nature and relate to new matters and processes, the average output of a translator will probably be in the region of three pages per day. Translation costs are therefore estimated at EUR 250 per day.

**Table 1: Translation costs in three scenarios**

<b>Scenario</b>	<b>Translation costs</b>
<b>No 1: Luxembourg Convention</b> Complete translation of the patent documents into the ten working languages	EUR 17 000
<b>No 2: Translation of the patent documents into the three working languages of the Office.</b>	EUR 5 100
<b>No 3: Proposed solution</b> Translation of the patent documents into one of the Office's three working languages and of the claims into the other two.	EUR 2 200

Overall, this comparative assessment shows a significant differential in favour of the solution put forward in this proposal for a Regulation.

In terms of translation costs, the planned Community patent will be both more affordable than the patent proposed in the first Luxembourg Convention and more attractive than the European patent.

#### 2.4.3.2. Fees and other procedural costs

Apart from translation costs, the different fees and costs associated with the granting and renewal of a Community patent should also be taken into account. It is essential that the overall cost of a Community patent should be in the same order of magnitude as that associated with patents granted by the Community's main trading partners, or even be more attractive.

Table 2 below provides a comparison of the current situation in the United States, Japan and the European Patent Office<sup>10</sup> as regards the various costs and fees due.

**Table 2: Comparison of costs and fees payable by the contracting parties to the Munich Convention, in the United States and in Japan**

	Filing/search fees	Examination fees	Grant fees	Renewal fees	Translation costs	Agent's fees	Total
EPC	810 +532	1 431	715	16 790 <sup>1</sup>	12 600	17 000	49 900
United States	690	-	1 210	2 730 <sup>2</sup>	n/a	5 700	10 330
Japan	210	1 100	850	5 840 <sup>3</sup>	n/a	8 450	16 450

<sup>1</sup> 3rd to 4th year (790) + 5th to 10th year (16 000) = 16 790

<sup>2</sup> 3.5 years (830) + 7.5 years (1900) = 2 730

<sup>3</sup> 4th to 6th year (1 320) + 7th to 9th year (2 650) + 10th year (1 870) = 5 840

The cost of the current European patent is shown to be three to five times higher than that of Japanese and US patents.

There is thus an urgent need to remedy this situation, which does not provide any incentive for inventors to apply for a patent in Europe.

Under the proposed Regulation, the Office will examine Community patent applications and grant and administer Community patents. The fees charged by the Office during the examination of a patent application are laid down in the Munich Convention. By contrast, it is planned that the annual renewal fees for patents granted, as well as their amount, will be determined in a Commission Regulation on fees which will be adopted according to the comitology procedure. The Regulation provides that the annual renewal fees must also be paid to the Office.

<sup>10</sup> This estimate is based on the latest data provided by the IPR Helpdesk and the European Patent Office.

#### 2.4.4. Language arrangements - access to information

The arrangements concerning translations of the patent are a particularly important aspect in terms of the cost of the Community patent (see Table No 1 above). The cost of translating the patent into all the official languages of the Community would entail a risk of the entire Community patent project foundering, placing as it would too heavy a burden on inventors, above all small and medium-sized enterprises. Such a burden would discourage them from using the Community patent and give them an incentive to seek protection only in certain European countries. With the enlargement of the Union, compulsory translation into all the official languages would have even more negative effects in terms of cost.

To remedy this problem, the proposed Regulation provides that the Community patent, once it has been granted in one of the procedural languages of the Office and published in that language, with a translation of the claims into the two other procedural languages, will be valid without any other translation. A translation could become necessary in legal proceedings against a suspected infringer. In such a situation, a suspected infringer who has been unable to consult the text of the patent in the official language of the Member State in which he is domiciled, is presumed, until proven otherwise, not to have knowingly infringed the patent. In order to protect a suspected infringer who, in such a situation, has not acted in a deliberate manner, it is provided that the proprietor of the patent will not be able to obtain damages in respect of the period prior to the translation of the patent being notified to the infringer. This system will make for a considerable reduction in translation costs.

The proposed system is regarded as appropriate, primarily because the universal language in the field of patents is, in reality, English. Translations are very rarely consulted. For example, at the *Institut National de la Propriété Industrielle*, the French national institute of industrial property rights, translations are consulted in only 2% of cases. Moreover, any obligation to translate the patent into all the Community languages would not necessarily guarantee easy access to this information for all economic operators established in the Community. Incidentally, separate information and assistance systems can be put in place or upgraded in order to help small and medium-sized enterprises, in particular, in searching for information on patent applications and patents published.

Secondly, the proposed system is regarded as providing sufficient protection with respect to a suspected infringer, given that the Regulation's provisions on damages will enable the Community intellectual property court, which will be established to deal with Community patent matters (see 2.4.5.), to take into account all the relevant factors in each individual case.

Moreover, this provision is in line with the work begun in the IGC on the revision of the Munich Convention, particularly that undertaken by the working party on cost reduction, whose remit from the member states of the European Patent Organisation is to put forward proposals for lowering the cost of the European patent. Accordingly, it is also provided that translations of the patent - which will, moreover, be optional for the proprietor - must be filed with the Office rather than with national

patent offices in several Member States. This should yield a considerable cost reduction compared with the total cost of an average European patent<sup>11</sup>.

#### 2.4.5. Legal certainty of the Community patent: the judicial system

European undertakings and inventors expect a judicial system that provides maximum legal certainty for the European patent. Only if this is the case can the often considerable research and development costs incurred upstream of the patent be offset.

Only a centralised Community court can guarantee without fail unity of law and consistent case law.

This relates exclusively to litigation between private parties (2.4.5.1.). Appeals against administrative decisions relating to the Community patent will be governed by the procedures provided for by the Munich Convention (2.4.5.2.). Finally, the link between the proposal for a Regulation and the Intergovernmental Conference on Institutional Reform (2.4.5.3.) and the division of responsibilities within the centralised Community court (2.4.5.4.) must be pointed out.

##### 2.4.5.1. *The judicial system in relation to litigation between private parties*

The system adopted in the Luxembourg Convention has not been followed in this proposal. It would have enabled a national court hearing a counterclaim for a declaration of invalidity to declare the Community patent invalid throughout the Community.

The solution adopted in this proposal is ambitious: it provides for the creation of a centralised judicial system specialising in patent matters, particularly for the examination of questions concerning validity and infringement of the Community patent. To this end, a "Community Intellectual Property Court" will be established<sup>12</sup>. This court will comprise chambers of first instance and appeal. These two instances, whose jurisdiction will cover the entire Community territory, may deal with questions relating to the actual facts of a case as well as to points of law. They will apply their own rules of procedure, grant provisional measures, determine penalties and award damages. The judgments of the court will be enforceable. Enforcement will be governed by the rules of civil procedure in force in the State in the territory of which it is carried out. The national authorities shall automatically issue an enforcement order in respect of an authentic judgment.

The Commission regards the creation of a centralised Community judicial system as being necessary for several reasons: first of all, less ambitious solutions which have been negotiated or sketched out in the past have failed. Inventors would not use the future Community patent without "Community-level" legal certainty.

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<sup>11</sup> According to the French delegation in the working party on reducing the costs of the European patent, filing only with the Office would lead to a saving of approximately 30% of the total costs associated with translations of an average European patent (document WRP/11/99, of 18 November 1999).

<sup>12</sup> It is planned to establish this court by way of an amendment to the EC Treaty currently under discussion in the Intergovernmental Conference on Institutional Reform.

A non-centralised judicial system such as that for European patents, under which, for example, legal actions relating to the validity of a patent have to be instituted separately in all the Contracting States for which the patent has been granted, would be unacceptable for the Community patent. Not only would the management of patent rights under such a system be very costly for the proprietor, but - above all - a non-centralised system would not give proprietors of the Community patent the necessary legal certainty as regards the validity of the patent throughout the territory for which it was granted.

Only a centralised judicial system can guarantee unity of law and consistent case law. Moreover, it is necessary to avoid from the outset a situation where a national court with no experience of industrial property matters could decide on the validity or infringement of the Community patent.

Due account has also been taken of the need for the centralised court to have all the requisite qualifications in patent matters. The composition of the court should be such as to guarantee that the judges have the necessary qualifications in the field of patents, which can involve the examination of highly technical questions. This is not currently the case at the Court of First Instance of the Court of Justice, which has not had the opportunity to gain experience in patent matters.

The creation of a new centralised judicial system is also necessary in order to address the problem of excessive workload which is affecting both the Court of Justice and the Court of First Instance.

For the Community patent, it is essential that questions relating to the validity and infringement of the patent be answered definitively within a period of two years. This time limit takes into account the relatively short duration of the protection offered by the patent, which in principle is 20 years but in reality is much shorter on account of the progressive nature of the annual renewal fees which the proprietor of the patent has to pay and the rapid advance of technology.

For these reasons, the interesting alternative of assigning to the Court of First Instance the role of a court of appeal against national court decisions which would have decided on the validity of the patent throughout the Community territory was dropped.

The jurisdiction of the centralised court would cover only certain categories of actions. It is essential that it be able to deal at the same time with disputes relating to the infringement and the validity of the patent (for example, actions for a declaration of non-infringement, invalidity proceedings, or counterclaims for invalidity). The reason for this is that defendants in infringement actions almost always make a claim of patent invalidity as a means of defence. Separating the jurisdictions for these two types of action would be conducive neither to the sound administration of justice nor to the efficiency aimed for in this Regulation, given that the factors which the judge has to examine in the two cases are essentially the same.

The centralised court should also handle litigation relating to use of the patent in the period between publication of the application and the actual granting of the patent. The same applies to actions relating to the limitation or lapse of the patent.

It is essential that the jurisdiction of the centralised court be exclusive. This jurisdiction is based on the validity of the patent in the territory of the Community, as well as on the location of the facts and activities concerned taking place in the Community.

The Regulation will have to provide that all other disputes between private parties which do not specifically come under the jurisdiction of the centralised court are to be dealt with by the national courts of the Member States. Such disputes might concern, for example, the right to the patent, the transfer of the patent or contractual licences.

For situations where jurisdiction resides with national courts, the Regulation provides that the rules set out in the 1968 Brussels Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (referred to hereinafter as the "Brussels Convention"<sup>13</sup> shall, in principle, be applicable. The Regulation will specify the necessary exceptions and adaptations.

However, whenever an action relates to the validity or infringement of the Community patent, the national court before which the case has been brought will be obliged to decline jurisdiction and declare the action inadmissible. If the validity of the patent is a preliminary issue in a case relating to another subject, e.g. unfair competition, the national court hearing the case will stay the proceedings to enable the parties to resolve the issue of a preliminary nature in an action brought before the centralised court.

The national courts remain free to submit a request to the Court of Justice for preliminary rulings on matters falling within their jurisdiction, for example concerning interpretation of Directive 98/44/EC on the legal protection of biotechnological inventions<sup>14</sup>. However, national courts will not, in principle, be authorised to request preliminary rulings concerning the validity of the Community patent on the basis of the Regulation, since they will not have jurisdiction in the matter.

#### 2.4.5.2. *Appeals against decisions of the Office and of the Commission*

The Office's internal opposition and appeal procedures will be applicable to the Community patent. Decisions by the Office will not be subject to appeal before the centralised Community court.

This solution has been adopted with a view to retaining for as long as possible the unified treatment of simultaneous application for a Community patent and a European patent. It also avoids burdening the centralised Community court with a proliferation of appeals lodged during the examination procedure and before the Community patent has been granted. The solution is also appropriate from the point of view of the legal status of the Office's Boards of Appeal. A board of appeal has been regarded, in the United Kingdom for example, as being entirely equivalent to a

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<sup>13</sup> This Convention will be transformed into a Regulation (see the Commission Proposal of 14 July 1993, COM(1999) 348 final). It is understood that, for the Member States concerned, the reference to the Brussels Convention is to be deemed a reference to the Implementing Regulations once these have been definitively adopted by the Council.

<sup>14</sup> OJ L 213, 30.7.1998.

court, to the extent that its decisions were final and based on objective criteria, and the independence of its members was guaranteed by the Munich Convention<sup>15</sup>. Account will also have to be taken of the fact that the validity of a patent granted by the Office may subsequently be the subject of litigation between private parties before the Community intellectual property court under the conditions laid down by the Regulation. At present, however, the solution has the disadvantage of considerably delaying the adoption of a final decision on the validity of the Community patent. This delay is due to the sometimes very long examination periods of the Office's Opposition Division and Boards of Appeal. It would appear, however, that a revision of the Munich Convention on this point could resolve the problem.

