THE EU UNITARY PATENT: WILL IT HAVE ALL THE ANSWERS?

Introduction

After almost 40 years of failure, the European institutions seem finally to be edging towards a Unified Patent System.

The existing system of European patents has a number of shortcomings. First, it is an expensive system, notably because of the translation requirements. Second, European patents, once granted, fall apart into a bundle of national rights, which must be enforced nationally: there is no unified jurisdictional system for infringement and validity suits. This makes litigating European patents both expensive and unpredictable. National Courts can come to differing decisions for essentially the same patents. The result is legal uncertainty. The present system also encourages forum shopping.

It has long been felt necessary to provide a serious and credible alternative to the "bundle" system of European patents. Any Unitary Patent System should:

- be more accessible and affordable;
- support innovation and growth;
- provide greater legal certainty;
- be based on laws and procedures that are easy to use.

Such a system would, it was argued, make Europe more attractive for inventors and tend to support European businesses, in particular SMEs, which are perhaps not optimally served by the present system.

Previous attempts to create a unitary European patent right via a treaty (the Community Patent Convention) and subsequently a community regulation floundered. The current Unitary Patent project is founded on two distinct building blocks:

- The creation of a Unitary Patent covering (almost) the whole of the European Union by a Regulation of the Council and of the European Parliament (under the "enhanced cooperation" provisions).
- The creation of a Unified Patent Court for litigation of both traditional European patents and the new Unitary Patent.

The Regulation will not apply until the Unified Patent Court has entered into force. The Commission hopes that the first Unitary Patent will be granted by 2013.

The Unitary Patent

The Unitary Patent will be a European patent granted by the European Patent Office (EPO) under the European Patent Convention (EPC), to which unitary effect will be given after grant. This means that the current grant procedure of European patents will not be affected. The only difference will appear at the time that the European patent is effectively granted: either it will be a new Unitary Patent, or it will classed as a bundle of national patents.

In March 2011, the EU’s Competitiveness Council adopted a decision authorising “enhanced cooperation” i.e. the authorisation of at least nine of the Member States to establish advanced cooperation in the area of the Unitary Patent, even though others may not want to be involved.

In June 2011, the Competitiveness Council decided to continue with two draft Regulations, one concerning the creation of the Unitary Patent itself\(^1\) and the other concerning the language arrangements\(^2\).

In May 2011, Italy and Spain challenged the Council’s decision to authorise enhanced cooperation before the Court of Justice of the European Union (CJEU). It will most likely take months before the CJEU decides on these complaints. Work on the Unitary Patent right continued regardless.

On 1st December 2011, the European Parliament representatives and the Council negotiators reached an agreement on the “Unitary Patent Package”, i.e. on the Unitary Patent, the Unified Court and the language regime. The Legal Affairs Committee of the European Parliament approved the “Unitary Patent Package” on 20 December 2011. This approval now needs to be confirmed by the whole of the European Parliament and the Council.

In light of the appointment of Italy’s new Prime Minister, Mario Monti, an avid supporter of the Unitary Patent, Italy may eventually drop its complaint and join the Unitary Patent system.

The Unified Patent Court

A first Agreement on the “European and EU Patents Court” with the power of jurisdiction for litigations relating to both, classic European patents and new Unitary Patents was supposed to be reached in December 2009.

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\(^1\) Proposal for a Regulation of the Council and the European Parliament implementing enhanced cooperation in the area of the creation of unitary patent protection, Brussels, 23 June 2011, Doc. 11328/11.

\(^2\) Proposal for a Council Regulation implementing enhanced cooperation in the area of unitary patent protection with regard to the applicable translation arrangements, Brussels, 23 June 2011, Doc. 11328/11.
However, the CJEU held that this Agreement did not conform with the EU treaties. Interpreting EU law whilst being at the same time outside of the framework of the EU was not acceptable for the CJEU.

