Update on the Swiss Patent Law Reform

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Switzerland is currently in the process of partially revising its patent law with the aim of strengthening Swiss patents. In late 2022, the Federal Council presented a draft bill and the accompanying dispatch (Botschaft) that will now be debated in Parliament. This legal update provides an overview of the current stage of the revision with the main revision points and main consequences perceived for Swiss filers.

What happened so far

Currently, Swiss national patents are not examined for novelty or inventive step during the grant procedure; the Swiss Patent Office looks only into formal aspects and the other requirements such as technicality, clarity, and unity. In Switzerland, to obtain a fully examined patent, interested parties must apply for a European patent with the European Patent Office (EPO), an option that is often unsatisfactory for Swiss-focused SMEs.

Against this background, in December 2019, Swiss Parliament referred the motion Hefti ("For a modern Swiss patent" / 19.3228) to the Swiss Federal Council with the mandate to prepare a draft for the modernization of Swiss patent law. The idea was to provide a patent examination that is attractive to users and in line with international standards, to ensure an efficient and inexpensive opposition and appeal procedure and to introduce an unexamined utility model to serve as an inexpensive alternative to examined patents. In line with these goals, the first proposal prepared by the Swiss Federal Institute of Intellectual Property (IPI) provided for (i) a full patent examination, including for novelty and inventive steps, (ii) opposition proceedings before the IPI with expanded opposition grounds to also allow for lack of novelty and inventive-step arguments, (iii) appeals to the Federal Administrative Court, and (iv) the introduction of a utility model as a cost-effective alternative to a fully examined patent.

The subsequent consultation lasted until February 2021. The results revealed that while the participants generally agreed with the direction taken, they saw a need for change regarding all of the aforementioned measures. The Federal Council therefore instructed the IPI to make adaptations and to prepare a dispatch based on the following key points: (i) making the patent system more flexible by providing for only an optional full patent examination; (ii) introducing a mandatory search report; (iii) abandoning the introduction of a utility model; and (iv) appointing the Federal Patent Court as appeal instance instead of the Federal Administrative

Court.

Where we stand now

On 16 November 2022, the Federal Council presented the revised draft bill with a dispatch ("Botschaft") for submission to Parliament. This draft bill implements the requirements defined by the Federal Council, but also introduces some further novelties. The following main points should be noted:

- Optional full examination

  The current patent examination system with only a partially examined patent will be kept, but it will be supplemented with the option of a full examination, including for novelty and inventive step. Such full examination will be available upon request and is intended to make the granted patent a full-fledged alternative to a European Patent with protection for Switzerland.

  Noteworthy is that the request for full examination may also be filed by third parties. This allows third parties, against whom the patent resulting from the application could be held at a later date, to have novelty and inventive step examined at the stage of the application. What results is not only an increase in legal certainty but also a provision of a more cost-effective means to challenge the validity of Swiss patents.

- Mandatory Search Report

  A central innovation is also the mandatory preparation of a state of the art search report by the IPI prior to each patent application. This search report will be published in the patent file regardless of the chosen form of patent examination (i.e., partial or full examination).

  The mandatory search report increases transparency on whether an invention is likely to have novelty character and to fulfill the requirement of inventive step. Only after the search report is published, the applicant will have to decide within a time period of six months whether to pursue the application further. If the applicant decides to proceed, he can also file a request for full examination within the same period.

  The mandatory search report aims at reducing the uncertainty regarding a Swiss patent's validity, even for only partially examined patents. This increased-information basis should result in fewer patents being filed and pursued that do not meet the requirements. In addition, it is held that the provision of a mandatory search report may be sufficient to fulfill the OECD requirements for tax-privileged patent boxes.

- Appeal proceedings to replace oppositions – new appeal instance, new deadlines, new consequences

  Another novelty of the Patent Law Reform is appointment of the Federal Patent Court as appeals instance against administrative grant decisions in patent matters. Up until now, the Federal Administrative Court was the appeal instance for all federal administrative matters,

whereas the Federal Patent Court was only competent to hear civil law matters. The change of appeal instance was motivated by the fact that the Federal Patent Court has technical judges. For a small jurisdiction like Switzerland it makes sense to use the same pool of judges to decide administrative appeals, instead of building up a separate system at the Federal Administrative Court. What is considered to be a major system change in Switzerland has been the reality in Germany for a long time, where the German Federal Patent Court is also in charge of both administrative and civil patent proceedings.

