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**Little Hope for an EU Patent Court**

**after the CJ Opinion**

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**I. Summary of the Court of Justice Opinion**

After the Opinion of the Advocates General of July 2, 2010 in the case 1/09 which had come to the conclusion that the Proposal for an Agreement on a combined court system for EPC and EU patents is incompatible with the EU Treaties[[1]](#footnote-1), now the European Court of Justice (CJ) has spoken. The Opinion comes to the conclusion that

**The envisaged agreement creating a unified patent litigation system (currently called ‘European and Community Patents Court’) is not compatible with the provisions of the EU Treaty and the FEU Treaty.**

In its reasoning the Court challenges some of the corner stones on which the Draft Agreement of 23 March 2009 was built. The Opinion seems to request a court which would have little in common with the court envisaged in the Draft Agreement. It is therefore doubtful whether such drastic modifications as they would be required would still be attractive for the users.

(1) A common international court system which would include courts in countries *outside the EU*, so that also EPC patents could be litigated[[2]](#footnote-2), is not possible[[3]](#footnote-3).

(2) The Patent Court would not have *exclusive jurisdiction* for all questions occurring in a case of patent litigation, and therefore cannot replace the existing national courts which would continue to exist[[4]](#footnote-4). The Opinion repeats several times that only national courts (of the EU member states) can guaranty the necessary close cooperation with the CJ[[5]](#footnote-5) and the full control required by the judges in Luxembourg. It cites the Benelux Court as an example[[6]](#footnote-6) which indeed does not replace the national courts in the three countries[[7]](#footnote-7).

(3) The remark by the CJ that the Patent court could also become legitimate, if its *competence were limited* to the interpretation of the (Draft) Agreement[[8]](#footnote-8), will not be understood by the users as a real alternative, when they have to keep the national courts for questions of EU law, so that patent litigation would require two instances of the EEUPC, two (or three) instances of national courts and in addition the CJ as an additional instance on top. Why would the users not rather keep the present system with efficient national courts and experienced patent judges in two or maximum three instances?

(4) The Patent Court would have to work under the full control of the CJ[[9]](#footnote-9) so that any incorrect application of EU law or an omission of a referral to the ECJ can be sanctioned and member states could be made accountable for a violation of these rules[[10]](#footnote-10). But which individual or company will regard it as an important improvement, when he can start a damage action against all EU member states of the Unitary patent agreement, if and when a local division regarded it unnecessary to refer a case to the CJ for preliminary ruling[[11]](#footnote-11)? With the court system today there is no jurisdiction of the CJ, since patent law is not – with very limited exceptions – part of the EU legal order.

(5) Consequently, if changes are accepted in order to comply with the requirements of the Opinion patent litigation would not end in the Court of Appeal, since a losing party could request at any time a referral of the case to the CJ. Furthermore, although not expressly mentioned in the CJ Opinion, the CJ would also act as a third instance above the Boards of Appeal of the EPO in the granting and opposition proceedings in cases concerning the Unitary patents, as it was mentioned by the AGs.

(6) If substantive patent law becomes part of the EU legal order, which can perhaps not be prevented, the involvement of the CJ as a third instance in questions of interpretation of substantive patent law would become a fact of daily patent litigation. This would have the result that the promise for more predictable, efficient and less costly litigation can no longer be fulfilled. To the contrary: when questions of inventive step and claim interpretation are decided by judges in the CJ who lack patent experience and the technical and legal understanding, which in patent law is a basic requirement for a predictable decision, the system would lose one of its most attractive features, and users will lose interest before the system even takes shape.

(7) The CJ expressly mentions (par. 59) that the Opinion is dealing exclusively with a court system for the EU or Community patent[[12]](#footnote-12). The Advocates General had explained – while making the same distinction between EPC and EU patents – that a court for EPC patents could be lawfully set up by Member States outside the EU legal order. This was interpreted by a number of users as an option for an EPLA-type court, if the EU requirements cannot reasonably be fulfilled[[13]](#footnote-13).

The CJ does not discuss this proposal of the AGs which is regrettable, since it leaves questions open for which users – and probably also the Commission – would like a clarification. In view of par. 59 and the distinction between national and international courts in other parts of the Opinion one may however assume that the absence of a rejection of this alternative the recommendation of the AGs can be followed.

