

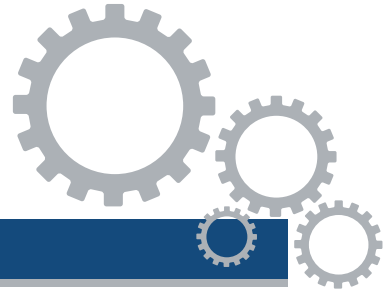


# KUHNEN & WACKER

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### EU PATENT AND UNIFIED PATENT COURT

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#### INTRODUCTION

After almost half a century of striving for unified patent protection throughout the European Union, one of the biggest single markets on the planet, there is still no such system in place. However, after several years of stalemate, the development of a single EU patent system picked up new momentum at the end of 2009 and progress seems to have accelerated since the beginning of this year. In March 2011, 25 out of 27 EU member states finally agreed to an enhanced cooperation in order to resolve the language regime and move towards the creation of a unified patent protection system. On 27th June 2011 EU Commissioner Michel Barnier said, “We are now entering the home straight. Working closely with the European Parliament, the final objective – the creation of unitary patent protection – is within reach. If we maintain our present momentum and cooperative spirit, a unitary patent in Europe could be a reality within the next two years.”

#### BACKGROUND

Today, inventions can be protected in Europe either by national patents or by so-called ‘European patents’. However, contrary to the name, a European patent does not actually provide protection throughout Europe by one unitary patent.

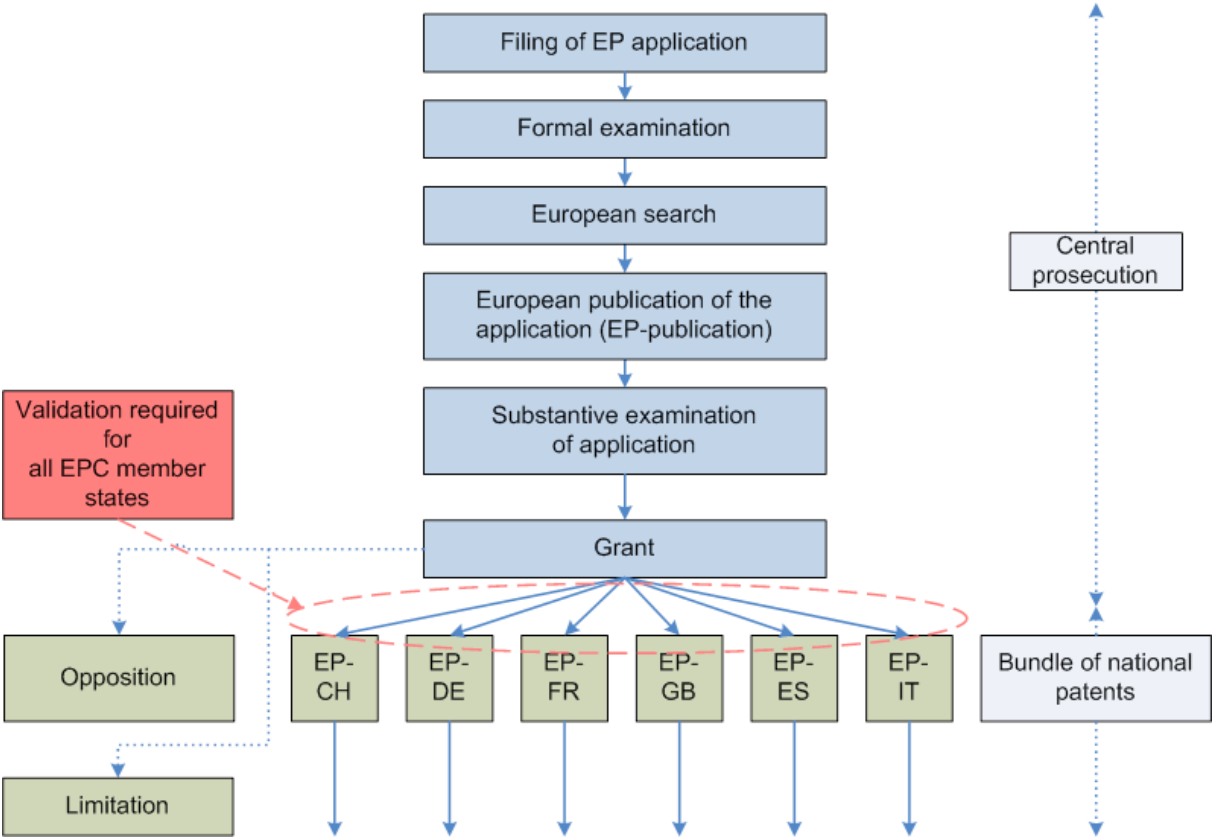
European patents are granted by the European Patent Office (EPO) – an organ of the European Patent Organisation established by the European Patent Convention (EPC) of 5th October 1973, which currently has 38 contracting states, including all 27 EU member states plus 11 non-EU states such as Switzerland, Turkey and Norway. However, rather than being one single patent after grant, a European patent is actually a bundle of national patents.

