

Turbulent Times for EU Patent and European Patent Litigation System

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The last three months have been characterized by ever-changing news about the progress or better non-progress of the future legal order in patent law in Europe. It is therefore not easy to give a consistent report of the developments, and it is even harder to predict any result, since so far nothing is definite and it will probably take some time before even one of the two pillars, EU patent or EEUPC, is embedded in anything resembling solid ground; the EU patent has yet another new name, since it will not cover the whole EU anymore, and the litigation system remains uncertain until the ECJ has issued its opinion. And since both are bundled together, both will in any event share a common fate at the end. The following is therefore only an attempt to describe the *status quo* after the rather contradictory news from Brussels.

1. The Patent Court System

Uncertainty started after the unofficial publication of the Recommendations of the Advocates General in the Opinion Procedure pending before the European Court of Justice. Reference is made here to the report of the hearing before the ECJ² from which one could have anticipated a difficult discussion within the 27 judges on the various problems, but not necessarily a verdict of *incompatibility* with the Treaty based on several grounds (which apparently also took the Commission by surprise).

Two points stand out among the multitude of legal questions discussed by the Advocates General.

(a) Lack of guarantee against infringements of the EU legal order.

The first one is the statement of incompatibility itself, citing mainly the lack of ECJ competence and control in the future patent court system. The AGs found that the present draft proposal for the EEUPC in Article 14 *bis*, par. 1

¹ Dr. iur., Attorney-at-Law, Munich/Paris; President, European Patent Lawyers Association, [the views expressed are those of the author](#)

² Pagenberg, The ECJ on the Draft Agreement for a European Community Patent Court – Hearing of May 18, 2010, 41 IIC 695 (2010)

b) is lacking sufficient remedies for a possible infringement of Union law by the Patent Court and for the protection of the autonomy of the Union's legal system. The opinion reads on this point:

82. In its current wording, article 14 bis, paragraph 1 b) of the draft agreement therefore risks creating the impression that the future P(atent) C(ourt) will not be required to take into account, in its judgments, either the treaties or the fundamental rights and general principles of Union law, or even the relevant directives on the matter

One could not rule out the possibility according to the Advocates General (AGs) that

86... the future Patent Court will ignore some of the principles and provisions of Union law mentioned above or that it will not take them into account sufficiently when resolving disputes between individuals concerning patents,

a remark which patent judges with decades of experience in European law - some of them sitting in the highest courts in their respective countries - will not have read with much enthusiasm³.

And the AGs added:

87...[The Agreement] should include the obligation to comply with all case law of the European Court of Justice, and not just the obligation to follow the preliminary judgments pronounced under article 48 of the agreement contemplated, following reference of a preliminary question from the PC itself for a ruling.

93. Given that Union law and the case law of the Union courts will only be compulsory for the future PC through the agreement contemplated, the provisions thereof must be totally lacking in any ambiguity with regard to the scope of the PC's obligation to observe Union law. That is not the case with the current state of the draft agreement.

³ Cf in contrast Ullrich, The Development of a System of Industrial Property Protection in the European Union: The Role of the Court of Justice, in: Eger, Ökonomische Analyse des Europarechts (Abstract in English), who, on p. 33 et seq., 35 et seq., takes a more balanced view, cf. <http://ssrn.com/abstract=1688319>. He emphasizes the leading role of the EEUPC due to its high qualification and the particular – also technical – experience of the judges which justify its comprehensive and in the end exclusive competence for infringement and revocation cases also for EU patents, so that one should not compare the patent court system with EU jurisdiction in other fields of IP law.

The AGs proposal to address this supposed deficiency would however create even more disharmony if adopted by the ECJ, not only with the future patent judges, but also with most member states, industry and practitioners. The options put forward by the AGs are far-reaching:

113. As pointed out by France in particular, a choice of different options would be available in order to guarantee the correct and uniform application of Union law in disputes falling under the competence of the future PC. Consequently, one could consider submitting judgments of the PC Court of Appeal to the control of the European Court of Justice, pursuant to article 262 TFEU. This control could be exercised in different ways: by an appeal on points of law (open to parties to the dispute before the PC Court of Appeal), by an appeal in the interests of the law (open to the Commission and/or to the Member States and/or to the EPO, along the lines of the former article 68, paragraph 3, EC) or even by a re-examination mechanism (along the lines of the provisions of article 256, paragraphs 2 and 3, TFEU)

What results from these remarks, if adopted by the Court, would be an involvement beyond a preliminary reference procedure which most member states, the Commission's Expert Group of judges and litigators, and the Commission itself had proclaimed as "the maximum" that could be tolerated if one does not want to endanger the efficiency, practicability and above all predictability of the EEUPC's procedure. Thus the prospects for a successful outcome have not really been improved by these remarks.