**II. Which amendments could render the Agreement compatible?**

***1. “Repair” solution***

Some comments which one could hear after the publication of the CJ Opinion suggest that it would be easy to satisfy the requests of the CJ by just “repairing” Art 48 of the Draft Agreement which deals with referrals by the PC to the CJ. The major concern of the CJ seems to be the transfer of jurisdiction from the national courts to the PC and in this context the lack of legal remedies against member states whose courts violate the EU Treaty by not referring a case to the CJ. The CJ speaks of a decisive change in the cooperation between national courts and the CJ.

Here it must first be mentioned that in patent law such cooperation occurs only in very rare cases, since patent law is not part of the legal order of the EU. Furthermore it is not made clear why the CJ does not want to accept the judges in the future PC as “interlocutors” in reference proceedings[[14]](#footnote-14) who are supposed to be the best European judges in patent law. Since many of them have also dealt with trademark law in their national courts, they have presumably referred a number of cases to the CJ over the years. So it remains a mystery where this lack of trust comes from and why the CJ wants to have national courts as its only interlocutor[[15]](#footnote-15). The explanation cannot be that the CJ is waiting eagerly for patent cases as part of its competence, since Luxembourg is already jammed with Community trademark cases with resulting delays in dealing with them[[16]](#footnote-16).

Whether a sufficient remedy for this obstacle of compatibility could be a “repair” by way of including into Art. 48 of the Draft a direct control of patent litigation by the CJ and the possibility to raise damage claims if the referral rules have been violated by the court is doubtful. If one takes par. 79 with the request for a proper “interlocutor” serious, courts or divisions sitting outside the EU would be excluded as counterparts so that the PC for Unitary patents must in fact consist only of divisions of the EU member states.

This conclusion is strengthened by par. 83 from which one can derive the request to leave patent law entirely with the national courts which would be the only ones

*… to give European Union law its full effect within the framework of the judicial systems of the Member States. Further, the national courts have the most extensive power, or even the obligation, to make a reference to the Court …*

Those involved in the negotiations of the text of the Agreement know very well that an amendment which would lead to more competence and involvement of the CJ in patent litigation had been vehemently rejected by virtually all user groups and was finally also refused by the Commission as an impediment to an efficient and attractive patent litigation system. Users and specialized patent judges were all of the opinion that any modification in this context would be regarded as a “deal breaker”. The repeated mention of “close cooperation” between national courts and the CJ however makes it apparent that the Court wishes a tight control of the functioning of the patent court system - or nothing[[17]](#footnote-17).

The procedure in case of an alleged violation of the Treaty is found in Art. 258 to 260 TFEU. The Commission as well as member states can bring another member state before the CJ which, as the Court probably fears, would not be possible, if the responsible country is not a member of the EU[[18]](#footnote-18). It is not understandable in view of the fact that there have been no more than a handful of cases under these rules, which cases were even outside the field of patent law and of which there were none with damage claims, why the Court insists so vigorously on an amendment of the referral provision. Opposite to this requirement stand the strong wishes of the users for specialized judges who can promise and ensure the high quality of patent decisions which the parties in patent cases expect and request.

It cannot be overlooked that a modification of Art. 48(1) of the Draft by way of “repair” would clearly go beyond the role of the CJ as it is now spelled out there. It would deprive the Court of Appeal of the right of applying its own discretion when deciding on a referral[[19]](#footnote-19). In fact it would mean that full control by the CJ over the practice of the PC would be institutionalized, since the CJ could challenge in its own right the non-compliance of the PC Court of Appeal with respect to the referral rules and the proper application of the EU legal order to substantive patent law as will be discussed below.

When one summarizes the above result on reaches the conclusion that the “repair solution” would require:

a) restricting the membership of the Agreement to EU Member States willing to participate in the Enhanced Cooperation on the Unitary Pat- ent[[20]](#footnote-20)

b) incorporating the missing "sanctions" into Art. 48 of the Draft Agreement against an illegitimate non-referral by the PC.

c) restricting the competence of the PC or the local divisions to the interpretation of the Agreement and leaving all other questions to the (normal) national courts.

