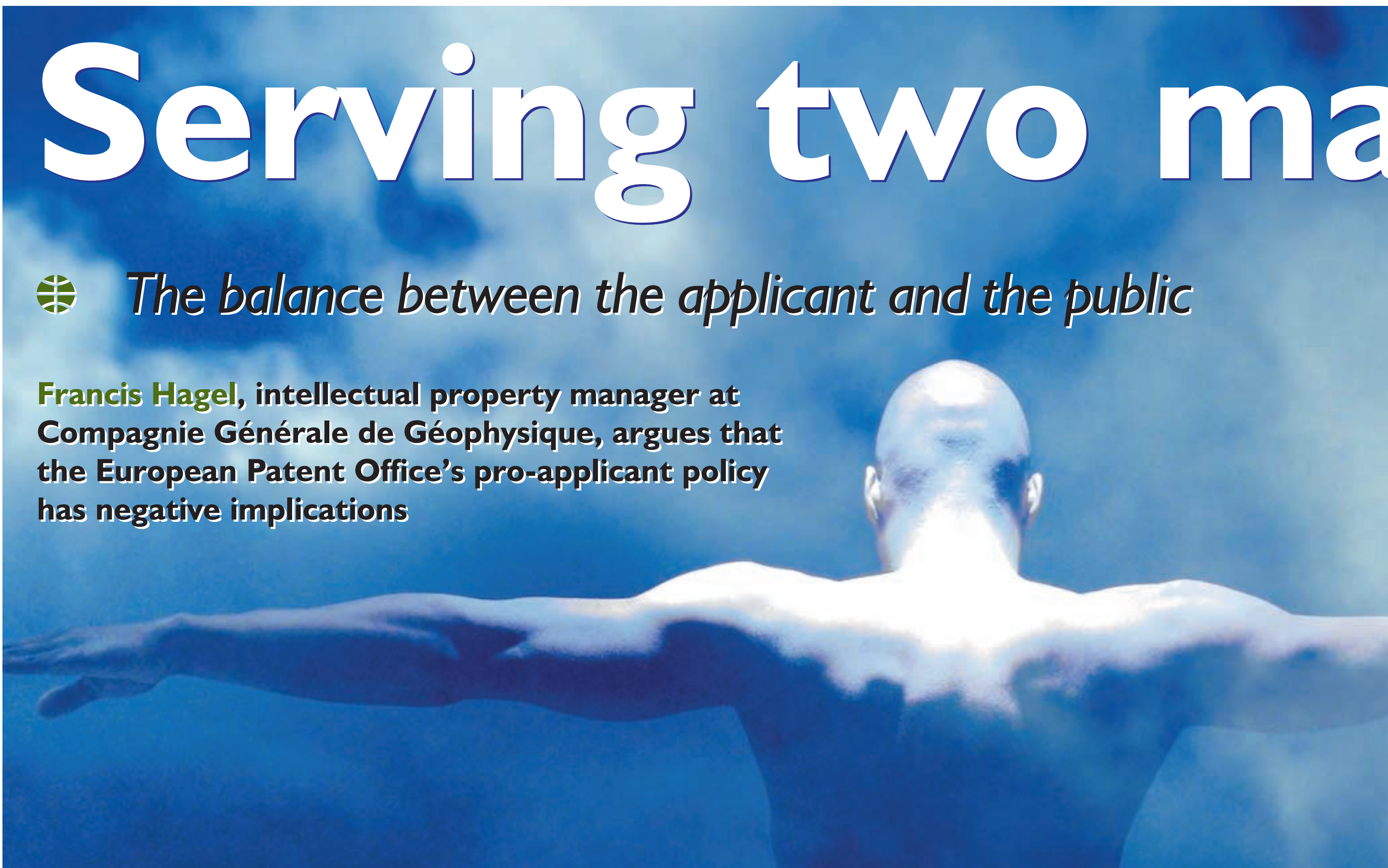

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The balance between the applicant and the public

Francis Hagel, intellectual property manager at Compagnie Générale de Géophysique, argues that the European Patent Office's pro-applicant policy has negative implications

