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Recommendations for improving the patent system

2012 Statement

by the EPO Economic and Scientific Advisory Board



Recommendations for improving the patent system

In 2011, the President of the European Patent Office (EPO) created the Economic and Scientific Advisory Board (ESAB) to address important economic and social issues relating to the patent system and to support the EPO with evidence-based policymaking¹. In its first year, the ESAB has contributed to the broad debate about the economic and social effects of the patent system. Workshops with stakeholders and in-depth analyses of selected topics – the importance of patent quality, the role and structure of patent fees, and the challenge of patent thickets – have led to three detailed background reports. Based on these reports, the members of the ESAB make the recommendations below, to address the important challenges facing the patent system.

Members of the EPO Economic and Scientific Advisory Board:

- Béatrix de Russé, Executive Vice-President, Intellectual Property and Licensing, Technicolor
- Bronwyn Hall, Professor, University of California and University of Maastricht
- Robin Jacob, Professor, University College London
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- Geertrui Van Overwalle, Professor, Centre for Intellectual Property Rights, University of Leuven and University of Tilburg
- **Chairman:** Dietmar Harhoff, Professor, Ludwig-Maximilians-University Munich (LMU)

Munich February 2013

Background information:

- Report 'Workshop on Patent Quality' (Munich 7 May 2012)
- Report 'Workshop on Pricing and Fees' (Munich 8 May 2012)
- Report 'Workshop on Patent Thickets' (Leuven 26 September 2012)

Available at <http://www.epo.org/about-us/office/esab/workshops.html>

¹ cf <http://www.epo.org/about-us/office/esab.html>

Summary

Today there is widespread concern that patent quality is deteriorating and that low patent quality threatens the functioning of the whole system. In addition, in some specific fields where the technology is evolving rapidly, the slowness of the patent system is perceived as a problem. The costs are also a real issue for some inventors and innovative firms. The Board points out that improving patent quality will require actions at both the pre- and post-grant stage. At the pre-grant stage, specific measures will have to address the speed and quality of examination. Patent offices should make better use of their collective knowledge by sharing information during the search and examination process. This is of particular relevance for offices of first filing. At the post-grant stage, opposition or re-examination proceedings will have to be improved. More efficient and less expensive litigation systems as well as reliable alternative dispute-resolution mechanisms may further improve patent quality.

The Board believes that there is no urgent need for a fundamental patent fee reform. However, the current fee systems in Europe may require some fine-tuning, without making the European patent system more complex. As fees at national level are heterogeneous, consistent and harmonised fee policies at European level could help to avoid low-quality applications, reduce complexity and discourage certain patent filing practices. Any change to the existing fee structure should have a clear rationale and beware of unintended consequences.

The Board does not regard patent thickets as a root cause of problems. Rather, measures to improve patent quality will reduce the complexities of dealing with patent thickets.

The Board recognises the need to support independent inventors, small and medium-sized enterprises and universities in their dealings with the patent system. Support could entail providing better access to pre-filing information, tax deductions, or reductions in attorneys' fees.

The members of the Board emphasise the essential role patent information plays in the functioning of the patent system. Greater transparency in patent ownership and legal status (e.g. patent assignment) via improved patent registers is essential in this respect.

Patent quality

Today there is widespread concern that patent quality is deteriorating and that low patent quality threatens the functioning of the whole system. In addition, in some specific fields where the technology is evolving rapidly, the slowness of the patent system is perceived as a problem. The costs are also a real issue for some inventors and innovative firms. Higher patent quality relates not only to streamlining procedures and improving information technology systems at patent offices but also to the patentability standards and disclosure requirements applied. Improving patent quality requires actions at both the pre- and post-grant stage.

Pre-grant action

At the pre-grant stage, the speed and quality of examination are particularly important for patent quality. Generally, how prior art is made available, searched, and disclosed in patent applications could be further improved. It may be useful to explore ways of creating incentives for applicants to ensure that prior art is classified in a way that makes patented inventions easily identifiable. For instance, centralised repositories of non-patent prior art, and information technology infrastructure allowing full-text searching of non-patent literature, could be envisaged. International co-operation and information sharing among patent offices are indispensable for higher patent quality. However, the simplest approach – mutual recognition of granted patents – could jeopardise patent quality. Patent offices should make better use of their collective knowledge by sharing information during the search and examination process. This is of particular relevance for offices of first filing.

Post-grant action

At the post-grant stage, ways to eliminate low-quality patents include opposition or re-examination proceedings at patent offices and revocation proceedings at national courts. Possible action here would mostly address the speed of such proceedings and their consistency across jurisdictions. Generally, a more efficient and less expensive litigation system is desirable. Thought could also be given to alternative dispute-resolution mechanisms.

Patent fees

The ESAB does not see a need for a fundamental patent fee reform. However, the current fee systems in Europe may require some fine-tuning, without making them more complex. Fees at national level are heterogeneous, both in structure and amounts. Consistent and harmonised fee policies at European level could help to avoid low-quality applications, reduce complexity and discourage certain patent filing practices. Furthermore, the EPO could consider changing the timing of specific procedural fees to steer applicant behaviour, provided those changes do not further complicate the system. Any change to the existing fee structure should have a clear rationale, and beware of unintended consequences. Wherever possible, fee changes should be accompanied by cost-benefit analysis beforehand, and an impact assessment afterwards.

Patent thickets

Patent thickets are not a distinct problem in themselves. Thickets mostly occur in technological areas with significant market potential. Many patents are filed on the basis of substantial investment in research and development, and this leads to areas with a high density of patents and applications. Thus patent thickets are not a root cause of problems. They appear to be closely related to innovation management and its complexity. Solutions to reduce patent thickets should aim at improving the patent system by eliminating unnecessary complexity. A number of concrete solutions could help the patent system overcome these challenges and reduce complexity, cut costs, raise quality and thus limit the likelihood of patent thickets.

Patents and standards

Closer information links between patent offices and standard-setting associations should be forged, to inform users of the system about relevant prior art. Standard-setting associations should require patent holders to disclose if patents are standards-essential. These measures could improve the timeliness and completeness of information on standards-essential patents and could also help to navigate patent thickets.

Generally, the framework conditions for intellectual property management could be improved. For instance, for standards-essential patents, transaction costs and cumulative royalties related to patent thickets could be lowered by greater clarity in FRAND (fair, reasonable and non-discriminatory) licensing commitments or by improved pooling of standards-essential patents for complex technologies.

Smaller market players

The ESAB recognises the need to support independent inventors, small and medium-sized enterprises and universities in their dealings with the patent system. Supporting the innovative activity of smaller market players will clearly involve taking action at different levels. Therefore, if support for small and medium-sized enterprises is needed, it does not necessarily have to come from the EPO. Support could entail providing better access to pre-filing information (retrieving relevant prior art), tax deductions, or reductions in attorneys' fees.

Patent registers

The members of the Board emphasise the essential role of patent information. Patent legal-status data should be made available to the public. It is crucial for users of the patent system to be able to make informed decisions on their use of technology. Public patent registers should provide up-to-date information on patent ownership and assignment. This would mean updating the register whenever ownership structures have changed. The register could also give information on exclusive licensing agreements. However, further research is needed to understand how to incentivise applicants to provide such information.

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