Independent of the additional time and cost of proceedings which may result there from, this is evidently not a matter of easy repair, since it will need an entirely new approach in the negotiations and a re-writing of the present Draft. One must be very sceptical that one would reach a solution soon which would be acceptable for the users.

***2. The CTM and / or Benelux solution.***

Another solution, instead of an amendment of Art. 48 of the Draft Agreement and a direct involvement of the CJ as a third instance in the patent court structure, would be the alternative mentioned as compatible with the EU legal order by the Advocates General, namely a court system as it has been adopted for the Community Trademark litigation (CTM) or the Benelux courts instead of a system of international courts and divisions. The option of the “CTM solution” approved by the Advocates General would however be an equally drastic modification with a similar result as the “repair solution” as far as the involvement of the CJ and the limitation of membership to EU member states is concerned.

Although the CJ only briefly mentions the Benelux court and does not discuss the CTM proposal of the AGs expressly, the Benelux court as well as the CTM court system leave the national courts intact which would apply their national procedural rules and would of course act under the full control of the CJ[[21]](#footnote-21), so that it would presumably not be an option which would be attractive for most users in the field of patents. It had been one of the goals, in particular for those parts of industry which have in the past experienced diverging decisions in cases of parallel litigation, to achieve more harmonisation by way of *multinational local divisions[[22]](#footnote-22)* which do not exist under the CTM court system. Also the CTM model would therefore change the goals of the Draft Agreement decisively.

In addition, as already mentioned, this proposal would again restrict the membership of the Agreement to EU member states, so that users would have to deal with patchwork jurisdiction. But patchwork jurisdiction they have already today, at less cost and with less or no involvement of an EU instance on top of the national patent courts. It would also be a surprising move to tell EPC member states outside the EU like Switzerland that they are no longer welcome in the “patent litigation club”.

But the involvement of the CJ in infringement and revocation proceedings as an instance of permanent legal control would not be the only modification. The Advocates General in their Opinion of July 2, 2010 in par.71 have noted that there is no legal review for decisions of the Boards of Appeal in granting and opposition proceedings concerning EU patents. The CJ has again not dealt with this question. If one agrees with the Advocates General and fears non-compatibility with the EU legal order, the only solution would be to empower the EPO Boards of Appeal to refer such questions in their own right to the CJ. This however means that the users will also for the granting and opposition procedure have to fear a *third instance*. If this will happen, each losing party in granting and opposition proceedings will use the opportunity to prolong the case and prevent a final negative decision. Will this reduce cost and save time as expected by the users and promised by the Commission? Certainly not.

What is the reason for the negative outcome of the Court even though the Judges in Luxembourg must have been aware of the fact that this could or would be the end of the discussion on a common patent system for the EU? It seems that two principles oppose each other which cannot be reconciled:

* + the understandable concern of the CJ that parts of the EU legal order might drift away from the great goal of a uniform internal market[[23]](#footnote-23), and
  + the concern of the interested circles, namely millions of patent owners and future patent applicants, that a patent litigation system under the “auspices” of the EU legal order of which patent law has never been a part would significantly reduce the quality of patent litigation which is functioning well in a number of member states. If users come to the conclusion that the required modifications would make litigation
    - more costly
    - more time consuming
    - less efficient
    - and unpredictable

then a common court system under the EU umbrella is no longer attractive. One would probably prefer instead to concentrate on more harmonisation of national courts with respect to infringement and revocation procedure as well as interpretation of substantive law.

**III. Consequences and Remedies?**

1. ***EPC law should not become part of the EU legal order***

Another reason why users in the negotiations with the Commission have emphasized that involvement of the CJ should be limited to questions of EU law was that substantive patent law should not become part of the EU legal order. National patent laws in Europe have been harmonized with the EPC and with the draft text of the *Community Patent Convention* of 1975, so that substantive patent law has always been a matter of EPC and national law, interpreted in the granting procedure by the EPO and in infringement and revocation proceedings by the national courts. If an unrestricted access of EU instances to patent law is institutionalized, with respect to procedure as well the underlying substantive law to be applied, this would open the door to a new legal order of patent law within the EU.

