

Client Alert

ECJ dismisses Spanish and Italian challenge to EU-wide unitary patent system, but obstacles remain

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Summary

On 16 April 2013, the Court of Justice of the European Union (“ECJ”) handed down its judgment in Joined Cases C-274/11 and 295/11 in which it dismissed the challenges brought by Spain and Italy to the other 25 Member States’ use of the “enhanced cooperation” procedure to create an EU-wide unitary patent system. In doing so, the ECJ effectively followed the Opinion given by Advocate General Bot (“AG Bot”) on 11 December 2012.¹ While this is positive news for the EU-wide patent system, the ECJ’s judgment does not entirely resolve the situation, as a new legal challenge has been brought by Spain against the proposed unitary EU patent regime. In short, while there is light at the end of the tunnel, the unitary EU patent is still not yet in the full light of day.

Introduction

On 10 March 2011, the Council of the European Union (“Council”) had authorised by decision the use of enhanced cooperation between 25 of the 27 EU Member States – Spain and Italy having refused to participate – with a view to creating unitary patent protection in the EU. Under Article 20 of the Treaty on European Union (“TEU”), enhanced cooperation can only be used by a subset of Member States as a last resort within the framework of the EU’s non-exclusive competences, when the objectives of that cooperation cannot be achieved by the EU as a whole.

In November 2010, Member States failed to come to a unanimous agreement on the translation arrangements in the “first EU patent package”. This package, introduced via the normal EU legislative procedure, proposed the publication of the unitary patent in English, French and German, with additional languages only being used where necessary in legal disputes. Spain and Italy voted against this proposal.

Subsequently, the ECJ ruled on 8 March 2011 that the EU-wide patent court under the “first EU patent package” – in particular its broad jurisdiction to interpret and apply general EU law – was incompatible with the powers which the EU treaties confer on the ECJ and on national courts.²

The EU institutions then drew up a “second EU patent package”, which also provides for the creation of a unitary patent with uniform effect in all participating European Member States, and a Unified Patent Court (“UPC”) which will enforce unitary patents and hear validity disputes. However, under the new package, and in response to the 8 March 2011 ruling, there is greater protection for the role of the ECJ and the national courts. The UPC has the same legal personality as a national

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¹ <http://www.whitecase.com/alerts-12192012/>

² <http://www.whitecase.com/alerts-03092011/>

court and is thus under the same obligations under EU law as any national court. It has jurisdiction over unitary EU patents, “classical” European patents and supplementary protection certificates. It can make preliminary references to the ECJ where there is a fundamental question of EU law. In addition, the participating Member States will be held jointly and severally liable if the Unitary Patent Court commits an infringement of EU law.

In particular, the translation arrangements proposed under the first EU patent package were carried over into the “second EU patent package”, which is what led Spain and Italy to bring the actions before the ECJ for annulment of the Council’s decision authorising the use of enhanced cooperation.

ECJ rejects Spain and Italy’s challenge to the use of enhanced cooperation as a basis for the “second EU patent package”

In challenging the decision authorising the use of the enhanced cooperation mechanism (“contested decision”), Spain and Italy put forward many (mostly technical) arguments, in particular that the Council was not competent to establish enhanced cooperation, and had misused its powers by having recourse to enhanced cooperation where the purpose was not to achieve integration of all the Member States by means of multi-speed integration, and that the necessary conditions for the use of enhanced cooperation -- for example the absence of a “last resort” situation -- were not met.

On 11 December 2012, AG Bot gave an advisory opinion in which he rejected all the arguments and proposed that the ECJ dismiss the cases brought by Spain and Italy. In particular, AG Bot concluded that the Council was competent to adopt the contested decision and that the Court was confined to reviewing whether the Council had committed a manifest error of assessment or misused its powers, which he found it had not. AG Bot stated that the Council had complied with the conditions for the proper implementation of the enhanced cooperation mechanism, in particular the use of the mechanism only as a “last resort”, given that years of discussions had always ended in failure. Finally, AG Bot was of the view that the Court could not review the legality of acts that may subsequently be adopted to give effect to that cooperation, for example language arrangements for the enhanced cooperation.

