Has an Agreement been Reached on a Unitary Patent and a Unified Patent Court for Europe, and if so, what is it?

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At the end of June 2012 the European Council, consisting on this occasion of the heads of government of EU Member States, agreed on what has been presented as the final step on the long road to a unitary European patent and a court system in which it would be enforced. Although this agreement brings us closer than ever before to a unitary European patent and a single European patent court, the lessons of history are that this will not be the final stage in the process. Several hurdles still remain to be overcome before the new system is up and running.

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As readers of this journal can hardly have failed to observe, it having been widely reported at the time, on Friday 29 June 2012 the European Council, representing EU Member States, agreed on what has been presented as the final step on the long road to a unitary European patent and a Unified Patent Court in which it, as well as European patents designating individual Member States, would be litigated. It did so in the following terms:

"Heads of State or Government of the participating Member States agreed on the solution for the last outstanding issue of the patents package, namely the seat of the Central Division of the Court of First Instance of the Unified Patent Court (UPC). That seat, along with the office of the President of the Court of First Instance, will be located in Paris. The first President of the Court of First Instance should come from the Member State hosting the central division.

"Given the highly specialised nature of patent litigation and the need to maintain high quality standards, thematic clusters will be created in two sections of the Central Division, one in London (chemistry, including pharmaceuticals, classification C, human necessities, classification A), the other in Munich (mechanical engineering, classification F).

"Concerning actions to be brought to the central division, it was agreed that parties will have the choice to bring an infringement action before the central division if the defendant is domiciled outside the European Union. Furthermore, if a revocation action is already pending before the central division the patent holder should have the possibility to bring an infringement action to the central division. There will be no possibility for the defendant to request a transfer of an infringement case from a local division to the central division if the defendant is domiciled within the European Union.

"We suggest that Articles 6 to 8 of the Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection to be adopted by the Council and the European Parliament be deleted."

Although this agreement brings us the closest that we have yet come in the 40 year history of negotiations for this measure to a unitary European patent and a single European patent court, the lessons of history are that this will not be the final stage in the process. Several hurdles still remain to be overcome before the new system is up and running.

The Current Proposal

Before outlining these hurdles it may be helpful, given the twists and turns that the EU ‘patents package’ has undertaken over the years, to outline what currently is proposed. One aspect of the

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package, reflected in the draft ‘Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection’ (the Regulation)\(^1\) together with an associated Regulation concerning translation arrangements,\(^2\) would establish for applicants the option, for patents prosecuted via the European Patent Office (EPO), of designating all of the EU (other than Italy and Spain) instead of selected countries only, and thereby securing a unitary patent having effect throughout most of the EU. Italy and Spain are not at present participating in this measure, which is proceeding under a new and as yet little used provision of the EU Treaties termed ‘enhanced cooperation,’ because they object to the proposed language regime under the Regulation, which favours not only English, but also French and German, as official languages, and thus perpetuates the linguistic regime of the European Patent Office.

The other aspect of the package would, despite having support from the EU legislative bodies, and being an integral part of the ‘patents package’ and without which the Regulation cannot proceed, not be an EU measure. Instead it would be an intergovernmental agreement, i.e. an international treaty, between all the EU Member States, apart from Italy and Spain (the Intergovernmental Agreement) establishing a single court, the Unified Patent Court (UPC).\(^3\) The UPC would have a complex jurisdictional structure, resulting in large part from an attempt to emulate some elements of the existing, but differing, approaches to patent litigation in different Member States. At first instance it would sit in panels of three judges and be split between a central division (now itself to be split by subject matter into three chambers in accordance with the agreement of 29 June 2012) and local divisions, or multi-country regional divisions. Any Member State would be entitled to one local division but those with a lot of patent litigation could have up to four local divisions – an extra one for every 100 patent cases started in it in a calendar year. There would be a single appeal court, based in Luxembourg, sitting in five judge panels. The UPC would have mandatory jurisdiction over the new unitary patents established under the Regulation and, subject to transitional provisions,\(^4\) over all other European patents in so far as they designate EU Member States other than Italy and Spain. It would have no jurisdiction over national patents or national utility models. Decisions of any division of the UPC would have effect, for the unitary patent, throughout the EU (other than Italy and Spain) and, for other European patents those particular EU Member States that they designate (other than Italy and Spain).