The Unitary patent as it is being contemplated will be an EU title, even if it will not cover the whole EU. Whether it will be granted by the EPO without the need for a further institutional act by the EU for its transformation into an EU title is still disputed. But even if the grant of an EU patent is not an act of EU law, one could expect that after its coming into existence it will be judged during its further life under EU rules.

That there will be a sort of concrete wall between the EPC law and a limited number of purely procedural EU rules is difficult to imagine. Would the revocation of an EU patent by an EU court be based on “foreign law by reference” which takes into account EPO case law and the interpretation by the national courts, if in reality uniform decisions and harmonized rulings – albeit limited to the EU – are the goal of the whole project? Does this not mean that EPC and national patent law, when applied to Unitary patents, will become part of the EU legal order?

This would have the consequence that the CJ would in the future have competence – except in case of clear rules to the contrary – to decide on a great number of substantive law issues of the EPC whenever Unitary patents are at stake. This would considerably extend the competence of the CJ and the Commission into the field of European patent law, and users would be confronted with concepts of “EU inventive step”, “EU scope of protection”, “EU equivalence” developed by the case law of the CJ. And would the EPO not follow the interpretation of the CJ also with respect to EPC patents, as would the national courts, even if EPC patents have to be judged?

In view of the importance of these questions one cannot argue that “probably” this will not happen. If one does not wish to see patent law as it has been developed and shaped by specialized judges over the last 40 years turned upside down, clear rules must be laid down which define the effects of the future patent rights. If such a project is to remain attractive for users, one must definitely oppose any solution which will change the EPC and which would make its interpretation unpredictable and more costly than it is today. This means that one must work out a solution which maintains the most important corner stone that *only experienced patent judge*s can decide on patent infringement and validity, and this within the shortest possible time and at most affordable cost. This will not be possible with a patent court system integrated into the EU legal order.

***2. An international court for EPC patents***

Is there a way out? This author has analyzed the Opinion of the Advocates General in two articles[[24]](#footnote-24). The recommendation is to follow the guidance of the AGs - and the CJ to this effect - and find perhaps different systems for treating EPC patents on the one hand and Unitary patents on the other. The Advocates General had expressly stated that

*…. the Member States are free to assign [the competences of the future PC concerning the European patent] to an international body, created by mutual consent and having the vocation of being “their” common court[[25]](#footnote-25).*

The CJ – evidently having a similar proposal in mind - emphasizes in par. 59 that its Opinion does not concern

*the powers of the PC in the field of the European patent, but its powers relating to the future Community patent*.

Most users will agree that it is now high time to overcome the deadlock. Instead of trying to resolve again and again political questions which cannot be resolved one should examine how one can - as a first step –reach the goal of a common European patent litigation court by a different avenue. One could use the basic structure of the EPLA text with the institutional and procedural improvements from the EEUPC draft, e.g. on composition of panels, optional bifurcation and perhaps some other concepts, and finally begin with a more realistic attempt for an international litigation system, instead of hurting oneself again and again when trying to crack the legal fortress of the EU Treaties. The Commission has promised repeatedly “it will be the last time”, and after the events of the last four months most observers would rather prefer a break - or a new approach into a different direction with a different project.

If however no consensus can be reached and some member states are convinced that one should rather, for one (?) more time, try to solve the most complicated political questions first even though agreement on these questions remains an unrealistic dream, then one should rather shelve the whole project forever and devote time and efforts to harmonisation questions of the national courts which, one can only repeat it once more, have made great progress in this field over the last five or eight years.

If it is decided to go ahead with a new project, this needs to be limited to EPC patents. “Limited” in this context is an understatement since 600 000 granted EP patents are waiting out there of which a not insignificant part is litigated daily before the national courts. It would take a decade before the first unitary patent will be litigated, even if further work would continue in parallel. To hesitate any longer does not make sense, and it does not make sense to disregard the needs of the owners of EPC patents and start with much more complicated negotiations on a new text for an EU patent court system which might fulfil the requirements of the CJ, but not the needs of the users.