(b) The way-out in case of dead-lock: EPLA

More interesting, because also more promising and probably not expected by most member states and the Commission - are recitals 58, 60 and 63 of the Opinion set out below:

58. ...Union law is not in principle opposed to an international agreement providing for its own judicial system⁴...

⁴ The Opinion refers to the ECJ decision 1/91 of 14 December 1991 (ECR, p. I-6079) point 40.

60. *We should first point out that it is not the competences of the future PC concerning the European patent that pose a problem here: the Member States are therefore free to assign them to an international body, created by mutual consent and having the vocation of being “their” common court. ...The future Community patent is more delicate.*

63...*Disputes between individuals do not fall within the competence of the European Court of Justice...any competence not assigned to the Union in the treaties belongs to the Member States.*

Scholars and practitioners have interpreted these remarks as an official rehabilitation of the EPLA Working Party which during the discussions on EPLA between 2000 and 2006 had been accused by the EU Commission at that time of having no right and competence to negotiate the EPLA Agreement without the authorization of the ECJ⁵. Now the AGs obviously familiar with the EU legal order, *take exactly the opposite view*. It will be interesting to see whether the Court will share the opinion of the Advocates General on this point.

Since, as we will see hereafter, unanimity among the 27 member states was wrongly proclaimed a year ago after the Council Conclusions of 4 December 2009, the EPLA would be an option which does not depend on the compliance with the EU legal order and thus also would not need unanimity in the Council. Indeed it fits with the new approach of the Commission that instead of striving for the maximum in numbers of member states with less attention on quality of the outcome the search in the future should be for the maximum of quality with a smaller number of member states in a “coalition of the willing”. The turn towards *enhanced cooperation* for the unitary patent is a late admission that unanimity will become less easy to achieve among 27 countries of which only a few have an interest in a well-functioning patent system.

⁵ This view is apparently still shared by France which also supports officially the idea to implement the ECJ as a third instance within the European patent litigation system which not only the overwhelming majority of member states but also the Commission regards as an unacceptable condition.

2. Failure of the language proposal of the EU Patent

A second negative surprise and a definitive dashing of many hopes, in particular for the Belgium Presidency as well as the Commission, was the failure to reach unanimity among the 27 countries on the language proposal for the EU Patent. While the Commissioner responsible for the Internal Market, Michel Barnier, stated in March 2010 that he hoped to be “the last Commissioner who tries to finalise a deal on the European patent”, this hope may not come to pass.

In the first week of November, which started with a conference organized by the Belgium Presidency devoted to discussions on a number of topics of patent law, the Presidency had still hoped that its proposal for solving the deadlock over the language question would be a reasonable solution. The compromise proposal of the Belgian Presidency was based on the three language practice of the EPO as the final language regime for the EU patent with a 15 year transitional period (during which there would be a more liberal standard). The Spanish representative had however already announced at the November conference that Spain would not agree and requested adding Spanish as an additional official language or as an alternative a one-language regime with English as the only language. Italy also requested Italian to become a permanent official language. Both alternatives were rejected by the other member states with the main argument that the EPO would be unable to take any additional working language on board. So the Belgium Presidency had to conclude on November 11, 2010 that “there will never be unanimity on the EU Patent”.

The disappointment that a positive outcome was only short by two votes was expressed by a number of voices within and outside the Competitive Council, but some questioned whether, if Spain and Italy had not taken the blame, others would have stood up to oppose the proposal which was on the

table. Commissioner Barnier summarized his feelings with the following remarks:

The absence of a European patent hinders our competitiveness, hinders European innovation, research and development. In the midst of the economic crisis, it is not the right signal... The current system for obtaining patents throughout the EU was too expensive, costing ten times more than in the United States.

