



# The patent landscape in Eastern Europe

Despite the positive changes in patent law in recent years, centralization and ‘monopolization’ of the patent profession is posing a risk to practice in many Eastern European countries, according to Slobodan Petosevic.

**W**e could debate endlessly on the subject of Eastern Europe. There is no clear meaning of this term. It largely relates to former-communist countries that used to belong to the former USSR, Yugoslavia and Czechoslovakia. Poland, Hungary, Romania, Bulgaria and Albania are often still regarded as ‘East European’ countries. Clearly, this designation does not have much to do with geography, but relates to the recent past of the countries in question. Some of these countries are now members of the European Union (EU). Croatia is to become a Member in 2013 and the former USSR has ‘lost’ the Baltic States – Latvia, Lithuania and Estonia – to the EU. We can also debate as to where Turkey belongs: Europe or Asia? In patent terms, it clearly belongs to Europe (EPC<sup>1</sup>). Moldova appears to be taking a similar path and seems to be in the process of joining the EPC.

A lot has happened in ‘Eastern Europe’ in the past 20 years and many changes are still taking place. The aim of this article is to point out country-specific procedures

and, to the extent it is possible, recent case law that patent professionals may not be aware of. At the same time, I want to turn the reader’s attention to what is likely to happen in the future, in line with the trends we are able to see in the present moment.

Much of the patent work carried out in Eastern Europe falls into a sub-category below the high-end patent work typical for the US/Canada/Japan, UK/Germany/France and other European Patent Convention (EPC) founding states on the EPO<sup>2</sup> level, which involves expert claim drafting, high-profile patent litigation and some US-specific trends such as patent re-examination. What firms in (EPC) Eastern Europe generally handle is the translation and prosecution of national phase Patent Cooperation Treaty applications or the extension and validation of European patents granted to EPC member states. Occasionally there is a potential patent litigation case, which is usually settled before reaching court. Lately, patent enforcement cases before customs authorities have started to make their way into the busy world of trademark customs watch, but this cannot be described as a trend.

What is the reason for such state of affairs? Let us have a look at the international convention landscape, as this will help. In Europe today, the continent is ‘split’ between the EPC countries and the so-called Eurasian Patent Convention (EAPC) countries. A quick overview of these gives us the full picture.

## EPC

This convention has been in force since 1977. All EU countries and EU candidate countries are members. Only Bosnia and Herzegovina, Montenegro and Kosovo, which are not yet universally recognized, are yet to become members. Bosnia and Montenegro have accepted the

## Résumé

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extension of European patents through an Agreement with the EPO, while Kosovo is an 'island' in this part of Europe where a European patent cannot be validated or extended without prosecution before the national patent office.

Switzerland, Liechtenstein, Turkey, Monaco, Iceland, Norway, Croatia, the Republic of Macedonia, San Marino, Albania and Serbia are members of the EPO but are not members of the EU. By and large, the EPC covers the EU, EU candidate countries and several other jurisdictions, officially covering the world's largest economic block. The population (market) covered by the European patent is well over 611 million. This gives us a good picture of the wide coverage and the importance of the European patent today. It is also safe to say that anything between 80% and 90% of the prosecution of European patent applications is divided among IP firms based in the EPC-founding states, such as the UK, Germany, France and the Netherlands, among others.

What is the reason for this 'monopoly'? The EPC covered only a limited number of Western European countries in the 1970s when it started (Austria, Belgium, Switzerland, Germany, France, UK, Italy, Luxembourg, the Netherlands and Sweden). The other countries joined much later – a good 20, 30 even 40 years later. The first countries to join are where most applications are prosecuted. The reasons for this are easy to explain. Most of the seasoned patent professionals are in these countries, and these countries are highly developed industrial powers, so the ratio of local applicants per patent attorney is rather favourable. Patent firms in these jurisdictions have the longest tradition, and therefore the most work and a very clear *raison d'être*.

Although patent prosecution existed in most Eastern European countries, it was gradually reduced to a bare minimum as European patent coverage spread across Europe. Local patent offices were less willing and less skilled at performing full examinations. Instead, they started to rely on well-established International Examination Authorities (IEAs)<sup>3</sup> and eventually stopped carrying out examination themselves. Proper substantive examination is largely done by patent offices that are officially considered IEAs, and very rarely by the local patent offices of smaller countries. Examples of patent offices that do not substantially examine applications are Montenegro, Albania and Slovenia.

The bottom line is that countries where there is a low number of national applications adopt mechanisms where complicated and expensive substantive novelty and inventive step examination becomes unnecessary. No examination means that there are no office actions other than those relating to formalities. This means that there is very little or no 'real' patent prosecution in an increasing number of European countries. In contrast with this, statistics show that European patent applications are booming; there were 244,437 new applications in 2011. Almost 38% of the applications came from the EPO countries; almost as many as from the US and Japan together.

