EUROPEAN COMMISSION

LEGAL SERVICE

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*Opinion of the Legal Service**

NOTE TO

MS. MARGOT FRÖHLINGER, DIRECTOR D, DG MARKT

Subject: **"Possible solution for the European and EU Patent Court (EEUPC) replying to the concerns raised by the Court of Justice of the EU (CJEU) in its Opinion 1/09" (MARKT.D2/AL D(2011)331035)**

I. Introduction

1. By the above note you have consulted us on the implications of Opinion 1/09 for the envisaged creation of a unified patent court, set out a number of conditions such a court would need to fulfil to be politically acceptable ("political constraints") and discussed certain amendments to the Draft Agreement on the European and Community Patents Court[1] ("the Draft Agreement"), which was the subject of the Opinion.

2. This note explores, against the background of the Opinion and the political constraints you identified, possible options for continuing to pursue the objective of a unified patent court. It does so from the perspective of Union law and does not address constitutional law constraints of Member States.

II. The Draft Agreement

3. The Draft Agreement foresaw the establishment of a patent court ("PC") with jurisdiction *ratione materiae* both over Union (then: Community) patents and the

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traditional European bundle patents. The Draft Agreement was envisaged as a mixed agreement with the non-EU countries parties to the European Patent Convention (later limited to the EFTA states). The jurisdiction of the PC should have been exclusive in respect of the following disputes between private parties:

(a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences;
(b) actions for declarations of non-infringement;
(c) actions for provisional and protective measures and injunctions;
(d) actions or counterclaims for revocation of patents;
(e) actions for damages or compensation derived from the provisional protection conferred by a published patent application;
(e) actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the patent;
(f) actions for the grant or revocation of compulsory licences in respect of Community patents;
(g) actions on compensation for licences within the meaning of Article 20, paragraph 1of the then envisaged Council Regulation on the Community patent (Council document 16113/09).

4. The national courts of the Contracting States would have kept jurisdiction in actions related to Union patents and European patents which would not have come within the exclusive jurisdiction of the PC as well as for national patents.

5. The constraints you identified is that any future patent court would need to maintain the basic architecture envisaged by the Draft Agreement, i.e. in particular be "unified" in nature so as to ensure the concentration of litigation in one forum. It would equally need to have jurisdiction both for traditional European bundle patents and for the unitary patents proposed in COM(2011) 215/3, be composed of competent judges and decide within reasonable delays.

III. Opinion 1/09

6. In its Opinion the Court of Justice identified fundamental concerns regarding the Draft Agreement: By conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, it would:

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1 Council document 7928/09 of 23 March 2009.

- deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and

- deprive the Court of Justice of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently,

- alter 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.

7. According to the Opinion, it is for the national courts, by reason, inter alia, of the principle of sincere cooperation and in collaboration with the Court of Justice (preliminary ruling procedure), to ensure the full application of European Union law in all Member States and to ensure judicial protection of an individual's rights under that law (in the light of the general rules of the Treaties, fundamental rights and general principles of European Union law).

8. The national judge cannot be deprived of this task to the benefit of an international jurisdiction: if a decision of the PC were to be in breach of European Union 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.

IV. Options for a unified patent court

9. The general line of the Opinion is that the aforementioned types of disputes between private parties have to be dealt with within the jurisdictional system of the Union. The option of an international court set up by an agreement concluded with third countries outside of the Treaty framework seems therefore excluded. Ad hoc procedures that could be established in order to assimilate as much as possible such an international court to a 'real' national court would probably be considered insufficient by the Court of Justice.

10. If unitary patent protection is established in the framework of enhanced cooperation as currently envisaged, it will, however, have to be ensured that the jurisdictional rules applicable to the unitary patent are suitable.

11. The remaining options for fora that could exercise such jurisdiction appear to be:

- First, an EU Court pursuant to Article 262 TFUE, which is, according to the Opinion, not the only conceivable way of creating a unified patent court.
- Second, national courts.
- Third, a court common to all (participating) Member States[2].

12. The first two options are not considered feasible in your note for practical and political reasons. Furthermore, the first one is subject to the caveats that, first, Article 262 TFEU does not relate to a substantive policy of the Union (an "area covered by the Treaties") and therefore, due to its institutional nature could probably not be resorted to in the context of an enhanced cooperation should not all Member States support the creation of a unified patent court and, second, the Court's jurisdiction could not be extended to disputes relating to traditional European bundle patents. The second one, apart from probably requiring an amendment of Regulation 44/2001, would even then only allow for a limited concentration.

13. This note will therefore further explore only the third option.

1. Instrument to be used

14. It appears that such common court could only be established by way of an agreement between Member States outside of the Treaty framework.