Moreover, it is clear that judicial review of decisions taken by the Commission falls within the jurisdiction of a Community court. Such jurisdiction is vested in the Court of Justice (Court of First Instance) under Article 230 of the EC Treaty. Examination of appeals relating to decisions taken pursuant to the Regulation on the Community patent will in future often require knowledge in the field of competition law. In particular, these will be appeals against decisions by the Commission concerning compulsory licences and licences of right. The Court of First Instance remains best placed to examine the last-named type of appeal, concerning which it has already gained experience. It is, therefore, not proposed to change the attribution of areas of jurisdiction which reside with the Court of First Instance. This solution is an appropriate means of guaranteeing the consistency of Community case law in this field.

#### 2.4.5.3. *Link between the proposal for a Regulation and the Intergovernmental Conference on Institutional Reform*

It is understood that the Community intellectual property court will be established by way of an amendment to the EC Treaty. Discussions to this effect are currently under way in the Intergovernmental Conference on Institutional Reform.

The EC Treaty would then also provide that this court, like the Court of First Instance (Articles 225 and 243 to 245 of the EC Treaty), would adopt its own rules of procedure and order provisional measures, and that its judgments would be enforceable in the Member States in the same way as decisions of the Court of Justice. Relations between the Community courts, including the mechanism for referral in the interest of the law referred to below (point 2.4.5.4.) would also be laid down in the EC Treaty.

The Commission has already suggested, in its opinions of 26 January and 1 March 2000, that the Intergovernmental Conference discuss an amendment to the Treaty designed to provide adequate legal certainty in matters of Community intellectual property. Thus, in its Additional Contribution to the Intergovernmental Conference on Institutional Reform, the Commission took the view that, *"regarding intellectual property rights under Community law, particularly with the prospect of the Community patent, consideration should be given to establishing a specialised tribunal with jurisdiction in cases concerning patent validity and infringements, in order to secure legal certainty regarding unitary documents having*

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<sup>15</sup> Lenzing AG's European Patent, United Kingdom High Court of Justice No. 8 [1997] RPC.

*effect throughout the Community and to relieving the Court of Justice and the CFI of all this highly specialised litigation."*

Pending the outcome of the negotiations under way in the Intergovernmental Conference, the Commission has therefore introduced, in this proposal for a Regulation, fundamental provisions corresponding to its Contribution.

It goes without saying that more detailed provisions will have to be adopted, concerning in particular the rules of procedure applicable by the new Community court. These provisions, as well as the status of the court, will be laid down in subsequent instruments.

#### *2.4.5.4. Division of responsibilities within the centralised Community court*

As already mentioned above, the new court would have jurisdiction in certain situations where jurisdiction would normally have been vested in the Court of First Instance. As already mentioned under point 2.4.5.2., the Court of First Instance will nevertheless continue to have jurisdiction in respect of decisions taken by the Commission. Appeals against the Court's decisions will be governed by the current provisions of the EC Treaty.

As far as the new court is concerned, the planned provisions would not include the possibility of lodging a direct appeal before the Court of Justice against decisions of the chamber of appeal of the Community intellectual property court. Nor is it planned to introduce into the relationship between the new Community court and the Court of Justice a mechanism for requesting preliminary rulings like the one that is a feature of relations between the national courts and the Court of Justice.

In spite of this, the proposed system would not affect the role of the Court of Justice as the supreme court of Community law.

If the Community intellectual property court had to interpret more general aspects of Community law in the cases it dealt with, the amended EC Treaty would provide scope for the matter subsequently to be brought before the Court of Justice in the interest of the law.

This mechanism would make it possible to verify whether or not the interpretation of Community law made by the Community intellectual property court was in conflict with the interpretation handed down by the Court of Justice. The principle and the mechanism for requesting preliminary rulings are similar to those adopted in the 1971 Protocol annexed to the Brussels Convention (Article 4)<sup>16</sup>. Accordingly, such a referral can only be made in respect of judgments by the chamber of first instance or the chamber of appeal which have become *res judicata*. The Registrar of the Court of Justice shall give notice of the request to the Member States and Institutions of the Community; they shall then be entitled, within two months of the notification, to submit statements of case or written observations to the Court. What is more, the interpretation given by the Court of Justice in response to such a request shall not affect the decision which gave rise to the request for interpretation. No fees shall be levied or any costs or expenses awarded in respect of the proceedings. In contrast to

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<sup>16</sup> OJ C 27, 26.1.1998, p. 29.

the provisions of the said Protocol, the Commission can, as guardian of the EC Treaty, bring an action before the Court of Justice.

It goes without saying that, as a Community court, the new court would be subject to the case law of the Court of Justice, whether this related to interpretations in appeals made in the interest of the law or to preliminary rulings issued at the request of national courts in cases coming under their jurisdiction.

#### 2.4.6. Links with other patent systems

The Community patent system will coexist with the national and European patent systems. Inventors will remain free to choose the patent system best suited to their needs.

For a Community patent to be granted, the territory of the Community will have to be designated in the application for a European patent. It will not be possible to designate, in an application for a European patent, both the territory of the Community and one or more Member States. However, an applicant will be able to request at the same time a patent for the territory of the Community and a European patent for Switzerland, Cyprus, Monaco or Liechtenstein.

It is also provided that, at any time up to the grant of the European patent, a European patent application designating all the Member States of the Community can be converted into a European patent application designating the entire territory of the Community. Similarly, a European patent application which designates the entire territory of the Community may be converted into a European patent designating one or more Member States of the Community. The principle of conversion and the procedures for its application should be the subject of negotiations in the context of the Community's accession to the Munich Convention.

Once granted, a Community patent may not be converted into a European patent. Nor will it be possible to convert national patents or a European patent into a Community patent.

It will not be possible for one and the same invention belonging to one and the same person to be simultaneously protected by a Community patent and by a European patent designating one or more Member States, or by a national patent granted by a Member State.

### **3. JUSTIFICATION FOR PROPOSAL IN TERMS OF PROPORTIONALITY AND SUBSIDIARITY PRINCIPLES**

What are the objectives of the proposed measure in relation to the obligations incumbent on the Community?

The proposal is aimed at improving the operation of the internal market and, in particular, at adapting the manufacture and distribution of patented products to the Community dimension.

The proposal is also part of the drive to promote innovation and growth in the European Community.

Does the measure satisfy the criteria of subsidiarity?

These objectives cannot be attained by the Member States acting alone or collectively and must therefore, by reason of the cross-border impact, be attained at Community level.

Are the means deployed at Community level proportional to the objectives?

The Court of Justice has ruled that Community intellectual property rights cannot be created by harmonising national legislations.<sup>17</sup> Having regard to the unity of the right, Member States cannot be left with any discretion concerning its implementation. The proposed instrument, a Regulation, is thus confined to the minimum needed for the attainment of these objectives and does not exceed what is necessary for that purpose.

#### **4. INDIVIDUAL PROVISIONS ARTICLE BY ARTICLE**

##### **CHAPTER I - GENERAL PROVISIONS**

###### **Article 1 - Community patent law**

This Article introduces a Community patent law that applies to the Community patent. This is an autonomous, Community patent law which will coexist with national patent laws and the European patent system. The Article also provides a definition of the Community patent: any European patent granted by the Office for the entire territory of the Community shall be a Community patent.

###### **Article 2 - Community patent**

This Article specifies the characteristics of the Community patent. Paragraph 1 thus stipulates that the Community patent shall have a unitary character. It is to be issued, transferred, declared invalid or expire only for the Community as a whole.

Paragraph 2 lays down the autonomous nature of the Community patent. The Community patent shall be subject to the rules set out in the Regulation and to the general principles of Community law. The paragraph also stipulates that the provisions of the Regulation are without prejudice to the application of Member States' laws concerning criminal liability and unfair competition. In this respect, it should be noted that, in accordance with the general principle of equality of treatment embodied in Community law, Member States which impose penal sanctions for infringement of a national patent must ensure equivalent protection in cases of infringement of the Community patent.

Paragraph 3 makes reference to the terminology used in the Munich Convention.

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<sup>17</sup> Opinion 1/94 of the Court of Justice of 15 November 1994.

### **Article 3 - Application to the sea and submarine areas and to space**

Paragraph 1 incorporates the content of Article 9 of the Luxembourg Convention.

Paragraph 2 is aimed at ensuring protection for inventions made or used in space. This provision, requested by the European Parliament<sup>18</sup> and announced in the Communication dated 5 February 1999<sup>19</sup>, is essential in order to improve the competitiveness of European industry as compared, in particular, with the United States, where similar rules already exist<sup>20</sup>. It is necessary against the background of the major European commitment to the International Space Station.

## **CHAPTER II - PATENT LAW**

### **SECTION 1 - RIGHT TO THE PATENT**

#### **Article 4 - Right to the Community patent**

Paragraph 1 provides that the Community patent shall belong to the inventor or his successor in title.

Paragraph 2 sets out specific rules governing the relationship between the employee and the employer. It incorporates the rule set out in Article 60(1) of the Munich Convention, the terminology in which departs slightly from that used in Article 6 of the Rome Convention of 1980 on the law applicable to contractual obligations<sup>21</sup>. Given that the rules of the Munich Convention apply to determining the right to the patent during the phase prior to its being granted, it would be inconceivable for different criteria to be applied in determining the right to the Community patent prior to its being granted. This paragraph stipulates that the applicable law is that of the state in which the employee is mainly employed. If that state cannot be determined, the law to be applied shall be that of the state in which the employer has his place of business to which the employee is attached.

Paragraph 3 incorporates, in substance, the rule contained in Article 60(2) of the Munich Convention. It specifies to whom the patent belongs if two or more persons have made an invention independently of each other. In such situations, the patent belongs to the person who was first to file an application and whose application has been published. It is also stipulated that, in the event of a priority claim, the relevant date will be the priority date.

#### **Article 5 - Claiming the right to the Community patent**

This Article incorporates the content of Article 23 of the Luxembourg Convention.

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<sup>18</sup> Resolution on the Commission's Green Paper on the Community Patent and the Patent System in Europe - Promoting innovation through patents (COM(97) 314 final), point 9.

<sup>19</sup> COM(1999) 42 final.

<sup>20</sup> Communication from the Commission to the Council and the European Parliament - The European Union and space: fostering applications, markets and industrial competitiveness, COM(96) 617 final.

<sup>21</sup> Consolidated version, OJ C 27, 26.1.1998.

## **Article 6 - Effect of change of proprietorship of the Community patent**

This Article incorporates the content of Article 24 of the Luxembourg Convention.

## **SECTION 2 - EFFECTS OF THE COMMUNITY PATENT AND THE COMMUNITY PATENT APPLICATION**

### **Article 7 - Prohibition of direct use of the invention**

This provision corresponds to Article 25 of the Luxembourg Convention and to Article 28 of the TRIPS Agreement.

### **Article 8 - Prohibition of indirect use of the invention**

This Article incorporates the content of Article 26 of the Luxembourg Convention.

### **Article 9 - Limitation of the effects of the Community patent**

This Article incorporates, in large part, the content of Article 27 of the Luxembourg Convention and that of Article 4 of the TRIPS Agreement,

Point (e) provides a clarification, in that it covers not only objects used in the construction or operation of aircraft or land vehicles, but also those used in other means of transport. This concerns space craft, for example.

### **Article 10 - Community exhaustion of the rights conferred by the Community patent**

This Article lays down the principle of Community exhaustion. Corresponding rules are included in Article 28 of the Luxembourg Convention and Article 13 of the Regulation on the Community trade mark.

### **Article 11 - Rights conferred by the Community patent application after publication**

Paragraph 1 incorporates the content of Article 32(1) of the Luxembourg Convention.

Paragraph 2 departs from paragraphs 2 and 3 of the said Convention. In contrast to the solution adopted in the Luxembourg Convention, it is inconceivable that Member States should be given the option to lay down additional conditions to which the reasonable compensation referred to in this paragraph would be subject. This would have created a risk of different treatment from one Member State to the other for the implementation of the rights conferred by the Community patent application. As a result of the infringement, it is essential that the compensation referred to here be fixed on the basis of common rules. This is all the more desirable given that the court having jurisdiction in the matter would be a centralised Community court (see Chapter IV, section 1).

These provisions specify neither how the applicant would have to provide the suspected infringer with a translation nor the means by which he could ensure the appropriate language was selected in the event of the suspected infringer being domiciled in a Member State with more than one official language. In practice, such

situations should be quite rare, and it would appear unnecessary to make provision for mandatory procedures.

Several approaches are possible: the applicant and the addressee could agree informally on the language of the translation. If necessary, the applicant would of course have to prove before the Community court that such an agreement had been reached. If the applicant considered that the voluntary approach was leading nowhere, he could have recourse to an official notification. If he is domiciled in a different Member State from that of the addressee, he may for example make use of the notification mechanism provided for in the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters, which is currently in force in the Member States.<sup>22</sup> Under Article 5 of that Convention, the document may always be served by delivery to an addressee who accepts it voluntarily. If the addressee does not accept the document, he must specify the reason for refusal. The last sentence of Article 11(2) of the proposed Regulation, which provides that no translation shall be necessary if the suspected infringer understands the text, is intended to ensure that the addressee does not misuse his right to a particular language. In this case, too, the burden of proof nevertheless rests with the applicant.

