

## SUEPO Position Paper

# Quality of Examination at the EPO

*May 2004*

### Executive summary

*From its inception in 1978, the EPO used to have a high reputation for the quality of its search and examination work. Against the rising pressure from management to master the increasing workload by focussing on quantity, the Staff Union of the EPO (SUEPO) has always been an advocate of maintaining and enhancing the existing high quality standards. Therefore, SUEPO welcomed the set up, about one year ago, of a working group on strategic quality, which included volunteer staff members, staff representatives and experts. The group has now completed its work and the President of the EPO is likely to present a report with upper management's conclusions to the Administrative Council in June 2004.*

*The recommendations of the working group, if endorsed and implemented by upper management, will certainly help to improve quality at the EPO in the long term and are therefore in substance supported by SUEPO. However, in recent times, the number and intensity of public statements criticising the quality of the EPO's work have been increasing to a worrying extent. Therefore, SUEPO is of the opinion that in addition to the proposed introduction of a system to ensure quality in the long term, a number of energetic measures (as opposed to fine tuning) are needed in the short and medium term:*

- *Management must make a clear statement that quality is a priority and show a genuine commitment to it.*
- *The time allocated per examined file must be increased if quality objectives are to be pursued seriously. Only if the level of patentability is increased will the incoming flood of low quality applications be reduced, since this would relieve the pressure from applicants to keep up with their competitors in a vicious circle of more and more trivial applications. This is the only realistic way to master the EPO's workload.*
- *The necessary means for achieving higher quality must be provided by management. Most importantly, training (formal and on the job) must be intensified both at recruitment time and on a continuous basis.*

*Finally, improving quality strongly depends on recognising that the EPO is not a business serving "clients", but a public authority, whose decisions must be led solely by public interest. The Staff Representation reiterates its recommendation to perform a series of hearings of all interested circles, including third parties affected by the system. In addition, a series of case studies on a random sample of recently granted patents should be undertaken with the participation of independent external professionals.*

## INTRODUCTION

From its inception in 1978, the EPO used to have a high reputation for the quality of its examination work (including all upstream work, in particular search). During the last decade, against the rising number of applications, and corresponding pressure from management to focus on quantity, the Staff Union of the EPO (SUEPO) has always been an advocate of maintaining and enhancing the existing high quality standards. In the last couple of years, increasing concerns, not only of internal circles, that quality standards were seriously slipping, have led the Staff Representation to take a more pressing position in a number of publications.<sup>1</sup>

Hence, SUEPO welcomed it when, about one year ago, EPO management set up a working group, including volunteer staff members, staff representatives and experts, to address strategic aspects of quality in the EPO.<sup>2</sup> The group has now completed its work and the President of the EPO is likely to present a report with upper management's conclusions to the Administrative Council in June 2004. The support received hitherto by the group is considered as an indication that presently, management's concern about quality is genuine.<sup>3</sup> The working group, whose results are not yet released officially, proposes an integrated quality management system based on a quality policy, including a quality statement from management. Such a system, which might result in a certification like ISO 9000 or EFQM, clearly has the merit not only of raising awareness for quality, but also of securing management's genuine commitment. The quality department would be raised to the principal directorate level<sup>4</sup> and would be responsible for developing relevant quality standards (in particular by capturing and understanding the requirements of *all stakeholders*), for deploying and refining the methodology to implement these standards (e.g. quality manual), and

for monitoring consistent conformance with these standards (e.g. by an appropriate quality metrics, but also by capturing "soft" factors which are less easily measured). Operational quality control is clearly separated from quality monitoring, and the responsibility of directors in that respect is recognised and emphasised (this means in particular that directors should be experienced in the technical field of their examiners<sup>5</sup>). Finally, the report recognises that a balance is needed between quality and quantity.

The recommendations of the working group, if endorsed and implemented by upper management, will certainly help to improve quality at the EPO in the long term and are therefore in substance supported by SUEPO.<sup>6</sup> However, the alarm bells which are presently ringing make it clear that some short and medium terms actions are unavoidable. Therefore, SUEPO would like to focus on some important points concerning the present state of the EPO (I) and the course to follow to bring about a rapid change (II).

