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THE EUROPEAN UNION**

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**NOTE**

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| from:           | Presidency                                                          |
| to:             | Council                                                             |
| No. prev. doc.: | 10402/11 PI 50 COUR 27                                              |
| No. Cion prop.: | 7927/09 PI 22 COUR 28                                               |
| Subject:        | Creating a Unified Patent Litigation System<br>- Orientation debate |

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1. Work on a unified, specialised patent litigation system within the EU started in 2007, following the Commission Communication entitled "Enhancing the patent system in Europe"<sup>1</sup> of April 2007. The Commission in its Communication focused on the need to create the Community patent and, on the urgent need for a unified patent litigation system in Europe. The Commission Communication suggested a unified patent litigation system that should have competence for litigation on European patents and Community patents.

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<sup>1</sup> Doc. 8302/07.

2. As a result of intensive work of consecutive Presidencies since mid-2007, a draft international agreement creating a European and EU Patents Court was worked out.<sup>1</sup> The envisaged agreement was designed to set up a unified and specialised patent court which should enjoy exclusive jurisdiction on litigation related to both European and future EU patents, to be concluded on the one hand by the EU and its Member States and on the other hand third States, parties to the European Patent Convention. A Commission proposal for a Council decision on a negotiating mandate has also been submitted to the Council in March 2009.<sup>2</sup>
3. On the basis of the progress made in the discussions, the Council requested on 25 June 2009 the opinion of the Court of Justice of the European Union (CJEU) on the compatibility of the envisaged agreement with the Treaties. The CJEU rendered its Opinion 1/09 on 8 March 2011, and stated that the envisaged agreement in its current state was not compatible with the Treaties.
4. Having a strong determination to adapt the envisaged Agreement to make it compatible with the Treaties and to find an appropriate solution in the interest of the users as quickly as possible, the Commission adopted the non-paper contained in Annex II on solutions for a unified patent litigation system and the way forward.
5. **In view of the above and after having discussed the issue on the basis of the Presidency question in Annex I, the Council (Competitiveness) on 30 May 2011 is invited to reach agreement on a political orientation to resume negotiations with a view to establish a unified patent litigation system on the basis of the suggested solution and the possible way forward described in the non-paper of the Commission contained in Annex II.**

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<sup>1</sup> The latest version of this draft Agreement is contained in doc. 7928/09.

<sup>2</sup> Doc. 7927/09.

Presidency question to the Competitiveness Council of 30 May 2011 :

**“Do you agree to resume negotiations on the basis of the suggested solution and the possible way forward as described in the non-paper of the European Commission titled: SOLUTIONS FOR A UNIFIED PATENT LITIGATION SYSTEM – THE WAY FORWARD AFTER THE OPINION 1/09 OF THE CJEU?”**

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**SOLUTIONS FOR A UNIFIED PATENT LITIGATION SYSTEM –  
THE WAY FORWARD AFTER THE OPINION 1/09 OF THE CJEU  
NON-PAPER OF THE COMMISSION SERVICES**

**INTRODUCTION**

As set out in the Council conclusions of 7 December 2009, the future unified patent system needs to be based on two pillars: the creation of unitary patent protection and the setting up of a unified and specialised patent jurisdiction. Both aspects need to come to a result at the same time.

Work has progressed considerably on the creation of unitary patent protection. On 10 March 2011, the Council authorised 25 Member States to establish enhanced cooperation in the area of the creation of unitary patent protection. On 13 April, the Commission presented two proposals for regulations implementing the enhanced cooperation: one on the creation of unitary patent protection, the other on the applicable translation arrangements. The work in Council on these proposals started on 14 April in the Mertens Group. The Hungarian Presidency has indicated that its objective is to agree on a general approach on both regulations at the Competitiveness Council on 30 May.

The work on the setting up of the unified patent jurisdiction led by different Presidencies between 2007 and 2009 resulted in the draft agreement on the European and EU Patents Court (EEUPC). The draft agreement provided for the setting up of a unified patent court, the EEUPC, consisting of a Court of First Instance (with local and central divisions) and a Court of Appeal, with exclusive jurisdiction for both European patents and EU patents (now: European patents with unitary effect).