Paragraph 3 provides that, when reasonable compensation is fixed, due account shall be taken of the good faith of the person who has used the invention or has made preparations to that end.

Paragraph 4 specifies that the official language referred to in paragraph 2 must also be an official language of the Community.

#### **Article 12 - Right based on prior use of the invention**

This Article corresponds in essence to Article 20 of the draft treaty submitted in 1991 to the diplomatic conference for the conclusion of a treaty supplementing the Paris Convention concerning patents. Instead of simply referring to national legislation, this text, like Article 37 of the Luxembourg Convention, defines in substance the right of the prior user.

#### **Article 13 - Process patents: burden of proof**

This Article corresponds to Article 35 of the Luxembourg Convention.

### **SECTION 3 – THE COMMUNITY PATENT AS AN OBJECT OF PROPERTY**

#### **Article 14 - Dealing with the Community patent as a national patent**

Paragraphs 1 and 2 incorporate, in substance, paragraphs 1 to 3 of Article 38 of the Luxembourg Convention. A similar provision has been adopted in the Regulation on the Community Trade Mark (Article 16). It provides that a Community patent shall be treated as an object of property in the same way as national patents. Paragraph 3,

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<sup>22</sup> In intra-Community relations, the procedures provided for under that Convention are set to be replaced soon by rules set out in a Council Regulation on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (amended proposal of 29 March 2000, COM(2000) 75 final).

by contrast, departs from Article 38(4) of the Luxembourg Convention. It stipulates that the coming into effect of the Community patent as an object of property cannot depend on any entry in a national patent register.

#### **Article 15 - Transfer**

Paragraphs 1 and 2 are intended to clarify that the Community patent shall be transferable independently of the undertaking concerned. Similar provisions have been adopted for the Community trade mark (Article 17(1) and (2) of the Regulation on the Community trade mark).

Paragraphs 3 to 5 correspond to Article 39 of the Luxembourg Convention.

#### **Article 16 - Rights *in rem***

This provision sets out to clarify that the Community patent may also be given as security or be the subject of another right *in rem*. These rights may be entered in the Register of Community patents and published. A similar provision has been adopted for the Community trade mark (Article 19 of the Regulation on the Community trade mark).

#### **Article 17 - Levy of execution**

The Community patent may, as an object of property, be levied in execution. The levy of execution may be entered in the Register of Community patents and published. A similar provision has been adopted for the Community trade mark (Article 20 of the Regulation on the Community trade mark).

#### **Article 18 - Bankruptcy or like proceedings**

This Article governs treatment of the patent in bankruptcy or like proceedings.

Paragraph 1 provides for the unified treatment of the patent by stating that the only Member State in which a Community patent may be involved in bankruptcy or like proceedings shall be that in which the debtor has his principal centre of interests. This rule is in line with the solution reached in the Regulation on insolvency proceedings adopted by the Council on 29 May 2000<sup>23</sup>. However, the Regulation will not be applicable in Denmark.

Paragraph 2 specifies that, in the case of joint proprietorship, the same rule shall apply to the share of the joint proprietor.

Paragraph 3 concerns entry in the Register of Community patents.

#### **Article 19 - Contractual licensing**

This provision is based on Article 42 of the Luxembourg Convention and on the arrangements for the Community trade mark (Article 22 of the Regulation on the Community trade mark).

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<sup>23</sup> Council Regulation of 29 May 2000 on insolvency proceedings, not yet published in the Official Journal).

Paragraph 1 sets out the principle that the proprietor can grant licences to third parties. For the proprietor, this is an essential source of income.

Paragraph 2 contains a general clause concerning the safeguarding of rights in the event of a breach of the limits imposed in the licensing contract. This may relate, for example, to a breach of the clauses governing the duration or territory for which the licence has been granted.

Paragraph 3 corresponds to Article 42(3) of the Luxembourg Convention.

### **Article 20 - Licences of right**

This provision incorporates the content of Article 43 of the Luxembourg Convention, except for an amendment to paragraph 5. It is intended to enable a system of licences of right to be used on the basis of declarations made to the Office.

Paragraph 5 departs from the corresponding provision of the Luxembourg Convention, in that the Commission, and not an Office cancellation division which would have to be set up, is the authority which defines the appropriate amount of the compensation in a situation where the proprietor of the patent and the user cannot agree on the amount. This is compatible with the role of the Commission as the authority charged with granting compulsory licences under Article 22 and with fixing appropriate remuneration for these licences. The solution is also in line with the approach according to which the Regulation does not provide for the setting-up of new special departments within the Office.

### **Article 21 - Grant of compulsory licences**

The system of compulsory licences is designed to provide guarantees against abuses of the rights conferred by the patent. It is based on the requirements of Article 5 of the Paris Convention on the protection of industrial property and on the more recent requirements referred to in Article 27(1) and Article 31 of the TRIPS Agreement.

Unlike the solution adopted in the Luxembourg Convention, which provides (Article 45) that national legislations should be applicable to compulsory licences for a Community patent, this proposal lists, with a view to ensuring greater legal certainty, the grounds on which such licences can be granted. The grounds set out in the provision correspond to the requirements laid down in the national legislations of several Member States, and to those deriving from the Paris Convention and the TRIPS Agreement.

The first ground is the lack or insufficiency of exploitation of the Community patent. Point 1 of the Article incorporates the requirements of Article 5(4) of the Paris Convention as regards the moment at which a compulsory licence can be applied for on this ground. It also incorporates the requirements of Article 27(1) of the TRIPS Agreement, which provides for a prohibition of discrimination between imported products and those of national origin.

Point 2 sets out the second ground. It applies to situations in which the holder of a Community or national patent (second patent) cannot exploit his patent without infringing another Community patent (the first patent). A Community or national plant variety right shall be dealt with as the second patent. In such situations, the second patent (or plant variety right) must, under Article 31(I) of the

TRIPS Agreement, involve an important technical advance in relation to the invention claimed in the first patent; the proposed provision authorises the Commission to adopt any measure it considers appropriate in order to verify that these requirements have been met.

Point 3 empowers the Commission to authorise the exploitation of a patent in some specific situations. These are times of crisis, extreme emergencies or situations where it is necessary to remedy a practice determined after judicial or administrative process to be anti-competitive.

Point 4 incorporates the content of Article 31(c) of the TRIPS Agreement, as regards cases of semi-conductor technology.

Point 5 incorporates, in substance, the content of Article 31(b) of the Luxembourg Convention.

Point 6 provides that the implementing rules and the procedures to be followed to apply these principles are laid down in the Implementing Regulations.

### **Article 22 – Conditions applicable to compulsory licences**

The conditions applicable to compulsory licences as set out in paragraph 1 correspond to those in Article 31 of the TRIPS Agreement.

Paragraph 2 specifies that Member States may not grant compulsory licences in respect of a Community patent.

### **Article 23 - Effects vis-à-vis third parties**

This provision defines the conditions in which the legal acts referred to in Articles 16 to 22 have effect vis-à-vis third parties. A corresponding provision exists in respect of the Community trade mark (Article 23 of the Regulation on the Community trade mark).

### **Article 24 - The application for a Community patent as an object of property**

Paragraph 1 specifies that Articles 14 to 19, Article 21 - apart from paragraphs 1 and 2 - and Article 22 shall also be applicable to Community patent applications. A similar provision is included in the Regulation on the Community trade mark (Article 24). The reference made to the Articles in the same section also means that, in exactly the same way as patents, patent applications are entered in the Register of Community patents.

Paragraph 2 states that rights which have been acquired on the basis of a patent application continue to be effective on the basis of the patent once granted.

## **CHAPTER III - RENEWAL, LAPSE AND INVALIDITY OF THE COMMUNITY PATENT**

### **SECTION 1 - RENEWAL AND LAPSE**

#### **Article 25 - Renewal fees**

Paragraph 1 represents the basic provision governing renewal fees. These fees must be paid to the Office if the Community patent is to be renewed. The provision specifies the time from which fees are payable. The amount of the fees will be fixed in the implementing regulation on fees.

Paragraph 2 provides for a period of grace for the payment of the renewal fees, subject to payment of an additional fee.

Paragraph 3 provides that, for reasons of equity, no such additional fee shall be levied if the date on which the renewal fee is due falls within two months from the date on which the patent was granted, provided payment is made within the time limit laid down in Paragraph 2.

#### **Article 26 - Surrender**

This Article provides that the Community patent may be surrendered only in its entirety. Surrender must be communicated in writing to the Office. It is entered in the Register of Community patents, subject to prior notification having been made to a certain category of persons or, where appropriate, to an agreement having been reached.

#### **Article 27 - Lapse**

This Article sets out the situations in which the Community patent lapses. It corresponds, in essence, to the content of Article 50 of the Luxembourg Convention. However, unlike the latter, which refers to the Munich Convention concerning the duration of protection, paragraph 1(a) lays down this duration.

### **SECTION 2 – INVALIDITY OF THE COMMUNITY PATENT**

#### **Article 28 - Grounds for invalidity**

This Article, which lays down the grounds for invalidity of the Community patent, essentially incorporates the content of Article 56 of the Luxembourg Convention, apart from the following exceptions.

Subparagraph 1(f) of this Article, unlike Article 56(1)(f) of the Luxembourg Convention, makes no reference to Article 36(1) of the said Convention, but incorporates a substantive rule governing grounds for invalidity.

Unlike Article 56(3) of the Luxembourg Convention, this Article does not contain any provision according to which the invalidity of the Community patent in the case provided for in subparagraph 1(f), would be declared only for the Member State concerned. It follows that, in the case of a prior national patent in just one Member State, the Community patent would be declared invalid throughout the Community. This solution, which is necessary in order to preserve the unity of the

Community patent nevertheless entails strict treatment of the Community patent compared with European patents, which are in effect national patents.

It should be pointed out that jurisdiction for deciding on the invalidity of the Community patent resides with the Community intellectual property court. However, given that national courts are to retain jurisdiction for actions relating to Community patent law, the centralised court will be able to issue a declaration of invalidity on the grounds referred to in subparagraph (e) only after a national court has handed down a judgment (see Article 31(2) of this Regulation).

#### **Article 29 - Effects of invalidity**

This Article corresponds in part to Article 54 of the Regulation on the Community trade mark. Paragraph 1 defines the impact of invalidity. Paragraph 2 sets out the decisions and contracts remaining unaffected by invalidity. It departs from the system relating to the Community trade mark in that no provision is made for the application of national provisions concerning compensation for damage suffered as a result of the behaviour of the proprietor or concerning unjust enrichment. This is because the Regulation provides for a complete system of compensation based on common rules (see Article 44 concerning damages).

### **CHAPTER IV - JURISDICTION AND PROCEDURE IN LEGAL ACTIONS RELATING TO THE COMMUNITY PATENT**

#### **SECTION 1 - ACTIONS CONCERNING THE VALIDITY, INFRINGEMENT AND USE OF THE COMMUNITY PATENT**

##### **Article 30 - Actions and claims relating to the Community patent - Exclusive jurisdiction of the Community intellectual property court**

Paragraph 1 gives an exhaustive list of the types of actions and claims which must be brought before the Community intellectual property court. These are actions and claims relating to the validity and infringement of the patent, as well as those relating to the use of the invention and compensation for damage.

Paragraph 2 stipulates that the Community patent cannot be the subject of an action in respect of threatened infringement.

Paragraph 3 specifies which court has jurisdiction. The Community intellectual property court has exclusive jurisdiction to deal with the actions and claims referred to. Thus, even subsequent claims for damages must be brought before this centralised court and not before the national courts.

Paragraph 4 states that, where the conditions and arrangements for the actions and claims concerned are not already governed by the EC Treaty or this Regulation, the statute or procedural rules of the said court shall apply.

### **Article 31 - Invalidity action**

This provision specifies the grounds on which a direct application for invalidity can be based, the persons entitled to institute an action and other applicable conditions. It departs from Article 55 of the Luxembourg Convention by stipulating that an action for invalidity can be brought even if an opposition can still be filed or opposition proceedings are pending before the Office.

### **Article 32 - Counterclaim for invalidity**

This provision defines the conditions governing a counterclaim for invalidity and provides for an obligation to furnish information in the event of the proprietor of the patent not being a party to the litigation. A corresponding provision has been adopted for the Community trade mark (Article 96 of the Regulation on the Community trade mark).

### **Articles 33 and 34 - Infringement proceedings - Action for declaration of non-infringement**

These two Articles lay down the conditions governing infringement proceedings and actions for a declaration of non-infringement, and specify which persons may initiate or intervene in such actions.

