

The European Patent Reform – No “Light on the Horizon”

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Office translation of the original German language document, the article reflects the personal opinion of the author

In an extraordinary meeting on 19/11/2012 the Legal Affairs Committee of the EU Parliament has deliberated a compromise proposal of the Cypriot Presidency of the Council with regard to the next steps in terms of the creation of a European unitary patent. In this meeting, from which the public was once more excluded, “overwhelming support” for the proposal is said to have been communicated. A good reason to take a closer look at this compromise. Already upon first sight, the compatibility with the requirements set out by the Legal Affairs Committee itself appears doubtful.

I. The situation after the EU summit in June 2012

After the summit of the European Council in June 2012, the project of creating a “unitary patent” and a related court system had ended in a deadlock. The Council, composed of the heads of state and governments of the member states of the European Union, following an initiative of the British Head of State *David Cameron*, had suggested the deletion of Art. 6 to 8 from the draft Regulation for the “unitary patent”, which define the rights of the patent owner and the limitations of the “unitary patent”. In the past, the Legal Affairs Committee had always defended these articles as an inevitable element of the Regulation in the absence of which be chosen legal basis, Art. 118 TFEU, could not be relied on.¹ Against this background – at least on the basis of the negotiated draft legislation –, there were in essence three options for a way forward: Leaving the said articles in the Regulation unchanged, deleting them or looking for a third solution. The alternative to restart the negotiations on a possibly firmer legal basis, taking into account all the legitimate objections from international experts, was always rejected by politics.

1. Retention of Articles 6 to 8?

An unchanged retention of Art. 6 to 8 would most likely result in Great Britain no longer being willing to support the project. However, as Great Britain, together with Germany and France, is one of the three member states whose ratification of the international agreement creating the “unitary patent” court system is mandatory for its entry into force it’s stepping out of line would at the same time mean a failure of this international agreement and thus, of the system as a whole.²

¹ Cf. *Stjerna*, The European Patent Reform - Failed for now, accessible at www.stjerna.de/failed-for-now/?lang=en.

² *Stjerna* (fn. 1), p. 3 (r. col.).

2. Deletion of Articles 6 to 8?

To the contrary, the second option, a deletion of the articles, would hardly be acceptable for the Legal Affairs Committee which had, supported by its Legal Service, always considered the presence of the articles in the Regulation as imperative.

This was emphasized once again in the first meeting of the Legal Affairs Committee after the summer break on 11/10/2012.³ In this meeting, also the Legal Service presented its position on Art. 6 to 8 which *Ulrich Rösslein* summarized as follows (translated from German):

“From our view, a deletion of Art. 6 to 8 would mean the omission of an essential element of the Regulation, namely a substantive regulation of the unitary protection of the patent in the Union. We are still of the opinion that this aspect should be regulated by the union legislator itself within the Union law, i. e. in the Regulation. Otherwise, from our position, the danger exists that the Regulation would not be compatible with the primary law, especially with the prosed legal base of Art. 118 TFEU as chosen by the Commission, so that there is a risk that the Regulation could be nullified by the Court of Justice.”

Bernhard Rapkay (S&D group), rapporteur of the Legal Affairs Committee for the „unitary patent“ Regulation, commented as follows (translated from German):

“Thus, I note: With its decision in June, the European Council, first of all, has exceeded its competences by intervening, factually intervening in a legislative process. Thereby, it has, according to the Treaties, exceeded its competences, first. And secondly, the decision it rendered is clearly contradicting European law. Clearly contradicting European law! I want to emphasize these two points. But, Mr. Chairman, as you know, I am a super-pragmatist. And I know that now, a proper solution is no longer possible with the Council. Such proper solution would be to simply leave 6 to 8 in the Regulation. But this is not possible, I know this. And so, we need to see how we get out of this predicament.”

He explained further (translated from German):

“And since I just said, simply returning to the status quo in December 2011 is impossible for pragmatic reasons already, we need a different solution. This is the task of the Council, we did not mess it up. It was them. But I have to say, I want a proposal for a solution, but the following has to be clear: We will not ac-

³ See video stream at bit.ly/31w3sJB.

cept any proposal brought forward. (...) And thus, there are red lines for us with regard to the upcoming proposal.”

These „red lines“, according to Mr Rapkay, are the following (translated from German):

“This means, conformity with European law is the red line. This becomes apparent in two specific points: First, it becomes apparent in terms of the position the Court of Justice has in this question. As we know, this is the actual problematic issue. This means, the position of the Court of Justice needs to be such that is compatible with European law. And the second is, (...) it will also need to be a solution in which Parliament does not waive its rights, also not with regard to the future. (...) These are the red lines.”