It is in the split of jurisdiction as between the local and regional divisions of the UPC and the central division that the real complexity arises. The jurisdiction of the local and regional divisions as proposed is at first sight more limited than that of the central division, which would have, amongst other things, exclusive jurisdiction over declarations of non-infringement and revocation actions other than as counterclaims to an infringement action. However, the central division would have no jurisdiction over infringement actions without the consent of the parties. Such infringement jurisdiction is reserved to local or regional divisions, which have the option of dealing with a counterclaim to an infringement action themselves or referring it to the central division. This is so regardless of whether or not the same patent is already the subject of a revocation action or an action seeking a declaration of non-infringement in the central division.

The upshot of all of this is that local or regional divisions will be able to determine whether or not to hear issues of infringement and validity together, as happens in most of the EU at present, or to bifurcate these as between different courts, as is the case in Germany and Austria. The problem with such bifurcation from the point of view of a defendant in those countries is that it takes much longer to get to a hearing on the challenge to validity than it does to get to one on infringement, and yet the infringement courts tend only to stay the infringement proceedings pending the outcome of the validity attack in those relatively few cases in which there is a clear attack on novelty on the basis of a reference that has not been considered in prosecution. Thus bifurcation of this sort tends strongly to favour patentees.

The jurisdictional arrangements envisaged for the main types of proceeding (and the corresponding provision in the current text of the Intergovernmental Agreement) are summarised in the Table 1.

As between different local or regional divisions of the UPC these would have jurisdiction depending on where actual or threatened infringement takes place in or where the defendant or one of the defendants has its residence or principal place of business. Local or regional divisions would, unless the parties agree otherwise, use a local language whereas the central
division will use English, French or German, depending on the language in which the patent was granted. There are complex provisions for splitting the composition of the three judge panels at first instance as between judges of differing nationalities, or as between legal and technical judges, depending on the nature of the division, its workload, and the nature of the proceeding. The drafting of detailed Rules of Procedure for the UPC has already undergone several iterations, although there is as yet no official text of these.\(^5\)

### What Still Needs to Happen

As observed above, much still needs to happen before the European ‘patents package’ can be brought into force, which the current draft of the Intergovernmental Agreement puts at 2014 at the earliest. Thus the legality of using the mechanism of ‘enhanced cooperation’ to try to sidestep the requirement of unanimity under the EU Treaties for measures concerning languages still remains under challenge at the Court of Justice of the EU (CJEU) by Italy and Spain.\(^6\)

Moreover it seems likely that the current draft of the Intergovernmental Agreement will at some point have to be approved by the CJEU, which rejected an earlier proposal for a unitary patent litigation regime, largely because of its application to non-EU countries over which the CJEU lacked control.\(^7\) Although this particular concern has now been addressed by restricting the Intergovernmental Agreement to EU countries only, and excluding from its ambit the non-EU countries of the European Patent Convention, such as Switzerland and Turkey, the support of the CJEU for it cannot be taken for granted. This is particularly the case if Articles 6 to 8 of the current draft of the Regulation are deleted, as the Council called for in the agreement of 29 June 2012. These Articles would, if retained, expressly establish a substantive law of infringement for the unitary patent in terms which mirror those set out for it in the Intergovernmental Agreement and which replicate the substantive laws of patent infringement that EU Member States already possess, and which are all expressed in similar terms, based as they are on the text of the Community Patent Convention of 1975, an early (failed) attempt at a unitary patent system for Europe. However, the concern on the part of many interested parties is that the express inclusion of such Articles in the Regulation and thus in EU legislation will result in the CJEU adopting a much greater role in patent litigation under the UPC than would otherwise be the case or than is thought desirable, especially given the inevitable delays that would result from its regular involvement in patent litigation.

Articles 6 to 8 have now assumed a further significance because the European Parliament, which has a legislative role in relation to the Regulation but