### **Articles 35 and 36 – Proceedings relating to use of the invention prior to the grant of the patent - Proceedings relating to a right based on prior use of the invention**

These two Articles lay down the conditions governing actions relating to use of the invention over the course of the period referred to in Article 11 of this Regulation and to the right based on prior use referred to in Article 12 of this Regulation, as well as specifying which persons may initiate such an action.

### **Article 37 – Request for limitation**

The provision lays down the procedure for and conditions applying to requests for limitation.

A proprietor of a patent may have an interest in applying, on his own initiative, for a limitation of his patent. He may be in a weak position compared with the suspected infringer and may wish, as a result, to limit the risk of an invalidity action with possible adverse economic consequences in terms of damages.

### **Article 38 – Application for a ruling that a patent has lapsed**

This Article provides that, on the grounds referred to in Article 27, anyone may file an action for a ruling that a patent has lapsed.

### **Article 39 – Appeals**

This Article sets out the basic principles relating to appeals against decisions made by the Community intellectual property court in the first instance. Concerning more detailed rules, it refers to the statute of the court.

#### **Article 40 – Commission's capacity to act**

This Article empowers the Commission, in the interest of the Community, to bring an action for invalidity before the Community court and to intervene in any procedure ongoing before that court. This power is designed, amongst other things, to compensate for the fact that this Regulation does not provide for a direct appeal against decisions by the Office.

#### **Article 41 – Extent of jurisdiction**

This provision lays down that the centralised court's jurisdiction in matters of infringement and use of the patent covers the entire territory of the Community.

#### **Article 42 – Provisional or protective measures**

This Article specifies that the Community intellectual property court may take any provisional or protective measure which may be necessary. More detailed rules will be set out in its statute.

The centralised court will in fact be the best placed to decide on such measures, which always call for a certain ability to gauge the justification of the request. It is important that it should have straightforward and rapid procedures making for efficient enforcement in all Member States. By contrast, it is appropriate not to endow Member States' courts with concurrent power to order provisional measures in cases where the centralised court would have jurisdiction to decide on the substance of the case. It is important, as far as possible, to prevent any inconsistency arising between the provisional and protective measures ordered by national courts and by the centralised court.

#### **Article 43 - Penalties**

This provision states that the court hearing an infringement action may, having established that an infringement has taken place, impose a number of sanctions. For example, it may order a cessation of the infringement or various seizures, as well as any other sanction that provides a suitable means, in the specific circumstances, of ensuring compliance with the cessation order.

#### **Article 44 - Actions or claims for damages**

This provision stipulates that the centralised court may not only establish, for example, the fact of infringement or invalidity of the patent and impose sanctions, but may also order compensation for damage suffered. If this were not the case, the parties would have to institute new legal proceedings before national courts. This would run counter to the objective of providing an effective way of resolving their dispute. The provision contains substantive rules on determining damages. Paragraph 2 gives a non-exhaustive list of factors which the Community intellectual property court must take into account when fixing damages.

It is inconceivable that the rules relating to infringements of a unitary right, such as the Community patent, should be determined case by case on the basis of criteria such as the place of infringement or the domicile of the parties concerned. An infringement of the Community patent anywhere in the Community is an

infringement of the patent's unity. Moreover, in situations where an infringement was committed in several Member States, it would be inconceivable for the Community court to apply as many national laws as there were Member States in which the infringement had taken place. For the parties concerned, this provision guarantees transparency as to the outcome of their litigation - a transparency which the future case law of the centralised court will further underpin.

It is essential that this provision be framed in general terms. This will enable the Community court to find an appropriate solution in each individual case. It should nevertheless be pointed out, in order to avoid any misunderstanding, that damages cannot be of a repressive nature.

As already stated in Article 30, the centralised court would retain jurisdiction for damages claims subsequent to the principal action. The aim of this provision is to prevent conflict situations or case-law inconsistencies from arising, such as would happen if national courts had this power.

Paragraphs 3 and 4 set out specific rules governing the award of damages in cases of infringement.

Paragraph 3 provides for an assumption being made in favour of the infringer referred to in this paragraph, to the effect that he did not know, and could not have known, that he was infringing the patent if the patent was not issued in the official language of the Member State in which he is domiciled, or if it was not translated and made available to the general public in that language. In such a situation, damages for infringement are payable only in respect of the period starting from the moment when a translation of the patent has been communicated to him in that language.

Paragraph 4 provides that a suspected infringer who is domiciled in a Member State with two or more official languages shall be entitled to receive notification in the official language which he knows. This principle corresponds to that described in Article 12.

#### **Article 45 – Period of limitation**

This Article provides for a period of limitation for a number of actions referred to in this Section.

### **SECTION 2 - JURISDICTION AND PROCEDURE IN OTHER ACTIONS RELATING TO THE COMMUNITY PATENT**

#### **Article 46 – Jurisdiction of national courts**

The exclusive jurisdiction residing with the Community intellectual property court does not cover all the possible aspects which may relate to the Community patent. Thus, disputes relating to questions such as who holds the right to a patented invention, for example in the relationship between an employer and an employee, the contractual consequences of non-compliance with the clauses of a contractual licence, or disputes relating to the transfer of a patent fall under the jurisdiction of national courts.

## **Article 47 – Application of the Brussels Convention**

As a general rule, it is intended that the Brussels Convention should apply to civil and commercial litigation, even where it relates to a Community right such as the Community patent. The necessary exceptions and additions are set out in the Regulation.

Account has been taken of the fact that the Brussels Convention<sup>24</sup> is currently undergoing conversion into a Regulation for the majority of Member States. It is intended that, once the Regulation has entered into force, its rules will apply to relations between these Member States. As regards those Member States to which the future Regulation will not apply, the rules of the Brussels Convention will continue to apply, unless a new Convention is concluded between the Community and that State or those States. For reasons of clarity, reference is made only to the Brussels Convention currently in force.

## **Article 48 – Proceedings relating to the right to a patent over which an employer and an employee are in dispute**

The Article contains a rule that departs from the Brussels Convention as regards litigation between an employer and an employee: under paragraph 1, sole jurisdiction resides with the courts of the Member State under whose law the right to a European patent is defined on the basis of the provisions of the Regulation. A corresponding provision is contained in the Luxembourg Convention (Article 67(2)). Paragraph 2 reflects the equivalent provision in the Brussels Convention. Nevertheless, it is necessary to include it in the Regulation, firstly because paragraph 1 represents a departure, and secondly, given the importance attaching to this provision, for reasons of transparency.

## **Article 49 – Actions relating to the levy of execution on the Community patent**

This Article, which incorporates Article 40 of the Luxembourg Convention, determines jurisdiction over the levy of execution. A corresponding provision has been adopted for the Community trade mark (Article 20(2)). Just like the Community trade mark, the Community patent constitutes an object of property that is distinct from the undertaking of the proprietor. Its effects are determined by the law of the State referred to in Article 14. It is natural, therefore, that jurisdiction over the levy of execution should be determined according to the law of the same State.

## **Article 50 – Supplementary provisions on jurisdiction**

Paragraph 1, containing the rules on the territorial jurisdiction of national courts, incorporates the content of Article 68(1) of the Luxembourg Convention. Jurisdiction resides with the same courts as have jurisdiction in matters of national patents granted in Member States. This Article is intended to guarantee that, in each Member State, an appropriate court exists which also deals with litigation relating to a unitary right.

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<sup>24</sup> Commission proposal of 14 July 1999, COM(1999) 348 final.

Paragraph 2, which incorporates the content of Article 68(3) of the Luxembourg Convention, provides for international jurisdiction to be vested in the courts of the Member State in which the European Patent Organisation has its headquarters, for situations where no court of another Member State has jurisdiction under Articles 47 and 48 and paragraph 1 of the Article concerned.

#### **Article 51 – Obligations of the national court**

This provision is considered necessary in order to safeguard the exclusive jurisdictions held by the centralised court in matters of Community patent validity.

Paragraph 1 stipulates that a national court hearing an action which falls under the exclusive jurisdiction of the Community court shall declare of its own motion that it has no jurisdiction in the matter.

Paragraph 2 incorporates Article 72 of the Luxembourg Convention by providing that national courts shall treat the Community patent as valid. A similar provision has been adopted for the Community trade mark (Article 103 of the Regulation on the Community trade mark). The rule shall, of course, not apply if the court having jurisdiction has invalidated the patent.

Paragraph 3 is designed to ensure that, when a national court hears an action of a type other than those referred to in Article 30, but in which it is nevertheless important to know the result of an action brought before the Community court, it shall stay the proceedings. In practice, such situations are not likely to be common, given that it is the Community courts which will also impose damages for infringement and declare the Community patent invalid. Actions relating to unfair competition would be possible, however. A similar provision is contained in Article 34 of the Protocol on Litigation appended to the Luxembourg Convention.

The national court will thus retain a degree of discretion as regards a stay of proceedings if a case is pending before the centralised court. Thus, notwithstanding a case pending before the centralised court, a national court may give a ruling on a case before it as soon as a decision in the case before the centralised court is no longer indispensable to it. However, in such a situation, the national court must, in its decision, regard the patent as being valid.

#### **Article 52 – Applicable law of procedure**

This provision guarantees that, in terms of rules of procedure, the Community patent will be treated in the same way as national patents.

### **SECTION 3 - ARBITRATION**

#### **Article 53 - Arbitration**

This provision is intended to demonstrate that the Regulation does not rule out disputes about a Community patent going to arbitration. The only restriction is that a Community patent cannot be declared invalid in arbitration proceedings. This possibility falls under the exclusive jurisdiction of the Community intellectual property court.

The parties concerned could thus settle the question of damages by way of arbitration.

As things stand at present, it would appear unnecessary to propose common rules for arbitration. That is why the Article contains a reference to the national rules of the Member States. The reference concerns both material rules and the rules of private international law in force in Member States. The recognition and enforcement of arbitration awards in Member States are governed mainly by the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

## **CHAPTER V - IMPACT ON NATIONAL LAW**

### **Article 54 – Prohibition of simultaneous protection**

This provision, which is in line with Article 75 of the Luxembourg Convention, is aimed at guaranteeing the prohibition of simultaneous protection. Dual protection for the same territory is, in fact, inconceivable. The Article provides that, in such a situation, the national patent will cease to have effect and lays down precisely when this will be the case.

Paragraphs 3 and 4 incorporate the content of paragraphs 3 and 4 of Article 75 of the Luxembourg Convention.

### **Article 55 - National utility models and utility certificates**

This Article incorporates the content of Article 79 of the Luxembourg Convention. It enables a national utility model or utility certificate or a corresponding application to be treated as a patent for the purposes of applying Article 54.

As work on the modified proposal for a Directive on utility models has not yet been completed<sup>25</sup>, it was not considered appropriate, at least at this stage, to adapt the text so as to refer to a utility model within the meaning of the Directive of the European Parliament and of the Council. This Article therefore refers only to utility models, utility certificates and corresponding applications in Member States where they exist and the content of which may vary from one Member State to the other.

## **CHAPTER VI - FINAL PROVISIONS**

### **Article 56 - Register of Community patents**

This Article sets out the rules relating to the register of Community patents. It lays down that the register shall be kept by the Office and be open to inspection by the public.

### **Article 57 - Community Patent Bulletin**

This Article sets out the rules relating to the Community Patent Bulletin. It lays down that the Office shall be responsible for publication.

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<sup>25</sup> Amended proposal of 25 June 1999, COM(1999) 309 final.

## **Article 58 – Optional translations**

This Article refers only to the proprietor's option of subsequently producing translations of a patent already granted.

Under this Article, the proprietor of a patent will have the option of producing and depositing with the Office a translation of his patent into several or all of the official languages of the Community. It should be noted that a patent granted in accordance with the European patent system is valid without any translation other than that referred to in the Munich Convention. This means that the documents of the Community patent will be published in the language of the proceedings before the Office (English, German or French) with, in addition, a translation of the claims into the two other official languages of the Office.

The optional translations are intended to ensure more efficient dissemination of information relating to the patent granted. These translations will enable the proprietor to avoid a situation where the absence of a translation in the language of a suspected infringer might be cited as grounds for releasing the latter from the need to pay damages in compensation of the injury caused by infringement of the patent.

## **Article 59 – Implementing regulations**

It is intended to supplement the Regulation with a set of implementing regulations laying down the procedures for its application. They will be adopted via a comitology procedure.

The implementing regulations include, in particular, the arrangements and procedures to be followed for application of the rules relating to Articles 6 (effect of a change of proprietorship), 20 (licences of right), 21 (compulsory licences) and 26 (surrender).

By contrast, it is felt that the details of applying Articles 56 and 57, for example (concerning the keeping and public inspection of the Register of Community patents and the publication of the Community Patent Bulletin) can be laid down in the context of negotiations on the accession of the Community to the Munich Convention.