## I. THE PRESENT STATE OF THE EPO

Recently, both the origin and the nature of the criticism against the EPO's practice have changed (A). It indicates that the EPO should re-focus on its legal mission as set out in the EPC (B), and that the needed changes are sufficiently important to warrant short term action (C).

### A. The changing quality of criticism

Public criticism of the EPO's activities used to come from a minority of special interest organisations, mainly in the fields of biotechnology and of computers.<sup>7</sup> Moreover, this criticism tended to be directed against the patent system *as such*, not against the way it was implemented. In the last few years however, more and more public criticism has come from *within* the patent community, including representatives from industry and patent attorneys. Further criticism has come from competition authorities and raises the issue of the

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<sup>1</sup> See in particular *A Quality Strategy for the EPO* (SUEPO working paper, December 2002), available at <http://www.suepo.org/public/docs/2002/quality.pdf>; see also the EPO Administrative Council document *CA/136/03* (3 December 2003), containing the Staff Representation's comments on quality in search and examination; annexed to this latter paper are several critical comments on the quality of the patent system, originating from interested circles, including industry representatives, patent attorneys, economists and economic journals.

<sup>2</sup> See the progress report presented by the President of the EPO to the Administrative Council in December 2003 (document *CA/80/03*) and the comments of the Staff Representation (*CA/136/03*, *supra* note 1).

<sup>3</sup> For a predecessor group in 2002, headed by another group leader, this had not been the case.

<sup>4</sup> Presently, it is a mere directorate.

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<sup>5</sup> This has been less and less so in the past decade, and recently one could even find some chemists as directors in the field of telecoms !!!

<sup>6</sup> Several points of detail need further discussion and refinement, but the Staff Representation expects to be involved in the follow-up process to the working group's results.

<sup>7</sup> For a case in point, see FFII, *European Patent Office: High Above Legality* (last updated 10 April 2004) available at: <http://swpat.ffii.org/players/epo/swpatepo.en.pdf>; although this paper raises several valid points, it is written in a tone which makes it difficult to read.

proper balance between patent rights and other, not less important, factors of economic growth.<sup>8</sup>

A list of critical articles and comments is annexed to document CA/136/03 presented by the Staff Representation to the Administrative Council in December 2003.<sup>9</sup> A particularly frank and lucid criticism was voiced in a recent article by the head of the IP department of a French company.<sup>10</sup> It appears that it is the EPO's very self-understanding which should be put into question.

## B. The EPO's mission restated

Despite its mission statement, which speaks about "model public service" and "support[ing] innovation, competitiveness and economic growth for the benefit of Citizens in Europe", the EPO's attitude has tended to become that of a commercial operator whose "clients" are the patent applicants and whose "products" are the granted patents.<sup>11</sup> This seems particularly odd in view of the fact that the EPO is not even a public *utility* producing some vendible product or service like electricity, water or transportation, for which market competition might sometimes make sense. Actually, the role of the EPO rests on a legal mandate, defined in an international treaty, the European Patent Convention (EPC). According to this mandate, the EPO is a public *authority*, whose mission is to ensure that patent applications meet the legal standards set out in the law. It is from this legal mandate that the EPO's stakeholders (1°), products (2°) and key requirements (3°) are to be determined.

### 1° The EPO's "stakeholders"

By using the term "client" or "user", the EPO wants to insist that patent applicants have to be treated fairly, and costs and bureaucracy to be reduced. However, the use of these terms has shed doubts as to the EPO's impartiality and independence with respect to applicants, sometimes even giving the impression that the EPO wants to increase the number of applications to

increase its revenue. However, a patent is a monopoly restricting economic freedom of third parties and which therefore should only be granted if it benefits the economy as a whole. Hence, the EPO's true stakeholder is the general public. This means that the EPO must not only grant patents, but also reject those which do not meet the legal requirements.