Eva Lichtenberger (The Greens) afterwards realistically commented on the situation as follows (translated from German):

“We are creating whatever, looking similar to a European patent which, however, in case of crisis does not mean anything and which, so to say, cannot be enforced. However, we do not care, as we have fulfilled our agenda. This cannot be it. I believe that without a clear legal situation, and this can only be given with the articles and not without them, there can be no solution. I also wonder how there can be a compromise. There can only be a process of cognition in the Council that they are wrong. I think, in the end, it will come down to a solution in which the Commission will have to offer a new proposal with a different legal base, maybe then we will get somewhere.”

She closed (translated from German):

„But what is done in the Council is a search for a compromise which finally means that we will only get something incomplete. Which will then go to court a hundred times, which also cannot be accepted by a court, but which will strengthen the prejudice among the European population against European legislation.”

Finally, Tadeusz Zwiefka (EPP group) commented (translation from the official German simultaneous translation):

“I think that, of course, we will need to attempt to reach a compromise with the Council, as, if we do not achieve that, the complete text and all our work will go to the wastebasket.”

This was the starting position in the Legal Affairs Committee.

3. Compromise: Replacement of Articles 6 to 8

Insofar, the content of the Cypriot Presidency's compromise proposal is even more interesting, to the extent that information on it is publicly available at all.

On 19/11/2012, an unanimous agreement was allegedly reached in COREPER, the Committee of Permanent Representatives of the EU member states which, inter alia,

prepares and supports the work of the Council, on the said compromise and which is said to have afterwards received “overwhelming support” also in the Legal Affairs Committee.⁴ According to this compromise, Art. 6 to 8 are to be deleted from the Regulation. Instead of them, a new Art. 5a shall be adopted having – as far as can be seen – the following text:⁵

Uniform Protection

(1) The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which the patent provides protection throughout the territories of the participating Member States in which the patent has unitary effect, subject to applicable limitations.

(2) The scope of this right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

(3) The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 10.

(4) In the report referred to in Article 20(1) the Commission shall evaluate the functioning of the applicable limitations and, where necessary, shall make appropriate proposals.

According to the “Explanations” in the said document, the compromise is as follows: Hence, Art. 6 to 8 shall be struck out. In the Regulation itself, only the cease and desist claim of the patent owner shall be mentioned which is subject to the “applicable limitations”.⁶ In terms of the content of this claim and its limitations, reference is made to external sources,⁷ especially to Art. 14f to 14i of the draft agreement for the “unitary patent” court system which would correspond to the former Art. 6 to 8.⁸ The articles would define the scope of this right (the cease and desist claim) and its limitations and would form an integral part of the national law of the participating member states, in which the agreement will come into force and in which the unitary patent will become operational.⁹ Thereby, Art. 5a (2) proclaims, the scope of “this right and its limitations” shall be uniform in all participating member states in which the patent has unitary effect. As the coming into force of the court agreement would now be formally linked to that of the “unitary patent” Regulation, as to the content of the right and its limitations, it would be suffi-

⁴ Cf. the press statement of the Cypriot Presidency of the Council of 20 November 2012, accessible at archive.md/XigCd.

⁵ Cf. the document „New Article 5a of the Regulation on Unitary Patent Protection“, accessible at xup.in/dl.14297668.

⁶ Fn. 5, Art. 5a (1).

⁷ Fn. 5, Art. 5a (3).

⁸ Fn. 5, “Explanations”, sub 3.

⁹ Fn. 5, “Explanations”, sub 3., end of first para.

cient to refer to the respective provisions in the court agreement which would become part of the national law of all participating member states.¹⁰

According to the respective press statement¹¹ of the Cypriot Presidency, agreement was reached on this compromise in the Legal Affairs Committee. Especially the rapporteurs for the three relevant legal proposals of the “patent package” are said to have expressed their support, confirming that the “red lines” of the Committee, namely “compatibility of the proposal with Art. 118 of the Treaty, respect for the role of the Court of Justice and of the Parliament” had been respected.

In a press statement¹² of 20/11/2012 titled „Licht am Horizont für das EU-Patent“ (“Light on the horizon for the EU patent”), *Bernhard Rapkay* commented as follows (translated from German):

“After the quarreling lasting for months now, the Council has finally moved and presented to the Parliament a compromise which is half-way acceptable. The development of the compromise was coordinated informally in talks with me. The issues which were of special importance to us have been considered. The new text is not the best, because this would have been exactly the retention of the articles which the Council wanted to delete. But the text is as good as a compromise can be under the present conditions. In Parliament, we will now evaluate in detail the text of the international agreement on the court system, to which the new compromise text relates. If it shows that all is concise and that the Council will keep its word this time, then I do see more than a light on the horizon for the community patent.”