## **Article 60 - Rules relating to fees**

In order to guarantee that the Community patent is genuinely affordable, it is intended that full competence regarding annual fees for the renewal of a patent once granted, including any additional fees, should fall within Community jurisdiction. Paragraph 1 provides that the amount of the fees and the ways in which they are to be paid shall be laid down in a set of implementing regulations.

Paragraph 2 refers to the comitology procedure for the adoption of the implementing regulations.

### **Article 61 - Establishment of a committee and procedure for the adoption of the implementing regulations**

This provision states that a committee designated "committee for issues relating to fees and to the rules for the implementation of the Regulation on the Community patent" is to be set up for the adoption of the implementing regulations referred to in Articles 59 and 60. This provision corresponds to the Decision of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>26</sup>, and in particular Article 5 thereof.

### **Article 62 – Report on the implementation of this Regulation**

This Article provides that, five years after the entry into force of the Regulation, the Commission is to publish a report on its application. This report is to cover, in particular, the cost of the Community patent and the system of litigation in matters of infringement and validity.

### **Article 63 - Entry into force**

Paragraph 1 specifies the date of entry into force of the Regulation.

Paragraph 2 lays down the mechanism to be followed in order to determine the time as of when an application can be filed for a patent covering the territory of the Community.

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<sup>26</sup>

OJ L 184, 17.7.1999.

Proposal for a  
**COUNCIL REGULATION**  
**on the Community patent**  
(Text with EEA relevance)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission<sup>1</sup>,

Having regard to the opinion of the European Parliament<sup>2</sup>,

Having regard to the opinion of the Economic and Social Committee<sup>3</sup>,

Whereas:

- (1) The activities of the Community include the establishment of an internal market characterised by the abolition of obstacles to the free movement of goods and the creation of a system ensuring that competition in the internal market is not distorted. The creation of the legal conditions enabling undertakings to adapt their activities in manufacturing and distributing products to a Community dimension helps to attain these objectives. A patent to which uniform protection is given and which produces uniform effects throughout the Community should feature amongst the legal instruments which undertakings have at their disposal.
- (2) The Munich Convention on the Grant of European Patents of 5 October 1973 (hereinafter referred to as the "Munich Convention") established the European Patent Office (hereinafter referred to as "the Office") and entrusted it with the task of granting European patents. The expertise offered by the Office should be used in the granting and administration of the Community patent.
- (3) The accession of the Community to the Munich Convention will enable the Community to be included in the Convention system as a territory for which a unitary patent can be granted. The Community can, therefore, limit this Regulation to the creation of the law applicable to the Community patent once granted.

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<sup>1</sup> OJ C  
<sup>2</sup> OJ C  
<sup>3</sup> OJ C

- (4) Community patent law applicable to the Community patent should not replace the laws of the Member States on patents, nor European patent law as established by the Munich Convention. It would not in fact appear to be justified to require undertakings to apply for registration of their patents as Community patents, since national patents and European patents continue to be necessary for those undertakings which do not want protection of their inventions at Community level. This Regulation should therefore be without prejudice to the right of the Member States to grant national patents.
- (5) The objective of an affordable Community patent militates in favour of a patent that is valid throughout the Community in the language in which it was granted under the Munich Convention.
- (6) Any negative effects of a monopoly created by a Community patent should be prevented through a system of compulsory licences. The Commission should therefore be given decision-making powers in this matter. Commission decisions are subject to appeal under Article 230 of the Treaty before the Court of First Instance of the European Communities and before the Court of Justice of the European Communities.
- (7) For reasons of legal certainty, all actions relating to certain aspects of the Community patent should come under the jurisdiction of one court, and the decisions of that court should be enforceable throughout the Community. Exclusive jurisdiction for a certain category of actions and applications relating to a Community patent, and in particular for actions relating to infringement and validity, should therefore be given to the Community intellectual property court. Judgments of a Chamber of First Instance of that court should be subject to appeal to a Chamber of Appeal of that court.
- (8) The court ruling on infringement and validity should also be able to rule on penalties and compensation for damage on the basis of common rules. Those powers are without prejudice to the powers to apply any rules on criminal liability and unfair competition provided for under the Member States' national law.
- (9) The rules for proceedings before the Community intellectual property court are laid down in the court's statute and rules of procedure.
- (10) In accordance with the principles of subsidiarity and proportionality as set out in Article 5 of the Treaty, the objectives of the proposed action, in particular the creation of a unitary right with effect throughout the Community, can be achieved only by the Community. This Regulation confines itself to the minimum required in order to achieve those objectives and does not go beyond what is necessary for that purpose.
- (11) Since the measures necessary for implementing this Regulation are measures of general scope within the meaning of Article 2 of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission<sup>4</sup>, they should be adopted in accordance with the regulatory procedure laid down in Article 5 of that Decision,

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<sup>4</sup> OJ L 184, 17.7.1999, p. 23.

HAS ADOPTED THIS REGULATION:

## CHAPTER I

### GENERAL PROVISIONS

#### *Article 1*

#### **Community patent law**

This Regulation establishes a Community law on patents. This law shall apply to all patents granted by the European Patent Office (hereinafter referred to as "the Office") under the provisions of the European Patent Convention of 5 October 1973 (hereinafter referred to as the "Munich Convention") throughout the entire area of the Community.

For the purpose of this Regulation, such patents shall be considered to be Community patents.

#### *Article 2*

#### **Community patent**

1. The Community patent shall have a unitary character. It shall have equal effect throughout the Community and may only be granted, transferred, declared invalid or lapse in respect of the whole of the Community.
2. The Community patent shall have an autonomous character. It shall be subject only to the provisions of this Regulation and to the general principles of Community law. However, the provisions of this Regulation shall not exclude the application of the law of Member States with regard to criminal liability and unfair competition.
3. Unless otherwise provided for, the terms used in this Regulation shall have the same meaning as the corresponding terms used in the Munich Convention.
4. For the purposes of this Regulation, the term "application for a Community patent" shall mean an application for a European patent designating the territory of the Community.

#### *Article 3*

#### **Application to the sea and submarine areas and to space**

1. This Regulation shall apply to the sea and submarine areas adjacent to a Member State's territory in which that Member State exercises sovereign rights or jurisdiction in accordance with international law.
2. This Regulation shall apply to inventions created or used in outer space, including on celestial bodies or on spacecraft, which are under the jurisdiction and control of one or more Member States in accordance with international law.

## **CHAPTER II**

### **PATENT LAW**

#### **SECTION 1**

#### **RIGHT TO THE PATENT**

##### *Article 4*

##### **Right to the Community patent**

1. The right to the Community patent shall belong to the inventor or his successor in title.
2. If the inventor is an employee, the right to the Community patent shall be determined in accordance with the law of the State in which the employee is mainly employed; if the State in which the employee is mainly employed cannot be determined, the law to be applied shall be that of the State in which the employer has his place of business to which the employee is attached.
3. If two or more persons have made an invention independently of each other, the right to the Community patent shall belong to the person whose Community patent application has the earliest date of filing or, where applicable, the earliest date of priority. This provision shall apply only if the first Community patent application has been published.

##### *Article 5*

##### **Claiming the right to the Community patent**

1. If the Community patent has been granted to a person who is not entitled to it under Article 4(1) and (2), the person entitled to it under that article may, without prejudice to any other right or remedy which may be open to him, claim to have the patent transferred to him.
2. Where a person is entitled to only part of the Community patent, that person may, in accordance with paragraph 1, claim to be made a joint proprietor.
3. Legal proceedings in respect of the rights referred to in paragraphs 1 and 2 may be instituted only within a period of two years after the date on which the Community Patent Bulletin, referred to in Article 57, publishes the grant of the Community patent. This provision shall not apply if the proprietor of the patent knew, at the time of the grant or of the acquisition of the patent, that he was not entitled to the patent.
4. The fact that legal proceedings have been instituted shall be entered in the Register of Community Patents referred to in Article 56. The final decision in the legal proceedings or any withdrawal thereof shall also be entered.

## *Article 6*

### **Effect of change of proprietorship of the Community patent**

1. Where there is a complete change of proprietorship of a Community patent as a result of legal proceedings referred to in Article 5, licences and other rights shall lapse upon the registration of the person entitled to the patent in the Register of Community Patents referred to in Article 56.
2. If, before the institution of legal proceedings has been registered,
  - (a) the proprietor of the patent has used the invention within the territory of the Community or made effective and serious preparations to do so,
  - or
  - (b) a licensee of the patent has obtained his licence and has used the invention within the territory of the Community or made effective and serious preparations to do so,

he may continue such use provided that he requests a non-exclusive licence of the patent from the new proprietor whose name is entered in the Register of Community Patents. Such request must be made within the period prescribed in the implementing regulations. The licence shall be granted for a reasonable period and upon reasonable terms.
3. Paragraph 2 shall not apply if the proprietor of the patent or the licensee was acting in bad faith at the time when he began to use the invention or to make preparations to do so.

## **SECTION 2**

### **EFFECTS OF THE COMMUNITY PATENT AND THE COMMUNITY PATENT APPLICATION**

## *Article 7*

### **Prohibition of direct use of the invention**

The Community patent shall confer on its proprietor the right to prevent all third parties not having his consent:

- (a) from making, offering, putting on the market or using the product which is the subject-matter of the patent, or importing or stocking the product for these purposes;
- (b) from using the process which is the subject-matter of the patent or, when the third party knows, or it is obvious in the circumstances, that the use of the process is prohibited without the consent of the proprietor of the patent, from offering the process for use within the territories of the Member States;

- (c) from offering, putting on the market or using a product obtained directly by a process which is the subject-matter of the patent, or importing or stocking the product for these purposes.

#### *Article 8*

##### **Prohibition of indirect use of the invention**

1. In addition to the right conferred pursuant to Article 7, the Community patent shall confer on its proprietor the right to prevent all third parties not having his consent from supplying or offering to supply within the territories of the Member States to a person, other than one entitled to exploit the patented invention, with means, relating to an essential element of that invention, for putting it into effect therein, when the third party knows, or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect.
2. Paragraph 1 shall not apply when the means are staple commercial products, except when the third party induces the person supplied to commit acts prohibited by Article 7.
3. Persons performing the acts referred to in Article 9(a) (b) and (c) shall not be considered to be parties entitled to exploit the invention within the meaning of paragraph 1.

#### *Article 9*

##### **Limitation of the effects of the Community patent**

The rights conferred by the Community patent shall not extend to:

- (a) acts done privately and for non-commercial purposes;
- (b) acts done for experimental purposes relating to the subject-matter of the patented invention;
- (c) the extemporaneous preparation for individual cases in a pharmacy of a medicine in accordance with a medical prescription nor acts concerning the medicine so prepared;
- (d) the use on board vessels of countries other than Member States of the patented invention, in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of Member States, provided that the invention is used there exclusively for the needs of the vessel;
- (e) the use of the patented invention in the construction or operation of aircraft or land vehicles or other means of transport of non-member States, or of accessories to such aircraft or land vehicles, when these temporarily or accidentally enter the territory of Member States;

- (f) the acts specified in Article 27 of the Convention on International Civil Aviation of 7 December 1944, where these acts concern the aircraft of a country other than a Member State.

*Article 10*

**Community exhaustion of the rights conferred by the Community patent**

The rights conferred by the Community patent shall not extend to acts concerning the product covered by that patent which are carried out within the territories of the Member States after that product has been put on the market in the Community by the proprietor of the patent or with his consent, unless there are legitimate grounds for the proprietor to oppose further commercialisation of the product.

*Article 11*

**Rights conferred by the Community patent application after publication**

1. Compensation reasonable in the circumstances may be claimed from a third party who, in the period between the date of publication of a Community patent application and the date of publication of the mention of the grant of the Community patent, has made any use of the invention which, after that period, would be prohibited by virtue of the Community patent.
2. Reasonable compensation shall be due only if the applicant has either communicated to the person using the invention or filed with the Office a translation of the claims which the Office has made available to the public and which is in the official language of the Member State in which the person using the invention has his residence or principal place of business or, where that State has more than one official language, in the language which that person has accepted or designated, provided that the contested use constitutes infringement of the application according to the original text of the application and according to the text of the translation. However, if the person using the invention is able to understand the text of the Community patent application in the language in which it was made available to the public, reasonable compensation shall be due without communication of a translation.
3. When reasonable compensation is fixed, due account shall be taken of the good faith of the person who has used the invention.
4. The official language referred to in paragraph 2 shall be an official language of the Community.

*Article 12*

**Right based on prior use of the invention**

1. A Community patent may not be invoked against a person who, in good faith and for business purposes, had used the invention in the Community or had made effective and serious preparations for such use before the filing date or, where priority has been claimed, the priority date of the application on the basis of which the patent is granted (hereinafter referred to as "the prior user"); the prior user shall have the right, for business purposes, to continue the use in question or to use the invention as planned during the preparations.
2. The right of the prior user may not be transferred either during the user's lifetime or following his death other than with the user's undertaking or that part of the undertaking in which the use or the preparations for use took place.