### 2° The EPO's "products"

Similarly, the EPO likes to define its products as the "granted patents".<sup>12</sup> Actually, its "products" are patent *examinations* and the resulting *decisions*, which might be favourable or unfavourable to the applicant. To this, one might add the search reports, which prepare the decision on the patent application, as well as opposition decisions, which allow, if needed, to correct the decisions of substantive examination.

### 3° The EPO's key requirements

The key requirements of the examination process are therefore determined by the balance between the monopoly right granted to the patentee and his contribution to the increase of technical knowledge. Actually, these requirements are clearly set out in the EPC:<sup>13</sup>

- *Sufficiency of disclosure (Art. 83 EPC)*: The fundamental *quid pro quo* between the inventor and society is that in exchange for the monopoly granted, the applicant fully discloses his invention. Actually, there has been a decline in the quality of incoming applications and an increasing trend for applicants to obscure their disclosure (this is particularly so for the so called "complex applications"). As a consequence, doubts have been expressed as to whether published patent application still serve their purpose as a source of technical information.

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<sup>12</sup> This idea is so pervasive within the EPO that it slipped even into the (yet unpublished) report of the working group on quality mentioned in the introduction, a group mainly formed of volunteer examiners.

<sup>13</sup> This is not necessarily the opinion of EPO management, if one judges by the following statement of one of its high ranking managers: "For the EPO the key quality aspects are thoroughness of search, timeliness, consistency of process (e.g. inventive step), cost, clarity of communication and a high presumption of validity. Responsibility for defining each aspect lies with the management of the EPO. The articles of the EPC state precious little about any quality aspect other than timeliness. [...] Occasionally, governments do intervene and give directions on timeliness (the so-called Paris Criteria) or the scope of the system (Biotechnology and Software directives) but all these initiatives closely involve the Office's management who ultimately must implement them." (Ciaran McGinley, "Change and taking risks is what managers do. It is their role", *EPO Gazette* 3/2004, p. 5 ff., at page 6, middle column)

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<sup>8</sup> U.S. Federal Trade Commission, "To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy", October 2003, available at <http://www.ftc.gov/opa/2003/10/cpreport.htm>

<sup>9</sup> See supra, note 1; see also the short bibliography annexed to this paper.

<sup>10</sup> Francis Hagel, "La politique pro-déposant de l'OEB a des conséquences négatives", *epi information* 1/2004, p. 29 ff.; see also the English version of this article: "Serving two Masters. The balance between the applicant and the public", *Patent World*, nr. 161 (April 2004), p. 22 ff.

<sup>11</sup> See the article by F.Hagel, supra note 10; for a similar criticism against the USPTO, see Mark Lemley, *Rational Ignorance at the Patent Office*, *Northwestern University Law Review*, Vol. 95, No. 4 (2001), p. 1495 ff., at note 3.

- *Level of patentability (Art. 52 ff. EPC)*: The monopoly conferred by a patent is justified only if the applicant provides a sufficient contribution to the existing state of the art (novelty and inventive step requirements). The assessment of these requirements starts with a reliable search, which supposes a well maintained documentation. Unfortunately, this latter requirement has been increasingly neglected by management, probably because documentation is a less visible “product” of the EPO.<sup>14</sup> However, a proper assessment of patentability needs both time (e.g. to argue with the applicant) and training (e.g. to know the relevant case law), two resources which have become increasingly scarce at the EPO. As a consequence, examination at the EPO is now recognised to be often limited to quasi-novelty.<sup>15</sup>

- *Scope of protection (Art. 84 EPC)*: Even when the state of the art has been determined properly, the patentee often gets a protection which is over-broad with respect to his contribution to the art, since the requirements of Art. 84 are not applied thoroughly.

The above concerns on the state of the EPO have now become so serious that energetic correction measures are necessary.