## The Eurasian Patent Convention

In 1994, the Eurasian Patent Convention (EAPC) was signed. Nine countries from the former USSR – Russia, Belarus, Armenia, Moldova, Turkmenistan, Tajikistan, Kazakhstan, Kyrgyzstan and Azerbaijan – formed a block. The model for the EAPC was the EPC; therefore Eurasian patents work in a similar way to European patents in EPC countries. Having Russia in the convention means that the market/population amounts to well over 200 million people.

The Republic of Moldova exited the EAPC on 26 April 2012. In December 2011, negotiations on a 'validation and co-operation agreement' between the European Patent Office and the Republic of Moldova were authorized by the Administrative Council of the



European Patent Organisation. Moldova seems to be transitioning to the other 'block' – the EPC.

Without going into greater detail, it is clear that broadly speaking the patent examination in former USSR countries is centralized in Russia, i.e. the Eurasian Patent Office.

Ukraine, Uzbekistan and Georgia stand out, since they are not within the EPC or the EAPC. We still have to prosecute patent applications directly before the patent offices of these countries.

It is interesting to compare the level of new filings via the EAPC and national patent and trade mark offices. In 2011, 7% more applications were filed before Eurasian Patent Office (EAPO) than in 2010. Despite this, applicants from EAPC countries do not seem to be overly enthusiastic to cover the whole EAPC region with their inventions. In 2011, they only filed 536 applications. This is still 13% more than the previous year. In Ukraine, by comparison, the number of national patent applications filed in 2011 amounted to 5,256, just a very small drop compared to 2010 (5,311 applications were filed in 2010). It is interesting that there was a roughly equal number of applications made by domestic and foreign applicants.

It is worth mentioning the initiative to create the Eurasian Economic Union. The Declaration on Eurasian Economic Integration was signed by the leaders of Russia, Kazakhstan and Belarus back in 2011. Clearly we can expect even more regionalization in times to come.

## The European Unitary Patent

The end of June 2012 gave us a glimpse of the future EU Unitary Patent Court (UPC) that is to pave the way to the European Unitary Patent (EUP) System. In a nutshell, the EUP is meant to cover the EU Member States and eliminate the need for a validation procedure, which should reduce its overall cost by up to 10 times. A UPC will be the forum of choice for EUP-related disputes and should eliminate the legal uncertainties that plague the European patent litigation arena as we know it.

Once the countries involved agree on the location for the central division of the UPC, it should not take much more than a year to put all of the procedures in place and for the first unitary patents rolling out to happy owners, who will use the money saved to promote innovation and contribute to the much-needed salvation of the EU. Timely updates and information on the UPC can be found on the internet (see <http://unitary-patent.eu>). The earliest estimated date of the fully functional European patent with unitary effect is 1 April 2014. As this article is being completed (the end of June 2012), the

<sup>1</sup> European Patent Convention (1973).

<sup>2</sup> European Patent Office.

<sup>3</sup> Article 32 of the Patent Cooperation Treaty



position of the European Parliament as to the future central unit of the UPC is being debated. The decision in this matter will be one of the last hurdles remaining before the actual of the Unitary Patent in the EU. The way things look at this point in time, it appears unlikely to happen in 2014.

### The consequences of centralization

Today in Europe patent prosecution is centralized. Centralization and ‘monopolization’ of the patent profession is a natural and logical consequence of the trends in modern European patent law. Even at the rare times when some of the smaller patent offices in Eastern Europe need to examine a national patent application, there are ways to ‘outsource’ the examination to an IEA. What will happen to the patent professionals in these smaller countries or, may be even the majority of countries aside from the most developed ones, such as the EPC founding states?

Here is what patent attorneys in most European countries are looking at (this is particularly true for the developing countries of Eastern Europe):

- little work coming from local inventors – there is no funding, there are no valid options and no motivation;
- imminent extinction of the prosecution of patent applications filed by foreign nationals due to centralization of patent prosecution with the EPO and EAPO; and
- increasing difficulty in making a living doing ‘patent work’, leading to the attorneys ending their career end or taking another career path.

When we employ people in our offices in Eastern Europe, it is rare that we are interested in candidates with a technical background. Translations are outsourced and are becoming less necessary. In most cases, it suffices to translate claims only. In a number of countries there is no longer a need for translation from some languages.<sup>4</sup> Those with technical background desiring to work in the patent field need to look for a job in Germany, the UK or possibly France. The US also remains an option. In this sense, it is not difficult to imagine that Eastern Europe could be facing a brain-drain. As a result, we have to wonder how good this is for the future of Europe as a whole, and for Eastern European countries in particular.