If the acronym EPLA may raise controversies one may use the term “international court(s)” for the new project, if Europe is still interested in such a project at all. The author is well aware that this proposal will result in political discussions for two reasons:

(1) At least one member country prefers a solution under the roof of the EU and would even vote for the CJ as a third legal instance within the patent court system. Whether this also encompasses an objection against an international court as a first step (as far as it is not called EPLA) is not known at this point. The fact that the CJ has now made it entirely clear that it wants to see a different treatment of EU and EPC patents may lead to a new evaluation here.

(2) The Commission might fear that when it gives up its objections against a non-EU international court system and litigation under such a system will start working one day, it might work so well that users after some time are no longer interested in an EU system which then would have to be abandoned because it cannot compete with the international EPC court.

The political objection under (1) is not concerned with the well-functioning of the system; therefore it would be surprising if a project could really be blocked by a political minority if it is supported by a clear majority in industry. The preference for an EU umbrella has never been convincingly explained with reference to EPC patents, since academics and practitioners have repeatedly proven that for a number of reasons a court system for EPC patents can only with great legal and practical difficulties be forced under the EU legal order.

As far as the second reservation goes, here the fears of the Commission may have a real basis. But would the “Angst” that an international court system independent of the EU legal order might become more attractive be a justification to impose a less attractive system on the users? Would it not rather be wise to work for even more attractive features of the EU court system – cost is an important factor here - and give the users what they want, until the EU system has solved its legal problems and then is perhaps able to offer a number of advantages, also as a result of experiences with the international EPC court?

1. ***No segregation of unitary patent and court system***

It would certainly require some time, negotiations, expert discussions and perhaps even a user survey before the new goals will become clear. It would therefore be a dangerous mistake to segregate now the legal instruments for the Unitary patent from the discussion of the court system. If one talks to users one will hear that they will not file one single Unitary patent as long as there is no court system in place. The above considerations show that it may still be a long way with a high probability of failure. Therefore, it would certainly not be wise to risk another defeat for a project as important as this.

It remains that the CJ obviously has closed the door for joining non-EU countries in the patent litigation system as it has been discussed so far. It has also expressly excluded EPC patents from its Opinion. Therefore the solution of an international court for EPC patents – at least as a first step for a common international patent court in Europe – comes again into focus, since the serious political and legal restrictions of the EU rules would not apply.

Users should therefore urge the Commission and the member states not to hastily conclude the Enhanced Cooperation agreement without having found an acceptable solution for the litigation system[[26]](#footnote-26). In this context it should be examined in particular how the rules envisaged under the Unitary patent could prevent the result that substantive patent law, not only as far it is now contained in the EPC, would become part of the EU legal order so that patentability requirements, questions of patent scope etc. would be interpreted in the future by judges without patent experience. Also this question is a serious concern of users and requires a thorough debate before any project can be properly evaluated by industry. It is difficult to accept if under an international court a body of generally accepted EPC case law is further developed which a decade later is threatened to be overturned by a court system which is intended to create its own substantive patent law. Such strategic and organisational questions must also be touched now so that the overall aim is not lost out of sight.

