



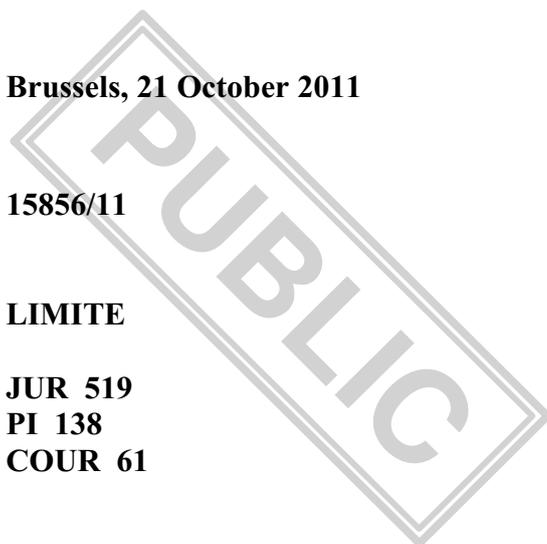
**COUNCIL OF  
THE EUROPEAN UNION**

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### **OPINION OF THE LEGAL SERVICE\***

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Subject : Draft agreement on the European Union Patent Jurisdiction (doc.13751/11)  
- compatibility of the draft agreement with the Opinion 1/09.

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#### **A) Introduction**

1. At the Competitiveness Council on 29 September 2011 the Legal Service was asked about the compatibility with Opinion 1/09<sup>1</sup> of the Court of Justice of the European Union (the "Court of Justice") of a draft agreement on the European Union Patent Jurisdiction (hereinafter "the current draft agreement"), elaborated by the Presidency of the Council in September 2011<sup>2</sup>. This contribution further develops and constitutes a written version, requested by the Council, of the statement made orally at that meeting.

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<sup>1</sup> Opinion 1/09, judgment of 8 March 2011, not yet reported.

<sup>2</sup> Document **13751/11**, circulated by the Presidency on 2 September 2011. Further amendments have been proposed by the Presidency in document 13751/11 COR 1.

2. The Council Legal Service wishes to point out that the present opinion will not tackle the issue of the compatibility of the current draft agreement with the existing *acquis communautaire*. However, the Council Legal Service considers that the Member States will have to respect *the acquis* when concluding the agreement on the European Union Patent Jurisdiction<sup>3</sup>.
3. It follows from a non-paper presented by the Commission services analysing the compatibility of the current draft agreement with the *acquis* that at least Regulation (EC) n° 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I) needs to be amended as its jurisdictional choices could otherwise be interpreted as conflicting with the agreement<sup>4</sup>. In this respect, it is the Council Legal Service's view that the amendment of that Regulation will have to be brought into force before such an agreement could enter into force.

## B) Background

4. In April 2007, the Commission presented a communication to the European Parliament and the Council concerning the creation of a single Community patent and of an integrated jurisdictional system for patents in the single market<sup>5</sup>.

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<sup>3</sup> Infra footnote n° 23.

<sup>4</sup> In this respect, the Commission services presented a non-paper analysing the compatibility of the current draft agreement with the *acquis* (document 14191/11).

<sup>5</sup> COM (2007)165 final "Enhancing the patent system in Europe".

5. According to the communication, the single Community patent would be granted by the European Patent Office in Munich ("EPO") pursuant to the provisions of the European Patent Convention ("EPC")<sup>6</sup>. It would have a unitary and autonomous character, producing equal effect throughout the European Union, and could be granted, transferred, declared invalid or lapse only in respect of the whole of that territorial area. The provisions of the EPC would apply to the Community patent to the extent that no specific rules would be provided for in the future Union Regulation establishing it<sup>7</sup>.
6. On the basis of that communication, the members of the Council engaged themselves into discussions on the possible establishment of an integrated jurisdictional system covering litigation on the **European patent** delivered by the EPO on the basis of the EPC, as well as on the unitary patent ("**the EU patent**") that would be created in the future.
7. The outcome of those discussions was the drawing up by the Presidency of the Council on 23 March 2009 of a draft international agreement creating a court with jurisdiction to hear actions related to both European and EU patents, and the draft Statute of that court<sup>8</sup>.

