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„Unitary patent“ and court system – New problems ahead?

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This article reflects the personal opinion of the author.

As is well known, Spain has filed nullity actions against the two European Regulations on the “unitary patent“ (Regulation (EU) No 1257/2012 of 17 December 2012) and the language regime Regulation (EU) No 1260/2012 of 17 December 2012) at the Court of Justice of the European Union (CJEU), objecting, amongst others, a lack of a legal base. The CJEU will hear these cases on 1 July 2014, from 9:00. The dispute about the legal base of the “unitary patent” Regulation goes back to the conflict between the European Parliament and the Council about the deletion of the former Articles 6 to 8 which were, in the end, replaced by the new Article 5 intending to include the contents of the deleted Articles in the Regulation through a reference to external legal sources, especially the intergovernmental Agreement on the Unified Patent Court. The following article will briefly summarize the respective events and will show potential implications of the CJEU’s decisions.

I. Documentation of the legislative proceedings on the “unitary patent package“

One of the peculiarities of the European legislative process is that even the public Parliamentary deliberations, especially those held in the Committees, are documented inadequately only and can therefore not be followed easily by the public. Verbatim protocols are published for Plenary meetings only and not for meetings of the Parliamentary Committees, although a major part of Parliamentary work is done in the latter. Without a broad knowledge of foreign languages, also the session recordings prepared by Parliament TV, if they exist, only allow for an incomplete insight already due to the number of different languages in which the speeches are given, the European Union currently has 24 official languages. Also the available simultaneous translations can only compensate for this insufficiently, as they do not constitute an authentic reproduction of the statements.

In order to enable interested persons to follow the course of the Parliamentary negotiations on the “unitary patent package” at least from an ex post perspective, a document is now available which reproduces, in a linguistically harmonized format, the wording of the statements made in the respective public meetings of the European Parliament and its Legal Affairs Committee between 2 December 2010, after the political “breakthrough” for the creation of a Community patent was achieved, and 11 December 2012, on which the European Parliament adopted the components of the “patent package”. The verbatim protocol is available in German and English (afterwards “verbatim protocol EN”) as well as an edition with all statements in their original language and can be accessed in section “unitary patent” at www.stjerna.de.

Based on the protocol it is now possible, for instance, to follow in detail the development of the dispute on Articles 6 to 8 and the adopted solution as well as the underlying considerations which will now again be relevant in relation to the Spanish nullity actions at the CJEU insofar as a lack of legal base is argued. Against the background of the forthcoming CJEU hearings, this episode from the legislative proceedings is afterwards described in more detail.

II. The dispute about the former Articles 6 to 8 of the “unitary patent“ Regulation

The issue of Articles 6 to 8 of the initial draft Regulation on the “unitary patent”, defining contents and scope of the rights from a “unitary patent”, gained increasing importance in fall 2011, after many members of the professional circles demanded that the provisions be removed from the Regulation, in order to prevent the aspects of material patent law governed by them from becoming part of the Union law and, thereby, falling within the competence of the CJEU. This was driven mainly by concerns that, on the one hand, the duration of proceedings may become dramatically longer in cases involving referrals to the CJEU and, on the other, a certain skepticism in relation to decisions being made by a non-specialized court in the complex legal field of patent law.

1. The “JURI“ meeting on 21 November 2011

In the meeting of the Legal Affairs Committee of the European Parliament (“JURI”) on 21 November 2011, MEP *Cecilia Wikström* (ALDE group) presented these concerns and demanded a deletion of the three Articles (a recording is available at http://www.europarl.europa.eu/ep-live/en/committees/video?event=20111121-1500-COMMITTEE-JURI). She explained (cf. verbatim protocol EN, para. 664 ff., from 15:49:20 of the recording):

> *“Although I have been raising this issue with many people, thus far I have not until now heard one single argument on the substance in favour of the inclusion of these Articles in the Regulation creating the unitary patent. The only argument that I have heard against this proposal is that some lawyers, notably in the Commission Legal Service, are of the opinion*

that these Articles need to be included in order to allow a legal basis under Article 118."