For third parties, further important novelties will apply: The opposition procedure, which was only introduced in 2008 and has never been used since then, will be abolished. Instead, third parties will be provided with the opportunity to directly appeal grant decisions to the Federal Patent Court (and subsequently to the Federal Supreme Court), whereby the grounds of appeal for fully examined patents will be expanded to include an examination for novelty and inventive step. Participation in the preceding grant procedure before the IPI is not a prerequisite to file an appeal.

For third parties, the previous opposition deadline of nine months will be shortened to an appeal period of four months. For applicants, the appeal deadline will remain 30 days, as today.

By cutting one review instance (up to now IPI, Federal Administrative Court and Federal Supreme Court) and by shortening the appeal deadline, the proposed revisions promise earlier legal clarity for both applicants and third parties.

However, if the bill were to pass through without changes, a major disadvantage could be caused to applicants: Today´s opposition proceedings do not stop the enforcement of granted patents, whereas an administrative appeal has suspensive effect by default. Under the draft law, filing an appeal would thus give competitors and generic companies an easy tool to considerably delay enforcement measures, regardless of the merits of their arguments. This could put future Swiss filers in a more disadvantageous position in comparison to today and to European patent filings, which runs counter to the objectives of the revision. It is therefore to be hoped that, as part of the parliamentary process, the appeal will be deprived of its suspensive effect by including a special provision in the patent act to this effect.

- Organizations' right of appeal

A novelty, neither included in earlier drafts nor openly discussed after consultation, is the introduction of an organizations' right to appeal grant decisions in order to take into account the diverse public interests or ideal values that may be affected by patents. According to the draft bill, organizations shall be granted a right to appeal in their own name, provided that they operate on a nationwide basis, pursue purely idealistic purposes, and that the registered patent relates to a field of technology, covered by their statutory purpose for at least five years. Pursuant to the Federal Council's dispatch, this final criteria will be interpreted narrowly.

Pursuant to the draft bill, the appeal grounds available to NGOs will be the same as are

available to other third parties, which also means that, in the future, NGOs could bring forth arguments regarding lack of novelty and inventive step. This possibility exceeds those available under the current law, where oppositions by NGOs would be limited to the exclusion criteria of Articles 1a, 1b and 2 PatA. It is certainly possible to question whether NGOs should be entitled to challenge novelty and inventive step or whether their legitimation should rather remain limited to the ethical and idealistic grounds of exclusion, if at all.

- English as an additional language in the patent application procedure

  Under the revised Patent Act, the application documents may be filed in English, therewith allowing patent applicants to use documents, prepared in an international context, in the Swiss grant procedure without the need to prepare translations. The benefits are cost savings, a reduction of translation errors and the acceleration of filings.

  However, procedural decisions and orders will still be issued in an official language of Switzerland.

  For appeal proceedings before the Federal Patent Court, the official language of the contested decision will be decisive. Already today, parties to disputes before the Federal Patent Court can agree to use the English language for party submissions in the proceedings. In the future, the same shall apply in appeal proceedings against IPI decisions.

What is Not Part of the Current Patent Law Reform: SPC Manufacturing Waiver

In 2019, the question of introducing an SPC waiver in Switzerland was raised in the National Council. The Federal Council then announced that the IPI would analyze the advantages and disadvantages of introducing a manufacturing waiver for Switzerland before deciding on further steps. The competent authority has yet to comment on the topic. The discussion was neither mentioned in the consultation nor in the dispatch of the Swiss Federal Council on the revised patent law. It appears that Switzerland wants to wait for the first experiences with the SPC manufacturing waiver in the EU and only to decide later on a possible implementation.

Next Steps

The draft bill will now be discussed in Parliament. As early as the end of January 2023, the matter will be reviewed by the preliminary committee of the Council of States and then passed to the National Council.

Since the most controversial points brought up in the consultation have been taken into account in preparation of the draft bill, no major changes to the draft law are to be expected. Minor changes, however, might still occur and, in particular, the suspensive effect of appeals and the newly introduced appeal right for NGOs may possibly be the subject of debate.

The revised Patent Act is currently not expected to enter into force before mid-2024.

Stay tuned for further updates from Pestalozzi!

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No legal or tax advice

This legal update provides a high-level overview and does not claim to be comprehensive. It does not represent legal or tax advice. If you have any questions relating to this legal update or would like to have advice concerning your particular circumstances, please get in touch with your contact at Pestalozzi Attorneys at Law Ltd. or one of the contact persons mentioned in this legal update.

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