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<sup>6</sup> The European Patent Convention, whose official name is "Convention on the Grant of European Patents", was signed in Munich on 5 October 1973. All Member States are parties to the Convention, as well as Switzerland, Croatia, Iceland, Liechtenstein, Monaco, Norway and Turkey. Under the European Patent Convention, a patent is granted in all States which are parties to the Convention and which are designated in the application for a patent. Patents granted by the European Patent Office are merely a bundle of identical national patents conferring national protection (Opinion 1/09, paragraph 3). The disputes relating to the possible infringement of a patent right and/or revocation of a European patent must be judged by national courts, hence the possibility for multiple litigation. Similarly, actions for damages or compensation in respect of the protection conferred by a granted European patent must be submitted to national courts (see also opinion 15487/08 of the Council Legal Service, paragraph 4).

<sup>7</sup> The Commission adopted a proposal creating a unitary patent on 30 June 2010. That proposal was examined but finally not adopted by the Council. Upon demand of a large majority of Member States for an enhanced cooperation, the Commission adopted a proposal authorising enhanced cooperation in the area of the creation of unitary patent protection. This proposal was adopted by the Council on 10 March 2011 (Council decision 2011/167/EU, OJ L 76, 22.3.2011, p. 53–55) ; further to the adoption by the Council of that decision, the Commission adopted, on 13 April 2011, a proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent protection and a proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (Council document 11328/11). Those 2 proposals have not yet been adopted.

<sup>8</sup> Document **7928/09** of 23 March 2009.

8. At the same time, the Commission presented to the Council a recommendation to authorise the Commission to open negotiations for the adoption of an international agreement "creating a Unified Patent Litigation System"<sup>9</sup>.
9. Before authorising the opening of such negotiations and before further steps towards the negotiations with third countries on this issue were taken, the Council considered it appropriate to request the opinion of the Court of Justice on the compatibility of the envisaged agreement with the Treaties.
10. On 6 July 2009, the Council submitted to the Court, pursuant to article 300 (6) TEC (now Article 218 (11) TFEU), a request for Opinion<sup>10</sup>.

### **C) The draft agreement submitted to the Court of Justice**

11. The main features of that draft agreement were as follows :
  - it was envisaged as a mixed agreement that would have been signed by the EU, its member states and any non-EU countries parties to the EPC.
  - It foresaw the creation of a new jurisdiction, *composed of a court of first instance, comprising a central division and local and regional divisions, and a court of appeal, that court having jurisdiction to hear appeals brought against decisions delivered by the court of first instance*<sup>11</sup>.
  - The court of first instance would have been able to request preliminary rulings from the Court of Justice, while the appeal court would have been obliged to request such rulings.

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<sup>9</sup> Document 7927/09 of 23 March 2009.

<sup>10</sup> Documents 11125/09 + COR 1 and 11183/09 + ADD 1.

<sup>11</sup> Opinion 1/09, paragraph 8.

- The envisaged new jurisdiction would have had jurisdiction *rationae materiae* over the future EU patent and the European patent delivered by the EPO on the basis of the EPC.
- The competence of the new jurisdiction would have been exclusive over a number of types of disputes between private parties. The national courts of the contracting states would have kept jurisdiction over actions related to both EU patents and to European patents which would not have come within the exclusive jurisdiction of the new court, as well as over actions related to national patents.
- Finally, that draft agreement would have entered into force once all EU member states had ratified it<sup>12</sup>.