In order to avoid jeopardizing Article 118(1) TFEU as the legal base of the "unitary patent" Regulation, the former Committee Chairman *Klaus-Heiner Lehne* (EPP group), the rapporteur on the Agreement for a Unified Patent Court (afterwards "Court Agreement"), advocated against a deletion (verbatim protocol EN, para. 684, from 16:03:31 of the recording):

"This also seems to be the position of the majority in Council that there is a certain amount of danger that, should these Articles be removed from the Regulation, probably the legal basis is no longer applicable, because it focuses on intellectual property. And if no details are provided on the content of that intellectual property, it may be questioned whether this really is the legal basis."

2. The European Council summit on 28/29 June 2012

After the discussions of the topic had calmed down a little, it gained new attention after the European Council summit on 28/29 June 2012 in Brussels. At this meeting of the Heads of State and Governments, at the request of the British Prime Minister *Cameron*, a "suggestion" was included in the summit conclusions that Articles 6 to 8 should be deleted from the "unitary patent" Regulation (cf. document EUCO 76/12, p. 2, last para.; for more details on the summit see *Stjerna*, "Unitary patent and court system – Failed for now", accessible in German and English at www.stjerna.de).

The European Parliament was outraged and cancelled the initially planned debate of the "unitary patent" in its meeting on 2 July 2012 (recording at http://www.europarl.europa.eu/ep-live/en/plenary/video?debate=1341241580990). *Klaus-Heiner Lehne* said (verbatim protocol EN, para. 732 f., from 17:10:33 of the recording):

"Striking out the Articles 6 to 8 means depriving the proposal of its core part. In the cooperation with the Legal Service and during the expert hearing, we have clearly received confirmation that we can use this legal basis for intellectual protective rights only if we regulate on such intellectual protective rights, (...).

(...) The result would be, should we adopt what the Council wants, that we would experience a crash test before the Court of Justice already upon the first referral. This is not justifiable."

3. The "JURI" meeting on 10 July 2012

In the next "JURI" meeting on 10 July 2012, also the rapporteur on the "unitary patent" Regulation, *Bernhard Rapkay* (S&D group), expressed his disappointment about the deletion request from the European Council (a recording is accessible at http://www.europarl.europa.eu/ep-live/en/committees/video?event=20120710-0900-COMMITTEE-JURI). He stated (verbatim protocol EN, para. 747, from 11:37:32 of the recording):

"In conclusion, (...), the deletion of the three Articles is clearly not compatible with EU law as this means it is not compatible with Article 118. This is the legal basis, the sole legal basis for this, and, after the deletion of these three Articles, the legal basis is no longer applicable. Because the legal basis says, a patent with unilateral protection is created, in the ordinary legislative procedure, and when just the Articles emphasizing this unilateral protection are removed, 118 is no longer given."

He continued (verbatim protocol EN, para. 753):

"A Regulation intends to regulate something: So a regulation content is necessary. What is meant to be regulated must be stated. If the regulatory content is now removed, there is nothing to be regulated. Then this Regulation, as its name "Regulation" says, it is completely invalid."

This position was shared by *Klaus-Heiner Lehne* (verbatim protocol EN, para. 767, from 11:53:57 of the recording):

"In principle, this development has thrown us back to where we were some time after the summer vacation last year, at least in terms of the Regulation's contents, and which we had clarified internally in a long process, since also among ourselves there were, of course, different opinions, before, with the help of the Legal Services, it was clarified – by all Legal Services by the way, without dissent –, that it will not work without [Articles 6 to 8]."

4. The "JURI" meeting on 11 October 2012

After the summer break, the Legal Affairs Committee met again on 11 October 2012 to discuss the next steps (recording at http://www.europarl.europa.eu/ep-live/en/committees/video?event=20121011-0900-COMMITTEE-JURI). In this meeting, also the Legal Service of the European Parliament was consulted. They confirmed that a removal of Articles 6 to 8 would jeopardize Article 118(1) TFEU as the legal base of the Regulation, strongly advising to define contents and limitation of the patent in the Regulation itself (verbatim protocol EN, para. 879 ff.; from 11:13:40 of the recording).