*Article 13*

**Process patents: burden of proof**

1. If the subject-matter of a Community patent is a process for obtaining a new product, the same product when produced without the consent of the proprietor shall, in the absence of proof to the contrary, be deemed to have been obtained by the patented process.
2. In adducing proof to the contrary, the legitimate interests of the defendant in protecting his manufacturing and trade secrets shall be taken into account.

**SECTION 3**

**THE COMMUNITY PATENT AS AN OBJECT OF PROPERTY**

*Article 14*

**Dealing with the Community patent as a national patent**

1. Unless otherwise specified in Articles 15 to 24, the Community patent as an object of property shall be dealt with in its entirety, and for the whole of the Community, as a national patent of the Member State in which, according to the Register of Community Patents provided for by Article 56:
  - (a) the applicant for the patent had his residence or place of business on the date of filing of the Community patent application;
  - (b) where subparagraph (a) does not apply, the applicant had an establishment on that date;

- (c) where neither subparagraph (a) nor subparagraph (b) applies, the applicant's representative whose name is entered first in the Register of Community Patents had his professional domicile on the date of that entry.

In all other cases, the Member State referred to shall be that in which the European Patent Organisation has its seat.

2. If two or more persons are mentioned in the Register of Community Patents as joint applicants, the first subparagraph of paragraph 1 shall apply to the joint applicant first mentioned. If this is not possible, the first subparagraph of paragraph 1 shall apply to the joint applicants next mentioned in order of entry. Where the first subparagraph of paragraph 1 does not apply to any of the joint applicants, the second subparagraph of paragraph 1 shall apply.
3. The acquisition of a right may not be dependent on any entry in a national patent register.

#### *Article 15*

##### **Transfer**

1. The Community patent held by an undertaking may be transferred independently of the transfer of the undertaking.
2. A transfer of the whole of the undertaking shall include the transfer of the Community patent except where, in accordance with the law governing the transfer, there is agreement to the contrary or circumstances clearly dictate otherwise. This provision shall apply to the contractual obligation to transfer the undertaking.
3. The transfer of the Community patent shall be made in writing and shall require the signature of the parties to the contract, except when it is a result of a judgment; otherwise it shall be void.
4. Subject to Article 6(1), a transfer shall not affect rights acquired by third parties before the date of transfer.
5. A transfer shall, to the extent to which it is verified by the documents set out in the implementing regulations referred to in Article 59, have effect vis-à-vis third parties only after entry in the Register of Community Patents referred to in Article 56. Nevertheless, a transfer, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights after the date of the transfer but who knew of the transfer on the date on which the rights were acquired.

#### *Article 16*

##### **Rights *in rem***

1. The Community patent may, independently of the undertaking, be given as security or be the subject of rights *in rem*.

2. At the request of one of the parties, the rights referred to in paragraph 1 shall be entered in the Register of Community Patents referred to in Article 56 and published in the Community Patent Bulletin referred to in Article 57.

#### *Article 17*

##### **Levy of execution**

1. The Community patent may be levied in execution.
2. At the request of one of the parties, the levy of execution shall be entered in the Register of Community Patents referred to in Article 56 of this Regulation and published in the Community Patent Bulletin referred to in Article 57.

#### *Article 18*

##### **Bankruptcy or like proceedings**

1. The only Member State in which a Community patent may be involved in bankruptcy or like proceedings shall be that in which the debtor has his principal centre of interests.
2. In the case of joint proprietorship of a Community patent, paragraph 1 shall apply to the share of the joint proprietor.
3. Where a Community patent is involved in bankruptcy or like proceedings, on request of the competent national authority an entry to this effect shall be made in the Register of Community Patents referred to in Article 56 and published in the Community Patent Bulletin referred to in Article 57.

#### *Article 19*

##### **Contractual licensing**

1. The Community patent may be licensed in whole or in part for the whole or part of the Community. A licence may be exclusive or non-exclusive.
2. The rights conferred by the Community patent may be invoked against a licensee who breaches any restriction in the licensing contract.
3. Article 15(4) and (5) shall apply to the grant or transfer of a licence in respect of a Community patent.

## *Article 20*

### **Licences of right**

1. The proprietor of a Community patent may file a written statement with the Office that he is prepared to allow any person to use the invention as a licensee in return for appropriate compensation. In that case, the renewal fees for the Community patent which fall due after receipt of the statement shall be reduced; the amount of the reduction shall be fixed in the rules relating to fees referred to in Article 60. Where there is a complete change of proprietorship of the patent as a result of legal proceedings under Article 5, the statement shall be deemed withdrawn on the date of entry of the name of the person entitled to the patent in the Register of Community Patents.
2. The statement may be withdrawn at any time by a written communication to this effect to the Office, provided that no-one has yet informed the proprietor of the patent of his intention to use the invention. Such withdrawal shall take effect from the date of receipt of that communication by the Office. The amount by which the renewal fees were reduced shall be paid within one month after withdrawal; Article 25(2) shall apply, but the six-month period shall start upon expiry of the above period.
3. The statement may not be filed while an exclusive licence is recorded in the Register of Community Patents or a request for the recording of such a licence is before the Office.
4. On the basis of the statement, any person shall be entitled to use the invention as a licensee under the conditions laid down in the implementing regulations referred to in Article 59. A licence obtained under the terms of this Article shall, for the purposes of this Regulation, be treated as a contractual licence.
5. On written request by one of the parties, the Commission shall determine the appropriate compensation referred to in paragraph 1 or review it if circumstances have arisen or become known which render the compensation determined obviously inappropriate.
6. No request for recording an exclusive licence in the Register of Community Patents shall be admissible after the statement has been filed, unless it is withdrawn or deemed withdrawn.
7. The Member States may not grant licences of right in respect of a Community patent.

## *Article 21*

### **Grant of compulsory licences**

1. The Commission may grant a compulsory licence for lack or insufficiency of exploitation of a Community patent to any person filing an application four years or later after the patent application was filed and three years or later after the patent was granted if the patent proprietor has not exploited the patent in the Community on

reasonable terms or has not made effective and serious preparations to do so, unless he provides legitimate reasons to justify his inaction. In determining the lack or insufficiency of exploitation of the patent, no distinction shall be made between products originating within the Community and imported products.

2. On request, the Commission may grant a compulsory licence in respect of a first patent to the proprietor of a national or Community patent or to the proprietor of a plant variety right who cannot use his patent (second patent) or his national or Community plant variety right without infringing a Community patent (first patent), provided that the invention or new plant variety claimed in the second patent or plant variety right involves an important technical advance of considerable economic significance in relation to the invention claimed in the first patent. The Commission may take any measure it regards as useful to verify the existence of such a situation. In the case of a compulsory licence in respect of a dependent patent or plant variety right, the owner of the first patent shall be entitled to a cross-licence on reasonable terms to use the patented invention or protected plant variety.
3. In times of crisis or in other situations of extreme urgency, or when it is necessary to remedy a practice determined after judicial or administrative process to be anti-competitive, the Commission may authorise the exploitation of a Community patent.
4. In the case of semi-conductor technology, exploitation shall be possible only in the situations set out in paragraph 3.
5. A licence or exploitation set out in paragraphs 1, 2 and 3 may be granted only if the proposed user has made efforts to obtain authorisation from the patent holder on reasonable commercial terms and conditions, and if such efforts have not been successful within a reasonable period of time. However, the Commission may derogate from this condition in the situations set out in paragraph 3. In these situations, the right holder shall be informed as soon as reasonably possible.
6. The detailed rules of application and the procedures to be used for applying the principles set out in this Article shall be laid down in the implementing regulation.

## *Article 22*

### **Conditions applicable to compulsory licences**

1. When granting the compulsory licence under Article 21, the Commission shall specify the type of use covered and the conditions to be met. The following conditions shall apply:
  - (a) the scope and duration of the exploitation shall be limited to the purpose for which it was authorised;
  - (b) the exploitation shall be non-exclusive;
  - (c) the exploitation shall be non-assignable, except with that part of the enterprise or goodwill which enjoys such use;

- (d) the exploitation shall be authorised predominantly for the supply of the internal market of the Community unless it is necessary to correct a practice determined after judicial or administrative process to be anti-competitive;
  - (e) the Commission may, on reasoned request, decide to cancel the authorisation, subject to adequate protection of the legitimate interests of the persons so authorised, if and when the circumstances which led to it cease to exist and are unlikely to recur;
  - (f) the licence holder shall pay the right holder adequate remuneration, taking into account the economic value of the authorisation and any need to correct an anti-competitive practice;
  - (g) in the case of a compulsory licence in respect of a dependent patent or a plant variety right, the exploitation authorised in respect of the first patent shall be non-assignable except with the assignment of the second patent or plant variety right.
2. The Member States may not grant compulsory licences in respect of a Community patent.

#### *Article 23*

##### **Effects vis-à-vis third parties**

1. Legal acts referred to in Articles 16 to 22 concerning a Community patent shall have effects vis-à-vis third parties in all the Member States only after entry in the Register of Community Patents. Nevertheless, such an act, before it is so entered, shall have effect vis-à-vis third parties who have acquired rights concerning the patent after the date of that act but who knew of the act at the date on which the rights were acquired.
2. Paragraph 1 shall not apply in the case of a person who acquires the Community patent or a right concerning the Community patent by way of transfer of the whole of the undertaking or by any other universal succession.

#### *Article 24*

##### **The application for a Community patent as an object of property**

1. Articles 14 to 19 and Article 21(3) to (6), and Article 22 shall apply to the application for a Community patent.
2. The rights acquired by third parties in respect of a Community patent application referred to in paragraph 1 shall continue to be effective with regard to the Community patent granted upon that application.

## CHAPTER III

### RENEWAL, LAPSE AND INVALIDITY OF THE COMMUNITY PATENT

#### SECTION 1

#### RENEWAL AND LAPSE

##### *Article 25*

##### **Renewal fees**

1. Annual renewal fees in respect of Community patents shall be paid to the Office in accordance with the implementing regulations referred to in Article 60. These fees shall be due in respect of the years following the year in which the Community Patent Bulletin referred to in Article 57 mentions the grant of the Community patent.
2. When a renewal fee has not been paid on or before the due date, the fee may be validly paid within six months of that date, provided that an additional fee is paid at the same time.
3. Any renewal fee in respect of a Community patent falling due within two months after the publication of the mention of the grant of the Community patent shall be deemed to have been validly paid if it is paid within the period mentioned in paragraph 2. No additional fee shall be charged in this case.

##### *Article 26*

##### **Surrender**

1. The Community patent may be surrendered only in its entirety.
2. Surrender must be declared in writing to the Office by the proprietor of the patent. It shall not have effect until it is entered in the Register of Community Patents.
3. Surrender shall be entered in the Register of Community Patents only with the agreement of any third party who has a right *in rem* recorded in the Register or in respect of whom there is an entry in the Register pursuant to Article 5(4), first sentence. If a licence is recorded in the Register, surrender shall be entered only if the proprietor of the patent proves that he has previously informed the licensee of his intention to surrender; this entry shall be made on expiry of the period laid down in the implementing regulations referred to in Article 59.

*Article 27*

**Lapse**

1. The Community patent shall lapse:
  - (a) 20 years after the date of filing of the application;
  - (b) if the proprietor of the patent surrenders it in accordance with Article 26;
  - (c) if a renewal fee and any additional fee have not been paid in due time.
2. The lapse of a patent for failure to pay a renewal fee and any additional fee within the due period shall be deemed to have occurred on the date on which the renewal fee was due.

**SECTION 2**

**INVALIDITY OF THE COMMUNITY PATENT**

*Article 28*

**Grounds for invalidity**

1. The Community patent may be declared invalid only on the grounds that:
  - (a) the subject-matter of the patent is not patentable according to Articles 52 to 57 of the Munich Convention;
  - (b) the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art;
  - (c) the subject-matter of the patent extends beyond the content of the patent application as filed, or, if the patent was granted on a divisional application or on a new application filed in accordance with Article 61 of the Munich Convention, beyond the content of the earlier application as filed;
  - (d) the protection conferred by the patent has been extended;
  - (e) the proprietor of the patent is not entitled under Article 4(1) and (2) of this Regulation;
  - (f) the subject-matter of the patent is not new having regard to the content of a national patent application or of a national patent made public in a Member State on the date of filing or later or, where priority has been claimed, the date of priority of the Community patent, but with a filing date or priority date before that date.

2. If the grounds for invalidity affect the patent only partially, invalidity shall be pronounced in the form of a corresponding limitation of the patent. The limitation may be effected in the form of an amendment to the claims, the description or the drawings.

