THAT SINKING FEELING: WHY EUROPEAN PATENT APPLICATIONS ARE DOWN

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For the first time in 20 years, in 2009, the number of applications filed under the European Patent Convention (EPC) decreased—by eight percent, from 146,600 in 2008 to 134,500 in 2009.

In contrast, US utility patent applications filed in the same period remained the same as in 2007 and 2008. About 456,000 applications were filed in the US in 2009—3.4 times more than were filed at the European Patent Office (EPO). This is interesting considering that an EP application is valid in 40 countries with a combined population of almost twice that of the US.

So, why are so few patent applications filed before the EPO compared to the US Patent and Trademark Office?

It is often thought that US applicants are only interested in protecting their inventions in their domestic market: US applicants filed about 231,500 US applications in 2008, but only about 33,000 EP applications. However, US applicants still file more applications before the EPO than Japanese, Canadian or Chinese applicants.

National filings obviously account for some of the differences between the US and European numbers. But that is not the only reason, and national filings by US applicants in European member states are also relatively low. It is possible that US applicants are only interested in filing in a few European countries, in which case, there are no significant cost savings from filing in the EPO and the applicant has the advantage of patentability searches in each country where the application is filed. However, it does not seem that the national filing numbers fully support this proposition.

It is not possible to file national applications based on an international application in some EPC countries, including Belgium, France, the Netherlands and Italy, where protection only can be obtained via an EP application and the applicant needs to file before the substantive examination process starts, adding to the overall prosecution costs of the patent. Prosecution costs before the EPO are considerably lower than prosecuting many national patents simultaneously.

Filing an EP application gives the applicant the possibility of protection in 40 countries. Since it also defers both translation costs and the decision to validate the application in specific countries until after grant, filing EP applications is advantageous. Furthermore, the implementation of the London Agreement in 2008 has significantly reduced the costs for validating patents in some key jurisdictions, including Germany, France and the UK.

Some companies worry about the post-grant opposition system at the EPO, which allows third parties to challenge the validity of granted patents directly at the EPO without risking an expensive suit before courts; however,

"OF ABOUT 52,000 PATENTS GRANTED AT THE EPO IN 2009, OPPOSITIONS WERE FILED IN ONLY FIVE PERCENT OF CASES. OF THOSE, ABOUT ONE-THIRD WERE REVOKED, ONE-THIRD WERE UPHELD IN AN AMENDED FORM AND ONE-THIRD WERE FULLY UPHELD. PATENTS WERE COMPLETELY REVOKED IN LESS THAN TWO PERCENT OF CASES."

this procedure is not only less costly for the opponent but also for the proprietor. The EPO system is often more efficient than a pure court-based litigation system like that in the US, since a decision in an EPO opposition is taken by technically qualified panel members. In contrast, legal experts in court-based systems have to rely on outside counsel to provide the desired technical information, which is especially difficult when the patent relates to a complex technological field.

Of about 52,000 patents granted at the EPO in 2009, oppositions were filed in only five percent of cases. Of those, about one-third were revoked, one-third were upheld in an amended form and one-third were fully upheld. Patents were completely revoked in less than two percent of cases.

EPO patent law differs from US patent law, for example in relation to amendments and extensions, but this does not make it more complex. Indeed, from a European patent attorney's perspective, the European process is often more objective.

The cost of litigating a case is lower in Europe than in the US, where the average cost of securing a first-instance decision exceeds seven figures, and can reach $5 million dollars or more. In other words, a US company could likely litigate a case in the UK, France, Germany and Italy, and perhaps also in the Nordic countries and the Netherlands, and still spend less than it would in the US.

Even though US companies file 87.5 percent more applications in the US than before the EPO, US applicants are still the largest group of non-EPC applicants, and it will be interesting to see if more non-EPC applicants start to benefit from the advantages of the EPC or continue to file national patent applications, or disregard IP protection in Europe altogether. In any case, the benefits of the EPC system should be further clarified in order to counter some of the prejudice against it.

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