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   Cf. publications and presentations of the author: *Pagenberg,* Back to the Future with EPLA?–Compatibility of the Draft Agreement on the European and Community Patents Court denied by the Advocates General, in Festschrift für Dieter Stauder p. 190; *id.,* An integrated jurisdictional system for European and EU patents – Does it fit all?, at “Future Patent Policy in Europe”, Conference of the Belgian Presidency, Brussels 3 November 2010; *id.* Status Quo nach den Anträgen der Generalanwälte, GRUR Annual Meeting, Hamburg, 16 September 2010*;* [↑](#footnote-ref-1)
2. Cf. the paper of the EU Commission IP/11/269 of 8 March 2011 where the “mixed agreement” with third countries has still been emphasized [↑](#footnote-ref-2)
3. Cf. par. 71 and par. 87f. of the Opinion, because of the legal impossibility of instituting infringement proceedings against non-member countries in case of violation of the EU Treaty by the courts in their country. [↑](#footnote-ref-3)
4. See par. 73 of the Opinion; cf. however the paper of the EU Commission IP/11/269 of 8 March 2011 where exclusive jurisdiction is still emphasized as an integral feature of the EEUPC . [↑](#footnote-ref-4)
5. See par. 79 according to which a national court is “the sole court able to communicate with the [CJ] by means of a reference for a preliminary ruling”; and “Art. 267 establishes between the Court of Justice and the national courts direct cooperation as part of which the latter are closely involved in the correct application and uniform interpretation of European Union law” (par. 84); however it becomes not clear why this is not possible with the Patent Court. [↑](#footnote-ref-5)
6. See par. 82 of the Opinion. [↑](#footnote-ref-6)
7. The Opinion does not discuss the option in form of the CTM courts, although the Advocates General had expressly used them as a further admissible example; see below at II. 2. [↑](#footnote-ref-7)
8. Cf. par. 77 of the Opinion [↑](#footnote-ref-8)
9. Cf. par. 73: ...to ensure … the full application of European Union law [↑](#footnote-ref-9)
10. See par. 86: “a Member State is obliged to make good damage caused to individuals as a result of breaches of European Union law for which it is responsible..” [↑](#footnote-ref-10)
11. Cf. par. 88 which criticizes the lack of legal remedies as a vital point of non-compliance [↑](#footnote-ref-11)
12. Cf. par. 59: “.. the question … for an Opinion concerns not the powers of the PC in the field of the European patent, but its powers relating to the future Community patent. [↑](#footnote-ref-12)
13. See for details Pagenberg, *Back to the Future with EPLA?*, in “Festschrift Dieter Stauder”, at 190; [↑](#footnote-ref-13)
14. One must read here the French or German version of par. 79 (third subpar.), since the English translation is faulty:

    *[La JB (Juridiction du brevet..)] devient, dans le domaine de ses compétences exclusives, l’interlocuteur juridictionnel unique de la Cour, dans le cadre d’une procédure de renvoi préjudiciel, concernant l’interprétation et l’application du droit de l’Union..*

    *[Das PG wird] im Bereich seiner ausschließlichen Zuständigkeiten zum einzigen gerichtlichen Gesprächspartner des Gerichtshofs im Rahmen eines Vorabentscheidungsverfahrens* [↑](#footnote-ref-14)
15. It is repeated once more in par. 84 with reference to Art. 267  TFEU which allegedly “establishes between the Court of Justice and the national courts direct cooperation as part of which the latter are closely involved in the correct application … of European Union law” [↑](#footnote-ref-15)
16. In 2010 more than 1400 cases have reached the three courts in Luxembourg [↑](#footnote-ref-16)
17. The argument that in all the years such damage claims have never materialized is not a reason to accept it as part of patent litigation; it is rather a reason to leave it out as unnecessary. [↑](#footnote-ref-17)
18. This can also be derived from par. 88 where the Court confirms: “if a decision of the PC were to be in breach of European Union law, that decision could not be the subject of infringement proceedings nor could it give rise to any financial liability on the part of one or more Member States”. [↑](#footnote-ref-18)
19. “if it considers [it] necessary to enable [the CJ] to give a decision” [↑](#footnote-ref-19)
20. Which would also be the case for the CTM solution, see below under *No. 2.* [↑](#footnote-ref-20)
21. See par. 77: Admissible are only systems which “do not affect the powers of the courts and tribunals of Member States in relation to the interpretation and application of European Union law, nor the power, or indeed the obligation, of those courts and tribunals to request a preliminary ruling from the Court of Justice”. [↑](#footnote-ref-21)
22. See Art. 6 (2) of the Draft Agreement: ..” two permanent judges, who shall be nationals of the Contracting State hosting the division concerned, and one judge from the Pool of Judges.

    [↑](#footnote-ref-22)
23. See par. 68: “to ensure the full application of European Union law in all Member States” [↑](#footnote-ref-23)
24. *Pagenberg*, “Turbulent times for EU Patent, ; *id*, Back to the Future with EPLA? , see note 1 supra. [↑](#footnote-ref-24)
25. Par. 60 of the Opinion [↑](#footnote-ref-25)
26. It may be recalled that according to the Council decisions of 9 December 2009 “such an enhanced patent system is a vital element of the Internal Market and should be based on two pillars, i.e. the creation of a European Union patent (hereafter "EU patent") and the setting up of an integrated specialised and unified jurisdiction for patent related disputes [↑](#footnote-ref-26)