

# **Agreement on the Unified Patent Court and its Statute as an Atypical Source of EU Law**

Dohoda o jednotném patentovém soudu a jeho statutu jako atypický pramen práva EU

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## **Abstract in original language**

Již více než 30 let Evropská unie usiluje o zavedení unijního patentu, pro jehož efektivní fungování je nezbytné vytvoření jednotného patentového soudu v rámci Evropské unie. Za tímto účelem došlo k přípravě návrhu Dohody o jednotném patentovém soudu a návrhu jeho statutu. Cílem tohoto příspěvku je zanalyzovat některé právní aspekty tohoto návrhu smlouvy.

## **Abstract**

The European Union has been making effort to establish a unitary patent for more than 30 years. For the effective functioning of this patent, unified patent court is inevitable to create within the European Union. For this purpose, "draft Agreement on an Unified Patent Court and draft Statute" has been prepared. This paper aims to analyze several legal aspects of this draft Agreement.

## **Key words in original language**

Jednotný patent EU, evropský patent, Jednotný patentový soud, Dohoda o jednotném patentovém soudu, právo EU

## **Key words**

EU unitary patent, European patent, Unified Patent Court, Agreement on the Unified Patent Court, EU law

The European Union (hereinafter "EU") has been attempting to establish a unitary patent that is valid throughout the whole EU territory for about 30 years.<sup>1</sup> However, if this patent is enforced in the jurisdiction of each Member State separately, as is the case of European patents, it would be unaffordable for smaller entities, such as SMEs, because of the high cost of patent litigation.

To ensure cost-effective enforcement of both the unitary and the European patents, the EU Council introduced a draft agreement creating a European

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<sup>1</sup> The first attempt goes back to the 1970's: Convention for the European Patent for the Common Market" of December 15, 1975 (not in force). The latest is a Proposal for a Regulation of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection, COM(2011) 215 final of April 13, 2011; as amended by Council doc. 17578/11 of December 1, 2011.

and Community Patents Court dated March 23, 2009.<sup>2</sup> The agreement was supposed to be concluded between EU Member States, other Member States of the Convention on the Grant of European Patents (European Patent Convention), and the EU itself. The court's jurisdiction covered unitary patents and also European patents having effects in the EU and non-EU Member States.

The court did not fit within the EU institutional and judicial framework. Therefore, its creation was accomplished on the basis of an international (mixed) agreement and not by an act of secondary legislation, such as, a regulation as is the case of Community trademarks and designs<sup>3</sup> that are valid within the whole territory of the EU.

It is advantageous that the court's jurisdiction relate to the two industrial property subject-matters. Under Article 96 of CTM Regulation, the Community trademark courts designated in each Member State have exclusive jurisdiction over disputes involving actual or threatened infringement of Community trademarks that occur within the territory of any of the Member States. (Article 98(1) of CTM Regulation). If the national Community trademark court issues a protective order according to Article 102(1) of the CTM Regulation, this order applies in the territory of other Member States. This principle has been confirmed by the case law of the Court of Justice.<sup>4</sup> The jurisdictional regime also contains the Community design Regulation.

Unfortunately, this jurisdictional system cannot be used in cases involving a uniform patent because not every Member State has specialized patent courts with qualified judges. Because of the complexity of patent disputes and the non-existence of a centralized court of appeal, it would be almost impossible to ensure a uniform approach in patent litigation. Therefore, creation of an independent patent judicial system for unitary patents is required.

On June 25, 2009, the Council of the EU submitted the draft Agreement to the Court of Justice (hereinafter "CJ") to determine its compatibility with EU law, namely the Treaty on European Union (hereinafter "teU") and the Treaty on the Functioning of the European Union (hereinafter "TFEU").

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<sup>2</sup> Council Document 7928/09 of 23 March 2009 on a revised Presidency text of the draft agreement on the European and Community Patents Court and draft Statute

<sup>3</sup> Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version); this Regulation repealed former Council Regulation (EC) No 40/94 of 20 December 1993 but it brought no substantive legal changes ("CTM Regulation"), and Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.