5. The "JURI" meeting on 19 November 2012

On 19 November 2012, the Legal Affairs Committee came together for a special meeting as to hold a debate on a "compromise proposal" presented by the Cyprus Council Presidency (cf. *Stjerna*, "Unitary patent and court system – The sub-sub-suboptimal compromise of the EU Parliament, accessible in German and English at www.stjerna.de). The meeting was not broadcasted on Parliament TV, so that a video recording does not exist; an audio recording is accessible at www.stjerna.de.

According to this "compromise proposal", despite their repeatedly emphasized importance for the reliability of Article 118(1) TFEU as the legal base of the "unitary patent" Regulation, Articles 6 to 8 were meant to be deleted and replaced by a reference to external legal sources, especially the Court Agreement, in a new Article 5. The representative of the Cyprus Council Presidency explained the proposal as follows (verbatim protocol EN, para. 962 f.):

> *"From our consultations with you, we have understood that Members of the European Parliament feel very strongly that the Regulation on the unitary patent itself needs to contain a substantive provision which ensures the uniformity of protection and that this cannot be left entirely to the Agreement on a Unified Patent Court.*
>
> *This is why in Article 5(1) we have proposed to define the right of the patent holder to prevent third parties from acts against which the patent provides protection. We also proposed to stipulate in paragraph 2 the uniformity of the protection which means that in their national law, Member States cannot provide for any provision which would undermine the uniformity of this protection. However, we think that it is not necessary to have in the Regulation itself all the details concerning the scope of the right of the patent proprietor and its limitations. This can be left to the Agreement on a Unified Patent Court. This is why we propose to render the corresponding Articles of the UPC Agreement applicable to the European patent with unitary effect. At the same time, we propose to refer to Article 5(3) of the Regulation to the national law applicable to European patents with unitary effect which in practice means a referral to the provisions of the Agreement on a Unified Patent Court."*

Rapporteur *Rapkay* supported the "compromise proposal" as to avoid another failure of the "unitary patent" project. He stated (verbatim protocol EN, para. 934 f.):

> *"A solution has been found and, I will say it positively, it is acceptable bearing in mind that the issue European patent is an issue which is meanwhile under discussion for 30 years not only in the European Union, but also in its predecessor organisation, the European Communities, and the current proposal is also discussed for more than 10 years already. (…)*
>
> *Again, this is justifiable under these circumstances. I do not know whether I would argue likewise if we did not have this incredibly long timeframe, but in this case I say, I meanwhile know – or, in fact, I knew from the beginning – that either we are getting such suboptimal – or I should rather say sub-sub-suboptimal, suboptimal would still be a too positive description – compromise or there will be nothing at all, while the question is whether this could be justified."*

He also indicated that the proposal had been discussed in the past already and had been turned down (verbatim protocol EN, para. 938):

> *"If I understand this correctly, it means that we do a turn which, by the way, was discussed already in the trialogue, the informal trialogue, a year ago and which was rejected there by the Parliament and the Council. Namely, whether one can replace Articles 6 to 8 by a reference to the intergovernmental Agreement. One can do it, this is the proposal which is also on the table, but which we have rejected one year ago. One can do it, since under special circumstances, as far as I see it, Article 118 of the Treaty as the basis for all this, is not violated by that, as it has been formulated now."*

For the European Commission, *Michel Barnier*, Commissioner for Internal Market and Services, summarized the "compromise proposal" as follows (verbatim protocol EN, para. 977):

> *"Does the new Article 5 respect the legal basis of Article 118 of the Treaty? Again: We would have wanted the original Articles 6, 7 and 8 with a clear description of the scope of protection and the limitations of the new unitary patent. The new Article 5, as it has been drafted, contributes to describing the uniform basis of this patent protection in the Regulation itself, in a little shorter form, (…)."*

6. The "JURI" meeting on 26 November 2012

Upon request of the group The Greens/Free European Alliance, in the next "JURI" meeting the Legal Service was asked to comment on the compatibility of the "compromise proposal" with the legal base of Article 118(1) TFEU (recording at http://www.europarl.europa.eu/ep-live/en/committees/video?event=20121126-1500-COMMITTEE-JURI). They were skeptical and deemed problematic especially the fact that the contents and limitations of patent protection were intended to be defined by a referral to sources outside the "unitary patent" Regulation (verbatim protocol EN, para. 1089 ff.; from 15:48:33 of the recording). The European Parliament nonetheless adopted the Regulation in its meeting on 11 December 2012 with a large majority.

