

A PATENT COURT FOR EUROPE

What's at stake for users?

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This contribution reflects all developments up to March 2012

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Europe has a well-functioning and successful centralised patent application and granting procedure for 38 member states of the European Patent Organisation (EPO) but no unitary post-grant procedure. Attempts to create a European patent litigation system date back more than two decades. The latest proposal under discussion, the so-called Unified Patent Court, aims at establishing a solution for EU Member States but not for non-EU EPO members. The purpose of this paper is to give an overview of the developments in creating a uniform European post-grant procedure while, at the same time, contrasting them to the needs of users. Based on the latest proposal, possible solutions and options on how to integrate non-EU EPO members into a single patent judiciary in Europe are discussed. As we will see, options are limited, but there are ways to establish a pan-European Patent Court which would create a win-win situation for all EU and EPO member states and to truly serve the users' needs.

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¹This article is based on the presentation, "A Patent Court in Europe?", held by Felix Addor at the 4th Dispute Resolution Conference in St.Gallen on 28 October 2011. In view of the on-going developments within the EU towards establishing a Unified Patent Court, the present article is both an overview and an extended version, in which some of the ideas and solutions presented in October are further developed. The views expressed in this article are presented by the authors in their academic capacities only and do not reflect in any way those of the Swiss Confederation, the Swiss Federal Department of Justice and Police or the Swiss Federal Institute of Intellectual Property.

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I. The Patent System in Europe

In Europe, patent protection currently can be obtained in two ways⁴ – either through national patent offices which grant *national patents* based on national patent law valid for the respective national territory, or by the European Patent Office, which grants *European patents* based on the European Patent Convention (EPC)⁵. Under the EPC, the contracting states transfer their sovereign right to examine a patent application and to grant a patent with effect for their territory to an intergovernmental organisation, the *European Patent Organisation (EPO)*⁶. Thus, with one single application, patent protection can be obtained in 38 EPO member states and 2 extension states⁷.

The EPO dates back to a diplomatic conference held in 1973 where the introduction of a European grant procedure was discussed. The conference concluded with the signing of the EPC by 16 states (among them Switzerland). It came into force four years later in 1977. The EPC set the legal framework for the European Patent Office in Munich, which began its work as a granting authority for European patents in 1977. On 1 June 1978, the first patent application for a European patent was filed before the European Patent Office⁸.

Once a European patent is uniformly granted by the European Patent Office for all EPO member states, it must be validated in each EPO member state for which protection is being

⁴ Excluding the procedure based on the Patent Cooperation Treaty (PCT) which can also be initiated by the European Patent Office. Under the PCT, an inventor can file a patent in 144 PCT member states with one single application. The patent granting procedure, however, remains a national one.

⁵ Convention on the Grant of European Patents (European Patent Convention) of 5 October 1973, revised in Munich on 29 November 2000 (EPC).

⁶ www.epo.org.

⁷ Montenegro, Bosnia and Herzegovina.

⁸ www.epo.org.

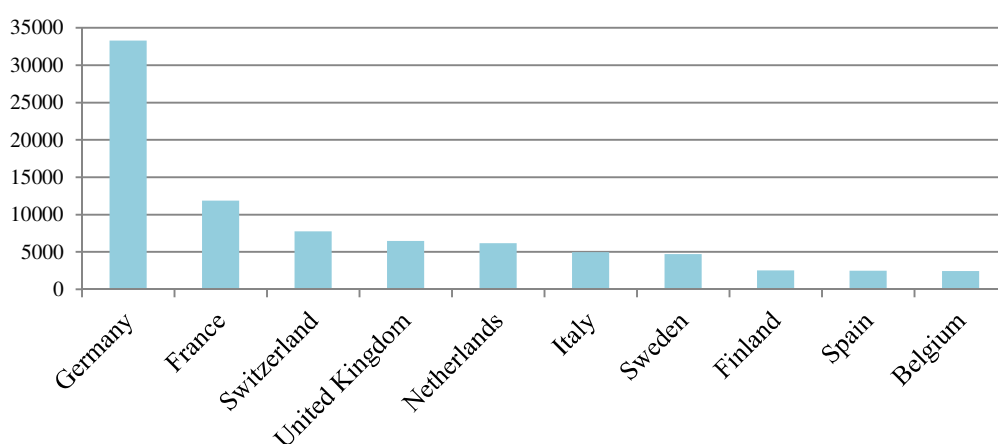
sought. Thereafter, national laws regarding translation requirements, renewal fees and enforcement (including national proceedings and court law) apply.