4. Evaluation

In fact, this compromise does not meet the standards set up by the Legal Affairs Committee itself. Essentially, it means nothing else than a deletion without replacement of contents from the Regulation which, according to the opinion of the Legal Affairs Committee itself, need to be present there in order to be able to rely on the chosen legal basis of Art. 118 TFEU.

Once again remarkable is the hit-and-run-style speed of the whole operation, thereby apparently aiming to keep public notice as limited as possible. People having learned about the extraordinary meeting of the Legal Affairs Committee wanting to follow it via the usual internet broadcast were frustrated. There was no broadcast, allegedly due to “technical problems”. Surprisingly, it appears that such “problems” often occur in important meetings at European level, especially in the present context.¹³ The apprehension of the neutral observer one more time: A convincing solution does not need to fear the public eye.

What is presented as an acceptable compromise stays behind all demands of the Legal Affairs Committee, supported by its Legal Service, with regard to compatibility with the chosen legal basis of Art. 118 TFEU.

Especially *Bernhard Rapkay* has always defended the retention of Art. 6 to 8 vigorously (translated from German):¹⁴

“If one would make it different, I fear that they [the European Court of Justice] would then find that it is incompatible with Community law, then everything we did was for the birds.”

Most recently, Mr *Rapkay* stated (translated from German):¹⁵

“In conclusion, the deletion of the three articles is clearly not compatible with EU law as this means it is not compatible with Art. 118. This is the legal basis, the sole legal basis for this, and, after 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. I think, this is totally clear, insofar one cannot give in on this.”

With regard to Art. 118 TFEU, the Legal Service of the European Parliament had likewise always called for retaining Art. 6 to 8. Upon request by the Legal Affairs Committee, it had commented and stressed its earlier position in a further legal opinion, dating 09/07/2012¹⁶, as follows:

“17. Articles 6 to 8 of the proposed regulation, which relate to substantive patent law, are at the core of a genuine European intellectual property title. (...)

19. Therefore, the deletion of Articles 6 to 8 from the proposed regulation would remove the essential element of substantive patent protection from the proposed regulation and would leave it incomplete as a European intellectual property title within the meaning of Article 118(1) TFEU. (...)

21. In order to have recourse to Article 118(1) TFEU, the EU legislature must provide, under EU law and, consequently, under the jurisdictional control of the European Court of Justice, a specific measure granting “uniform protection” of the EU patent with unitary effect in the patent regulation.”

With the mentioned three articles, the retention of which was always regarded as an absolute minimum for the availability of Art. 118 TFEU as a legal base, the substantial regulation of content and limitations of the legal title to be created are now removed from the Regulation. They are

¹⁰ Fn. 5, “Explanations”, sub 3., last para.

¹¹ *ibid.*

¹² Accessible at xup.in/dl.13732026.

¹³ Cf. the report on a similar incident in December 2011 on the IPKat blog, accessible at <https://bit.ly/3jhC48m>.

¹⁴ Meeting of the Legal Affairs Committee of 21/11/2011, see video stream at bit.ly/3gBvs2O.

¹⁵ Meeting of the Legal Affairs Committee of 10 July 2012, see video stream accessible at bit.ly/32Jo13J.

¹⁶ Document SJ-0462/12; accessible at xup.in/dl.12771791.

replaced by Art. 5a which, in its sections 1 and 2, merely proclaims in abstract form the creation of a European legal title to provide uniform protection of intellectual property rights in the sense of Art. 118 TFEU. The article itself has no substantial content of regulation, but only refers to the court agreement, an international agreement, and the national law of the member states. Against the background described above and always shared by the Legal Affairs Committee, it can truly be doubted whether this is legally sustainable.

Interestingly, Prof *Tilmann*, who – as far as known – is/was involved in the negotiations of the so-called “patent package” as an expert, has rejected exactly the present “solution”, now celebrated as an acceptable compromise, as incompatible with Art. 118 TFEU in a detailed article for the European Scrutiny Committee of the House of Commons of the UK Parliament at the beginning of 2012.¹⁷ In it, he has expressly addressed the question whether it would suffice for compatibility with Art. 118 TFEU if, in the Regulation, only the legal title would be created providing “unitary effect” for it while defining the material content and limitations outside the Regulation.¹⁸ He denied this already with regard to the wording of Art. 118 TFEU and its *effet utile*.¹⁹ Such solution would mean a delegation of the contents of the unitary effect to the participating member states which would mean a “Directive within a Regulation”, without at least the necessary contents of the implementation being defined – described by *Tilmann* himself as a “bold construction”.²⁰ Moreover, according to him such an approach would also bear the danger that any defendant in an action before the patent court would object this, so that the court would need to refer this question to the Court of Justice. There, a significant risk would be given that the Regulation in nullified due to a wrongly chosen legal basis.²¹ In such proceedings, the CJEU would also be aware of the fact that the legislator had seen this risk and deliberately shut his eyes on it.²²

