

IP issues for TTIP

Confirm existing treaties

Indeed, both EU and US should affirm / join existing international treaties, including the WTO TRIPs Agreement, and the Patent Law Treaty (PLT), which is about harmonizing aspects of form and content, including description, claims, and unity of invention. The US should adopt the internationally accepted PCT standards on unity, and thus withdraw the reservation it made when it ratified the PLT. This should be doable now that the US already has joined the European Patent Office in adopting the Common Patent Classification.

As the PLT already harmonizes description, claims, and unity, any new instrument on substantive patent law harmonization should not re-discuss the same issues as that would only result in confusion.

Grace period

Adoption of a grace period in EU patent law would allow for a patent to be validly granted even if the applicant has published the invention before the filing date. This is not desired; the present system is clearer and provides more legal certainty.

However, the US wants the EU to adopt grace period.

In line with a report adopted by the Economic and Scientific Advisory Board of the European Patent Office, the EU could only accept a grace period if the following conditions are all met, so that legal certainty is not too much jeopardized:

- duration: at most 6 months before the priority date,
- mandatory declaration of the applicant's publication to be excused on filing of the application,
- worldwide prior user rights (i.e. if Philips in Eindhoven already has used it or has already made serious preparations for use, our prior user rights should not be limited to NL only), for any use started or seriously prepared before the priority date (so not like in the US: before 1 year before either the priority date or the applicant's excused publication, which is a key feature of the US' first to publish system, and without exceptions like that in the US no prior user rights exist if the patent is owned by a university),
- only the applicant's own publication is excused, so no "first to publish" type of grace period in which the first applicant to publish his invention gets the patent rather than the first applicant who files a patent application,
- internationally fully harmonized, so that US should have the same rules (6 months, declaration, prior user rights, no first-to-publish) as we will have, and it should not be just EU and US but also all other key patent countries including China, and
- part of a broader international substantive patent law harmonization, including 18 months' publication without exceptions, and a harmonized prior art effect of earlier applications without discriminating PCT applications.

US litigation

1. Early patent claim construction (Markman ruling) and no discovery until after Markman ruling

The US should become TRIPs-compliant (see Article 41(2) TRIPs Agreement) in that IP litigation is not unnecessarily complicated and costly. As significant costs are caused by discovery, litigation costs would be much lower if discovery is only allowed after the court's Markman ruling on patent claim construction. Such Markman ruling should be made early in the process. If the case is settled after the Markman ruling, no discovery costs need to be made.

2. Loser pays principle and security for costs

US litigation costs would be significantly lowered if there was less litigation, and the US adopting the "loser pays" principle of Articles 45(2) and 48(1) TRIPs, and the obligation to provide security for legal costs really would help. It is unnecessary risky for EU companies to do business in the US, as the risk of becoming involved in patent litigation is much higher in the US than in Europe. And this risk is particularly burdensome as US litigation costs are much higher than in Europe.

Having to pay the defendant's costs, including attorney fees (so including the costs for the discovery discussed above), will be a deterrent for those US patent owners who now are able to just assert their patents without any risk: if they lose, they don't have to pay, and if they win, they get millions.

The US patent act has the following provision: "35 U.S.C. 285 Attorney fees. The court in exceptional cases may award reasonable attorney fees to the prevailing party."

This limitation to exceptional cases results in awards of attorney fees to be rare. The words "in exceptional cases" should thus be deleted, as they result in the US not fully complying with the TRIPs Agreement as TRIPs has no such

limitation to exceptional cases only. Also without these words “in exceptional cases”, the “may” provision allows sufficient flexibility for a court.

While having to pay the prevailing party’s costs would help to reduce the number of US patent litigation cases, it does not help against patent trolls (also called non-producing entities) whose sole asset is the patent they want to enforce as such entities often just exploit a small number of patents without having other assets. If they lose and have to pay, they simply don’t have any money allowing them to pay, so that they can still play a risk-free game: if they lose, they don’t have to pay, and if they win, they get millions.

This could be addressed by the US following the EU example laid down in Article 69(4) Unified Patent Court Agreement: at the request of the defendant, the Court may order the applicant to provide adequate security for the legal costs and other expenses incurred by the defendant which the applicant may be liable to bear.

This would stop such patent trolls at the beginning as if they cannot provide security, the case stops. The “may” provision allows sufficient flexibility for a court to still allow a small patentee that has a genuine business to litigate without having to provide security.

3. Privilege

It is important for European companies involved in US litigation that our IP staff enjoys the same privilege as the IP staff employed by US companies. And here we do have a problem in that IP staff used by US companies is mostly formed by attorneys-at-law, and in all countries, attorneys-at-law enjoy a client-attorney privilege: you can discuss sensitive issues with your attorney without this discussion becoming available to the other side and the court. However, in Europe, most patent attorneys are not attorneys-at-law, so that we do need an agreement with the US that whoever is licensed to practice before the Unified Patent Court, European Patent Office, EU Intellectual Property Office (OHIM) or a national IP office in an EU state, enjoys exactly the same privilege as a US patent attorney.