The transformation of a European patent into an enforceable national patent requires an individual ‘validation’ in each contracting state for which protection is sought. This usually requires that the patent specification be translated into

\* In this respect it is also important to note that the EU itself has no competence for the EPC.

the official national language of the contracting state. As a result, administrative costs can reach up to €32,000 when protection is sought in all 27 EU member states, of which approximately €23,000 can result from translation fees alone. In comparison, a US patent costs €1,850 on average.

FIG. 1: OVERVIEW OF THE EPC PROCEDURE



In addition to high post-grant costs, the EPC fails to provide for a centralised court system to adjudicate the validity of European patents, along with any infringement issues that might arise. The bundle of national patents resulting from a European patent must be individually administered and can be enforced only on a strictly national basis, even in cases of EU-wide infringement where the claim wording is the same in each contracting state, leading to high litigation costs.

Hence, while the current EPC system provides for a fairly reasonable centralised patent granting procedure, it is less than ideal in view of the exorbitantly high post-grant costs and the legal uncertainty with regard to infringement and invalidation.

## THE EU PATENT REFORM PROCESS

This complex and expensive system is the result of years of failed attempts to create a unified patent protection system for the European Union.

In 1962 a first attempt to create a unified Community patent was initiated by means of an intergovernmental agreement, the so-called Community Patent Convention (CPC). However, CPC negotiations finally collapsed in 1989 due to a variety of unresolved issues regarding the language regime, an appropriate jurisdictional arrangement and constitutional problems in some member states.

In 2000 the European Commission launched a new attempt to create a single Community patent. In order to avoid the constitutional problems that impeded the implementation of the CPC, this new approach was in the form of a proposal for a council regulation (COM (2000) 412 final) – unlike directives, which need to be transposed into national law, regulations become immediately enforceable as law in all EU member states simultaneously.

Under the commission's new proposal, Community patents would be issued by the EPO, thereby making use of the EPC's well-established granting procedure. Under this plan, both national and European patents would co-exist with the Community patent system, leaving inventors free to choose which type of protection best suited their needs. With regard to affordability, the commission suggested reducing translation costs by not requiring any translation beyond that already prescribed in the EPC for the patent grant. With regard to legal certainty, the proposal suggested setting up a new centralised Community tribunal within the framework of the European Court of Justice (ECJ), which would hear infringement and validity cases.

On 3rd March 2003 negotiations on the proposed regulation resulted in a common political approach towards the Community patent by the EU Council. However, the council then failed to reach the requisite unanimous agreement for all aspects of the draft regulation on a number of occasions, in particular with regard to translation arrangements. Negotiations stalled without a final agreement in 2004.

## A NEW WAY FORWARD

In March 2007, after various new debates and consultations, the commission set out its vision for reforming the European patent system and proposed a package deal. This included two proposed regulations for a future EU patent and a proposal for a mixed agreement regarding a future litigation system. In addition, the deal would include new regulations for cooperation between national patent offices and the EPO, as well as a revision of the EPC.

The entry into force of the Lisbon Treaty on 1st December 2009 introduced a new legal framework for the European Union, which explicitly provides a legal basis for creating an EU patent by two regulations: one for creating a unified EU patent to be decided under the ordinary legislative procedure and another separate regulation regarding the language regime, which would have to be decided under a special legislative procedure requiring a unanimous vote.

In July 2010 the commission published a proposal for a council regulation on translation arrangements for the future EU patent. The language issue remained a sticking point and on 10th November 2010 the Competition Council held an extraordinary meeting to discuss the draft regulation on a future EU patent system. However, this attempt to reach unanimity was blocked by Spain, which was keen to prevent any discrimination against the Spanish language that might result by the EPC language regime (ie, English, German and French) being used as the basis for a future EU patent. In view of the fact that the Lisbon Treaty required unanimity on the language issue, the process appeared to have reached yet another dead end.

However, after more than a decade of debating, the overwhelming majority of member states were now keen to solve the language issue with regard to both an EU patent and a unified patent court system. In December 2010, 12 member states proposed using the so-called 'enhanced cooperation procedure', which allows nine or more member states to move forward on a particular area if no agreement can be reached; other member states can opt to join at any stage before or after an enhanced cooperation has been launched. In the following months this proposal was supported by almost all member states except Spain and Italy – a total of 25 out of 27. This left Spain and Italy outside the process and without a vote to block any further progress towards an EU patent that would cover nearly all EU member states.

