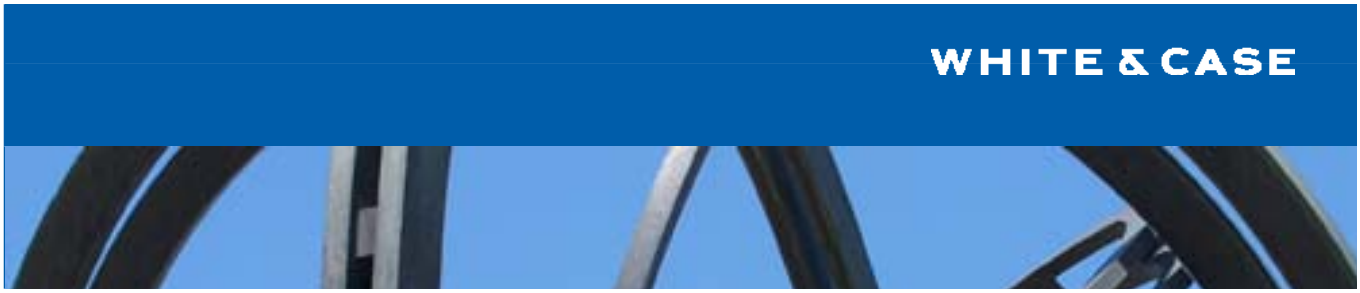

EU's highest court says "no" (for now) to EU-wide patent court

8 March 2011

Opinion 1/09 – ECJ considers that the proposed agreement establishing an EU-wide patent court is, as it stands, incompatible with the EU Treaties

On 8 March 2011, the Court of Justice of the European Union ('ECJ') gave its Opinion regarding the compatibility with the EU Treaties of a draft agreement published by the EU Council of Ministers in April 2009. The agreement would create a single EU-wide patent court with jurisdiction over both European patents, as currently granted by the European Patent Office ('EPO') under the European Patent Convention ('EPC'), and future EU patents.

The ECJ was asked to give its opinion on the legality of the draft agreement under Article 300(6) EC (now Article 218(11) TFEU) which allows the EU institutions to seek the opinion of the ECJ about the compatibility of an international agreement with EU law before it is concluded.

The ECJ ruled against the compatibility of the draft agreement, on the basis that by conferring on the future patent court, which is outside the institutional and judicial framework of the EU, the exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the EU patent and to interpret and apply EU law in that field, the agreement will alter the essential character of the powers which the Treaties confer on the ECJ and on national courts.

However, despite the many legal issues raised in the proceedings, the ECJ left a number of questions unanswered, which may necessitate further Opinions in the future.

Background to the Opinion

The EPC is an international agreement to which 38 States, including all 27 EU Member States, are currently parties (the EU is, however, not a party to the EPC).

While the EPC provides for a single procedure for the grant of European patents by the EPO, successful grants are issued and treated by each State as a national patent. Moreover, questions relating to the validity or infringement of an EPO patent must be litigated nationally. This results in multiple national court procedures and creates the risk of diverging judgments between EU Member States on the substantive question of whether the same EPO patent is infringed or invalid.

In order to remedy these discrepancies, the European Commission adopted a proposal for a Regulation providing for the creation of an EU patent as far back as July 2000. An EU patent would allow an individual or company to obtain a single patent effective and enforceable across all states within the EU.

White & Case is a leading global law firm with lawyers in 37 offices across 25 countries.

Please contact the lawyers listed below for additional information:

Ian Forrester, QC
Partner, Brussels
+32 2 239 2536
iforrester@whitecase.com

James Killick
Partner, Brussels
+32 2 239 2552
jkillick@whitecase.com

Jacquelyn MacLennan
Partner, Brussels
+32 2 239 2563
jmaclennan@whitecase.com

Mark Powell
Partner, Brussels
+32 2 239 2578
mpowell@whitecase.com

Axel Schulz
Partner, Brussels
+32 2 239 2587
aschulz@whitecase.com

Kai Struckmann
Partner, Brussels
+32 2 239 2612
kstruckmann@whitecase.com

White & Case LLP
Avocats-Advocaten
rue de la Loi, 62 Wetstraat
1040 Brussels
Belgium

Telephone: +32 2 239 26 20
Facsimile: +32 2 219 16 26

www.whitecase.com

Following lengthy and intense debates, the Council published on 7 April 2009 an amended proposal for a Regulation on the EU Patent. According to the amended text, an EU patent would be granted by the EPO under the provisions of the EPC. It would have a unitary and autonomous character, producing equal effect throughout the EU, and could only be granted, transferred, declared invalid or lapse in respect of that territorial area.