II. The Importance of the EPO System in Europe

Member states of the EPO include all member states of the European Union (EU) and 11 non-EU members: Switzerland (1977), Liechtenstein (1980), Monaco (1991), Turkey (2000), Iceland (2004), Norway (2008), Croatia (2008), Former Yugoslav Republic of Macedonia (2009), San Marino (2009), Albania (2010) and Serbia (2010). Despite all EU Member States being members of the EPO, the EPO is *not* an EU institution, but a *pan-European intergovernmental organisation*.

Each year, the EPO receives more than 200,000 patent filings from inventors throughout Europe as well as from abroad. In 2011, despite the difficult economic situation, 243,000 European patent applications were filed with the EPO: 3% more than in 2010. About 40% of all 2011 filings originated from EPO member states, while the other 60% came from the US (24%), Japan (18%) and South Korea, China and Taiwan (7%). Among the European countries, Germany filed the most (14%), followed by France (5%), then Switzerland, the United Kingdom and the Netherlands (3% each). These filings resulted in 62,115 European patents being granted in 2011 – 7% more than in 2010⁹.

Distribution of EPO Filings by EPO Members in 2011



⁹ Preliminary figures presented by the EPO on 17 January 2012, www.epo.org/news-issues. Detailed figures will be released in March 2012 under www.epo.org/statistics.

The persistent growth in patent filings and the high percentage of non-European applicants reflect the consistency shown by the most recent figures (2011) for investment in research and development. The figures also show that the European Patent Office is the central gateway for patent applications in Europe. The EPO President is undoubtedly right when he highlights that “(t)he EPO will continue to play a leading role in the global patent system”¹⁰.

Some non-EU EPO members play an important role within the European patent system which can be demonstrated by the following statistics: According to the figures published by the EPO, Switzerland ranks 3rd among the EPO member states in 2011 regarding European patent filings. Including all filing states (US, Japan etc.), Switzerland holds the 7th place. Considering the size of the Swiss population (7.87 million), Switzerland has the highest patent filing rate per capita in the world¹¹. Furthermore, Switzerland achieves the top ranking according to the Innovation Union Scoreboard 2011¹² issued by the EU as well as according to the Global-Innovation-Index 2011¹³. Also Turkey is a good performer, it ranks 15th among the EPO member states in 2011 regarding European patent filings. According to the Innovation Union Scoreboard 2011, although Turkey being a modest innovator, its “growth has been well above the EU27 average”¹⁴.

III. Major Challenges of the EPO System

1. General

As the statistics show, Europe has a well-functioning and successful centralised application and granting procedure for 38 European countries, which results in more than 200,000 patent filings a year. But the European patent is not a unitary title: After granting, the European patent breaks down into a bundle of national patents, each governed by the national law of the member state country designated by the patent owner. The lack of a unitary *post-grant* procedure represents a substantial drawback of the EPO system. This has been criticised since the creation of the EPO, for example in 1997 in the *Green Paper on the Community Patent*

¹⁰ Benoît Battistelli: EPO Press Release of 17 January 2011 (fn. 9).

¹¹ OECD Science, Technology and Industry Outlook 2010, Paris 2010, p. 48 (www.oecd.org/sti/outlook).

¹² Innovation Union Scoreboard 2011, p. 5, where Switzerland is referred to as being the “overall Innovation leader continuously outperforming all EU27 countries” (www.proinno-europe.eu/metrics).

¹³ Global Innovation Index 2011, p. 16 (www.globalinnovationindex.org).

¹⁴ Innovation Union Scoreboard 2011 (fn.12), p. 5.

and the Patent System in Europe, which concluded that the limitations of the patent system in Europe are *associated with complexity and costs*¹⁵. These include:

- Costs and complicated management of rights from both the translations of the patent specifications, which have to be filed with each designated national patent office, as well as the renewal fees, which have to be paid separately for each country.
- Management of proceedings for infringement or nullity actions because they must be brought before the national court of each designated country.
- Varying interpretation of substantive European patent law by the national courts in the absence of a common court, which eventually can undermine the value of the European patent.