<sup>4</sup> See judgment of April 12, 2011 in case C-235/09 *DHL Express France v Chronopost* [2009] ECR 00000. This judgment deals with interpretation of Article 98 of the previous CTM Regulation No. 40/94. Number of this Article in current CTM Regulation is 102.

In its opinion<sup>5</sup> published on March 8, 2011, the CJ concluded that this proposed Agreement contravenes the aforementioned treaties. This opinion led to the making of substantive changes to the draft Agreement and the introduction of its modified version bearing the new title "Draft Agreement on a Unified Patent Court and draft Statute" of June 14, 2011. The court should have jurisdiction over uniform patents and European patents valid in EU Member States as well. Therefore, the creation of this court could not have been done through secondary legislation. This draft has gone through several amendments during its short history.<sup>6</sup>

One of the CJ's concerns with respect to the previous draft expressed in paragraph 68 of its opinion was the sincere cooperation according to Article 4(3) of TEU requiring Member States to ensure in their respective territories the application of and respect for EU law. The Commission, in its document<sup>7</sup> prepared as a reaction to the CJ's opinion, inferred that the CJ's concern relates especially to the creation of an international court outside the framework of the EU Treaties with the participation of third states.

In order to put the new draft in line with the CJ's opinion, non-EU countries were excluded from the Agreement. Purging the non-EU Member States stems from the CJ's opinion; however, removal of the EU as one of the contracting parties poses additional questions. The Luxembourg delegation raised this issue in its note distributed on July 11, 2011.<sup>8</sup>

Luxembourg argued that the Agreement will result in an alteration of the EU's acquisition of jurisdiction, especially Regulation (EC) 44/2001 and the recognition and enforcement of judgments in civil and commercial matters (the Brussels I Regulation).<sup>9</sup> It points to the Judgment of the CJ of March 31, 1971 (the AETR case),<sup>10</sup> where the CJ held that Community (EU) powers exclude the possibility of concurrent powers on the part of Member States since any steps taken outside the framework of the EU institutions would be incompatible with the unity of the internal market and the uniform application of EU law. In addition, Article 3(2) of TFEU entrusts the EU with exclusive competence for the conclusion of an

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<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:62009CV0001:EN:HTML>

<sup>6</sup> The last version of this Draft (consolidated text) is of October 12, 2012, Council Document 14750/12.

<sup>7</sup> Non-paper of the Commission services of May 26, 2011 (10630/11)

<sup>8</sup> Creating a unified patent litigation system - Note from the Luxembourg delegation (Document 12704/11) available at:

<http://register.consilium.europa.eu/pdf/en/11/st12/st12704.en11.pdf>

<sup>9</sup> Needs of making alterations to, inter alia the Brussels I Regulation, are described in Council Document 14191 (LIMITE) of September 20, 2011 entitled "Compatibility of the draft agreement on the Unified Patent Court with the Union acquis".

<sup>10</sup> Case 22-70 *Commission v Council* [1971] ECR 263 (the AETR case)

international agreement, in so far its conclusion may affect common rules or alter its scope.

Furthermore, the Luxembourg delegation stated that the Unified Patent Court would apply and interpret not only the regulations dealing with the unitary patent but also TFEU rules on the internal market and the Charter of Fundamental Rights. Therefore, the question arises whether Member States may establish an international court with such powers. The note of the Luxembourg delegation is relevant and should be seriously examined by the Council. However, it is happening with a reluctance to share the legal stand-point in these matters with the public.<sup>11</sup>

Also, there have been other allegations put forward against not only the Draft but against the regulations that are supposed to form the legal basis for the uniform patent, for example, by the Max Planck Institute for Intellectual Property and Competition Law. In its paper,<sup>12</sup> doubts regarding the compatibility of EU law with the ECJ's opinion are raised. The Unified Patent Court is designed to be similar to the model of the Benelux Court of Justice, but with significant differences. This Court, in fact, replaces the national legal systems. Moreover, review of the decisions of the European Patent Office are not mentioned in the Draft at all, which leads to infringement of the EU law principles of rule of law and of the completeness of the system of judicial review.