Shortly before, on 23 March 2009, the Council published a draft international agreement, which would create a court having jurisdiction in respect of litigation relating to European and EU patents. The agreement would be concluded between the 27 Member States, the European Union and the other non-EU Member States of the EPO.

The patent court would have exclusive jurisdiction in respect of infringement and validity issues concerning European and EU patents. It would be composed of a Court of First Instance, comprising a central division and local and regional divisions and a Court of Appeal.

On 9 June 2009, the Council asked the ECJ to provide its opinion on the compatibility of the draft agreement with the EU Treaties.

21 Member States submitted observations, as did the Council, the Commission and the European Parliament. In July 2010, the eight Advocates General of the Court submitted their joint statement of position, concluding that the draft agreement was incompatible with the Treaties on a number of grounds, many of which were not considered by the ECJ in its Opinion.

Summary of the ECJ's Opinion

The ECJ held that:

- the request for its Opinion is admissible, in light of the fact that (i) the content of the envisaged agreement is sufficiently precise (paragraphs 49 to 52); (ii) that the decision-making process in relation to the draft agreement has reached a sufficiently advanced stage to enable the ECJ to rule on the compatibility of that draft with the Treaties (paras 53 to 54); and (iii) because the principle of institutional balance has not been compromised by the fact that the European Parliament was not consulted by the Council on the future EU patent prior to the submission by the Council of its request for an opinion on the unified patent litigation system (paras. 55-56);
- nothing in the Treaties prevents the EU institutions from transferring the powers to hear disputes between individuals relating to intellectual property rights to the future patent court (paras. 60-63); and
- the competence of the EU in the field of international relations and its capacity to conclude international agreements necessarily entail the power to submit itself to the decisions of a court which is created or designated by an international agreement (paras. 74-76).

However, the ECJ considered the draft agreement is nonetheless incompatible with the Treaties, due to the fact that it would confer on the future patent court, which is outside the institutional and judicial framework of the EU, the exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the EU patent and to interpret and apply EU law in that field.

The ECJ based this finding on the fact that:

- the future patent court will be called upon to interpret and apply not only the provisions of that agreement but also the EU patent and other EU provisions relating to IP, the internal market and competition law (para. 78);
- the future patent court will be called upon to determine disputes pending before it in the light of the fundamental rights and general principles of EU law, and to examine the validity of an EU act (para. 78);
- the future patent court will take the place of national courts and tribunals in the field of its exclusive jurisdiction and thus deprive these courts and tribunals of the power to request preliminary rulings from the ECJ in this field (paras. 79 to 85);
- if a decision of the future patent court were to be in breach of EU law, that decision could neither be the subject of infringement proceedings nor could it give rise to any financial liability on the part of one or more Member States (paras. 86-88)

Conclusion

In ruling against the compatibility of the draft agreement with the Treaties, the Opinion of the ECJ may not only delay the creation of a unified patent litigation system over both European patents and future EU patents but also the adoption of the EU patent itself.

Unfortunately, the Court does not provide guidance on what changes would be necessary for a proposed patent court to be compatible with the EU Treaties.

In particular, the Opinion does not take a position on the question (which had been raised by the Advocates General in their statement of position) of whether the language regime of the future patent court is compatible with the rights of defence as proceedings could be conducted against a defendant in a language which would be neither that of its country of origin nor of the country where it carries out its commercial activities. Consequently, even if the defects of the draft agreement identified by the ECJ in its Opinion are remedied, it cannot be excluded that a further Opinion will be sought by one or more of the Member States that are opposed to the proposed language regime of the patent court, which may lead to even further delays.

White & Case LLP
Avocats-Advocaten
Rue de la Loi, 62 Wetstraat
1040 Brussels
Belgium
Telephone: +32 2 239 26 20
Facsimile: +32 2 219 16 26