In a paper issued in 2007, ten years later, the Commission found that the single market for patents was still incomplete. It found that actions for infringement, invalidity counterclaim or revocation for the ‘bundled’ European patent were still subject to national laws and procedures. It went on to say that the existing system harbours the danger of multiple patent litigations, which weakens the patent system in Europe and fragments the single market for patents in Europe. This has serious consequences for European competitiveness facing challenges from the US, Japan and emerging economic powers such as China¹⁶.

2. Cost of patent protection in Europe

The costs of a European patent are one of its major drawbacks. The EU estimates that the overall proceedings and translation costs for a European patent validated in ‘just’ 13 EPO member states is 32,000 euros. This is about 11 times more expensive than a US patent and 13 times more expensive than a Japanese patent. Although these differences become flatter when comparing the cumulative costs for 20 years of protection, European patents are still 9 times more expensive than Japanese or US patents¹⁷. The actual costs of validation in the EU

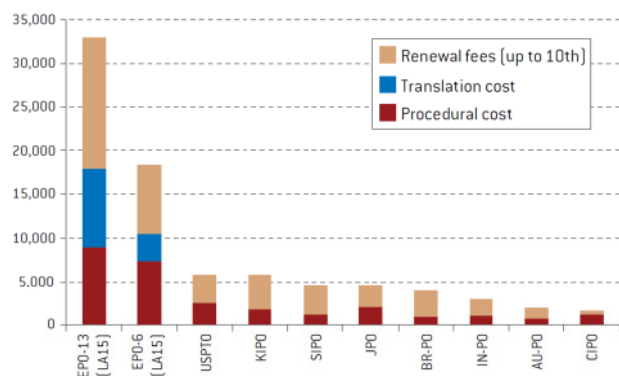
¹⁵ Cf. COM(97) 314 Final – Promoting Innovation through Patents, Green Paper on the Community Patent and Patent System in Europe, p. 5.

¹⁶ Cf. COM(2007) 165 Final – Enhancing the Patent System in Europe, Communication from the Commission to the European Parliament and the Council, p. 1 ff.

¹⁷ Cf. Bruno van Pottelsberghe/Didier François: Cost Factor in Patent Systems, CEB Working Paper N° 06/002, Solvay Business School, Brussels 2006, p. 17 ff.

are estimated to total around 193 million euro per year¹⁸. This shows that the current EPO patent system is very costly, especially in regards to translations costs.

Figure 4. International comparison of cumulated patent costs, 2008 (in USD PPPs)



Source: van Pottelsberghe and Mejer [2008], KIPRO is the national patent office of South Korea, SIPO for China, JPO for Japan, BR-PO for Brazil, IN-PO for India, AU-PO for Australia, CIPO for Canada.

Source: van Pottelsberghe/Francois 2008¹⁹

The EPO member states are well aware of the high costs caused by validation requirements after a European patent entered into the national phase. In order to provide for a cost attractive, post-grant translation regime, they negotiated the so-called *London Agreement*²⁰ in 2000. This is an optional agreement that aims at reducing translation costs for European patents. It entered into force 1 May 2008 and is currently valid in 16 EPO member states, including Switzerland. The contracting states agree to waive, entirely or largely, the requirement for translations of European patents by accepting patent applications in one of the EPO's three languages, which are German, French or English.

The consequence of the implementation of the London Agreement in Switzerland on 1 May 2008 is that a patent assigned by the European Patent Office in English, with effect in Switzerland, will now occur without the document being translated into one of the official Swiss national languages. After the London Agreement takes effect, however, the patent claims (which define the scope of protection for a patent) will still be published in all three of the official EPO languages and therefore be available in German and French. The right to demand that a

¹⁸ Cf. COM(2011) 215 Final – 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, p. 1.

¹⁹ See Bruno van Pottelsberghe: *Lost Property: The European Patent System and Why it Doesn't Work*, Bruegel Blueprint Series Vol. IX, Brussels 2009, p. 12.

