

March 19, 2015

Mr. Benoît Battistelli
President
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Via email: president@epo.org

Mr. Jérôme DeBrulle
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Via email: Jerome.Debrulle@economie.fgov.be

Re: Unitary Patent Renewal Fees

Dear President Battistelli & Chairman DeBrulle:

Thank you for giving the American Intellectual Property Law Association (AIPLA) opportunities to comment on the proposals for Unitary Patent renewal fees. We are writing now in response to the March 6, 2015, Proposals from the President of the European Patent Office for the level of renewal fees for European patents with unitary effect (SC/4/15) (“Proposals”), and to follow-up on our January 28, 2014, letter to Chairman DeBrulle and our February 11, 2015, letter to Dr. Margot Fröhlinger (copies attached), following our February 3, 2015, video consultation with EPO on this subject.

AIPLA is a national bar association with approximately 15,000 members who are primarily lawyers in private and corporate practice, in government service, and in the academic community. AIPLA’s members represent a wide and diverse spectrum of individuals, companies, and institutions, and are involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law. Our members represent both owners and users of intellectual property.

We continue to applaud steps taken to create a Unitary Patent system in the European Union. In order for the Unitary Patent to be a success, however, it should make “access to the European patent system easier, less costly and legally secure,” and “eliminate costs and complexity” as promised in EU Reg. No. 1257/2012, Recital (4). We do not believe that either alternative in the Proposals would accomplish those goals.

A. Summary

As the Proposals state, in paragraph 5, the main task is “to arrive at a level low enough to be attractive to users and high enough to ensure a balanced budget of the European Patent Organisation.” In our opinion, neither of the two proposed alternatives satisfies the first criterion and those alternatives also do not appear necessary to satisfy the second criterion. Therefore, we request consideration of another proposal consistent with the views expressed in this letter.

In summary, we continue to prefer TOP3, and object to the Proposals based on either TOP4 or TOP5 with an SME reduction, as being too costly to be attractive for a significant number of users, and because both proposals include renewal fees of the Netherlands, which are not representative of the average 4th state renewal fees paid by users who currently validate in 4 or more of the Unitary Patent member states.

We suggest that the UP renewal fees will have very little effect on the EPO budget in the first 5 years of the Unitary Patent; therefore, the fees should be set now at a level likely to attract a significant number of users and then reviewed after five years, when real data of actual usage are available.

We continue to urge adoption of renewal fees no higher than the TOP3 level, which we believe would attract the most users and encourage them to renew for longer periods into the second half of patent life. If that is not possible, we suggest adopting renewal fees at a level lower than the proposed TOP4; for example, using an average of the fees in most frequently selected 4th states, to replace use of only the Netherlands as the 4th state.

B. “Low enough to be attractive to users”

In this section, we point out what we consider necessary for Unitary Patent renewal fees to be “low enough to be attractive to users.”

1. The summary of the consultation of user associations in paragraphs 16-23 of the Proposals is generally consistent with our views, but fails to give adequate weight to three important points:
 - a. The primary consideration for most users in deciding the countries in which to validate and maintain European Patents is the budget available for the patent owner’s payments due at the times of the patent’s grant and annual renewals. We are not aware of sufficient demand for broad territorial protection in Europe that would overcome or loosen these budgetary constraints. European patents already are difficult to justify on a cost-benefit basis as compared with other major patent offices.

- b. Selective abandonment of patents in some states is a key tool in managing renewal costs. The lack of the ability to selectively abandon parts of a Unitary Patent, particularly in the second half of patent life, will be a deterrent to electing Unitary Patent protection initially, which can only be overcome by making the costs reasonable for a majority of users.

EPO representatives have suggested, prior to and during our consultation, that selective abandonment is not important because it is not exercised frequently. The actual exercise of selective abandonment, however, is not a good measure of the effect that its unavailability may have on elections of a Unitary Patent. Rather, the important consideration for users is the ability to consider selective abandonment when making renewal decisions. From our members' experience, selective abandonment is probably considered in 80-90% of the renewal decisions beginning a few years after grant.

- c. Users have several viable alternatives to a Unitary Patent in Europe. They have become comfortable with limited territorial patent coverage. They can obtain sufficient coverage to deter broad competition by patenting in a few key states that are members of the London Agreement, where there is little or no translation cost. In most cases, litigation in one European state leads to resolution of multi-state disputes.

Therefore, depending on the level of Unitary Patent renewal fees, validation only in London Agreement states is likely to be a more attractive option for many users because of lower costs, availability of selective abandonment to control costs, and availability of a choice of enforcement forum, for example, in the Unified Patent Court in English, or in a national court at presumably lower court costs.