In summary

- The European Patent Convention is designed to provide a balance between the interests of patent applicants and third parties and it is the European Patent Office's job to implement the Convention. Current policy at the EPO favours the applicant according to the author of this article
- The commercial approach taken by the EPO – describing applicants as customers – could have an impact on the way it operates. Lessons should be learnt from the current "crisis" at the US Patent and Trademark Office, which is the result of the US pro-applicant approach
- Once a matter for specialists, the patent system is in the public spotlight, as a result of the growth of the knowledge economy and the internet. This implies for the EPO a higher requirement in the performance of its mission for the public interest and in its public communication

The patent system aims at fostering innovation by granting an exclusive right to an invention in return for the public disclosure of the invention. As the protection granted to patentees is restrictive of third parties' freedom of action, it has to be justified, in its existence and scope, by the technical contribution of the inventor.

The balance between applicants and third parties is thus the public-interest objective of the patent system. For that purpose, the European Patent Convention (EPC) provides the checks and balances enabling applicant/patentee and third parties to defend their interests.

The European Patent Office (EPO), as the authority in charge of implementing the EPC and accountable for the public interest, must maintain a balance between applicant and third parties. This is perfectly illustrated in opposition proceedings, in which the EPO acts as an arbitrator between the patentee and a third party, and may pursue proceedings *ex officio* if the opponent withdraws.

It is my view that the EPO's current policy is overly concerned with the applicant's interest and does not pay due attention to the public as a stakeholder of the patent system. This is detrimental to the EPO's image, to the authority of its decisions and to the credibility of the granted patents, and a redress of balance is needed.

In this respect, the severe difficulties currently experienced by the United States Patent and Trademark Office (USPTO), which are the result of an aggressive pro-patent policy, should serve as a warning.

The EPO's mission

According to the "mission statement" articulated by the EPO to define its role, the EPO is the "patent granting authority in Europe". This definition is correct. It is noted, however, that this mission statement makes no reference to opposition, which is a major component of the balance between the opposing interests, and that "users" are mentioned but not otherwise specified. Likewise the concept of "public-service organisation" is vague, as there is no description of the "service" which is referred to or of its relationship to the EPO's role as an authority.

This definition of the EPO as an authority disappears in the EPO's internet site, in which it is explained that the EPO's "task" is to grant European patents. This is inaccurate: the EPO's task, ie, the work to be performed to fulfill its mission, is first and foremost the examination of patent applications.

The EPO fulfills its mission when it rejects an application just as much as when it grants a patent. Stating that the "EPO's task" is to grant patents seems to imply a commitment to the grant of patents, or, phrased differently, that grant is the norm and rejection an exception, which is evidently contrary to the EPO's role as an authority.

It should also be pointed out that those aspects of the European patent system which

enable third parties to become involved (file inspection, opposition) are not mentioned in the information available on the EPO's internet site.

Are applicants "customers"?

Another expression used to explain the EPO's purpose is the presentation of applicants as "customers". If applicants are customers, the question is to define the products supplied or services provided by the EPO in examination proceedings.

A patent is not a "product", it is a property right, the effect of which is to restrict third parties' freedom of action.

The substantive examination that leads to grant is the activity *par excellence* in which the EPO exercises its authority. This authority is exercised towards applicant, thus possibly against applicant in the case of rejection. Substantive examination cannot, therefore, be considered as a service to applicant, and the relationship between applicant and the EPO is by no means a commercial relationship.

In the case of the search, it could be argued that the search report is a "product", a document which gives the applicants useful information that can help them make decisions. This is disputable: on the one hand, the content of the search report implies a judgment (albeit not expressed in detail) by which the EPO exercises its authority; on the other hand, the search report is made public shortly after its communication to the applicant.

The term "customer" applied to applicants is indeed a message, a means for the EPO of conveying its determination to accommodate applicants' needs, alleviate formalities, reduce costs and deal with applicants in a cooperative rather than a formalistic style. All of this is clearly beneficial to the EPO and applicants and does not affect third parties' interests. However, the term "customer" has a misplaced commercial flavour which is detrimental to the EPO's image as a legal authority and undermines its credibility.

This raises the question of equal treatment between the applicant and third parties: could third parties also be "customers"?

In the case of opposition proceedings, this is not conceivable since the EPO arbitrates the debate between patentee and opponent and cannot have two opposing "customers". Third parties accessing the examination file or the patent literature through the internet are users and not customers, as this information is available without restriction and free of charge.