²⁰ Agreement dated 17 August 2000 on the Application of Article 65 EPC (London Agreement or Language Agreement).

patent owner provide translations in an official national language for a conflicting patent in case of a legal litigation remains unchanged by the agreement.

The London Agreement has significantly contributed to reducing the translation costs in the contracting states: It has been estimated²¹ that cost for a European patent application designating the six most frequently designated countries is reduced by 29%. If all EPO member states had joined the London Agreement, costs for a European patent validated in each state would cost 62% less now than prior to 2008.

3. Patent enforcement in Europe

The second major drawback of the EPO system concerns the enforcement of European patents: Neither unified regulations nor a single jurisdiction for patent disputes dealing with issues which go beyond the borders of an EPO member state exist. Any infringement, invalidity counterclaim or revocation action regarding a European patent may well be subject to multiple and diverse national laws and procedures. It may also involve costly translation requirements as each national court has its own official court language(s). Claimants and defendants risk costly, long-term, multiple litigations in multiple EPO member states regarding the same patent issue. To enforce a European patent which was validated in several EPO member states, a patent owner may have to sue the alleged infringer at his place of business or he may need to initiate several parallel infringement actions before the national courts of each state in which the infringing acts have taken place. Likewise, defendants might have to defend themselves in several countries against similar actions. And to obtain the revocation of a European patent (after the expiry of the nine-month time limit for filing an opposition at the European Patent Office) competitors or other interested parties must file the revocation actions in all the countries for which the European patent was granted. These procedures are risky and cumbersome for business in Europe, especially for small and medium enterprises (SMEs)²², as well as for any industry using the EPO system²³. They also

²¹ Cf. Bruno van Pottelsberghe, 2009 (fn. 19), p. 10.

²² Cf. Doc COM (2007) 165 Final (fn. 16), p. 5, with further references.

²³ Considering that 60% of patent applications originate from applicants abroad (see EPO statistics in Section II), not only does the EU or EPO industry suffer from the drawbacks of the EPO system, but also any industry using the EPO system. This also applies to the following graphs which present the needs of the system users from a European perspective.

support forum shopping and patent torpedoes. The following cost estimates show how complex and expensive patent litigation presently is in Europe²⁴:

Country	Cost for litigation in first instance (for each party)	Cost for litigation in second instance (for each party)
Germany ^{*)}	50,000 EUR	90,000 EUR
France ^{*)}	50,000 – 200,000 EUR	40,000 – 150,000 EUR
Netherlands ^{*)}	60,000 – 200,000 EUR	40,000 – 150,000 EUR
United Kingdom ^{***)}	150,000 ^{***)} – 1,500,00 EUR	150,000 – 1,000,000 EUR
Total costs	310,000 – 1,950,000 EUR	320,00 – 1,390,000 EUR

*) For validity and infringement actions with an average sum in dispute of EUR 250,000

**) For patent disputes which are similar to *)

***) For fast-track procedures

This fragmentation of patent litigation involves the possibility of substantive patent law being applied and interpreted differently when enforcing a patent. As a result, contradicting case law within national patent courts occurs and challenges the value of European patents.

A well-known example for such fragmentation and diverging court results is the so-called Epilady case: This case was pending in parallel in several European countries based on the same European patent (EP 0 101 656), owned by the company Epilady, for an electric hair-removing device for the same potentially infringing acts. As a result of different interpretations of patent claims, it was held to be infringed by the German, Dutch and Italian courts, but not by the British and Austrian courts²⁵. Eventually the failure of Epilady to effectively defeat Remington in the patent litigation opened the door for other manufacturers to produce hair-removing devices based upon rotating discs.

The way the European patent system is currently set up makes the dangers of multiple patent litigation and costly procedures very high. This weakens the system, not only in the European Union, but all over Europe with serious negative consequences for the competitiveness of the European innovation area. Patent owners and innovative industries, thus, long for a reliable, cost-efficient patent litigation system that is highly effective and offers legal certainty for the territories of all member states of the European Patent Organisation. As the chart below shows, this is not the case at the moment.

²⁴ Doc COM(2007) 165 Final (fn. 16), p. 8.

²⁵ A summary of the court's cases can be found in GRUR Int. 1993, p. 407.

