

Submission on “Quality of Patents” and Canada & UK proposal in SCP/16/5

Third World Network

Introduction

In formulating a work-plan in SCP on a particular subject matter, it is always important to bear in mind the context of the emergence of the TRIPS Agreement.

It is undeniable that the TRIPS Agreement came about as a result of strong pressure by the industrialized countries with the clear objective of universalizing the standards of IP protection that developed countries had incorporated in their legislation, once they had attained a high level of technological and industrial capability.

However notwithstanding this context, the TRIPS Agreement contains elements that if duly applied would permit a certain balance in the implementation.

The Preamble of TRIPS recognises “the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives”. Article 7 of TRIPS on “Objectives” recognises that the protection and enforcement of IP are not an end in themselves but are meant to enable each country within the limits defined by the Agreement to define a balanced regime of protection, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare.

Article 8 (on “Principles”) stresses that no Member can be prevented from taking into account its own public interests and that appropriate measures provided they are consistent with TRIPS Agreement can be taken to prevent the abuse of intellectual property rights by right holders or the resort to practices which unreasonably restrain trade or adversely affect the international transfer of technology.

These are important provisions that should guide the formulation of any work-plan in SCP. These provisions recognise that IP protection can have adverse socio-economic implications and thus governments have the freedom to take measures to protect their national interests “including measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development”. This leaves room for adopting different solutions nationally as per the national needs and interests.

Accordingly any work-plan on patent quality should be on the premise that different countries have different development objectives and that patentability standards and patenting processes need to be formulated to achieve these objectives. And thus activities on “patent quality” should work to enhance the ability of patent offices to work in the developmental interests of its country and to serve the general population of its country.

Initiatives such as “work-sharing”, “outsourcing patent examination” that aim to encourage a country’s patent office to substantially rely on, or to simply endorse

the work of other countries, in the examination of a patent application should be disregarded. Patent examination process is not a mere technical activity but must be guided by national developmental and public policy objectives.

Specific Comments on the Canada/UK Proposal

1. The proposal is about developing a work-programme on the quality of patents. However in the proposal there is little clarification as to what “patent quality” means. It is unclear whether the concept is with regard to the speed with which patents are granted or the scope of the patent claims or the extent to which there is sufficient disclosure on the best way to work the invention or the level of inventive step (and other patentability criteria) applied in determining whether or not to grant the patent.

2. There is no universal standard with regard to the “quality” of patents. The concept of quality of patents varies from country to country according to their patentability criteria determined as per the national circumstances and development objectives.

Article 27.1 of the TRIPS Agreement stipulates that patents shall be granted to protect inventions, which are “new, involve an inventive step and are capable of industrial application”. The Agreement does not define these three requirements, and it is up to each country to implement these requirements according to the national circumstance and level of development.

A report on “Integrating Intellectual Property Rights and Development Policy” by the Commission on Intellectual Property Rights set up by the UK government in 2001 noted¹:

“We believe that in considering the design of their patent systems, developing countries should adopt a pro-competitive strategy that, as one observer suggests, is tilted towards second comers rather than distant patentees.² This is especially important in those areas of technology such as pharmaceuticals and agriculture where, as we have already considered, the cost of providing strong protection is likely to be greatest. Such a pro-competitive strategy is best realised by seeking to restrict the scope of patent protection provided.”

The Commission’s report supports the view that:

(i) patent standards that are in place in developed countries are not suitable for the context of developing countries and (ii) developing countries need to adopt a more stringent patentability criteria.

What this means is that the concept of “quality” of patents will vary depending on patentability standard that has been adopted (determined as per national

¹ See http://www.iprcommission.org/graphic/documents/final_report.htm

² Reichman, J. (1997) “From Free Riders to Fair Followers: Global Competition under the TRIPS Agreement”, *NYU Journal of International Law and Politics*, vol. 29. Source: <http://www.nyu.edu/pubs/jilp/main/issues/29/b.html>

objectives) and the ability of patent offices to apply this standard effectively in the examination of patent applications.

Patent “quality” cannot simply be improved by adopting the practises of other patent offices and especially developed country practices. Developed countries are known to have lax patentability standards, and administrative processes that favor the patent applicant, however such practices (even the so called “best practices”) are not suitable for developing countries, and if followed would undermine the flexibilities existing in national patent law and effectively result in harmonisation of patent law.