On 15th February 2011 the European Parliament gave its consent to proceed with the enhanced cooperation and on 10th March 2011 the council authorised the launch of the enhanced cooperation.

## EU PATENT UNDER ENHANCED COOPERATION

On 13th April 2011 the commission presented two proposals for regulations implementing the enhanced cooperation: one on the EU patent itself and the other on the applicable translation arrangements. In a general approach, the EU Council agreed to the commission's proposals on 27th June 2011.

These two proposals would radically reduce the cost of patents in Europe (by up to 80%) and allow companies and individuals to protect their inventions through a single European patent granted by the EPO, which would then be valid in every EU member state participating in the enhanced cooperation (currently 25 of 27).

**THE KEY POINTS OF THE PROPOSED REGULATIONS ARE AS FOLLOWS:**

- The patentee of an EP patent may apply for protection in participating member states at the EPO.
- Patent applications can be submitted in any language. However, building on its existing working procedures, the EPO will continue to examine and grant applications in the three EPO languages – English, French and German. EU applicants which file their patent application in a language other than these three will be compensated for any translation costs they incur. Finally, after the patent is granted, the claims defining the scope of protection must be translated into the other two official languages.
- For a transitional period of up to 12 years, European patents with unitary effect that are granted in French or German must be translated into English. Those granted in English must be translated into one other official language until high-quality machine translations become available, in order to ensure the accessibility of patent information.
- EU patents with unitary effect will be administered by the EPO, including patentees' requests for unitary effect, collecting, administering and remitting renewal fees and keeping a register of unitary EU patents, which would include legal information such as licences, transfers, limitations, revocations or lapses.

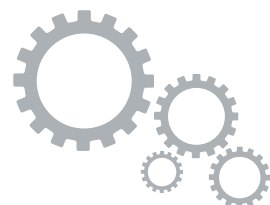
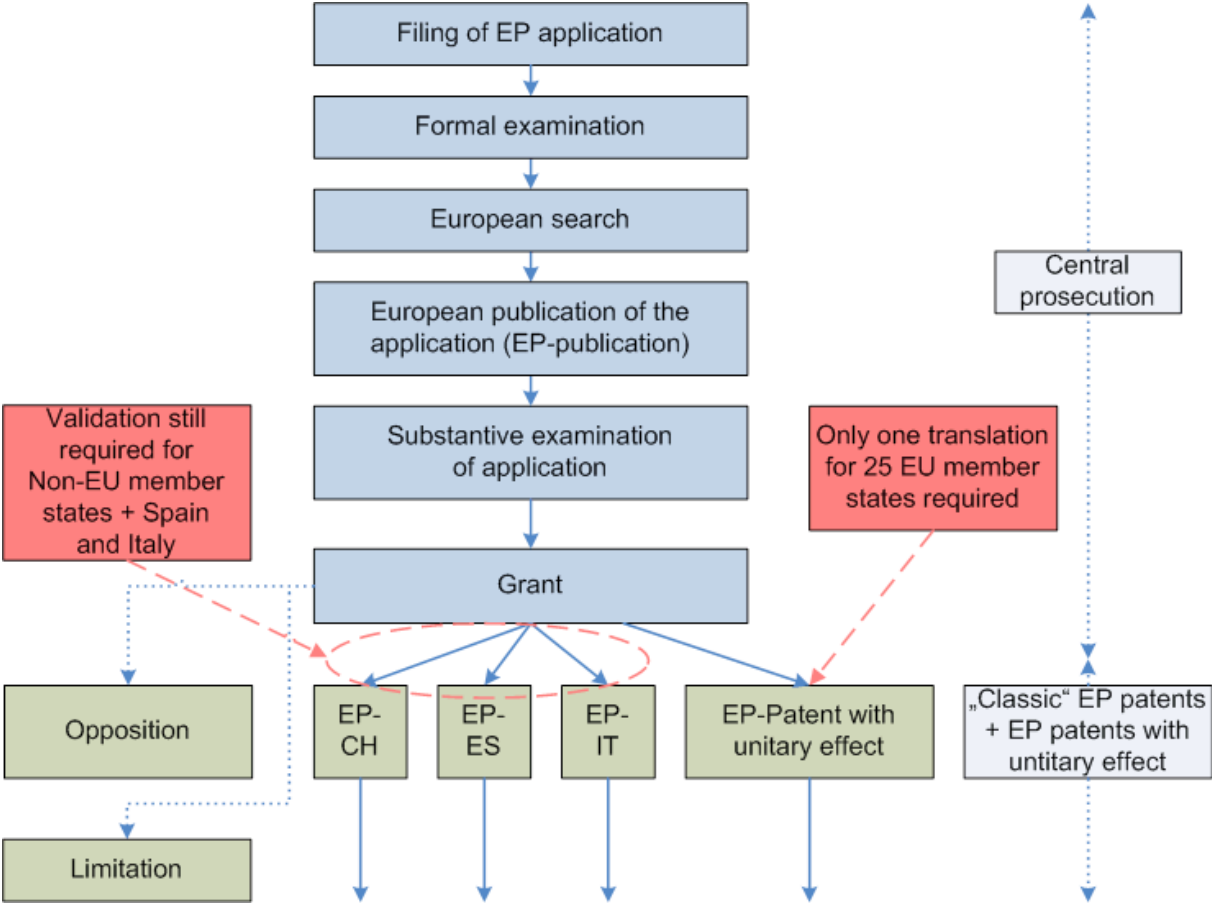