Satisfaction of user needs with the current European patent system:

	EPO (non-EU) Industry	EU Industry
Costs	X	X
Effectiveness	X	X
Legal certainty	X	X

✓ = Meets needs
X = Does not meet needs

IV. Approaches to a Patent Court in Europe

1. The EPO approach: The European Patent Litigation Agreement (EPLA)

Inspired and motivated by the 1997 Green Paper on the patent system in Europe²⁶, the French government called an intergovernmental conference of the EPC contracting states in 1999 to discuss the shortcomings of the EPO system and possible solutions. The EPO member states decided to set up a Working Party on Litigation, which was mandated to present a draft optional protocol to the EPC which would commit signatory EPO states to an integrated judicial system, including uniform rules of procedure and a common court of appeal. It was also instructed to define the terms under which a common judicial entity could be established for any litigation relating to the validity and infringement of European patents²⁷.

a) Institutional Structure of the EPLA

The EPO Working Party on Litigation, which was co-chaired by Germany, Luxembourg and Switzerland, met several times and drew up the Draft European Patent Litigation Agreement (EPLA)²⁸ in the following years. It envisioned the establishment of a new international organisation, independent from the EPO, composed of a European Patent Court (including a court of first instance with a central division and various regional ones, as well as a court of appeal) and an Administrative Committee comprising representatives of the contracting states. The European Patent Court would be solely competent for settling litigation

²⁶ Cf. Section III.1.

²⁷ Cf. EPO, Official Journal 1999, p. 548.

²⁸ A summary of the history and background of the EPLA as well as further references can be found in Stefan Luginbuehl: European Patent Law, Towards a Uniform Interpretation, Cheltenham/MA 2011, p. 185 ff.; see also www.epo.org (Law & Practice/Legislative Initiatives/EPLA); the latest draft of the EPLA is available at this link.

concerning the infringement and validity of European patents effective in the territory of the contracting states. The judges of the court would comprise both legally and technically qualified judges. The EPO's language regime, with German, French and English as official languages of the proceedings, would be applied.

The application of Community law – in particular, the Brussels Convention²⁹ and the Council Regulation 44/2001³⁰ – was dealt with in specific provisions: The European Patent Court could request the European Court of Justice (ECJ) to issue preliminary rulings which would be binding for the European Patent Court as pertaining to decisions with effect in an EU Member State.

The EPLA drafted by the EPO Working Party on Litigation was the first substantial approach towards a unified patent litigation system in Europe. Since it was drafted as an optional protocol to the EPC, it would have been open for accession by all EPO member states.

b) User Satisfaction with the EPLA

User groups from industry, legal profession and patent judges have strongly supported the EPLA³¹ because the EPLA would be able to meet users' needs for an efficient court delivering fast, high quality first instance decisions at an affordable price³². Additionally, the EPLA was expected to significantly reduce the number of cases and provide more legal certainty:

²⁹ Convention of 27 September 1968 on the Jurisdiction and the Enforcement of Judgments on Civil and Commercial Matters.

³⁰ Council Regulation (EC) No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters of 22 December 2000, OJ 2001 L 12/1.

³¹ See for example Jochen Pagenberg, "Industry, Legal Profession and Patent Judges Press for Adoption of the European Patent Litigation Agreement (EPLA)", *International Review of Intellectual Property and Competition Law* (IIC), 2006/37, pp. 46-50; Luginbuehl (fn. 28), p. 190 ff.; European Commission, *Internal Market and Services, Future Patent Policy in Europe, Public Hearing 2006, Report*, p. 4 ff.; Venice Resolution of the European Patent Lawyers Association of 2 December 2005, urgently asking for co-operation between the EU Commission, the EU Council and the European Patent Office to make progress on the EPLA, available on www.eplaw.org/resolutions or GRUR Int. 2006, p. 37.

³² Cf. Assessment of the Impact of the European Patent Litigation Agreement (EPLA) on Litigation of European Patents, European Patent Office Acting as Secretary of the Working Party on Litigation, February 2006, p. 9.