#### **D) The Opinion 1/09**

12. The Court of Justice delivered its Opinion 1/09 on 8 March 2011.
13. After stating that the request for an opinion was admissible, the Court firstly held that the draft agreement submitted to it was not in conflict with Article 262 TFEU, since the possibility of extending jurisdiction to the Court of Justice over disputes relating to the application of acts of the European Union which create European intellectual property rights is not exclusive.
14. *"Consequently, that article does not establish a monopoly for the Court in the field concerned and does not predetermine the choice of judicial structure which may be established for disputes between individuals relating to intellectual property rights"*<sup>13</sup>.

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<sup>12</sup> According to the Council conclusions of 7 December 2009, only the EU, its member states and parties to the EFTA (namely Norway, Iceland, Liechtenstein and Switzerland) could sign the agreement at the outset (document 17229/09, point 35).

<sup>13</sup> Opinion 1/09, paragraph 62.

15. Having said that, the Court of Justice considered however that the aforementioned draft agreement was not compatible with the Treaties : that agreement would have conferred exclusive jurisdiction to interpret and apply EU patent law and to hear a considerable number of actions brought by individuals in that field on an international court which was not common to the Member States, situated, consequently, outside the institutional and judicial framework of the Union.

16. The Court reasoned as follows :

- The national courts of Member States would retain only jurisdiction on matters which do not fall under the exclusive jurisdiction of the new judicial structure, hence they would be deprived of their power to interpret and apply EU patent law in those areas.
- Accordingly, the national courts would be deprived of their power and, as the case may be, obligation to refer questions to the Court for a preliminary ruling in the field of EU patent law applicable in the areas falling under the exclusive jurisdiction of the new judicial structure, given that the draft agreement provided for a mechanism that reserved to that structure the power to refer questions for a preliminary ruling while removing that power from the national courts.
- Thus "*the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law*" would be altered<sup>14</sup>.

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<sup>14</sup> Opinion 1/09, paragraph 89.

17. In this respect, the Court emphasised that it is for the national judges, by means of the principle of sincere cooperation as set out in Article 4(3) of the TEU, and in collaboration with the Court of Justice through the mechanism of the preliminary ruling, to ensure in their respective territories the primacy and full application of Union law (in the light of the Treaties, fundamental rights and general principles of Union law) and the judicial protection of individuals' rights under that law<sup>15</sup>.
18. In that regard, the Court of Justice recalled the principle that a Member State is obliged to make good damage caused to individuals as a result of breaches of Union law for which it is responsible irrespective of which authority of that Member State, including under specific conditions judicial bodies, infringed Union law. It also brought to mind that, where an infringement of Union law is committed by a national court, a case may be brought before the Court of Justice to obtain a judgment that the Member State concerned has failed to fulfil its obligations.
19. It was clear from the draft agreement, that if a judgment of the new court were to be in breach of Union law, the absence of the mechanism of infringement proceedings initiated by the Commission against the Member State(s) under Articles 258 to 260 TFEU or of any provision providing for financial liability on the part of one or more Member States in the terms of Article 340 TFEU and related case law<sup>16</sup> would make the Court of Justice unable to control judicial mistakes in the application and interpretation of Union law.
20. As a direct consequence of the above consideration, the national courts could not be, in the Court's view, divested of their jurisdiction in favour of an international court that would not be common to the Member States and would thus be outside the judicial system of the Union and the full judicial control of the Court of Justice.

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<sup>15</sup> Opinion 1/09, paragraph 68.

<sup>16</sup> Opinion 1/09, paragraphs 83-88.

21. Finally, the Council Legal Service wishes to point out that the Court of Justice took care to distinguish the envisaged new court from the Benelux Court of Justice. Indeed, as the latter is a court common to a number of Member States, situated, consequently, within the institutional and judicial framework of the Union, its judgments are considered as being subject to mechanisms capable of ensuring the full effectiveness of the rules of the Union<sup>17</sup>. The Benelux Court is therefore compatible with the Treaties. In the Court's view, and for all the reasons mentioned previously, this was certainly not the case for the envisaged new court.