On 14 June 2011, the Hungarian Presidency of the EU Council proposed a revised draft Agreement. This draft excludes non-EU States from the new jurisdictional system and contains a new chapter dedicated to the primacy and the interpretation of Union law.

The main rules established by the revised draft may be summarised as follows:

i. The Unified Patent Court will comprise a Court of First Instance, a Court of Appeal and a Registry. The Court of First Instance will be composed of local and regional divisions, as well as a Central Division.

ii. The panels of the Court of First Instance shall have a multinational composition (at least one foreign judge) to strengthen the European character of the local and regional divisions. The panels of the Central Division will always be composed of two legally qualified judges and one technically qualified judge. The panels of the Court of Appeal shall also be mixed (3 legal + 2 technical judges). The aim of the Unified Patent Court is to reach a high level of efficiency and specialisation: in order to be appointed, judges will have to demonstrate “the highest standards of competence and proven experience in the field of patent litigation”.

iii. The Unified Court will have exclusive jurisdiction over European patent litigations (with or without unitary effect). At the end of the transitional period (7 years), the national courts will lose their jurisdiction over European patents’ cases. The rules of territorial jurisdiction are flexible and leave the door open for forum shopping (division of the defendants’ domicile or division of the place of the infringement). There is also a possibility to refer the counterclaim for revocation to the Central Division (bifurcation rule).

iv. The decisions in the matter of Unitary Patents will have pan-European effects.

v. The rules of procedure have not been precisely determined or defined yet. However, it is already known that these rules will be a compromise between Continental laws and Common laws. Measures such as discovery, freezing orders or hearing of witnesses may be granted by the Unified Court.

vi. The rules concerning the language of the proceedings are currently: the official language of the Member State of the relevant division (the court may suggest the use of a different language with the approval of the parties); in the Central Division the language will be the language in which the patent is granted (German, English, or French).

Controversy

Lawyers, national judges, members of industry and academics have voiced a number of procedural and substantive concerns.

First, the unseemly haste with which, in the last months of 2011, new drafts of the text were amended and re-amended, often as the result of discussions which took place behind closed doors, with little or no time for interested parties to comment on the new drafts, has left many observers puzzled and concerned. Why, after nearly 40 years of inaction, was it felt necessary to bulldoze the agreements through in the space of a few short months? After a long in camera hearing at the beginning of December, a final compromise agreement was apparently reached. At the time of writing, however, whilst a positive press release had been released by the Commission, the text of the compromise had still not been made available for public scrutiny.

Secondly, one provision which has survived universal and trenchant criticism from the European judiciary and patent bar is the incorporation of Article 6 to 8 in the draft Regulation. These provisions make substantive patent law part of the European legal order, and mean that patent cases involving a Unitary Patent are susceptible to the preliminary ruling jurisdiction of the CJEU. Based on the generally unsatisfactory experience of the CJEU’s handling of preliminary rulings in Community trademark cases, it is generally agreed that the CJEU does not have the necessary skills to deal with patent cases, and that the years of delays and additional costs likely to be caused by the potential to pose questions to the Court is likely to prove to be a very significant disadvantage of the new system.

Thirdly, the enforcement and jurisdictional provisions allow a considerable amount of forum shopping, and will preserve in many cases the bifurcation currently present in the German national enforcement system, where validity and infringement are considered by Germany (and some inside Germany) believe that such a system is undesirable, because it
means that there is no guarantee that the patent will be construed in the same way by the two Courts.

Finally, whilst it has emerged that Luxembourg is apparently to be the seat of the new Court of Appeal, there is still no agreement as to the location of the all important Central Division. Five countries (the UK, Germany, France, The Netherlands and Hungary) applied to host the Central Division, and it is likely that a decision on which of these member states is the lucky winner will be delayed until 2012.

**Timing**
The Unitary Patent Regulation should be adopted by summer 2012, while the Agreement on a Unified Patent Court should be signed in Warsaw on 22 December 2011 (entry into force foreseen on 1 January 2014).

If you have any questions in connection with this update, please do not hesitate to contact us.