### **C. The need for a shake up (before any fine tuning)**

The introduction of an integrated quality system, as proposed by the internal working group on quality, is a necessary long term measure to ensure that in the future, the EPO does not slip again into its present state. However, focussing only on this long term project might give the impression that the situation is less alarming than it actually is, and might therefore delay necessary short term actions. When all birds are singing it from the roofs, there is no need for sophisticated metrics and statistics to see that the system is sick.

In December 2003, the Staff Representation proposed that the EPO organises a series of hearings of all interested circles (not only of the so called “patent community”)<sup>16</sup>, similar to those

held in the United States by the FTC<sup>17</sup>. Up to now, this call has received no response. Likewise, in order to raise the standard of patentability (in particular inventive step), it has been proposed that in depth case studies of recently granted patents be performed with the participation of independent professionals.<sup>18</sup> This and similar initiatives might be what is needed to trigger change in the short term.

## **II. THE PATH TO CHANGE**

To restore the EPO's past quality standards, management needs to state clearly and quickly what the real priorities are and show genuine commitment to them (A), it needs to shed its obsession with productivity, defined as the mere number of patents granted (B), and it needs to provide the means to achieve the EPO's mission (C). For the sake of brevity, we will focus on examination and its associated tasks (documentation, search and opposition), but the same is true for *all* support services in the Office (in particular formalities)

### **A. A clear statement of priorities ... and of commitment to them**

Although management is slowly recognising that the EPO has stakeholders other than its applicants, its official discourse is still hesitating and fails to convey a clear message. Instead of “clients”, it now tends to speak of “users”, and in addition to “active” users (the patent community ?), the EPO is now considered to have also “passive” users (the public ?). But the “public” is still presented as one stakeholder among many (applicants, industry, attorneys, etc), and the underlying rationale still seems to be that search and examination are a service or product provided to applicants.<sup>19</sup>

Likewise, although some managers privately admit that the EPO's patentability standards need to be raised, this message fails to come across publicly. Cases which come to the attention of the public (or are drawn to the attention of management by public outcry) are presented as a mere accident. The key patentability requirements discussed above tend to be swamped in a long list of other requirements like timeliness, consis-

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<sup>14</sup> In certain fields, management has stopped the classification on so called *non-patent literature* (mainly scientific and technical journals) under the pretext that there was too much of it. This had the perverse effect that this kind of documentation is most neglected in fields where it is most important (mainly new and rapidly evolving technological fields where patenting activity is just starting).

<sup>15</sup> See e.g. F. Hagel, *supra* note 10.

<sup>16</sup> See CA/136/03, *supra* note 1.

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<sup>17</sup> U.S. Federal Trade Commission, “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy”, October 2003, available at <http://www.ftc.gov/opa/2003/10/cpreport.htm>

<sup>18</sup> See F. Hagel, *supra* note 10.

<sup>19</sup> For instance, there is often talk of “rendering the system more attractive for potential users” (clients ?).

tency, legal certainty and fairness.<sup>20</sup> Important though these latter requirements are, such an approach tends to obscure priorities and even to suggest that there could be a compromise as to the key requirements.

As a consequence, examiners who must perform the daily work receive confusing signals. Though aware of the present problematic situation, they receive no convincing sign of upper management's commitment to changing it.<sup>21</sup> Nor are their directors, on whose appraisal they depend for their career, in a position to give them clearer and more encouraging signals. As a consequence, out of resignation, many of them focus on the only clear objective they have consistently got for years: the number of granted patents.

### **B. More time for mastering the workload**

Applying high standards of patentability requires a high level of argumentation. Sound argumentation needs time to be learned, time to be developed for each individual application, and time to be discussed with the applicant if he is to be treated fairly. A sound argumentation rests on a solid state of the art search, which itself has to rely on a complete and well classified documentation.