A few months ago, during the European Patent Institute (EPI)<sup>5</sup> council meeting in Bucharest, Tony Tangena, president, initiated a discussion on how to address the problem of the extinction of the patent profession in developing countries within the EPC. The discussion was welcomed and several people volunteered to participate. We are yet to see how this project will develop, but it is remarkable that it is on the agenda of the EPI. The idea is to explore the possibilities

of expanding and eventually outsourcing patent prosecution work to EPC countries that are less developed and to those where the profession clearly suffers from the centralization of high-level patent work.

### Recent case law

Trying to find important court decisions in Eastern Europe in patent matters is nearly a ‘mission impossible’. The reasons for this are simple:

- big cases are tried elsewhere, where they can create precedents or guidelines for the future;
- judges and courts are ill-equipped to deal with patent cases;
- even if there is a need to litigate in Eastern Europe, parties are likely to avoid Eastern European courts and go elsewhere (if possible) for a competent trial, preferably in a specialized patent court; and
- the decisions are not binding, as is typical for continental law systems, particularly for countries that are still outside the EU.

Still, we can mention a few patent litigation cases, just to clarify that there is patent litigation in Eastern Europe.

#### *FYR Macedonia*

Sanofi-Aventis, France, sued a local pharmaceutical company Replekpharm AD Skopje over European patent 1,087,976, which was extended and granted in Macedonia with app. no.: 2002/134 from 11 September 2002 (reg no. 900876 - POLYMORPHIC CLOPIDOGREL HYDROGENESULPHATE FORM) and European patent 1,021,449, which was extended and granted in Macedonia with app. no.: 2002/23 from 1 March 2002 (reg no. 901025 - HYDROXYACETIC ESTER DERIVATIVES, PREPARATION METHOD AND USE AS SYNTHESIS INTERMEDIATES).

The Court ruled in favour of the plaintiff, determining that the defendant had infringed the plaintiff’s patents by producing the medicine clopidogrel. The Court also ruled that the defendant was not allowed to use inventions protected by the above patents, to promote the same and offer it for sale.

This case shows that patent protection can serve as an efficient basis of enforcement, even in jurisdictions where patent litigation is rare.

#### *Other countries*

Krka d.d. a Slovenian pharmaceutical company, entered into a dispute with AstraZeneca relating to esomeprazole in Norway and Sweden. The Commercial Court in Oslo ruled that Krka had infringed the patent number 307,378.<sup>6</sup> Krka claimed that the patent only covers esomeprazole with optical purity of 99.8% e.e. or more, as AstraZeneca has limited its invention in all EPC member countries. The Commercial Court ruled against Krka’s claims and concluded that the scope of invention is broader in Norway, so patent number 307,378 covers any esomeprazole product with an optical purity above 98% e.e.; this is why Krka’s product with an optical purity below 99.8% e.e. but above 98% e.e. falls within the scope of the patent and represents a patent infringement.<sup>7</sup>

As we saw in a recent (2011) case in Hungary, the burden of proof lies on the party that is requesting revocation of a patent based on lack of novelty.<sup>8</sup> Hungary has somewhat more patent litigation cases than surrounding countries, particularly in the pharmaceutical sector. In the case mentioned, it is interesting that the Hungarian Metropolitan Court decided to rule against the plaintiff in appeal proceedings, in spite of a parallel decision in the UK where it was ruled that the patent was invalid due to lack of novelty (due to oral disclosure at a conference decades before). The Hungarian court upheld the patent because the plaintiff failed to prove beyond a reasonable doubt that the critical information was indeed disclosed years ago.

Hungary and Slovenia have been in the EU since 2004 and their court practice is somewhat richer in patent cases. The same could be said for the Czech and Slovak Republics, although the number of patent litigation cases remains very low (within single digits per year).

Larger jurisdictions typically have more issues, being bigger and more important markets. Russia has a fair number of cases, some mirroring the US situation, such as the Pfizer v. Teva case over infringement of the VIAGRA® patent.

Out of approximately 100,000 court cases ruled on in Ukraine (considered a larger jurisdiction) between 2010 and 2011, 429 were related to IP, out of which only 37 concerned inventions. Thus, only 8.6% of all IP cases ruled on between 2010 and 2011 were patent related, which amounts to just 0.037% of the cases ruled on during that period. The interesting cases heard in Ukraine during this time include: Bayer Schering Pharma AG v. the Ministry of Health Care and American Norton Corporation; Bayer Schering Pharma AG v. the Ministry of Health Care and AllMed International Inc; and F. Hoffmann-La Roche AG v. the Ministry of Health Care and AllMed International Inc, where the court concluded that filing an application for recordal of a medical drug in the Drugs Registry of Ukraine constitutes an infringement of the IP rights of the plaintiff to an invention.<sup>9</sup>

Bulgaria had seven patent-related cases in 2010 and three in 2011 before the first instance court for all IP matters, the Sofia City Court. Most cases heard here do not involve foreign parties.

