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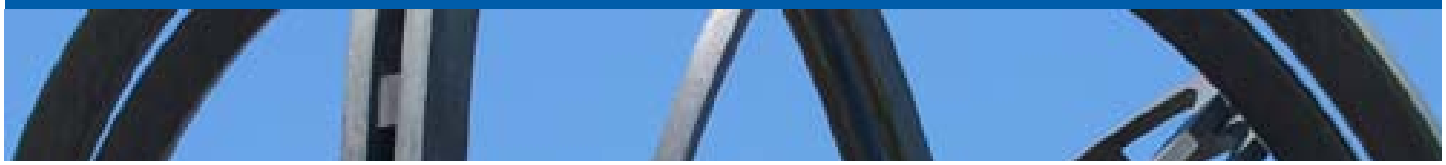

Client Alert

A further (small) step forward towards an EU-wide unitary patent system

19 December 2012

On 11 December 2012, Advocate General Bot gave his Opinion on Joined Cases C-274/11 and 295/11, proposing that the Court of Justice of the European Union ("ECJ") dismiss the cases brought by Spain and Italy challenging the other 25 Member States' use of the "enhanced cooperation" procedure to create an EU-wide unitary patent system. While this is certainly a positive development, the ultimate decision as to whether the use of "enhanced cooperation" is compatible with the EU Treaties lies with the ECJ, which is expected to give judgment in the middle of 2013.

On 10 March 2011, the Council of the European Union 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, enhanced cooperation can only be used by a subset of Member States as a last resort within the framework of the Union's non-exclusive competences, when the objectives of that cooperation cannot be achieved by the Union 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 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.[1]

Like its predecessor, the "second EU patent package" provides for the creation of a unitary patent with uniform effect in all participating European Member States, and a Unified Patent Court 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 Unified Patent Court has the same legal personality as a national 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.

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[1] http://www.whitecase.com/alerts-03092011/

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.

Spain and Italy's challenge to the use of enhanced cooperation as a basis for the "second EU patent package"

In challenging the use of the enhanced cooperation mechanism, 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.

Advocate General Bot rejected all the arguments put forward by Spain and Italy, holding that:

- Generally, the EU legislature has wide discretion over the nature and scope of the measures to be taken in the areas of EU action, and the Court's review is confined to reviewing whether the EU legislature has made a manifest error or misused its powers or has manifestly exceeded the bounds of its discretion;

- The Council is competent to adopt a decision since the creation of a unitary patent comes within the scope of the internal market, for which the EU and the Member States have shared competence;

- The Council cannot be said to have misused its powers since it merely made use of a tool available to it under the Treaties to overcome the deadlock over language arrangements;

- The enhanced cooperation mechanism can only be used "as a last resort" where there is genuine deadlock and where no compromise can be found within a reasonable period by means of the normal legislative procedure. In determining whether there is a "last resort" situation, the Council has wide discretion, and the Court is limited to deciding whether there is a manifest error of assessment, or a misuse of powers, or whether the Council manifestly exceeded the bounds of its discretion. The Council committed no such error in the present case, given that years of discussions had always ended in failure;

- In the present case, the Court is confined to reviewing whether the conditions for proper implementation of the enhanced cooperation mechanism have been fulfilled, not the legality of acts that may subsequently be adopted to give effect to that cooperation. The following arguments are therefore beyond the scope of the Court's review: whether the obligation to respect the competences, rights and obligations of non-participating Member States in view of the proposed translation arrangements has been infringed; whether there has been a failure to respect the judicial system of the EU; whether the creation of unitary patent protection with its limited language regime under the enhanced cooperation mechanism will cause barriers to trade between Member States and distortions of competition and harm economic, social and territorial cohesion. The Advocate General did express scepticism about this last argument, given that the EU patent should harmonise national patent systems across 25 Member States and thus reduce barriers to trade and the distortion of competition between Member States.

Finally, some light at the end of the tunnel?

Advocate General Bot's proposal that the ECJ approve the use of enhanced cooperation to create the "second EU patent package" coincides with the votes in favour of the "second EU patent package" taken in the Council and the European

Parliament on 11 and 12 December 2012, respectively. Moreover, on 17 December 2012 the Council adopted measures to implement the EU patent package.

These developments mean that the way forward is now becoming clearer and that the “second EU patent package” could become effective, if the legislative timetable is adhered to, in early 2014. Following the go-ahead by the Council and European Parliament, the 25 participating Member States must now sign and ratify it. The “second EU patent package” will come into force on 1 January 2014, but not before it has been ratified by at least 13 EU Member States including France, Germany and the UK. If the participating Member States ratify the patent package by November 2013, the European Patent Office expects that the first unitary patent will be validated in early 2014. The Unified Patent Court is expected to become effective as of April 2014. The section that will hear pharmaceutical cases will be based in London.

The final outcome of the annulment action brought by Spain and Italy before the ECJ in Joined Case C-274/11 and 295/11 is necessary for this progress to take place: if the ECJ annuls the enhanced cooperation, the progress goes back to square one. The good news is that although the Advocate General’s Opinion is not binding on the ECJ, current practice shows that in approximately 80% of cases the ECJ follows the Advocate General’s Opinion. The ECJ’s judgment is expected in mid-2013.

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