FIG 2: FUTURE EPC PROCEDURE INCLUDING EP PATENTS WITH UNITARY EFFECT.



**THE EUROPEAN AND EU PATENTS COURT**

These latest attempts to set up a unified patent jurisdiction resulted in a draft agreement on the European and EU Patents Court (EEUPC), a mixed agreement between the European Union and some EPC contracting states that are not EU members. The draft agreement proposes setting up 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 and EU patents (ie, European patents with unitary effect). The ECJ would be responsible for ensuring the primacy of EU law and its uniform interpretation.

In June 2009 the EU Council submitted a request to the ECJ on the compatibility of the draft agreement with the EU treaties. The ECJ rendered Legal Opinion 1/09 on 8th March 2011. Although it stated that the current draft for such a mixed agreement is incompatible with European law, this would not exclude appropriate amendments to bring it into line. Moreover, the ECJ confirmed that a court set up by member states through an international agreement could be compatible with the treaties.

On 26th May 2011, after analysing the opinion and considering ways to address the ECJ's concerns, the commission adopted a non-paper on solutions for a unified patent litigation system and a way forward ([www.register.consilium.europa.eu/pdf/en/11/st10/st10630.en11.pdf](http://www.register.consilium.europa.eu/pdf/en/11/st10/st10630.en11.pdf)). According to the non-paper, any future patent litigation system should be based on the following pillars:

- A unified patent court set up only by member states; participation of third states should be excluded. The European Union would not be a party.
- Exclusive jurisdiction with regard to civil litigation relating to infringement and validity for both classic European patents and EU patents with unitary effect. Limiting the jurisdiction of the specialised patent court to classic European patents would render the unified patent protection unattractive and may even impede its creation, whereas limiting jurisdiction could lead to the establishment of two different common patent courts. Such duplication would not be reasonable, in particular given the limited number of competent judges and the risk of contradictory judgments.

The unified patent court could therefore be set up by an agreement between member states on the creation of a common jurisdiction. The basic institutional architecture of the unified patent court as foreseen for the EEUPC should, however, be maintained.

## REMAINING ISSUES

In addition to the fact that without Spain and Italy on board, complete EU coverage is not possible, substantial additional problems remain:

- On 30th May 2011 Italy and Spain sued to block the enhanced cooperation for creating an EU patent on the basis that their exclusion constituted inadmissible language discrimination within the single market.
- Other EU member states that are part of the enhanced cooperation (eg, Slovakia) have indicated that they may choose to withdraw from the procedure in light of ECJ Opinion 1/09, which was rendered just two days before the enhanced cooperation was adopted by the EU Council.

- High-quality machine translations are not yet a reality. Although in March 2011 the EPO and Google entered into a long-term agreement to collaborate on machine translations of patents into multiple European, Slavic and Asian languages, there are significant doubts as to whether the requisite quality is actually achievable within the transitional period.
- Regarding the EEUPC, a number of issues – including the composition of court panels, the competence of the divisions of the Court of First Instance, the concept of technically qualified judges and the language regime – still have to be resolved.
- Experienced infringement judges will have to educate their new colleagues. However, few German judges (almost 75% of all litigation in Europe takes place in Germany) have the capacity to educate non-German speaking colleagues with little or no experience of patent infringement.

## SUMMARY

If the enhanced cooperation is not rejected by the ECJ, the creation of a unified EU patent by the two proposed regulations seems achievable by 2013. In addition, with regard to the EEUPC, the European Commission's non-paper appears to provide an appropriate solution to address the concerns set out in the ECJ's opinion. Moreover, the establishment of the enhanced cooperation by 25 EU member states indicates, for the first time, that there is a strong political will to implement a unified patent system. According to insiders at the commission, Italy might soon join the enhanced cooperation, putting further pressure on Spain to give up its seemingly intransigent position.

It seems that the European Union has never been closer to a solution for its current complicated and expensive patent system.