## Prosecution

It makes sense to mention Kosovo here, a relatively new jurisdiction that is not universally recognized. It has a limited patent acquisition mechanism compared to other European countries. It is important to remember that Kosovo is not a party to most international conventions related to IP, but unilaterally accepts the Paris Convention and has had its own patent office since 19 November 2007. To date, it is unclear how the Kosovan authorities will resolve the question of the validity of European patents that were valid in the predecessor country (Serbia). There are speculations that Kosovo will recognize European patents that were extended to the Republic of Serbia before 19 November 2007, regardless of the date of filing in Kosovo. The country could potentially accept the priority of European patents extended to the Republic of Serbia before the cut-off date, even if the patent application was filed in Kosovo after the revalidation period was over (on 19 November 2008).

Some issues still stand out:

- i. European patents filed before 19 November 2007 but not extended to the Republic of Serbia and not filed in Kosovo within the 12 months of the Paris Convention priority deadline;
- ii. European patents filed and extended to the Republic of Serbia after 19 November 2007 but not filed in Kosovo within the 12 months of the Paris Convention priority deadline; and
- iii. European patents filed after 19 November 2007, not extended to the Republic of Serbia and not filed in Kosovo within the 12 months of the Paris Convention priority deadline.

Filing a national patent application in Kosovo within the 12 months of the Paris Convention is the only certain way to obtain patent protection at the present moment. Once again, 'regular' PCT national phase or European Patents extension is not possible.

## What is likely to happen in the future?

Recent developments, clear regionalization of patent prosecution and the possible birth of the Unitary EU Patent will continue to heavily influence the Eastern European patent scene. Countries such as Serbia, Macedonia, Bosnia and Albania are not likely to become EU

Members by 2014. Careful consideration will be required regarding patent protection in these future EU Member States. The majority of these jurisdictions will be covered by the current European patent system (validation and extensions) under the EPC. There may be difficulties for local inventors who may want to obtain their patent locally. They are likely to find only a few patent professionals that are truly capable of helping them draft a proper patent application in the local language. Filings before the EPO will probably be cost-prohibitive, even once the cost is reduced and the translation requirements changed to favour the applicants. If the EU wishes to develop as a whole, it will have to tackle this problem. Perhaps this is what the EPI initiative is aiming to do.

The possible problem in the next 10 to 20 years will come in the shape of a huge discrepancy between the developed northwest and underdeveloped southeast of Europe. Patent professionals in smaller countries will be at risk of losing their jobs: a few local clients, no foreign applications to prosecute and barely any patent litigation in local courts – it is hard to predict a bright future for the patent profession in all but the most developed countries. Local inventors, of which there are plenty in Eastern Europe, will struggle to find expert advice locally and will not be able to afford the same in developed countries. This will result in an absence of stimulus for innovation in underdeveloped countries, most of which are in Eastern Europe.

Should a need for sophisticated patent litigation arise in an Eastern European country, the parties will be hard pressed to find local attorneys with relevant experience. There are no specialized patent courts in sight and the judges of commercial courts are not sufficiently skilled and ready to handle such specific matter. Are these going to be Europe's 'patent slums' of the future? Let us hope that those in charge of designing our future will not forget that there is a need to develop Europe as a whole.

<sup>4</sup> The London Agreement, formally the Agreement on the application of Article 65 of the Convention on the Grant of European Patents, which has been in force since 2008.

<sup>5</sup> [www.patentepi.com](http://www.patentepi.com)

<sup>6</sup> [http://seonet.ljse.si/?doc\\_id=48114](http://seonet.ljse.si/?doc_id=48114)

<sup>7</sup> Information published by Krka, d.d., Novo Mesto, Slovenia on 23 April 2012.

<sup>8</sup> <http://www.eplawpatentblog.com/eplaw/2011/03/hu-burden-of-proof-oral-disclosure.html#more>

<sup>9</sup> <http://reyestr.court.gov.ua/Review/19941369>

<http://reyestr.court.gov.ua/Review/19936451>

<http://reyestr.court.gov.ua/Review/19936459>

<http://reyestr.court.gov.ua/Review/19216153>

## Key points

- Patent prosecution in Eastern Europe has been reduced to a bare minimum as European patent coverage has spread across Europe.
- Centralization of the patent profession is a consequence of the trends in modern European patent law.
- Eurasian patents work in a similar way to European patents in EPC countries, so are unlikely to lead to increased work in patent offices of smaller EAPC countries.
- We can expect more regionalization in times to come.
- The EPI is looking at ways to help support the patent profession in less developed EPC countries and countries where the profession suffers from the centralization of high-level patent work.
- Recent developments, clear regionalization of patent prosecution and the possible birth of the Unitary EU Patent will continue to heavily influence the Eastern European patent scene.