3. The proposal contains three components i.e. technical infrastructure development, information exchange on quality of patents and process improvement. Comments on these components is as follows:

(i) It is indeed important to have good technological infrastructure to enhance the capability of patent office to access information for the purpose of examining patent applications. However, it is equally (and often more) important that patent offices apply the information as per their domestic laws.

It is not just a matter of developing technological infrastructure but also a matter of being able to access patent databases. Developing countries often have poor access to databases, which are often costly and thus have to rely on freely available search systems meant for general public use like EPO’s esp@cenet. In addition, in upgrading technological infrastructure, the issue of sustainability of such infrastructure in terms of costs, maintenance, expertise are also issues that need to be considered.

Further to enhance technological infrastructure it is first of all important to understand the baseline or state of play with regard to infrastructure that exists in countries.

(ii) Paragraph 11 on “Information exchange on quality of patents” claims that such information will help patent offices gain a greater understanding of the role of quality in patent office processes. As noted above, there is no universal understanding of the concept of “quality” as this standard would vary from country to country.

It appears in paragraph 11 that the focus is to improve administrative processes and operations to please users (i.e. the patent applicants) of the patent system. This indicates that the proposal’s understanding of “quality” is about making the patent system more user friendly, presumably speedier granting of patents, simpler requirements for patent applicants.

This approach is problematic for many reasons. The function of the patent office is not to serve the users of the patent system. Patent offices have three primary duties: “they have to check that the inventor is delivering an invention of social

value; they have to focus on ways to improve the social diffusion of invention information; and they have to ensure that the system is maximally transparent”³. Delivering an invention of social value would very much depend on the patentability criteria including the level of inventive step adopted by the country taking into account the national level of development. It is rather problematic that increasingly patent offices are being transformed into business agencies, as such an approach enhances “the private value of patent for these clients and reduce[s] the social value of invention information”⁴.

As such information sharing should not be on how to improve the processing of patent applications for the benefit of users. Instead the focus on information sharing should be on how to put in place a more rigorous examination process to avoid the granting of frivolous patents.

The proposal in paragraph 11 is biased in favor of the users. As noted above the function of the patent system is not creating a system beneficial for the users. The function is generally to benefit society. Thus what is in need is more information sharing on measures that can be put in place to ensure that patents are only granted to inventions that are socially valuable nationally. This includes sharing information on accessing information on patents rejected and the reasons for doing so taken by other patent offices.

(iii) In para 12, the proposal states that “Process improvement is intended to identify ways offices can improve their granting processes to ensure an appropriate degree of quality”. Again there is no clarity over the concept of “quality”.

As noted above we are of the view that patent “quality” refers to the adoption of patentability standards as per national circumstances and level of development and accordingly being able to apply these standards in the examination of patent applications. Thus “process improvement” should focus on implementing safeguards in order to implement the patentability criteria in an effective manner.

(4) In paragraph 13, the proposal states that “work would proceed on each component of the work-plan concurrently with a view to realizing near-term results and gains where possible”.

We believe that this ambition is rather premature. The Canada/UK proposal lacks specificity. There is little clarity about the specific activities that the paper is proposing on enhancing infrastructure development or on process improvement. In fact the paper is vague and general and does little to provide any specificity on the issues that are mentioned in the paper.

³ Drahos, P., “The Global Governance of Knowledge, Patent Offices and their Clients” (2010), Cambridge

⁴ Drahos, P., “The Global Governance of Knowledge, Patent Offices and their Clients” (2010), Cambridge

Even more problematic is the failure to advance its understanding of “quality”, a concept that underpins its proposal. In the absence of such clarity, it is indeed premature to move ahead with this proposal.

(5) In paragraph 14, the proposal states that the Canada/UK paper is “inclusive of a broad range of interests of member states at different levels of development”.

This statement is rather misleading, as there is little in the paper that suggests that the broad range of interests has been accommodated. In fact paragraph 11 of the paper suggests that the proposals may have more limited interests in mind.

(6) Paragraph 14 of the proposal specifically mentions Development Agenda recommendations 10 and 11 in support of the proposals made. It is indeed a welcome sign that Member states are keen to rely on the Development Agenda recommendations as a guiding framework for developing work-programs of WIPO committees. However, it is important to ensure that the DA recommendations are not misrepresented.

Recommendation 10 speaks about developing capacity “with a view to making national intellectual property institutions more efficient and promote fair balance between intellectual property protection and the public interest”. Recommendation 11 speaks of strengthening “national capacity for protection of domestic creations, innovations and inventions and to support development of national scientific and technological infrastructure”.