2. We also differ with some of the premises in the Proposals affecting costs from the users' perspective:

- a. The Proposals refer to Unitary Patent coverage in 25 member states. At least in the beginning, however, a Unitary Patent will not cover that number of states. The minimum is 13 states. After a Unitary Patent is issued, it can never provide protection in additional states. Users desiring protection in the states that have not yet ratified will have to validate in individual states.
- b. The inclusion of a 25-state cost model is not meaningful because very few users validate in so many states. Because users cannot predict the long-term commercial value of a patent at the time of grant, almost all of them are likely to consider validation in a large number of states only if they

have the later ability to selectively abandon those which have limited value.

- c. The Proposals overlook the cost of the required translation of the Unitary Patent specification, which could be an obstacle for many users. It has been suggested that the cost could be very low, by use of a machine translation; however, European Patent Attorneys are advising that a human translation is required because EU Regulation No 1260/2012, Recital 12 states: “Such translations should not be carried out by automated means...” We expect that users will follow the advice of their European Patent Attorneys, resulting in increased translation costs. It also has been suggested the same translation prepared for Italy or Spain could be used; however, based on our members’ experience, it appears that the majority of U.S. users do not validate in Italy or Spain.
 - d. In paragraph 11, the Proposals overemphasize the costs of renewals in individual countries as compared with a Unitary Patent. The costs of renewal fee payments through one of the several service companies are quite reasonable, and are likely to be more than adequately justified by the availability of the option to reduce costs by selective abandonment.
3. The second alternative in the Proposals includes a 25% reduction for certain categories of patentees, such as SMEs, natural persons, non-profit organizations, universities and public research organizations. AIPLA has supported lower fees for such groups in the United States. We support such reductions in principle; however, they must be useful and not adversely affect other users or make the Unitary Patent less attractive.

Unfortunately, we have not seen any analysis that would support the assertion that the level of Unitary Patent renewal fees suggested in the Proposal would be attractive to SMEs, even with the proposed reduction. As with other users, validation of a European Patent in individual states participating in the London Agreement, with the opportunity to selectively abandon in some states to control costs, is likely to be more attractive to patentees in those categories than either alternative in the Proposals.

C. “High enough to ensure a balanced budget of the European Patent Organisation”

We appreciate the concern of EPO management and the Select Committee over receiving adequate renewal fee revenue to comply with the requirements of EU Regulation No. 1257/2012, Article 12 that the renewal fees be set at a level that will cover Unitary Patent costs and assure a balanced EPO budget.

We suggest that setting the Unitary Patent renewal fees too low should not be a concern for three reasons:

1. We do not agree with the suggestion that a significant number of users would elect a Unitary Patent for cases of the type they now validate in many states and maintain for many years, resulting in much lower renewal fee income for the EPO. We do not expect that users pursuing the multi-state and/or long term strategies will select Unitary Patents. From our members' experience, they are most likely to want the advantages of individual national patents, including the opportunity for selective abandonment and lack of central attack, including the ability to opt-out of the Unified Patent Court.
2. We believe the choice between a Unitary Patent and national validations is likely to be revenue neutral, at least as a first order approximation in most cases, because the amount available in users' budgets for renewal fees in a given year for Europe is likely to be constant.
3. It appears the choice between a Unitary Patent or national patents will have a relatively small effect on the EPO's total renewal fee income in early years of the Unitary Patent, because election of the Unitary Patent probably will grow slowly and because the fees are relatively small in early years.

We also call attention to a source of income that appears to have been overlooked in connection with budgeting for a Unitary Patent: the renewal fee income from national validations of the same European Patent in states not covered by the Unitary Patent. At least initially, that will include Spain, Italy, Poland and other states that have not ratified at the time of the European Patent grant.

It is difficult to project user behavior that may affect the Unitary Patent choices and resulting fee income. In particular, it is quite possible that users electing a Unitary Patent will maintain it for more years than they would maintain all of the individual nationally-validated patents, resulting in greater income than the EPO projections. Rather than initially setting the renewal fee schedule at a high level in an attempt to guarantee fee income, which appears likely to deter use of the Unitary Patent and defeat its purpose, we suggest that the EPO and Select Committee review the fees after 5 years and adjust them if necessary (preferably only for later-granted patents).

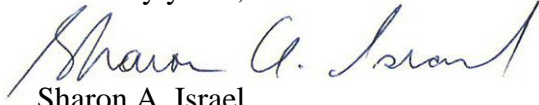
D. Conclusion

In conclusion, we continue to urge adoption of renewal fees no higher than the TOP3 level, which we believe would attract the most users and encourage them to renew for longer periods. If that is not possible, we suggest a level lower than the proposed TOP4, for example, using an average of the renewal fees in the most frequently selected 4th states rather than using only the Netherlands as the 4th state. Finally, we suggest that the EPO and Select Committee plan to

review the fees after 5 years, and adjust them if necessary (preferably only for later-granted patents).

Thank you again for the opportunity to consult with you and your colleagues on this important issue. We welcome the opportunity for further discussion on this and other matters of interest to potential users of the Unitary Patent system.

Sincerely yours,



Sharon A. Israel
President
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