Satisfaction of user needs with the EPLA:

	EPO (non-EU) Industry	EU Industry
Costs	✓	✓
Effectiveness	✓	✓
Legal certainty	✓	✓

✓ = Meets needs
 X = Does not meet needs

c) Conflict of jurisdiction with the EU

Despite the positive response from user groups, and much to the regret of the industries and European patent attorneys, in December 2005, the EPO Working Party on Litigation was forced to cease its work: The EU Commission announced its intention to engage in a dialogue on how to provide Europe with a sound IPR framework, and, while declaring that the EPLA was “a promising route towards a more unitary jurisdiction”³³, mentioned some institutional obstacles in the draft. It claimed that the introduction of the legal basis for the establishment of a Community patent jurisdiction in Article 229a and 225a of the EC Treaty³⁴ and the adoption of Directive 2004/48/EC³⁵ put the competence for establishing a unitary patent litigation system for the EU within the sphere of the Commission³⁶. With the adoption of a Council regulation on a Community patent, member states would no longer have the right to act individually or even collectively to undertake obligations with non-member countries which affect those rules. Furthermore, the commission stated, that the conclusion of the EPLA would affect the uniform and consistent application of the Community rules on jurisdiction and the recognition and the enforcement of judgements in civil and commercial matters³⁷. The EPO Working Party on Litigation acknowledged that they should suspend their work in view of the parallel work being done by the European Union regarding a Community patent with a judicial system of its own³⁸.

³³ Charlie McCreevy, “European Commissioner for Internal Market and Services, Closing Remarks at Public Hearing on Future Patent Policy”, SPEECH/06/453.

³⁴ Introduced by Article 2 of the Treaty of Nice, J.O. C 80 of 30.03.2001, pp. 1-87.

³⁵ Directive 2004/48/EC on the Enforcement of Intellectual Property Rights of 29 April 2004, OJ 2004 L 195/16.

³⁶ Opinion of the Legal Services of the Commission on the Compatibility of the EPLA with the Brussels 1 Regulation 44/2001 of 1 February 2007.

³⁷ Opinion of the Legal Services (fn. 36), para. 67.

³⁸ WPL/6/03 Rev. 2 – Declaration of the Working Party on Litigation of 3 December 2003.

2. EU approach 1: The European and EU Patent Court (EEUPC)

After the EPO's decision to suspend work on the litigation agreement, the EU began its work based on the EPLA. In December 2009, the EU reached consensus regarding the establishment of a unified patent litigation system which, because of the recent progress made by the Commission, also included jurisdiction over the new EU patent³⁹. The double competence for European patents and future EU patents was one of the main reasons why the EU did not choose the regular legislative procedure of issuing an EU regulation to establish the new European Patent Judiciary. Since the proposed European and EU Patent Court (EEUPC) was to deal exclusively with disputes of European patents as well as future EU patents, the EEUPC was drawn up such that it was open not only to EU but to all EPO member states. Its establishment was to be based on an international treaty according to Art. 218 TFEU⁴⁰, which was to be between the EU, all 27 EU Member States⁴¹ and the remaining 11 EPO member states.

a) Institutional structure of the EEUPC

The structure of the EEUPC was similar to the EPLA, with one crucial difference – the inclusion of exclusive jurisdiction for infringement and nullity actions over future EU patents. This made it necessary to ensure the primacy of EU law by introducing preliminary rulings of the ECJ on the interpretation of the treaty itself and the validity or interpretation of acts of EU institutions. It also meant that the ECJ's decisions would be binding on the EEUPC. It was questionable whether non-EU members would have been obliged to accept the binding effects and, had that been the case, whether they would have even accepted and joined the EEUPC under this condition⁴². It most likely would have been subject to negotiations⁴³.

Switzerland as one of EPO's non-EU members was informally exploring the accession to the EEUPC and had shown interest in becoming a contracting partner on equal footing. Switzerland,

³⁹ Doc 7928/09 PI 23 COUR 29 – Draft Agreement on the European and Community Patents Court and Draft Statute: Revised Presidency Text.

⁴⁰ Treaty on the Functioning of the European Union (TFEU), OJ 2010 C 83/47.

⁴¹ The inclusion of future EU patents makes it clear that the 27 EU Member States were obliged to join the EEUPC, cf. Luginbuehl (fn. 28), p. 267.

⁴² These concerns were also expressed by Luginbuehl (fn. 28), p. 274 f.

