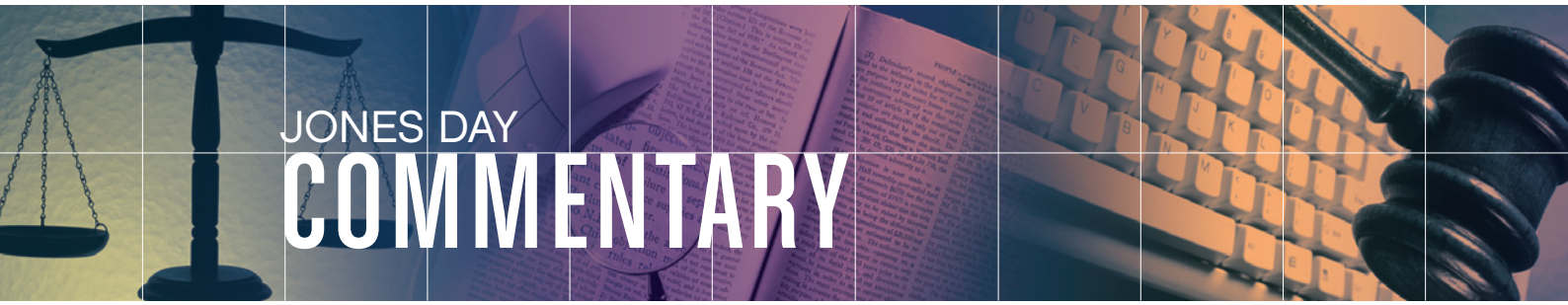
JONES DAY

JULY 2011



THE UNITARY COMMUNITY PATENT PROTECTION

It looks like April 13th 2011 is going to be a memorable date for the protection of the industrial property. Indeed, after a long and rough process, the European Commission has released two legislative proposals with the aim of granting the unitary protection to the community patent filed with the European Patent Office ("EPO"). From an Italian point of view, we must clarify that these legislative procedures have been implemented in the context of the enhanced cooperation among 25 EU member states and that, currently, Italy and Spain remain outside this procedure.

1. CURRENT SYSTEM

The existing forms of protection of inventions applicable in the industrial field are essentially two: a national patent, which can be obtained in Italy from the Italian patent office (*Ufficio Italiano Brevetti e Marchi*) that grants protection only across the national territory, and the European patent, a first step made in the '70s with the Munich Convention to bypass the costs of multiple patent deposits subject to a transnational utilization. The European patent is obtainable from the EPO upon a written application in one of the three EPO languages (English, French and German) and after prior examination of the relevant patentability requirements.

The European patent also requires validation in each Member State, implying a full translation in the official language of the validating Member State. Therefore, the European patent is a bundle of patents approved nationwide, with uniform text and claims, with the advantage of common rules and regulations regarding several important aspects such as the identification of the assignee, the patent requirements and duration. Even though the current European patent has acquired a considerable importance, it implies high costs and obligations that the Commission has estimated to amount to over EUR 30,000, more than two thirds of which arise from translation fees alone. This does not favor small and medium-sized businesses that during public auditions and consultations promoted by the Commission have raised the issue of reasonable patent costs, recognizing that the major obstacles were the high taxes and the juridical complexity of the patent system.

2. UNITARY PROTECTION

In this legal context, the Commission has been proposing the transition to a community patent for years with the aim of "making innovation cheaper and easier for businesses and inventors everywhere in Europe", proposing a new system that, after full implementation, should reduce the cost of a community patent with unitary protection to under about a thousand Euro.

In this way, the community patent protection would be definitely cheaper and accessible, with even lower prices than a comparable U.S. patent protection. The patent protection provided for in the new regulations builds on the existing system of European patents, but with the essential innovation of the unitary effect. The patent-right will only be granted, transferred or revoked in respect of the 25 Member States as a whole, without the chance to let the patent lapse only in certain territories, which may be considered less strategic during the years. The unitary patent protection would be optional and co-exist with the current systems, letting the patent applicants continue to benefit from the national patent or the "old" European patent in case they should need domestic protection or limited protection in certain Member States only. The coexistence of the community patent with the existing systems is to be positively assessed, otherwise the result would be a substantial tightening of the entire protection system that would not allow businesses to limit the patent to the countries of actual interest.

The proposal for a Regulation states that the community patent applications shall be submitted with the same procedure as for the European patent, in one of the three EPO languages, English, French or German. The language used for the submission will be kept for the entire patent procedure and for the following publication of claims. An exception to this principle is envisaged in case of litigation, as the patent proprietor will have to provide—upon request of the alleged infringer—a full translation of the claims in the official language of the Member State where the alleged infringement took place or where the alleged infringer is domiciled. Frankly, this provision appears to be inconvenient because, not only the economic and technical responsibilities to provide a translation is taken upon the person who undergoes the (alleged) infringement, but it will very likely lead to disputes regarding the accuracy of the translated text.

With regard to the choice of English, French and German as "official" languages also for the structure of the community patent, this choice is praiseworthy as it considerably reduces translation costs and the number of translations needed with the growing number of Member States. However, this clearly responds to the need of satisfying the stronger Nations from a political and economical point of view and it remains a compromise that in the end disappoints almost everyone (with the exception of Great Britain, Germany and France). Although one may pass over the fact that the Spanish language has been excluded, even if it is one of the most spoken in the world, it is obvious to ask oneself why a radical change has not been made and a new patent procedure has not been released from trilinguism, binding it only to the language that is univocally recognized as the ordinary business language, namely English.

3. THE ENHANCED COOPERATION– PARTIAL EFFECTIVENESS

The obstacle met by the Commission so far, has been essentially of political nature, as no agreement was reached on the language regime to adopt. Therefore, the enhanced cooperation procedure has been adopted and it introduces the legal innovation only in the participating Member States (25 out of 27). In light of the above, the unitary community patent protection will not be applicable in Italy and Spain, maybe with a potential advantage for our businesses, which can make use of the unitary protection in case they wish to patent abroad (except for Spain, obviously) but they will see the national territory partially protected for those foreign companies that—in order to obtain the protection in Italy—will be obliged to apply for a national patent or to follow the validation procedure applicable to the "old" European patent. There will obviously be the obligation to use a language that is not the national one, but one of the three required for the patent application.

4. FINAL ASSESSMENTS

All that glitters is not gold.

The attention paid by the Commission to the businesses' requests is praiseworthy, yet a consideration should be made on the impact that these legal innovations will have on the Italian businesses. If it actually implies a reduction in the patent costs, this should be positive in abstract terms, but we must consider that this will be an advantage not only for our Italian businesses, but also for those larger entities operating on a multinational level that aim to apply for patents in order to create barriers to the entry in sectors where competing operators could enter and threaten their leadership. Not to mention the "patent squatters", which register patents with the mere purpose of securing as many of them as possible, in order to sue serious operators who, often unconsciously, find themselves as infringers of actually dormant patents, as they are unused by their proprietors. The new system, if it advantages small and medium-sized businesses, will also for sure be a great present for these operators, who will find themselves with a simplified and cheap procedure to obtain and maintain patents with the sole purpose of interfering with the economic activity of third parties.

Other considerations relate to the efficiency of the proposed system to really promote Europe's competitiveness in the research, development and innovation sectors, that widely remains behind United States and Japan. We must bear in mind that the community patent alone cannot replace the research that—at the source—should bring to new inventions. Therefore, we should not set too much expectation in this tool because it remains a tool that simplifies, but does not itself create research and development.

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