The draft agreement was designed to be concluded by the Union, the Member States and certain third states party to the European Patent Convention, for instance Switzerland. On 6 July 2009 the Council, on the basis of Article 218 (11) TFEU, requested the Court of Justice of the European Union (CJEU) to give an opinion on whether the envisaged draft agreement was compatible with the Treaties. Meanwhile, without prejudice to the pending opinion of the CJEU, the Council adopted conclusions on the main features of the EEUPC on 4 December 2009 (doc. 17229/09). The CJEU delivered its opinion on 8 March 2011. It held that the draft agreement was, in its current state, incompatible with the Treaties. It was concluded at the last meeting of the Competitiveness Council on 10 March 2011 that it is important to resume work on the unified patent litigation system quickly and to agree on the way forward following the delivery of the opinion of the CJEU. The aim of this Commission services' non-paper is to examine and outline a possible solution in the light of the opinion of the CJEU.

#### **THE OPINION 1/09 OF THE CJEU**

The CJEU confirmed that entrusting jurisdiction to the CJEU by making use of Article 262 TFEU is not the only option available for the creation of a unified patent litigation system. It can therefore be deduced that a court set up by Member States through an international agreement could be compatible with the Treaty.

The concerns of the CJEU in its opinion 1/09 relate to the lack of sufficient guarantees to ensure that the EEUPC will respect the primacy of Union law and apply Union law in conformity with the interpretation of the CJEU. The CJEU in particular focused on the risk that the EEUPC might refrain from requesting a preliminary ruling from the CJEU, even in a case where the proper interpretation of Union law would need to be decided on by the CJEU, and pointed out that, unlike in the case of national courts, infringement proceedings against the Member States would not be possible if the EEUPC were to breach Union law. Further, such decisions of the EEUPC could not give rise to any financial liability of the Member States.

The CJEU also observes that the Member States are obliged, by reason of *inter alia* the principle of sincere cooperation (Article 4(3) TEU), to ensure in their respective territories the application of and respect for Union law. Its concern seems to relate in particular to the setting up of an international court outside the framework of the EU Treaties with the participation of third states. The CJEU considers that by the principle of loyal cooperation Member States should ensure the respect of the primacy of European Union law and the role of the CJEU as the ultimate interpreter of Union law. The CJEU points out that national courts are obliged to request preliminary rulings and, in collaboration with the CJEU, fulfil a duty entrusted on them both of ensuring that in the interpretation and application of the Treaties the law is observed. The CJEU and national courts are in direct cooperation in the correct application and uniform interpretation of Union law and in protection of individual rights conferred by the Union legal order.

However, the CJEU distinguishes the envisaged EEUPC from that of the Benelux Court of Justice. Indeed, the latter being a court common to a number of Member States and, 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 Union.

## THE SUGGESTED SOLUTION

As a result of opinion 1/09 of the CJEU, it appears that the participation of third countries must be excluded. The following options may therefore be considered:

- conferral of exclusive jurisdiction on patent litigation upon the CJEU,
- the jurisdiction could rest with national courts which could deliver judgments for the whole territory of the participating Member States, as for the Community trademark, or
- conferral of exclusive jurisdiction upon an independent court to be established by the Member States.

The first two options would appear not to meet the political requirements of the Member States and the interests of the users of the patent system. Member States have expressed in the past their opposition to the first option, i.e. to confer jurisdiction on the CJEU. Moreover, this option would not allow for the creation of a unified patent jurisdiction because the CJEU may not be entrusted with the jurisdiction on disputes relating to "classical" European patents. This is one of the reasons why the users of the patent system are opposed to such a solution. This resulted clearly from the Commission's consultation on the future patent policy in 2006 and has ever since been confirmed by the users of the patent system on various occasions. The second option, leaving the jurisdiction on the unitary patent protection to national courts, as in the trade mark area, would most likely not be acceptable to most Member States and industry, raising concerns that the high quality of judgements and uniform interpretation through judgments for the whole territory of the participating Member States may not be achieved by making use of national courts, in particular due to the lack of a common appeal instance. Strong opposition to such a solution has continuously been voiced by the users of the patent system.