If only applicants are considered as "customers", this suggests a preferential treatment contrary to the desirable balance between applicants and third parties. It also puts at risk the EPO's public image.

The risk stems from the financial relationship between the EPO and applicants. Fees paid by applicants are the EPO's only source of revenue. While this financial independence is a crucial asset, which has allowed the EPO to acquire, develop and adapt the human, technical and documentation resources required for its mission, it should not appear as a lack of independence *vis-à-vis* applicants and become a liability.

By presenting applicants as its "customers", the EPO nurtures the criticism, now common, of a "patent community" made up of Patent Offices and patent professionals, primarily concerned with the increase in the volume of filings because such increase generates more revenue. In particular, such critics view any decision extending the patentable subject matter as nothing but a market expansion in the vested interest of this "patent community".

It is also to be noted that EPO officials sometimes use the term "patenting community", which is ill-chosen since it includes applicants but excludes third parties.

Moreover, the focus on the relationship with applicants and the reference to "customers" carries the risk that the EPO may appear to be unduly influenced by large applicants. In a commercial relationship, it is normal for a business to pay special attention to its largest customers' needs, but in the case of the EPO, the principle of equal treatment between applicants irrespective of filing volumes is imperative. It would thus be dangerous for the EPO to be perceived as giving more weight to large applicants' positions.

It is revealing that a reform aimed at making the EPO's Boards of Appeal institutionally independent is now on the table. We understand this proposal as an attempt for the Boards of Appeal to regain credibility by distancing itself from an organisation perceived as too favourable to applicants.[1]

The international context

The EPO's commercial approach is not isolated, the reference to "customers" is pervasive in the public communication of the USPTO and other Patent Offices. In 1999, the US patent system was reformed to turn the USPTO into a "profit centre", bringing money to the federal budget instead of requiring funding from tax revenue. In its Corporate Plan 2002, the USPTO depicts its activity as a "business" and consistently describes applicants as customers.

It is to be pointed out that in a report published in October 2003, entitled *"To promote innovation: the proper balance of competition and patent law and policy"*[2], the US Federal Trade Commission (FTC) is critical of the proliferation of poor quality patents granted by the USPTO and offers detailed analysis and proposals for far-reaching reforms.

In connection with the foregoing discussion, the FTC's definition of the USPTO's mission is of particular relevance: "The PTO functions as a steward of the public interest, not as a servant of patent applicants."

According to public statements of its former Commissioner, James Rogan, and of other officials, the USPTO is today "in a state of crisis": massive backlog resulting from skyrocketing filing volumes, described as a "patent bubble" by economists, with a flood of complex cases in the fields of software and business methods and deterioration of the quality of granted patents. This is the overall result of a deliberate pro-patent policy initiated in the early 1980s, compounded in the 1990s by the ill-prepared extension of the patentable subject matter.

Even though the backlog at the EPO is far from the same magnitude and concentrates in specific areas, the USPTO's crisis must serve as a warning. The EPO should keep away from complacency and draw lessons from this situation.

The growth of filings and the resulting pressure to contain or reduce pendency time raise a serious quality problem. All levers must be considered, especially those capable of acting on the workload at the pre-filing stage. The following comments are intended to open the debate.

The EPO's general approach

The EPO should correct its public communication so as to highlight its mission as an authority accountable for the public interest, and no longer describe itself as a business providing services to applicants, as such posture implies a lower quality standard and encourages filing for

low-merit innovations, and detracts from the EPO's credibility.

Prior Art Search: A clear lesson of the USPTO's current situation is that the search of the prior art is of paramount importance. As common wisdom puts it, patentability examination is only as good as the prior art search.

The EPO should keep its quality standard high by making it clear to examiners the importance of documentation tasks such as the indexing of incoming documents, so that these tasks continue to be given a suitable priority and do not risk being sacrificed on the altar of productivity. It is equally important that in the current context of reforms (BEST, merger of DG1 and DG2, PCT, international cooperation), the EPO adamantly rejects any measure detrimental to the quality of search.