Nevertheless, even the establishment of a unitary patent itself is becoming complicated. After the introduction of the proposal of a Council Regulation on the Community patent of July 5, 2000, Member States got involved in a long-lasting discussion about a requirement of translation of unitary patents. On June 30, 2010, the Council proposed a Regulation on the translation arrangements for the European Union patents that provided that the patents would be published in the official language of the proceedings before the European Patent Office together with the translation of claims into the two remaining official languages, whilst translations to the official language of a Member States would be required in the case of a dispute. However, Italy and Spain did not agree with the language regime set forth in that regulatory proposal, and for this reason, the remaining 25 Member States have agreed on enhanced cooperation between themselves with regard to the creation of unitary patent protection.

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<sup>11</sup> Read about unsuccessful attempt to obtain the full version of document 15856/11 entitled "OPINION OF THE LEGAL SERVICE – Draft agreement on the European Union Patent Jurisdiction (doc.13751/11) – compatibility of the draft agreement with the Opinion 1/09" and marked confidential ("LIMITE"); Horns, H. A.: EU Council: Something To Hide? Might Legal Opinion Tun Out To Be A Bombshell? - available at: <http://blog.ksnh.eu/en/2011/12/18/eu-council-something-to-hide-might-legal-opinion-tun-out-to-be-a-bombshell/>.

<sup>12</sup> Max Planck Institute for Intellectual Property and Competition: The Unitary Patent Package: Twelve Reasons for Concern (October 17, 2012)

This enhanced cooperation was approved by the Council of the European Union by virtue of the Council Decision of March 10, 2011 authorizing enhanced cooperation in the area of the creation of unitary patent protection (2011/167/EU). On the basis of this decision, the Commission prepared two new regulatory proposals.<sup>13</sup> However, the two dissenting Member States challenged the decision on enhanced cooperation before the Court of Justice seeking annulment of this regulation.<sup>14</sup> In principle, these two countries argue the misuse of power and the missing competence of the Council to establish enhanced cooperation to create a unitary patent. The intended objectives could have been achieved on the basis of a special agreement pursuant to Article 142 of the European Patent Convention.<sup>15</sup> If the CJ were to find that the use of the enhanced cooperation is appropriate, they put forward arguments against the fulfillment of conditions for enhanced cooperation. For example, infringement of Article 20 (2) TEU because the decision authorizing enhanced cooperation must be adopted as a last resort, breach of Article 118 TFEU, whose purpose is to create uniform protection of intellectual property rights within the EU but the rights to a unitary patent are not valid in the whole of the EU, breach of the principles set forth in Article 326 TFEU, *inter alia*, undermining the internal market, creating a barrier or discrimination in trade between Member States, and distorting competition between them.

In the author's opinion, it is obvious that the creation of a uniform patent together with a Unified Patent Court is not a matter that will be accomplished in the very near future. The text of the underlying regulation on the unitary patent together with the second draft dealing with the creation of Uniform Patent Court should be subject to major alteration.

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<sup>13</sup> Proposal for a Regulation of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection (COM(2011) 215 final) of April 13, 2011; as amended by Council doc. 17578/11 of December 1, 2011 and Proposal for Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (COM(2011) 216 final) of the same date

<sup>14</sup> C-274/11 *Kingdom of Spain v Council of the European Union* (action filed on June 3, 2011) and C-295/11 *Italien Republic v Council of the European Union* (action brought on June 10, 2011)

<sup>15</sup> Article 142 (1) of the European Patent Convention reads as follows: "*Any group of Contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories, may provide that a European patent may only be granted jointly in respect of all those States.*"