Since then, some commentators campaigning for the "unitary patent package" try to present, in relation to Article 118(1) TFEU, the replacement of Articles 6 to 8 by the so-called "incorporating referral" now inserted in Article 5 as a reliable substitution, even though some of them had rejected such a "referral solution" as inacceptable prior to the European Council summit (cf. *Stjerna*, "Unitary patent and court system – Prof. Tilmann, the Roman god Janus and the requirements of Article 118(1) TFEU", accessible in German and English at www.stjerna.de).

III. Outlook

From an objective and purely legal perspective it will be difficult to regard the "unitary patent" Regulation compatible with its legal base of Article 118(1) TFEU without the former Articles 6 to 8. However, especially in case of the "unitary patent", the legal evaluation is only one side of the coin. On the other is the immense political interest in advancing European integration also on the area of patent law and to finally get to a European Community patent after decades of negotiations.

The importance of this motive has been emphasized openly by a number of speakers in the "JURI" meeting on 19 November 2012. After the European Council's deletion request in relation to Articles 6 to 8, the adoption of a "unitary patent" would most likely not have been possible without a restart of political negotiations. In order to avoid this, the resulting the delays and political uncertainties, it was obviously decided to use the "work-around" of the "incorporating referral", by which the contents of the deleted Articles 6 to 8 are intended to be reintroduced into the Regulation through the back door. In this context, it is remarkable that, according to the statement of *Bernhard Rapkay* in the "JURI" meeting on 19 November 2012, this approach had already been discussed in the past, but was apparently rejected as unsuitable. This negative evaluation of a "reference solution" had – at that time – also been shared by renowned commentators (cf. *Stjerna*, "Unitary patent and court system – Prof. Tilmann, the Roman god Janus and the requirements of Article 118(1) TFEU", accessible in German and English at www.stjerna.de).

Although the political protagonists are certainly well aware of the legal shortcomings of this construction, they try to make its acceptance palatable to the CJEU with political considerations. Therefore, statements on the alleged legal viability of the "incorporating referral" usually contain the additional remark that through it, the referenced contents of substantive patent law would be "drawn into" Union law, thereby causing their interpretation to become subject of the CJEU's jurisdiction henceforth (cf. *Tilmann*, JIPLP 2013, 78 (79)), regardless of the skepticism of the professional circles. Accordingly, it will be interesting to see which position the court will take on the issue of the "unitary patent" Regulation's legal base. It would not come as a surprise if solely legal aspects were not decisive in the end.

However, a rejection of the Spanish actions by the CJEU could cause new problems elsewhere. Should the CJEU accept the approach of the "incorporating referral", they can also be expected to indeed assume the aforementioned competence for the interpretation of substantive patent law insofar. This could lead to new difficulties in the UK, since at the mentioned European Council summit in June 2012, Prime Minister *Cameron* had made his support for the Unified Patent Court subject to the avoidance of exactly this involvement of the CJEU. On 2 July 2012, he gave the following statement on the results of the European Council summit in the House of Commons (Hansard, Col. 586, http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120702/debtext/120702-0001.htm#column_586):

> *"We also agreed to go ahead with the European patent court. (...) In finalising the agreement, Britain had two objectives: that the new patent should be redrafted so that it did not get snarled up in the processes of the European Court of Justice, and that a significant part of the court, (...), would be based in London. I am pleased to say that we secured both those outcomes."*

Should the CJEU endorse the "incorporating referral", one of these two conditions might possibly no longer be given. Even if the Spanish actions should be unsuccessful, this could easily mean new problems for the "unitary patent package". As is well known, the two Regulations on the "unitary patent" will become valid with the entry into force of the Court Agreement (cf. Article 18(2) Regulation 1257/2012, Article 7(2) Regulation 1260/2012), while the UK is one of the three Member States a ratification of which is mandatory for the latter to take place (cf. Article 89(1) of the Court Agreement).

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