The lack of details including over what “quality” means makes it difficult for one to agree that the proposed work-plan is consistent with recommendation 10 and 11 or any other DA recommendation. In fact where some specificity is provided for instance in paragraph 11, the proposal is counter to Recommendation 10 and 11. As mentioned above paragraph 11 is about making the patent system more user friendly but then this does nothing to promote “fair balance between intellectual property protection and the public interest” (Rec. 10) or enhance capacity for the protection or national innovations and inventions or to support the development of national scientific and technological infrastructure (Rec. 11).

In fact recommendation 10 suggests the need to promote a system that balances protection with public interest. To do this, it is important to ensure at least the patent offices are examining the applications as per the domestic patent requirements, national circumstances and development standards and not on the basis of grants given in a foreign country.

On recommendation 11, it is important to note that most developing countries are in no position to be able to use the patent system to their advantage. Beneficiaries of the patent system are usually from countries with advanced technological infrastructure and R&D capacities and thus countries in a capacity to “generate” inventions that can meet the patentability standards. Thus it is of

no surprise that entities from developed countries dominate in terms of patent applications and patent grants. In 2008, US, Japan, Germany, Korea and France accounted for 70.6% of all Patent Cooperation Treaty filings.

In developing countries, most (and often all) of the patents granted are to a foreign entity. Thus it is of little value to a developing country to have a patent system that is efficient and focused on granting patents. Such a system would only allow foreign entities to assert their monopolies over patented inventions, preventing local industries from exploiting the patented inventions.

Historically developed countries have had weak patent systems to allow local inventors to exploit foreign inventions in the hope to build local industries. Only as developed countries developed their technological capacities, did they put in place stronger patent regimes.

On a similar note, India which made maximum use of the pharmaceutical transition period available under WTO-TRIPS agreement has shown that the lack of patent protection was vital for the development of a world-class generic pharmaceutical industry. Today patients from North and South depend on these generic medicines to reduce national pharmaceutical costs.

In view of this, to promote implementation of Rec. 11, it is important to focus on ways to implement higher patentability standards and for patent offices to implement these standards. This is important to enable an environment whereby local industries and R&D sectors working to develop technological infrastructure are not inhibited by patents granted to foreigners.

In Conclusion: Way Forward

1. There needs to be a general understanding in the SCP that discussion on “quality” of patents will be on adopting patentability standards as per national circumstances and level of development and applying these standards effectively in the examination of patent applications. There should be an express acknowledgement that “quality” varies from country to country depending on national circumstances and level of development and that “one size does not fit all”. In particular that patent system standards adopted by developed countries are not suitable for developing countries and that a high standard of patentability criteria is more suitable for the contexts of developing countries.
2. Activities pertaining to “patent quality” needs to be around improving the patent system to serve the needs and interest of the people of a particular country. For example it should focus on measures to reject patent applications and grants that are “trivial” and “frivolous” and safeguards to improve the quality of patent in order to implement the patentability standards in the domestic law more effectively.

3. It is very important to undertake a survey/study to identify the key issues in countries in relation to patent quality. A recent study⁵ identified some such key issues to be:

(i) Developing country offices do not have access to extensive electronic databases that developed country examiners do and thus they have to undertake more manual labour despite their lack of human resources;

(ii) There is often a trade-off between patent quality and meeting the targets set by the patent office management with examiners wanting more time to finish examination while patent office managers seeing this request unfavourably;

(iii) The faulty assumption that patent litigation will weed out poor quality patents. Of course the assumption is that litigation will lead to the right decision. It needs to be noted that litigation only involves a very small percentage of patent grants in developed countries, while in developing countries such a culture generally is not prevalent.

(iv) Poor access by developing countries to databases, often having to rely on freely available search systems meant for general public use like EPO's esp@cenet.

(4) It would be valuable to hold a web-based and public hearing for member states, civil society and other stakeholders to obtain inputs on "patent quality" and the numerous problems associated with "patent quality".

(5) The proposal in paragraph 11 is biased in favor of the users. The function of the patent system is not creating a system beneficial for the users. The function is generally to benefit society. Thus what is in need is more information sharing on measures that can be put in place to ensure that patents are only granted to inventions that are socially valuable nationally. This includes sharing information on accessing information on patents rejected and the reasons for doing so taken by other patent offices.

⁵ Drahos, P., "The Global Governance of Knowledge, Patent Offices and their Clients" (2010), Cambridge