Difficulties in the field of information technology, and generally speaking in any field opened by an extension of the patentable subject matter, are to a large extent caused by the absence of a patent literature. The EPO is currently scanning tens of millions of non-patent documents to make them available to examiners for search. This effort will be a major achievement and is to be applauded. It would be desirable to make the non-patent literature also available to the public as far as possible through the EPO's internet situe, esp@cenet, or a similar site.

The EPO's documentation, if made available to the public in a more professional form than esp@cenet, could be a powerful lever to reduce filing volumes or entries of PCT applications into EPO phase, especially for non-European applicants. The EPO should consider giving qualified operators (which could be commercial firms) access to the search tools used by examiners.

Examination: An opinion broadly shared among professionals is that the actual standard of inventive step in the EPO's substantive examination has substantially lowered, to the point that novelty is considered sufficient for a patent to be granted. This opinion cannot be dismissed by citing the stability of the grant rate, for the strong growth of filings over the last decade should have normally resulted in a much lower grant rate.

In any event, the EPO should not allow this perception to linger and dodge the issue with the argument that opposition proceedings are available to third parties. The presumption of validity of a granted patent is not only a procedural concept, it is also in the eyes of the public a sort of quality stamp issued by the EPO.

The EPO should thus make clear its determination to strengthen the standard of inventive step. This could help to reduce the number of applications on low-merit innovations. I also suggest that the EPO launch an in-depth survey focusing on recently granted patents and involving a panel of independent experts.

Moreover, it would be very helpful if grant decisions were always supported by a specific reasoning included in the examination file, so that third parties may evaluate the scope of the patent and their chances of prevailing in opposition proceedings.

Software and business methods: The current situation at the EPO in the field of software and business methods is highly uncertain[3]. Trying to summarise the EPO's position as formulated in the Guidelines for examination (III C.2.2), a software product is protectable if it is used for a method having a technical character, which implies as the decisive factor the technical character and reflects a precedence of substance over form (ie, the drafting of the claim).

On the other hand, a computer programmed to implement a non-technical method is also protectable on the basis of its "physical features": in this case, it seems that on the contrary, form takes the precedence over substance. This is not consistent.

The overall impression is that a skilled professional will always be able to secure patent protection by a suitable wording. In any event, the current uncertainty is not satisfactory. There is also in the Guidelines a confusing indication mixing up the condition of Article 52 EPC and the assessment of inventive step. A clarification of the EPO's position is thus warranted.

It would enable innovators to better evaluate the possibility of patent protection and to set aside cases destined for rejection, thus contributing to the mastering of the EPO's workload and to the strengthening of its credibility. This would also reduce the risk of inconsistent decisions by national jurisdictions.

The EPO should correct its public communication so as to highlight its mission as an authority accountable for the public interest, and no longer describe itself as a business providing services to applicants

In the spotlight

The economic system is increasingly characterised as a knowledge economy. In such a system, the patent system has become a political stake. The dissemination of patent information through the internet has substantially broadened the public interested in patents and, beyond technical information, improved the general patent awareness.

All these factors accumulate to bring the patent system, once a matter for specialists, into the public spotlight and to confront it with unsympathetic scrutiny. This implies for the EPO a higher requirement in the performance of its mission for the public interest and in its public communication.

Owing to its position as the central patent grant authority in Europe, within a system where judicial bodies are fragmented and frequently divided, the EPO is the major actor of the system and the most influential. This creates for the EPO a very special responsibility. ■

Notes

1 Such a reform would in our view be ineffective, as the credibility problem affects the EPO as a whole. Moreover, its logic is not consistent with the European judicial system. The proposal would be valid if the Boards of Appeal were to receive exclusive jurisdiction for the validity of European patents. This would imply that validity matters and infringement matters are handled by separate judicial bodies. However, in the majority of EPC countries, validity issues are not handled separately but jointly with infringement issues. This principle is retained in the current proposals for a Community Patent Regulation and for a European Patent Litigation Protocol (EPLP). From a practical standpoint, it is also to be noted that the proposal would require sizable extra resources for no clear benefit to users.

2 Available on the website www.ftc.gov

3 *Uncertain times* by Fabian Edlund and Urban Lind, *Patent World* # 155, September 2003 pp. 26-30.

About the author

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The views expressed in this article are the author's own and do not necessarily reflect those of organisations he belongs to.