The only possible solution that has been identified is the conclusion of an international agreement between the Member States to set up a unified patent court with jurisdiction for the Member States only. The Member States participating in the enhanced cooperation have signalled their commitment to create a unified patent court; therefore they would have to be party to the agreement creating such a jurisdiction. The Member States who have decided not to take part in the enhanced cooperation may seek to participate in the creation of the unified court for disputes related to "classical" European patents valid on their territories. In the interest of the users of the patent system and to reach an agreement as quickly as possible, the results of the negotiations on the draft agreement on the European and EU patent court should be preserved as far as possible; amendments to the text should be made where necessary in particular in the light of the opinion 1/09 of the CJEU.

On this basis, a future patent litigation system should rest on the following pillars:

- A unified patent court set up by Member States. In the light of the opinion 1/09 of the CJEU, such a unified patent court can only be set up by the Member States; the participation of third states should be excluded. The European Union would not be a party.
- Exclusive jurisdiction in respect of civil litigation related to infringement and validity for both the "classical" European patents and the European patents with unitary effect. The jurisdiction of the unified patent court should comprise jurisdiction for both the "classical" European patents as well as the European patents with unitary effect. Limiting the jurisdiction of the specialised patent court to "classical" European patents would render the unitary patent protection unattractive and may even result in the unitary patent protection not being created, whereas limiting the jurisdiction to the unitary patent protection could lead to the establishment of two different common courts in the area of European patents. Such duplication would not be reasonable, in particular given the limited number of competent judges and the risk of contradictory judgments.



- The main features of the EEUPC should be maintained: The unified patent court should also maintain the basic features of the EEUPC set out in the Council conclusions of December 2009, including the setting up of the Court with a Court of First instance (with local and central divisions), a Court of Appeal and a Registry, the composition of the panels, the jurisdiction in respect of actions and counterclaims for revocations, the rules on the languages of proceedings and the transitional period. These features have been developed in long and detailed discussions between the Member States: they strike a fine balance between the different interests at stake, represent a difficult but fair compromise and have also found broad support from the users of the patent system.

- Guarantees to ensure the respect of Union law by the unified patent court, fully situated within the judicial system of the Union: To ensure conformity with the Treaty as set out in the opinion 1/09 of the CJEU, it is necessary to ensure that the unified patent court respects Union law and requests preliminary rulings in accordance with the conditions applicable to national courts. It is also necessary to ensure that sanctions, in the form of infringement proceedings and financial liability, can be imposed. Considering that the unified patent court would be a court set up by Member States only, it would seem possible for the Commission to start infringement proceedings against all Member States jointly in cases where the unified patent court violated Union law. Similarly, in such a case, the rules on financial liability to make good damages caused to individuals as a result of a breach of Union law also seem to be applicable to all Member States jointly. Both aspects would nevertheless need to be clarified in the agreement including where a *Köbler* claim could be brought (namely in a forum where its full effectiveness is ensured).

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* may be necessary, these would have to be adopted before such an agreement could enter into force. It would appear that at least Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I) might need to be amended as its jurisdictional choices could otherwise be interpreted as conflicting with such an agreement.

It is also worth noting that an agreement between Member States would not bind EFTA states (nor obviously other third states), which might not recognise its judgements within the framework of the Lugano Convention.

The compatibility with national (constitutional) law of granting the above-mentioned competences to a court common to all (participating) Member States established by an agreement between them remains to be addressed by the Member States.

### **A POSSIBLE WAY FORWARD**

The unified patent court could therefore be set up by an agreement to be concluded between the Member States on the creation of a common jurisdiction. As set out above, on the basis of the opinion of the CJEU, third states may not participate in this agreement.

The work should continue on the basis of the Council conclusions of 7 December 2009 (doc. 17229/09) and the Working document on a revised Presidency text on a draft Agreement on the European and EU Patents Court and Draft Statute of 23 March 2009 (doc. 7928/09). Appropriate changes should be introduced in a new Presidency text and submitted to the Member States for discussion. These would need to include changes related to the contracting parties, the necessary remedies and guarantees to ensure the respect of Union law by the unified patent court. The basic institutional architecture of the unified patent court as foreseen for the EEUPC and agreed by the Council in 2009 (doc. 17229/09) should however be maintained.