15. There is no legal basis for the Union to join such an agreement. Article 216 TFEU does not envisage the conclusion of an agreement between the Union and its Member States. Moreover, as the primacy of EU law would always prevail over such an agreement, no conflict between Member States' obligations under Union law and under international public law could arise. Even in an AETR field, in which Member States could not enter into agreements with third states on their own, Union participation in an agreement binding only Member States would hence not be necessary (even if it were possible, *quod non*).

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[2] Participating Member States refers to all Member States participating in the enhanced cooperation on unitary patent protection. At least if the unified patent court also had jurisdiction, as the PC would have had, for European bundle patents, it may be desirable (leaving political feasibility aside) to have non-participating Member States take part in the establishment of such a common court.

16. As a point of principle, such an agreement could be criticised as a circumvention of the Union (method) in general and Article 262 TFEU in particular. However, in Opinion 1/09 the Court stated that "Article 262 TFEU [...] cannot preclude the creation of the PC. 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, the procedure described in that article is not the only conceivable way of creating a unified patent court" (para. 61). "[T]hat 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" (para. 62). The Court therefore seems to assume that there is an alternative way to Article 262 TFEU for the establishment of a "unified patent court". As far as the circumvention argument is concerned, it appears to be immaterial by how many Member States such an agreement is concluded.

2. Modalities

17. A patent court established by such an agreement would need to comply with institutional law as interpreted in particular in Opinion 1/09 (see A below) and be compatible with the acquis (see B below).

A. Legality requirements according to Opinion 1/09

18. For a court common to all (participating) Member States to be in conformity with the Treaties as interpreted in the Opinion, it would need to be bound by the same obligations under EU law as any national court, in particular the recourse to the preliminary ruling procedure and the principle of sincere cooperation.

a) The Benelux Court as a model recognised by the Opinion?

19. In paragraph 82 of the Opinion, the Court appears to express approval of the Benelux Court when it states that "[s]ince 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."

20. This passage is, however, no guarantee that the Benelux Court could truly serve as a model for establishing a unified patent court common to all (participating) Member States because the Benelux Court only has interpretative and no decision-making competences. At the same time, there are no indications in the Opinion that the

Court relied on this limitation when making the quoted finding and that it would have viewed the Benelux Court differently had the latter also had decision-making competences.

b) *Infringement actions and Köbler liability as a sanction for EU violations by a court* common to all (participating) Member States

21. As pointed out above, the Court of Justice objected in particular to a lack of sanctions vis-à-vis the PC in the event of the PC not respecting EU law. If a unified patent court common to all (participating) Member States violated EU law, infringement actions would presumably be possible against all Member States party to the agreement establishing this court (and not only e.g. against the/a Member State where that court has its/a seat). For reasons of transparency it may be desirable if the Member States stated in such an agreement that they acknowledge that actions of the common court thereby established are fully attributable to all of them for the purposes of Articles 258-260 TFEU.

22. Similarly, for *Köbler* liability to be fully effective it should probably be clarified in the agreement setting up such a common court that all Member States party would be jointly and severally liable to individuals suffering damages due to a violation of EU law by that court. To ensure the full effectiveness of such liability, the agreement should probably, in the absence of apparent harmonisation in this area, spell out where such claims could be brought, e.g. in the Member State where the plaintiff is domiciled or at the (principal) seat of the patent court (where plaintiffs without domicile in a Member State party to the agreement would need to sue as well).

B. Respect of the acquis

23. The Member States would need to respect the *acquis* when establishing a common patent court by way of an agreement. To the extent that amendments to the *acquis* are necessary, these would have to be brought into force before such an agreement could enter into force. It would appear that at least Regulation 44/2001 might need to be amended as its jurisdictional choices might otherwise be interpreted as conflicting with such an agreement.

V. Conclusion

24. It appears that the only remaining option for establishing a unified patent court which, under the constraints referred to in paragraph 5, may be legally feasible in the wake of the Opinion would be a court common to all (participating) Member States established by an agreement between them and subject to the same obligations under EU law as a national court.

25. This option is not without disadvantages: The Commission would not have much influence on the establishment of such a court. Certain amendments to the *acquis* may be necessary before it could be established. Its compatibility with the national legal systems of the participating Member States remains to be confirmed. Finally, there is no guarantee that this option would be compatible with the Treaties (and no opinion of the Court of Justice can be obtained under Article 218(11) TFEU to achieve legal certainty).

26. This is a preliminary opinion. We would like to discuss this option with Member States before taking a definitive position. To this end we will prepare a non-paper to be submitted to the Council Presidency and the Member States forming the "Friends of the Patent".

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