On 16 April 2013, the ECJ equally rejected all the arguments put forward by Spain and Italy, holding that:

- The EU’s competence to create European intellectual property rights comes within its shared competence with the Member States for matters relating to the internal market, not within the EU’s exclusive competence to create competition rules necessary for the functioning of the internal market. The ECJ held (paragraph 22) that while IP rules are essential to maintain competition undistorted on the EU internal market, they don’t for all that constitute competition rules. Since the relevant competence was non-exclusive as required by Article 20 TEU, the Council was competent to adopt the contested decision;
- The contested decision does not constitute a misuse of powers, but rather contributes to the process of integration. The Council has not circumvented the requirement of unanimity required for language arrangements for European intellectual property rights, since the enhanced cooperation mechanism was only used because the objective of that cooperation could not be otherwise attained “within a reasonable period by the Union as a whole” within the meaning of Article 20 (2) TEU. Equally, the Member States that have chosen not to participate in the enhanced cooperation have not been excluded;
- With respect to the condition that enhanced cooperation can only be used “as a last resort”, the Court laid down a marker for future cases by stating (paragraph 49) that the EU’s interests and the process of integration would, quite clearly, not be protected if all fruitless negotiations could lead to one or more instances of enhanced cooperation, to the detriment of a search for a compromise enabling the adoption of legislation for the EU as a whole. However, in the instant case, the Council had shown that it carefully and

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impartially ascertained whether the condition of “last resort” had been met. The ECJ also noted that the legislative process aiming to establish a unitary patent on the EU level began in 2000 and was carried out in several stages; a considerable number of language arrangements for the unitary patent were discussed among all Member States within the Council; and none of those arrangements found support capable of leading to the adoption at EU level of a full “legislative package” relating to that patent;

- The single European patent contemplated by the contested decision would confer uniform protection in the territory of all the Member States taking part in the enhanced cooperation and would therefore be more advantageous in terms of uniformity, and so of integration, as compared to the current situation under the European Patent Convention whereby there is no unitary patent but a bunch of national patents whose protection is defined by national law. The decision therefore pursues the objectives laid down in Article 20 (1) TEU;
- The contested decision does not damage the internal market or the economic, social and territorial cohesion of the EU, nor does it prejudice any competence, right or obligation of those Member States not participating in this enhanced cooperation;
- Finally, it is permissible for those taking part in enhanced cooperation to prescribe rules with which those non-participating Member States would not (currently) agree. (In a sense, this is obvious given the context of enhanced cooperation.) Such rules did not, in any case, render ineffective the opportunity for non-participating Member States of joining in the enhanced cooperation in future.

Light at the end of the tunnel? Yes, but we’re not yet enjoying the sunshine.

While the ECJ judgment is clearly a significant step forward, other new obstacles have sprung up. On 17 December 2012, the two EU Regulations implementing the “second EU patent package” – two of three implementing measures alongside the international agreement establishing the UPC (discussed below) – were officially adopted. However, Spain has launched a new challenge against the legality of these Regulations (the precise basis of its challenge is not currently public). This represents a further potential delay to the establishment of the unitary patent system as it is possible that the system will not be launched before the ECJ hands down its judgment in relation to this new challenge, which normally should be in late 2014 or early 2015.

On 19 February 2013, 24 Member States signed an international agreement establishing the UPC, with Bulgaria joining the agreement on 5 March 2013 after overcoming certain national formalities. Interestingly, Italy signed the international agreement and will, subject to ratification on the national level, therefore participate in the UPC, but not in the unitary patent regime. By contrast, Poland has not yet signed the agreement and will apparently not do so, until it has comfort that the new system is not going to be detrimental to its national interests. Spain continues to oppose the “second patent package”, due to the compromise language regime.

These developments mean that the timing going forward remains somewhat unclear. The international agreement establishing the UPC will come into force on 1 January 2014, assuming it has been ratified by at least 13 EU Member States including France, Germany and the UK. The Preparatory Committee for the UPC has set early 2015 as the target date for when the UPC will be opened for business and the first unitary patents granted. The section of the UPC that will hear pharmaceutical cases will be based in London.

So overall, it’s a situation of two steps forward but one step back. Progress is being made, but we’re not yet at a stage when we can announce or celebrate a firm date when the unitary EU Patent and UPC will come into operation.