#### *Article 29*

#### **Effects of invalidity**

1. The Community patent shall be deemed not to have had, from the outset, the effects specified in this Regulation, to the extent that the patent has been declared invalid either in whole or in part.
2. The retroactive effect of the invalidity of the patent shall not affect:
  - (a) any decision on infringement which has acquired the authority of *res judicata* and been enforced prior to the invalidity decision;
  - (b) any contract concluded prior to the invalidity decision, in so far as it has been performed before that decision. However, repayment, to an extent justified by the circumstances, of sums paid under the relevant contract may be claimed on grounds of equity.

### **CHAPTER IV**

#### **JURISDICTION AND PROCEDURE IN LEGAL ACTIONS RELATING TO THE COMMUNITY PATENT**

#### **SECTION 1**

#### **ACTIONS CONCERNING THE VALIDITY, INFRINGEMENT AND USE OF THE COMMUNITY PATENT**

#### *Article 30*

#### **Actions and claims relating to the Community patent – Exclusive jurisdiction of the Community intellectual property court**

1. The Community patent may be the subject of invalidity or infringement proceedings, of action for a declaration of non-infringement, of proceedings relating to the use of the patent or to the right based on prior use of the patent, or of requests for limitation, counterclaims for invalidity or applications for a declaration of lapse. It may also be the subject of proceedings or claims for damages.
2. The Community patent may not be the subject of actions in respect of threatened infringement.

3. The actions and claims referred to in paragraph 1 come under the exclusive jurisdiction of the Community intellectual property court. In the first instance, they are brought before the Chamber of First Instance of that court.
4. Subject to the provisions of the Treaty and of this Regulation, the terms and procedures relating to the actions and claims referred to in paragraph 1 and the rules applying to the judgments given shall be established in the statute or rules of procedure of the Community intellectual property court.

#### *Article 31*

#### **Invalidity action**

1. Invalidity proceedings against a Community patent may be based only on the grounds for invalidity set out in Article 28(1).
2. Any person may initiate invalidity proceedings; however, in the case referred to in Article 28(1)(e), the proceedings may be initiated only by a person entitled to be entered in the Register of Community Patents as the sole proprietor of the patent, or by all the persons entitled to be entered as joint proprietors of it in accordance with Article 5 acting jointly.
3. The proceedings may be brought even if opposition may still be filed or if opposition proceedings are pending before the Office.
4. The proceedings may be brought even if the Community patent has lapsed.

#### *Article 32*

#### **Counterclaim for invalidity**

1. Counterclaims for invalidity against a Community patent may be based only on the grounds for invalidity set out in Article 28(1).
2. If the counterclaim is brought in a legal action to which the proprietor of the patent is not already a party, he shall be informed thereof and may be joined as a party to the action.

#### *Article 33*

#### **Infringement action**

1. Actions for infringement may be based only on facts referred to in Articles 7, 8 and 19.
2. Only the proprietor of the patent may bring an action for infringement. Unless otherwise stipulated in the contract, the beneficiary of a contractual licence may bring proceedings for infringement only if the patent proprietor consents thereto. However, the beneficiary of an exclusive licence and the beneficiary of a licence of right or a compulsory licence may bring such proceedings if the proprietor of the patent, after formal notice, does not himself bring infringement proceedings.

3. The proprietor of the patent shall be entitled to intervene in infringement proceedings brought by the licensee under paragraph 2.
4. A licensee shall, for the purpose of obtaining compensation for damage suffered by him, be entitled to intervene in infringement proceedings brought by the proprietor under paragraph 2.

#### *Article 34*

##### **Action for declaration of non-infringement**

1. Any person may bring proceedings against the patent proprietor or the beneficiary of an exclusive licence in order to apply for a decision that the economic activity he is exercising, or making effective preparations to exercise or envisaging exercising does not affect the rights referred to in Articles 7, 8 and 19.
2. The validity of the Community patent may not be contested in an action for a declaration of non-infringement.

#### *Article 35*

##### **Proceedings relating to use of the invention prior to the grant of the patent**

Proceedings relating to the use of the invention during the period referred to in Article 11(1) may be brought by the applicant or proprietor of the patent. However, the beneficiary of an exclusive licence may bring such proceedings if the proprietor, after formal notice, does not himself bring proceedings.

#### *Article 36*

##### **Proceedings relating to a right based on prior use of the invention**

Proceedings relating to the right based on prior use of the patent referred to in Article 12(1) may be brought by the prior user or the person to whom he has assigned his right in accordance with paragraph 2 of that Article, with a view to establishing his right to use the invention in question.

#### *Article 37*

##### **Request for limitation**

1. At the request of the proprietor, a Community patent may be limited in the form of an amendment to the claims, the description or the drawings.
2. The request may not be filed during the period within which an opposition may be filed or while opposition or invalidity proceedings are pending.

3. The request shall be admissible only with the agreement of any person who has a right *in rem* recorded in the Register of Community Patents or in respect of whom there is an entry in the Register pursuant to Article 5(4), first sentence. If a licence is recorded in the Register, the request shall be admissible only if the proprietor of the patent proves that he has the agreement of the licensee or at least three months from the time at which the proprietor proves that he has informed the licensee of his intention to limit the patent.
4. If, following the proceedings, the Community intellectual property court is of the opinion that, taking into consideration the amendments made by the proprietor, the grounds for invalidity referred to in Article 28 do not prejudice the maintenance of the Community patent, it shall decide to limit the patent accordingly. If the court is of the opinion that the amendments are not acceptable, it shall reject the request.

#### *Article 38*

#### **Application for a ruling that a patent has lapsed**

Any person may file an application for a ruling that a Community patent has lapsed on the grounds laid down by Article 27.

#### *Article 39*

#### **Appeals**

1. An appeal to the Chamber of Appeal of the Community intellectual property court shall lie from judgments of the Chamber of First Instance of that court in respect of proceedings arising from the actions and claims referred to in the provisions of this section.
2. The action shall be brought before the Chamber of Appeal within two months of the date of notification of the judgment in accordance with the statute of the Community intellectual property court.
3. The Chamber of Appeal shall have jurisdiction to rule on the facts of a particular case as well as on points of law and to annul or alter the contested decision.
4. The action shall be open to any party to proceedings before the Community intellectual property court adversely affected by its decision.
5. The action shall have suspensive effect. However, the Chamber of First Instance may declare its judgment enforceable while, if necessary, subjecting enforcement to the provision of security.

*Article 40*

**Commission's capacity to act**

1. Where necessary in the Community's interest, the Commission may bring invalidity proceedings against a Community patent before the Community intellectual property court.
2. The Commission may also, under the condition referred to in paragraph 1, intervene in all proceedings before the Community intellectual property court.

*Article 41*

**Extent of jurisdiction**

In the proceedings referred to in Articles 33 to 36, the Community intellectual property court shall have jurisdiction in respect of acts committed and activities undertaken in a part or in the entirety of the territory, zone or space to which this Regulation applies.

*Article 42*

**Provisional or protective measures**

The Community intellectual property court may take any necessary provisional or protective measure in accordance with its statute.

*Article 43*

**Penalties**

Where the Community intellectual property court, in proceedings referred to in Article 33, finds that the defendant has infringed a Community patent, it may issue the following orders:

- (a) an order prohibiting the defendant from continuing with the acts which infringed the patent;
- (b) an order to seize the products resulting from the infringement;
- (c) an order to seize the goods, materials and implements which constitute the means for putting the protected invention into effect and which have been supplied or offered for supply under the conditions set out in Article 8;
- (d) any order imposing other penalties adapted to the circumstances or suitable for guaranteeing compliance with the orders referred to in (a), (b) and (c).

#### *Article 44*

##### **Actions or claims for damages**

1. The Community intellectual property court shall have the power to order the payment of compensation for the damage underlying the actions referred to in Articles 31 to 36.
2. In determining the appropriate damages, the court shall take into account all relevant aspects, such as the economic consequences to the injured party of the infringement and the behaviour and the good or bad faith of the parties. The damages shall not be punitive.
3. For the purposes of paragraph 2, an alleged infringer who has his residence or principal place of business in a Member State whose official language, which is also an official language of the Community, is not the language in which the patent was granted or in which a translation of the patent has been made public in accordance with Article 58, is presumed, in the absence of proof to the contrary, not to have known nor to have had reasonable grounds for knowing that he was infringing the patent. In such a situation, damages for infringement shall be due only for the period from the time when he is notified of a translation in that official language of the Member State of the residence or principal place of business of the alleged infringer.
4. Where the Member State referred to in paragraph 3 has two or more official languages which are also official languages of the Community, the infringer shall be entitled to notification in one of those official languages that he knows.

#### *Article 45*

##### **Period of limitation**

Proceedings relating to use, to the right based on prior use, to infringement and to damages referred to in this section shall be barred after five years have elapsed from the date on which the facts justifying proceedings emerged, or, if the requesting party was unaware of those facts at the time they emerged, from the date on which he became aware of them or should have become aware of them.

## SECTION 2

### JURISDICTION AND PROCEDURE IN OTHER ACTIONS RELATING TO THE COMMUNITY PATENT

#### *Article 46*

##### **Jurisdiction of national courts**

The national courts of the Member States shall have jurisdiction in actions relating to Community patents which do not come within the exclusive jurisdiction of either the Court of Justice under the Treaty or the Community intellectual property court according to the provisions of Chapter IV, Section 1.

#### *Article 47*

##### **Application of the Brussels Convention**

Unless otherwise specified in this Regulation, the Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, signed at Brussels on 27 September 1968<sup>5</sup> shall apply to actions brought before the national courts and to decisions given in respect of such actions.

#### *Article 48*

##### **Proceedings relating to the right to a patent between an employer and an employee**

1. By way of derogation from the provisions applicable under Article 47, the courts of the Member State under whose law the right to a Community patent is determined in accordance with Article 4(2) shall have exclusive jurisdiction in proceedings relating to the right to a patent over which an employer and an employee are in dispute.
2. Any agreement conferring jurisdiction shall be valid only if it is entered into after the dispute has arisen or if it allows the employee to bring proceedings in courts other than those which would have jurisdiction under paragraph 1.

#### *Article 49*

##### **Actions relating to the levy of execution on the Community patent**

By way of derogation from the provisions applicable under Article 47, the courts and authorities of the Member State determined under Article 14 shall have exclusive jurisdiction in proceedings relating to the levy of execution on a Community patent.

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<sup>5</sup> OJ C 27, 26.1.1998, p. 3.

## Article 50

### Supplementary provisions on jurisdiction

1. Within the Member State whose courts have jurisdiction under Article 47, those courts shall have jurisdiction which would have jurisdiction *ratione loci* and *ratione materiae* in the case of actions relating to national patents granted in that State.
2. Actions relating to the Community patent for which no court has jurisdiction under Articles 47 and 48 and paragraph 1 of this Article may be heard before the courts of the Member State in which the European Patent Organisation has its seat.

## Article 51

### Obligations of the national court

1. A national court hearing an action or application referred to in Article 30 shall declare of its own motion that it has no jurisdiction.
2. A national court hearing an action or claim relating to a Community patent other than the actions referred to in Article 30 shall treat the patent as valid unless it has been declared invalid by the Community intellectual property court in a decision which has the authority of *res judicata*.
3. A national court hearing an action or claim relating to a Community patent other than the actions referred to in Article 30 shall stay the proceedings if it considers a decision on an action or application referred to in Article 30 to be a prior condition for its judgment. Proceedings shall be stayed either by the court of its own motion, after hearing the parties, where an action or application referred to in Article 30 has been brought before the Community intellectual property court, or at the request of one of the parties, and after hearing the other parties, where proceedings have not yet been brought before the Community court. In the latter case, the national court shall invite the parties to bring such proceedings within a period prescribed by it. If such proceedings are not brought within the prescribed period, the proceedings before the national court shall continue.

## Article 52

### Applicable law of procedure

Unless otherwise provided in this Regulation, a national court shall apply the rules of procedure governing the same type of action relating to a national patent in the Member State in which it is situated.

## SECTION 3

### ARBITRATION

#### *Article 53*

#### **Arbitration**

The provisions of this Chapter relating to jurisdiction and judicial procedure shall be without prejudice to the national arbitration rules of the Member States. However, a Community patent may not be declared invalid or be invalidated in arbitration proceedings.