#### **E) The way forward**

22. In order to find, in response to Opinion 1/09, a viable solution for the creation of the new judicial structure, the Presidency of the Council tabled the current draft agreement envisaging the creation of a Unified Patent Court ("UPC").

23. In the Council Legal Service's view, the fundamental concern expressed by the Court of Justice in its Opinion was related to the preservation, through the functioning of the mechanism of the preliminary ruling, of the special relationship it maintains with the national courts<sup>18</sup>.

24. This fundamental concern was created out of the coexistence of the following parameters in the draft agreement:

- the nature of the envisaged jurisdiction as a judicial organisation created under international law in which non-EU Member States would participate<sup>19</sup>, and

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<sup>17</sup> The Court accepted a request for a preliminary ruling from the Benelux Court, "*since the Benelux Court is a court common to a number of Member States, situated consequently within the judicial system of the European Union, its decisions are subject to mechanisms capable of ensuring the full effectiveness of the rules of the European Union*" (paragraph 82 of the Opinion 1/09).

<sup>18</sup> The Court of Justice highlighted the constitutional importance of that relationship by referring to its leading case law on the foundations and the specific nature of the European Union legal order (Opinion 1/09, paragraphs 65 to 70).

<sup>19</sup> Opinion 1/09, paragraph 71.

- the absence of any functional link between the envisaged jurisdiction and the national judicial systems, hence with the judicial system of the Union.

25. It is in the light of those parameters that the Council Legal Service will assess whether the current draft agreement complies with Opinion 1/09 of the Court.

### The nature of the UPC

26. Pursuant to the current draft agreement, the UPC will be composed of a court of first instance (comprising a central division and local and regional divisions) and of a court of appeal, and will be created by means of an international treaty, as was the case under the draft agreement submitted to the Court.

27. A key difference between that draft and the current draft agreement is that the current draft agreement would be concluded by EU Member States alone without the participation of the Union or any non-EU Member State. The UPC would be created as a jurisdiction common only to the EU Member States signatories of the current draft agreement.

28. It follows from Opinion 1/09 that the creation of a court common to all or to a number of EU Member States on the basis of an international agreement such as, for instance, the Benelux Court<sup>20</sup> could, in principle, be an acceptable solution for the creation of the UPC.

29. Indeed, the possibility to entrust litigation on EU intellectual property rights to a specific judicial structure other than that foreseen in the Treaties is not precluded by Article 262 TFEU or by any other provision in the Treaties<sup>21</sup>. The Court stated in Opinion 1/09 that "*As regards*

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<sup>20</sup> Opinion 1/09, paragraph 82, also supra footnote n° 17.

<sup>21</sup> Article 262 TFEU reads as follows : "*Without prejudice to the other provisions of the Treaties, the Council, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice of the European Union in disputes relating to the application of acts adopted on the basis of the Treaties which create European intellectual property rights. These provisions shall enter into force after their approval by the Member States in accordance with their respective constitutional requirements.*"

Article 262 TFEU, that article cannot preclude the creation of the PC (Patent Court). While it is true that under that provision there can be conferred on the Court some of the powers which it is proposed to grant to the PC (Patent Court), the procedure described in that article is not the only conceivable way of creating a unified patent court<sup>22</sup>". In other words, the Court seems to assume that there is an alternative way to Article 262 TFEU for the establishment of a UPC.

30. In the Council Legal Service's view, this alternative way could be the conclusion of an international agreement amongst EU Member States alone establishing a court common to them<sup>23</sup>. It should then be ensured, for that court to be compatible with Opinion 1/09, that it operates entirely within the European Union legal order, complies with the institutional law of the Union and maintains, despite its formal creation pursuant to the rules of international law or the absence of direct interaction with the national judge in matters falling under the exclusive jurisdiction of the new court, functional links with the national judicial systems and, consequently, the judicial system of the Union<sup>24</sup>.