The last remark may be questioned, since the figures compared are only the bare filing fees and are therefore do not reflect the real burden on patentees for an average case when examining the filing practice of the industry concerning EP patents, and also if one regards the further prosecution, not to speak of the later enforcement. Very few companies designate 27 EU member states; in fact most of them would not even be interested in more than five to eight countries, even if filing fees were cheaper. And since patents are not filed for the fun of it, but in order to deter competitors to infringe, a comparison with the US practice is not necessarily appropriate in view of the high litigation cost in the US which hopefully will never be reached in the European system even if the present EEUPC proposal remains unchanged.

In fact when it comes to enforcement the present Commission proposal is not very helpful when considering cost. Since the EEUPC proposal does not contain an option for SMEs to litigate their EP patents before the national courts when they are only interested in two or three countries, using the EU regime stands for higher risks and would not necessarily be in the interest of the large majority of the users. The present proposal of the Agreement with its central revocation action which will not only multiply cost but might lead to a revocation of a patent in the entire EU covering dozens of countries is not an attractive alternative to the present situation, if an infringement situation concerns only a few countries and thus the financial interest of the parties may be much more limited. This shows that compar-

ing filing fees only gives a wrong picture, in particular if the comparison is made between the US and continental Europe. Successful inventions need effective and affordable enforcement systems; so that more affordable *filing fees* combined with an unaffordable *enforcement system* is wasted money and overlooks the real needs in particular of small and medium businesses.

The reaction of the Commission and a number of member states was to abandon the ambitious approach for a 27 country granting system and to use another avenue, namely the proposal which had already been made by practitioners a few years earlier, also in the context of the work for EPLA, to start with a smaller “coalition of the willing” and use the possibility of *enhanced cooperation* for which only nine member states are necessary to join at the beginning and for which it may be easier to agree on a common concept⁶. Upon invitation by the Commission 10 countries have signed a letter to Commissioner Barnier⁷, requesting the start of the procedure of enhanced cooperation. Others announced that they may join later, some of them however under certain conditions, e.g. after the opinion of the ECJ for the court system will have become known⁸. Together with the request for enhanced cooperation, the Commission changed the name of the “smaller” patent from EU Patent to *Unitary Patent*.

At the Competitive Council meeting on December 10, 2010 the official press release⁹ of the Commission proclaimed that

⁶ Many industry circles reacted with some relief and with the slogan “small is beautiful” are now rather in favour of the project of *enhanced cooperation* hoping for a solution which will take into account the real needs of the majority of applicants.

⁷ France, Germany, Estonia, Denmark, Finland, Lithuania, Luxembourg, the Netherlands, Slovenia and Sweden

⁸ In a letter of 8 December the Parliamentary Secretary of the UK Department of Business Innovation and Skills, Baroness Wilcox, in a letter to Commissioner Barnier announced her sympathy for the project of enhanced cooperation, but under the condition that the project would comply with the Conclusion reached on 4 December 2009 and the translation arrangements proposed by the Belgian Presidency. She also expressed reservations in case the ECJ “requires additional jurisdiction not presently available under the Treaty”.

⁹ Council Press Release No. 17668/10.

A large majority of delegations considered that an enhanced cooperation ... is the only option for moving ahead on the creation of a unified EU patent system.

These member states asked the Commission to present a formal proposal for initiating an enhanced cooperation. During the same session, the Italian and Spanish delegations strongly opposed – also - the idea of initiating an enhanced cooperation. The two countries expressed the opinion that “the requirements for engaging in that process are not currently met”.

The conditions for enhanced cooperation can be summarized as follows:

- 1) It should be used only as a *last resort* if unanimity cannot be reached.
- 2) There must be *at least 9 countries* wishing to participate.
- 3) The Commission must accept the request and then send it to the Council with a *proposal for authorisation*.
- 4) The Council must give authorisation by a *qualified majority* after obtaining the *consent of the European Parliament*.
- 5) After authorisation of the cooperation, all members of the Council may participate in its deliberations, but *only participating countries* are allowed to vote.
- 6) Enhanced cooperation is *open at any time* to member states wishing to join in.