Presently, the time allocated to examiners for completing a file is about 65% of the time they had at the beginning of the nineties.<sup>22</sup> Management justifies these alleged time gains by the introduction of automation (fully electronic searches) and of the BEST program.<sup>23</sup> The result has been a neglect of documentation (the non-visible part of production), less exhaustive search reports, and an increasing number of granted patents with a low standard of patentability.<sup>24</sup>

Actually, reducing the time for examination and its associated tasks, instead of the effect expected by management ("mastering the workload"), might have produced the perverse effect of increasing

the workload. Many applicants admit of filing certain applications not because they believe it is a true invention, but because they need to keep up with their competitors whose patents were obtained too easily (so called "patent spiral"). Lowering the quality of granted patents increases the number of low quality applications !

### **C. Means for results**

If the EPO is to revert to its original quality standards, in addition to a reasonable amount of time per examined file, it needs to provide staff with the appropriate means. Among the material means, computer services are just one example where improvement is badly needed (e.g. awfully slow Internet connections<sup>25</sup> and "somewhat" outdated software<sup>26</sup>). Most important however is the investment in intellectual means, namely training, which management has seriously curtailed during the last years.

Formal training time (in so called "academies") has been reduced<sup>27</sup> without a corresponding compensation by training on the job (e.g. in the form of "coaching" by an experienced examiner). As a result, young colleagues are often left to their own for acquiring most of their drafting and reasoning skills, let alone the knowledge of relevant case law. And senior colleagues are often left to themselves to refresh and develop their skills and knowledge. Although for search, the situation seems less dramatic, searching skills are to a large extent also acquired by practice, which in turn supposes that sufficient time is allocated for in-depth searches. Finally, to limit ourselves to search and examination, contrary to a widely held belief, these tasks are not a linear sequence, but a constant back and forth process between search and examination. In order to know what documents to search for, one has to know a varied range of reasonings for novelty and inventive step attacks, and if these reasonings are not mastered, certain documents will never be sought after, let alone found.

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<sup>20</sup> See e.g. the recent statement of a high ranking manager, *supra* note 13.

<sup>21</sup> According to the "Human Capital Survey" performed Office wide in March 2004, only 25% of staff believe that EPO management is actively involved in improving quality, and only 13% believe that the EPO follows a plan to improve quality.

<sup>22</sup> The time reduction may vary from field to field and seems to be even lower for files treated under the BEST system (search and substantive examination treated by the same examiner).

<sup>23</sup> Actually, expected productivity gains were invoked by the Vice-President then in charge as a justification for promoting the automation program and BEST. A revealing example of a self-fulfilling prophecy.

<sup>24</sup> In a survey performed in March 2004 by the Munich Staff representation among some 1000 examiners, 77% of those who replied stated that the present time available per file does not allow them to apply the quality standards of the EPC.

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<sup>25</sup> Some examiners are told to use their private ADSL connections at home to perform searches on the Internet.

<sup>26</sup> Until recently, all computers run on a more than one decade old operating system (OS/2), which was incompatible with modern office software. Even the new system which is presently being introduced, although called "Neo", does not use the most recent software (Windows 2000).

<sup>27</sup> Typically, new recruits immediately start with the BEST program, i.e. they are simultaneously trained in search and substantive examination. The total training time, though fluctuating, always stays below the sum of the times which used to be spent for separate search and examination training. Moreover, in order to cope with the backlog, new recruits need to be quickly "operational", which means that initial training often focuses on "basic" issues only and does not enable newcomers to produce work at an acceptable quality level from the beginning.

## Conclusion

The results presented by the internal working group on strategic quality provide a sound basis for a long term improvement and maintenance of quality at the EPO. In the short term, a more energetic course of action is needed. This requires that management recognises the points needing most urgently improvement, that it clearly states these priorities, and that it shows genuine commitment to quality.

In particular, it should be clearly recognised that the EPO is not at the service of any "client", but is

a public authority, whose decisions must be led solely by public interest. Staff should be given the necessary means to perform their tasks correctly, including a reasonable time allocation and appropriate initial and continuous training.

The Staff Representation reiterates its recommendation to perform a series of hearings of all interested circles, including third parties affected by the system. In addition, a series of case studies on a random sample of recently granted patents should be undertaken with the participation of independent external professionals.

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## Short bibliography

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