31. In this regard, the removal of the possibility for non-EU Member States to participate in the international agreement obviously facilitates the integration of the UPC into the Union legal order and the respect by the UPC of Union law. The participation of third countries would have made it extremely difficult to set up mechanisms making the decisions of the UPC capable of ensuring the full effectiveness of the rules of the Union in the same way as decisions of the national courts of the EU Member States.

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<sup>22</sup> Opinion 1/09, paragraph 61.

<sup>23</sup> It could be argued at the outset that, following the ERTA case (case 22/70, 1971, ECR 263), the validity of such an agreement is questionable, since it will concern a -by exercise-exclusive competence of the Union, ie civil jurisdiction (see Regulation 44/2001 -Brussels- and the Lugano Convention, as well as Regulation 593/2008 -Rome I-, Regulation 864/2007 -Rome II- and Directive 2004/48/EC on the enforcement of intellectual property rights). The answer to this argument could be that the Union's exclusive competence applies only to agreements with third states and not between Member States alone (see wording of Article 216 TFEU). It could then be considered that agreements between Member States may affect provisions of the Union law in so far as they are compatible with them. In this respect, see also paragraphs 2 to 3 of the present opinion.

<sup>24</sup> In this respect, the Court found that the Complaints Board of the European Schools, being a body of an international organisation, did not have with the judicial system of the Member States such links as the Benelux Court and stressed that despite its functional links with the Union, it remains formally distinct from it and the Member States (case C-196/09, Paul Miles and Others v European Schools paragraphs 41-42).

32. Member States may thus enter into an agreement between each other and create a UPC that would be common to them as long as that court is bound by the essential requirement to respect the foundations of the Union legal order and to operate under Union Law as any national court, in particular by having recourse to the preliminary ruling procedure.

### The link with the judicial system of the Union

33. The amendments introduced by the Presidency in order to take into account the aforementioned requirements of the Court, concern in particular:

- the obligation of the UPC to apply and respect Union law and the principle of primacy as a fundamental principle of the Union legal order;
- the functioning of the mechanism of the preliminary ruling;
- the accountability of the Member States if the UPC acts in breach of Union law and the possibility for them to bear financial liability in such a case.

34. It is worth mentioning at the outset that the current draft agreement states henceforth explicitly that the UPC will be a court common to the contracting Member States and thus subject to the same obligations under Union law as any national court of the contracting Member States<sup>25</sup>. In the Council Legal Service's view, this statement clarifies the relation between the judiciary of the Member States and the UPC, thus making the latter appear, from a functional point of view, as an inherent part of the judicial system of the Member States, hence of the Union, in spite of its creation by way of a treaty.

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<sup>25</sup> Article 1 of the current draft agreement.

## Respect of EU law and primacy

35. In the preamble of the current draft agreement, it is stated that the contracting Member States are committed to operating under the principle of sincere cooperation as set out in Article 4(3) of the TEU and to ensuring, through the creation of the UPC, the full application and respect of Union law in their respective territories, as well as the judicial protection of an individual's right under that law<sup>26</sup>.
36. In pursuance of that commitment, the current draft agreement explicitly provides for the UPC to apply the body of Union law in its entirety and to respect its primacy<sup>27</sup>. The Council Legal Service notes that that amendment sweeps aside the doubt raised in the context of the agreement submitted to the Court in so far as it referred only to the "*directly applicable Community legislation*".<sup>28</sup> Furthermore, in order to highlight the importance of this issue, it could be envisaged to redraft Article 14 e "Applicable Law" in such a way as to bring the UPC, when hearing a case brought before it, explicitly under the obligation to respect the primacy of Union law.

## Preliminary rulings

37. The current draft agreement preserves the importance of the mechanism of preliminary rulings as set out in the Treaties : as a consequence of the commitment of the contracting Member States to operate under the principle of sincere cooperation, the UPC will have, just as any national court, the possibility, and as the case may be the obligation, to cooperate with the Court of Justice by applying its case law and by requesting preliminary rulings in accordance with Article 267 TFEU<sup>29</sup>.