Most recently, also the Legal Service of the European Parliament questioned the legality of the compromise proposal. In the Legal Affairs Committee meeting on 26/11/2012, its representative *Ulrich Rösslein* commented as follows (translated from German):²³

“As to the Regulation’s compatibility with the legal basis of Art. 118(1) of the Treaty, the Legal Service clearly considers the actual compromise proposal as an improvement over the initial idea to delete Art. 6 to 8 from the Regulation text completely and without replacement. Now, with the compromise proposal, the

Regulation would at least again contain a regulation of material patent protection which, from our view, is inevitable to adopt the Regulation on the basis of Art. 118. We had indicated this already in our opinion of last summer [Remark: This most likely means document SJ-0462/12 mentioned above]. However, it also has to be said that the compromise text does by no means allay all legal concerns. Especially the aspect that, in terms of the contents and limitations of patent protection, reference is made to an international agreement, the agreement for the patent court, to us still appears to be problematic. The original compromise proposal and the result initially achieved in the trilogue, namely to govern this aspect in the Regulation itself, in its Art. 6 to 8, is, in our view, the legally most reliable solution.”

After all, it becomes obvious that the chosen compromise should be highly problematic with regard to the chosen legal basis, Art. 118 TFEU.

II. Outlook

The real purpose of the compromise appears to avoid new negotiations, which would as such now be necessary, at any cost and to come to a result on the basis of the agreement reached in December 2011, however this may look. Thereby, the quality of the system appears to no longer play any role. It seems that the agreement mainly serves the purpose to demonstrate the ability, after 30 years of efforts, to create something which can be sold as a European “unitary patent”. Whether its concrete design is suited to improve the global competitiveness of the European industry appears doubtful, but also appears to be of minor importance. As it can be seen in statement of Ms *Lichtenberger* cited above, even Members of the Parliament share this opinion.

Most recently, once again, strong voices indicated the deficiencies of the plans in their current form and urging a correction.²⁴ Voices from the industry had emphasized in the past already, that in terms of a European patent litigation system it would be “important to get it right for innovation, not for politicians”.²⁵ This is worth recalling.

A system which is obviously built on weak legal ground and which does also not satisfy the practical requirements will not be accepted by the users as long as these deficiencies are not cured. Insofar, the legislator can only be advised to take the time necessary for – finally – creating a European patent litigation system which clearly rests on a firm legal basis and which has a convincing quality, as this was initially intended some time ago. Where doubts remain, the CJEU should be asked for clarification by way

¹⁷ Cf. *Tilmann*, “The Battle about Articles 6-8 of the Union-Patent-Regulation”, accessible at bit.ly/3jhpndJ.

¹⁸ *Tilmann* (fn. 17), mn. 21 – 29.

¹⁹ *Tilmann* (fn. 17), mn. 24.

²⁰ *Tilmann* (fn. 17), mn. 27.

²¹ *Tilmann* (fn. 17), mn. 28.

²² *Tilmann* (fn. 17), mn. 29.

²³ Meeting of the Legal Affairs Committee of 26/11/2012, see video stream bit.ly/3lqWwW7.

²⁴ Cf. especially the appeal of the Max Planck Institute for Intellectual Property and Competition Law in the article by *Hilty/Jaeger/Lamping/Ullrich*, “The Unitary Patent Package: Twelve Reasons for Concern”, accessible at bit.ly/2YEs1SY.

²⁵ *David Rosenberg* at the conference “The Future Unified Patent Litigation System in the European Union” of the Academy of European Law on 23 September 2011 in Warsaw, cited on the IPKat blog, bit.ly/3b1RzOM.

of the proceedings under Art. 218 XI TFEU in order to secure the system's legality from the beginning. Even if this means that the entry into force of the system would be delayed, the additional time would be used to ensure the quality of the system and would thus be a good investment.

Compared to pressing ahead on the basis of an apparently doubtful compromise as now intended, such approach would clearly be favorable, especially since a later nullification of the Regulation due to an incompatibility with the legal basis would make necessary a start from scratch. Insofar, hope remains that politics will think twice in order to avoid another failure of the plans.

According to the current plans, the compromise proposal is due to be formally adopted by the Competitiveness Council on 10/12/2012, the European Parliament shall vote on it on 11/12/2012. On 11/12/2012, also the opinion of the Advocate General in the Court of Justice proceedings of Italy and Spain against the proceedings of enhanced cooperation is expected.

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