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<th>Article</th>
<th>Subject</th>
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<tr>
<td>15(1)(a)</td>
<td>Infringement</td>
<td>Local or regional if any (otherwise Central), unless defendant outside territory of contracting Member States when can be Central</td>
<td></td>
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<tr>
<td>15(1)(a1)</td>
<td>Declarations of non-infringement</td>
<td>Central</td>
<td>Stayed if infringement action started within three months - Article 15a(5)</td>
</tr>
<tr>
<td>15(1)(b)</td>
<td>Provisional and protective measures and injunctions</td>
<td>Local or regional if any (otherwise Central), unless defendant outside territory of contracting Member States when can be Central</td>
<td>Unless infringement action already on foot – Article 15a(3) But infringement action may be started in a local or regional division, the powers of which are unaffected by the revocation action having been brought – Article 15a(4)</td>
</tr>
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<td>15(1)(c)</td>
<td>Revocation</td>
<td>Central</td>
<td></td>
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<tr>
<td>15(1)(c1)</td>
<td>Counterclaims for revocation</td>
<td>Local or regional if any</td>
<td>Local or regional division has discretion whether to hear counterclaim, refer counterclaim to central division (staying infringement action or proceeding with it), or, but only with agreement of parties, referring the whole matter to central division - Article 15a(2)</td>
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none as to the Intergovernmental Agreement, has expressed itself to be most upset by their deletion, considering that the Council has gone back on a commitment that it made when Regulation was previously considered as between it, the Parliament and the Commission. It has accordingly, and since the agreement of 29 June 2012, repeatedly deferred voting on the draft Regulation. There is conflicting legal opinion as to the need under the EU Treaties to retain Articles 6 to 8. However, many are of the view that even if these Articles are deleted it is hardly likely that the CJEU would, if asked a question about the Regulation by a local or regional division of the UPC, decline competence as to the protective scope of a property right established by EU legislation, and so it is unlikely that it matters much one way or the other how the dispute is resolved, always assuming that it is resolved. At present however, and especially given the polarised positions that have been adopted as to this issue and its significance, its practical importance lies less in its substance, than in its effect in holding up progress on the ‘patents package’ as a whole.

Another issue that will need to be addressed is that of the financial contributions to the UPC of those countries that participate in the Intergovernmental Agreement. There can be no financing from EU sources as the UPC will not be an EU body. It seems highly unlikely, given for example the degree of cross subsidy that is required to run the Boards of Appeal of the European Patent Office that the UPC could ever be anywhere near self financing and yet at the same time preserve access to justice, even though the Intergovernmental Agreement assumes that after seven years it will. But even the Intergovernmental Agreement recognises the need for financial contributions from the participating EU Member States in the initial seven years of operation.

Even assuming that the ‘patent package’ survives all of the above however, the Intergovernmental Agreement, not being an EU measure, has also to be ratified and acceded to by those EU Member States that wish to participate in it. The agreement of 28 June 2012 constitutes no more than a political commitment to do so on the part of EU Member States other than Italy and Spain. This political commitment has to be seen against a background of widespread criticism of the ‘patent package’ as it now stands, and which the agreement of 28 June 2012 has done little to address. Such criticism has come not only from national patent practitioners and specialist patents judges, but also from much of manufacturing industry in Europe, which fears in particular the consequences of a local or regional division hearing an infringement action, being able to grant an injunction with effect throughout most of the EU, without itself having addressed fully the issue of validity in the same hearing as it heard argument on the issue of infringement. Although it is generally politicians and civil servants that remain the main supporters of the ‘patents package’ it is notable that those politicians that have studied the proposals as to the UPC in their present form in detail and thought through their consequences have been highly critical of them.\(^8\)

Neither does European industry seem to be greatly enthused by the other aspect of the patents package that goes hand in hand with the UPC, namely the prospect of a unitary European patent for most of the EU. This is because much of industry has got used to validating European patents in only a few, larger, Member States, which under the London Agreement it can do without the need for translation, as against the cost of which it seems unlikely that the fees for the unitary European patent will be competitive, once account is taken of the financial arrangements as between the European Patent Office and the national patent offices that make up its administrative board and are its master.

But it also seems unlikely that the politicians and civil servants will take much notice of such concerns and considerations. The prospect of a unitary patent for much of Europe and a single court to go with it is too much of a political prize and too superficially enticing, despite all of the trade offs that have been made along the way to get to this point and the consequences of which will only be felt when those responsible for the measure have moved on to other roles or retired. This is a road that we in Europe have been down before, and yet we show no sign of learning from our past mistakes.

References
2 Proposal for a 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, 2011/0094

The current text of Article 58 of the Intergovernmental Agreement envisages a transitional period of seven years after entry into force of the Agreement, which will not be before 2014. It envisages that this period may be extended by a further seven years but there is no assurance as to this. During this transitional period a patentee can bring proceedings in national courts under European patents that designate Member States. Moreover before the end of that period a patentee can opt out of the exclusive competence of the UPC for any European patent that designates Member States which is granted or was applied for before the end of the transitional period, unless an action under it is already proceeding in the UPC.


Pending cases C-274/11 Kingdom of Spain v Council of the European Union and Case C-295/11 Italian Republic v Council of the European Union, in which a hearing took place on 25th October 2012.