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<sup>26</sup> Recitals 7 and 9 of the current draft agreement.

<sup>27</sup> Article 14 a, "Primacy and respect of Union law", of the current draft agreement.

<sup>28</sup> "*Directly applicable Community legislation*" being understood as only the secondary law. In the Advocates' General view this expression did not include either the Treaties or fundamental rights, general principles of law or directives related to intellectual property relative issues (paragraphs 77 to 92 of the position of the Advocates General in Opinion 1/09).

<sup>29</sup> Article 14 b of the current draft agreement.

38. At this point, the Council Legal Service wishes to indicate the following : contrary to the draft agreement submitted to the Court, where a mechanism of preliminary rulings was established in terms similar to those laid down in the Treaties, the current draft agreement contains a direct reference to Article 267 TFEU. This amendment<sup>30</sup> emphasizes the determination of the contracting Member States to consider the UPC as a competent court to refer to the Court of Justice in the same way that any national court refers to the Court under Article 267 TFEU. This amendment, together with, as already mentioned, the removal of non-EU Member States from the current draft agreement and the positioning of the UPC as a court common only to the Member States, is meant to bring the latter into line with the Court's case law according to which “...there is no good reason why such a court common to a number of member states, should not be able to submit questions to this Court in the same way as courts or tribunals of those member states.”<sup>31</sup>
39. It could be envisaged, in order to make the UPC appear even more integrated into the Union legal order, to redraft Article 14 b in such a way as to maintain only a simple reference to Article 267 TFEU without reproducing in the current draft agreement the text of that Article.

#### Liability and accountability of the Member States

40. Finally, the current draft agreement addresses in an adequate way the question raised by the Court on the protection of individuals' rights under Union law<sup>32</sup>. Any breaches of EU law are under the current draft agreement subject to the control mechanisms of the Union and liability is shared among the Member States which created the common court.

<sup>30</sup> This constitutes a relevant difference with the situation addressed by the Court in case C-196/09 , Paul Miles (see note 24 above) where no mechanism of preliminary ruling was mentioned in the basic instrument.

<sup>31</sup> Parfums Christian Dior, case C-337/95, 1997, ECR I-6013, paragraphs 21 to 23).

<sup>32</sup> Opinion 1/09, paragraph 86.

41. In line with that, the current draft agreement clearly states that, whenever the UPC infringes the obligation to refer issues to the Court in accordance with Article 267 TFEU, the contracting Member States are jointly and severally liable for damages resulting from an infringement of Union law by the UPC, in accordance with the Union law concerning non-contractual liability of Member States for damages caused by their national courts breaching Union law<sup>33</sup>.
42. Furthermore, concerning the responsibility of the contracting Member States in case of breach by the UPC of Union law, the current draft agreement indicates that the actions of the UPC are directly attributable to each contracting Member State individually, including for the purposes of Articles 258, 259 and 260 TFEU, and to all Contracting Member States collectively<sup>34</sup>.

## F) Conclusions

43. Since Opinion 1/09 of the Court of Justice was delivered, the current draft agreement has been amended so as to address the concern related to the special relationship of the Court of Justice with the national courts.
44. In the absence of precedents from case law, it is difficult to dispel all doubt as to whether the amendments that have been introduced are sufficient for the Court to consider the current draft agreement compliant with its Opinion. Indeed, as long as the UPC will remain formally separate from the national courts, it may still be considered by the Court as affecting "*the very nature of the law established by the Treaties*"<sup>35</sup>.
45. On the other hand, the amendments that have been introduced establish undoubtedly functional links between the UPC and the judicial system of the Union. In this respect, the Council Legal Service considers that the guarantees required by the Court of Justice in its Opinion are now met. Necessity, nevertheless, for further drafting amendments or on the substance cannot be excluded.

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<sup>33</sup> Article 14 c of the current draft agreement.

<sup>34</sup> Article 14 d of the current draft agreement.

<sup>35</sup> Opinion 1/09, paragraph 85.