In its submission of the “Proposal for a council decision authorising enhanced cooperation ...¹⁰” the Commission mentioned that the group in support now counts 12 member states that have submitted their request for enhanced cooperation¹¹ and that 13 further states are contemplating to join. Italy and Spain in the meantime had sent a formal letter under a common letterhead of both *Berlusconi* and *Zapatero* to Commission President *Bar-*

¹⁰ Proposal for a COUNCIL DECISION authorising enhanced cooperation in the area of the creation of unitary patent protection COM (2010) 790 final of 14 December 2010.

¹¹ Denmark, Estonia, Finland, France, Germany, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Sweden and United Kingdom

roso alleging that enhanced cooperation by the member states is incompatible with the principles and functioning of the internal market¹².

The Commission has also announced that the practicalities of the proposed granting procedure for the Unitary Patent and the EP Patents would be modified. It is foreseen that applicants can apply for EP patents as today which will be examined by the EPO. Only shortly before grant the applicants have to make a choice as to whether they wish to obtain bundle patents for all designated states or a unitary patent for the countries which have joined “the club” and bundle patents for the rest¹³. Applicants in the EU whose language is not English, French or German would have the option to file applications in any other official language of the European Union. The costs for translation into one of the three official languages of the EPO would be eligible for compensation.

To summarize the present situation:

1) European and EU Patent Court:

A decision by the Court on the patent litigation system is expected around February which will decide on the compatibility of the present EEUPC proposal with the EU Treaty. The decisive point will be the role of the ECJ within the patent litigation system. If more involvement of the Court is requested than foreseen in the present proposal for the EEUPC, this will most likely be the end of the entire project. If the Court on the other hand approves the view of the AGs on the independence of an international court system like EPLA, this could be the rescue one the basis of a second “coali-

¹² This common letter destroyed the rumours circulating due to a press announcement on 9 December in Brussels that Spain will give up its opposition against enhanced cooperation and Italy would be “isolated” among the member states. No information of the result of the Council Meeting has been published during the last two weeks of 2010.

¹³ The understanding so far was, as discussed also during the hearing before the ECJ that a special section within the EPO would be in charge of EU patents

tion of the willing” for the litigation system, so that the work on EPLA could continue. If the best and most flexible solution is then adopted, one can expect that soon a greater number of countries will join. Countries which have so far opposed EPLA will have to reconsider whether they will prefer to stay outside a common litigation system.

2) Enhanced cooperation for a Unitary Patent

The Council needs a qualified majority to approve the project of enhanced cooperation, and it needs the consent of the European Parliament. Although the negative votes of Spain and Italy as such will not hinder the adoption of the enhanced cooperation, it is not excluded that the two countries will challenge the further proceeding before the Court with the allegation that the conditions of Article 326 *et seq.* TFEU are not met. Even without such an additional court proceeding the negotiations on the proposed text of the enhancement proceeding of 14 December 2010 will take its time. It is therefore not surprising that after the weeks of contradictory news in this field the first signs of despair come from interested circles¹⁴ in view of perhaps endless discussions which may lie ahead for years to come whose outcome is not foreseeable¹⁵.

Since extended discussions on new problems will certainly not favour the enthusiasm of users, one should not try the most complicated route but choose now a realistic solution with those countries which are willing to cooperate. It appears that the majority of the members of the group which

¹⁴ In a call for a vote for a name of this “new dysfunctional” patent organized by IPKat, one of the most popular IP blogs, the outcome was not really flattering, since the clear majority of ca. 50% of the votes were counted for Community Restricted-Area Patent, presumably, as it was commented by Jeremy Philips, “because of its even more apt acronym ‘CRAP’”, <http://ipkitten.blogspot.com/2010/12/that-strange-dysfunctional-patent-what.html>, not really a favourable message from users, some of whom predict already that “the Unitary but not-Community Patent Initiative will not succeed since it will not have big business support“, <http://ipkitten.blogspot.com/2011/01/monday-miscellany.html>

¹⁵ Commissioner Barnier was perhaps too optimistic when announcing that “everything will be concluded in 2011”.

have opted for enhanced cooperation are the same countries who had worked together in the Subgroup of the EPLA Working Party. Whether it would be wise to put too much pressure on the remaining countries to join should be considered carefully, as it might render the discussions unnecessarily complicated and reduce the chances for an optimal solution. Until the first projects have been accepted for the unitary patent as well as the court system, “small is beautiful” sounds very attractive.