## CHAPTER V

### IMPACT ON NATIONAL LAW

#### *Article 54*

#### **Prohibition of simultaneous protection**

1. Where a national patent granted in a Member State relates to an invention for which a Community patent has been granted to the same inventor or to his successor in title with the same date of filing, or, if priority has been claimed, with the same date of priority, that national patent shall be ineffective to the extent that it covers the same invention as the Community patent, from the date on which:
  - (a) the period for filing an opposition to the decision of the Office to grant a Community patent has expired without any opposition being filed;
  - (b) the opposition proceedings are concluded with a decision to maintain the Community patent;or
  - (c) the national patent is granted, where this date is subsequent to the date referred to in point (a) or (b), as the case may be.
2. The subsequent lapse or invalidity of the Community patent shall not affect the provisions of paragraph 1.
3. Each Member State may prescribe the procedure whereby the effect of the national patent is determined to have been lost in whole or, where appropriate, in part. It may also prescribe that the loss of effect shall apply from the outset.
4. Simultaneous protection by a Community patent or Community patent application and a national patent or national patent application shall exist prior to the date applicable under paragraph 1.

*Article 55*

**National utility models and utility certificates**

Article 54 shall apply to utility models and utility certificates and to applications for utility models and utility certificates in the Member States whose laws make provision for such protection rights.

**CHAPTER VI**

**FINAL PROVISIONS**

*Article 56*

**Register of Community Patents**

The Office shall keep a Register of Community Patents, which shall contain those particulars whose registration is provided for by this Regulation. The Register shall be open to public inspection.

*Article 57*

**Community Patent Bulletin**

The Office shall periodically publish a Community Patent Bulletin. It shall contain entries made in the Register of Community Patents, as well as other particulars whose publication is prescribed by this Regulation or by the implementing regulation.

*Article 58*

**Optional translations**

The proprietor of the patent shall have the option of producing and filing with the Office a translation of his patent in several or all of the official languages of the Member States which are official languages of the Community. Those translations shall be made available to the public by the Office.

*Article 59*

**Implementing regulation**

1. The rules implementing this Regulation shall be adopted in an implementing regulation.
2. The implementing regulation shall be adopted and amended in accordance with the procedure laid down in Article 61(2).

*Article 60*

**Rules relating to fees**

1. The rules relating to fees shall determine the annual renewal fees, including additional fees, the amounts of the fees and the ways in which they are to be paid.
2. The rules relating to fees shall be adopted and amended in accordance with the procedure referred to in Article 61(2).

*Article 61*

**Establishment of a committee and procedure for the adoption of the implementing regulations**

1. The Commission shall be assisted by a committee, the Committee for issues relating to fees and to the rules for the implementation of the Regulation on the Community patent, composed of representatives of the Member States and chaired by the representative of the Commission.
2. Where reference is made to this paragraph, the regulatory procedure laid down in Article 5 of Decision 1999/468/EC shall apply, in compliance with Article 7 thereof.
3. The period provided for in Article 5(6) of Decision 1999/468/EC shall be three months.

*Article 62*

**Report on the implementation of this Regulation**

Every five years from the date on which this Regulation enters into force, the Commission shall publish a report on its implementation. In particular, the report shall focus on the impact of the costs incurred in obtaining and renewing the Community patent and the effect of the litigation system in respect of infringement and validity.

*Article 63*

**Entry into force**

1. This Regulation shall enter into force on the sixtieth day following that of its publication in the *Official Journal of the European Communities*.
2. Applications for a Community patent may be filed with the Office from the date laid down in a Commission Decision in accordance with the procedure referred to in Article 61(2).

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Council*  
*The President*

## FINANCIAL STATEMENT

### **1. TITLE OF OPERATION**

Proposal for a Council Regulation on the Community patent

### **2. BUDGET HEADING(S) INVOLVED**

Other institutions

### **3. LEGAL BASIS**

Article 308 of the Treaty

### **4. DESCRIPTION OF OPERATION**

#### **4.1 General objective of operation**

In the context of the planned accession of the Community to the Munich Convention of 5 October 1973 on the Grant of European Patents, this proposal sets out to establish a Community patent system. The future Community patent will be a European patent designating the territory of the Community pursuant to the provisions of the Munich Convention. Accordingly, this measure will apply to the phase following the grant of the patent by the European Patent Office, which will be responsible, on the basis of the revised Munich Convention, for examining all Community patent applications, granting Community patents and administering them. It should be noted that the future Community patent will complement the patent law of Member States.

Finally, it is intended to set up a centralised system of jurisdiction in relation to the Community patent. However, the court in which jurisdiction will be vested is to be set up autonomously outside the framework of this proposal. Lastly, this proposal deals with a system of compulsory licences. A regulatory committee will be responsible for implementing the provisions relating to fees and to the rules for implementing the Regulation.

#### **4.2 Period covered and arrangements for renewal**

Open-ended.

### **5. CLASSIFICATION OF EXPENDITURE OR REVENUE**

The European Patent Organisation, of which the European Patent Office is the executive arm, is an independent international organisation vested with financial autonomy. The Office finances its activities through various categories of fees. Unlike some Community agencies, the Office does not receive any Community subsidies. Its income and expenditure thus do not come under the Community budget.

Creation of a centralised and specialised court (Community intellectual property court).

**6. TYPE OF EXPENDITURE OR REVENUE**

**7. FINANCIAL IMPACT (PART B)**

none

**8. FRAUD PREVENTION MEASURES**

**9. COST-EFFECTIVENESS ANALYSIS**

**9.1 Specific and quantified objectives, target population**

The Community patent is to be a unitary right covering the entire territory of the European Union. It is to be issued, transferred, declared invalid and lapse only for the Community as a whole. Thanks to the extent of its territorial coverage, its unitary nature, the centralised granting procedure and the planned language arrangements, which will make for appreciable savings in terms of administrative costs, it will provide considerable value-added compared with existing national and international patent systems. For example, the Community patent will improve the operation of the internal market and, in particular, the free movement of patented products.

**9.2 Grounds for operation**

The future Regulation is aimed at creating the legal framework for the Community patent.

The Commission's role would be to grant compulsory licences in respect of the Community patent. In contrast to the systems in force to date, these licences would apply to a unitary right covering the entire territory of the European Union. The granting of licences is therefore a necessary task falling under the remit of the Commission.

The Commission will be assisted by a committee whose remit will be to address issues relating to fees and to the rules for the implementation of the future Regulation in accordance with the provisions of Decision 1999/468/EC. The implementing regulations will lay down the rules of application for the Regulation. As the European Patent Office does not have the status of a Community agency or office, a committee needs to be set up and assigned the task of overseeing the implementation of the arrangements set out in the Community Regulation. However, the European Patent Office will retain its financial autonomy. The operating costs of the committee will therefore be charged to the Community budget.

### 9.3 Monitoring and evaluation of the operation

Pursuant to Article 62 of the proposal for a Regulation, the Commission is to publish a report on the implementation of the Regulation every five years. These reports will include a financial assessment.

## 10. ADMINISTRATIVE EXPENDITURE (PART A OF SECTION III OF THE GENERAL BUDGET)

Actual mobilisation of the necessary administrative resources will depend on the Commission's annual decision on the allocation of resources, taking into account the number of staff and the amounts authorised by the budgetary authority.

### 10.1 Effect on the number of posts

Type of post		Staff to be assigned to managing the operation		Source		Duration
		Permanent posts	Temporary posts	Existing resources in the DG or department concerned	Additional resources	
Officials or temporary staff	A	2			2	Indefinite
	B	0.5			0.5	
	C	0.5			0.5	
Other resources						
Total		3			3	

### 10.2 Overall financial impact of additional human resources

#### 10.2.1. Compulsory licences

The number of applications under Article 21 of the future Regulation would probably be in the order of ten or so per year. This estimate is based on experience gained with Member States' national patent systems.

This technically and legally complex task falls under the remit of the Commission. Staff must always be available to process such applications and grant or refuse licences, which in either case requires a Commission decision. Three man-years x EUR 108 000 should suffice to ensure that these applications for compulsory licences can be processed.

(EUR)

	Amounts	Permanent posts
Officials or temporary staff		
A	216 000	2 x 108 000
B	54 000	0.5 x 108 000
C	54 000	0.5 x 108 000
Other resources (indicate budget heading)		
Total	324 000	3 x 108 000

### 10.2.2. Operation of the centralised and specialised court

The granting of Community patents is liable to lead to litigation between private individuals, particularly as regards the validity and infringement of patents granted. Jurisdiction over such litigation will be vested in a centralised and specialised Community court to be established outside the framework of this proposal.

During the first few years of its existence, it will probably have to deal with relatively few cases. However, on the basis of experience gained in fields similar to those covered by the future Community patent, it can be expected that, once a period of five years has elapsed after the Community court has become operational, the number of cases brought before it will be in the order of 600 to 1 000 per year. One chamber of the specialised court can be expected to be capable of handling around 200 cases per year. If the number of cases were to rise to 1 000 per year, it would thus be necessary to create five chambers.

Each chamber is to be composed of three judges, assisted by two grade A officials and two grade C secretaries.

(EUR)

	Amounts	Permanent posts
Officials or temporary staff		
A	2 700 000	5 x 5 x 108 000
B	-	-
C	1 080 000	2 x 5 108 000
Other resources (indicate budget heading)		
Total	3 780 000	7 x 5 x 108 000

**10.3 Increase in other administrative expenditure as a result of the operation, in particular the costs of committee and expert group meetings**

(EUR)

Budget heading (No and title)	Amounts	Method of calculation (Basis: four meetings per year)
A – 7030	9 100 x 4	14 x 650 (travel expenses of government experts) x 4
Total	36 400	

The amounts correspond to the total expenditure for the operation if its duration is fixed or to the expenditure for 12 months if its duration is indeterminate.

**IMPACT ASSESSMENT FORM**  
**IMPACT OF THE PROPOSAL ON BUSINESS, WITH PARTICULAR REFERENCE**  
**TO SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)**

**TITLE OF PROPOSAL**

Council Regulation on the Community patent

Document reference number

**THE PROPOSAL**

1. *Taking account of the principle of subsidiarity, why is Community legislation necessary in this area and what are its main aims?*

The purpose of the proposal is to put in place a system of unitary patents covering the entire territory of the Community. Given the territorial nature of national patent laws, the objectives pursued cannot be achieved by Member States individually or collectively.

**THE IMPACT ON BUSINESS**

2. *Who will be affected by the proposal?*

– *Which sectors of business?*

All sectors are concerned by the protection of inventions.

– *Which sizes of business (what is the concentration of small and medium-sized firms)?*

The Community patent also addresses the needs of small and medium-sized firms, in that it will protect the inventive and innovative character of industrial products or processes. It is designed to promote innovation within SMEs.

– *Are there particular geographical areas of the Community where these businesses are found?*

The entire territory of the Community is concerned.

3. *What will business have to do to comply with the proposal?*

National industrial property offices and the Commission will have to raise the awareness of these enterprises within the framework of an information and, where appropriate, training programme, so as familiarise them with the advantages of a Community patent and the formalities to be completed.

4. *What economic effects is the proposal likely to have on employment, investment and the creation of new businesses, and the competitive position of businesses?*

Innovation is of vital importance to competitiveness, growth and employment in the European Union. Protecting inventions through patent law is a means of ensuring that inventors' ingenuity is rewarded. In patent matters, it is important for the Community to have a legal and regulatory environment at least as favourable as that enjoyed by companies located in world regions competing with the European Union. The current patent system has two weaknesses. It is more expensive than the patent systems in place outside the Community and is therefore not readily accessible to SMEs. Moreover, it is incomplete, as the 1989 Luxembourg Convention on the Community Patent, which was to have created a unitary system of protection, has never entered into force. The time has come to address these weaknesses.

In response to the recent sharp fall in the Community's share of growth in the number of inventions patented world-wide, this proposal sets out to re-establish its previous position.

What is more, the European Council in Lisbon on 23 and 24 March 2000 reiterated the importance of rewarding innovative ideas by way of industrial property rights, and patent protection in particular. Accordingly, the European Council invited the Council and the Commission to ensure, in cooperation with the Member States, that the Community patent is effectively implemented by the end of 2001. Accessible, affordable and competitive patent protection will thus be ensured in the European Union.

5. *Does the proposal contain measures to take account of the specific situation of small and medium-sized firms (reduced or different requirements, etc.)?*

No specific measures are planned in this regard. However, the arrangements provided for in the future Regulation are likely to lead to an appreciable reduction in the cost of obtaining a patent covering the entire territory of the Member States.

## CONSULTATION

6. *List the organisations which have been consulted about the proposal and outline their main views.*

This proposal represents the outcome of a large-scale consultation process embarked upon in the context of the Action Plan for the Single Market (European Council of Amsterdam in June 1997) and the Green Paper entitled "Promoting innovation through patents" of 24 June 1997. The Commission took the initiative and organised a hearing of interested parties which took place on 25 and 26 November 1997. These came out clearly in favour of a unitary Community patent, to be created preferably by way of a Community Regulation, as had been the approach in the case of the Community trade mark in 1994. The Commission Communication of 5 February 1999 on the follow-up to the Green Paper took stock of the consultation in some detail. It is worthy of note that inventors, industry and, in particular, SMEs welcomed the planned approach with its aim of making the patent accessible, affordable and thus competitive.