⁴³ Due to the fact that the drawing up of the EEUPC happened without the involvement of the remaining EPO member states, this issue had never been addressed while drafting the EEUPC.

however, made it clear that it could not accept the binding effects of the ECJ's decision. The idea was that the Swiss Federal Patent Court⁴⁴ could act as a local or regional division of the EEUPC's Court of First Instance. This Court, which took up its duties on 1 January 2012, is a new national special court that is competent for patent litigation in first instance. It is exclusively responsible for all patent-related disputes on Swiss national and European patents with effect in Switzerland. The Court is made up of both legally and technically trained judges. Thanks to their professional expertise, the sitting panel of judges can be changed according to the type of dispute (e.g. chemistry, bioengineering, machinery, physics etc.). The Swiss Federal Patent Court can also sit at different locations in Switzerland: The Cantons have to provide the infrastructure free of charge. Another novelty is the language of the proceedings: If the parties agree, proceedings can also be conducted in English. Because of these assets, the new Swiss Federal Patent Court will not only be of interest to Swiss patent owners, but will also be attractive to foreign companies as a reliable first instance for European patent disputes. The above-mentioned internal queries also addressed some institutional questions, such as the binding effect of the ECJ's decisions and the impact on a possible harmonisation of Swiss patent law with EU law⁴⁵.

b) User satisfaction with the EEUPC

Despite the obligation for non-EU members to comply with the ECJ's decisions and the dubiousness of acceptance, the EEUPC was a promising proposal to develop a pan-European patent litigation system within the 27 EU Member States as well as the 11 non-EU EPO Member States. It would have successfully eliminated some of the shortcomings that users of the patent system still have to face in Europe. The EEUPC would have brought lower costs, greater effectiveness and enhanced legal certainty through an integrated, two-level judicial system for patent litigations related to infringement and validity of European and EU patents, and with uniform rules of procedure and a common Court of Appeal.

⁴⁴ www.bpatger.ch. For more information on the Swiss Federal Patent Court, see the website of the Swiss Federal Institute of Intellectual Property, www.ige.ch/en/legal-info/legal-areas/patents/patent-attorney-act-and-patent-court-act.html; and Cyrill P. Rigamonti, "The New Swiss Patent Litigation System", 2(2011) JIPITEC, pp. 3-17.

⁴⁵ Cf. also Section V.2.

Satisfaction of user needs with the EEUPC:

	EPO (non-EU) Industry → European patent	EPO (non-EU) Industry → EU patent	EU Industry → European patent	EU Industry → EU patent
Costs	✓	✓	✓	✓
Effectiveness	✓	✓	✓	✓
Legal certainty	?	✓	?	✓

✓ = Meets needs

X = Does not meet needs

The EEUPC managed to address most of the criteria in the chart above. However, one question mark has to be placed: It is unclear whether or not the EEUPC would have strengthened legal certainty regarding European patent litigation. Because of the obligation to comply with EU law as well as the unpredictable political will by interested non-EU EPO Member States in accepting the primacy of EU law when accessing the EEUPC, a patent owner or third party involved in a patent conflict could still be confronted with the unsatisfactory situation of multiple patent litigations.

c) ECJ Opinion 1/09

The EEUPC was set up as an international agreement which provided the establishment of an international court outside the EU framework, having exclusive jurisdiction to deal with the infringement and revocation of EU patents. However, it was not clear whether it was compatible with the EU treaties. Therefore, on 24 April 2009, the EU Council requested an opinion⁴⁶ by the ECJ regarding the compatibility of the envisaged agreement with EU law.

The Advocates General had already issued an opinion which did not raise hopes that the ECJ would find the drafted proposal compatible⁴⁷. On 8 March 2011, the ECJ issued Opinion

⁴⁶ Doc 9076/09 LIMITE PI 34 COUR 31 – Request for an Opinion by the European Court of Justice on the Compatibility with the EC Treaty of the Envisaged Agreement Creating a Unified Patent Litigation System.

⁴⁷ On the Opinion of the Advocates General of 2 July 2010 see, for example, Alan Johnson, “Will the CJEU spell the End of the Road for a pan-European Patents Court?”, Intellectual Property Magazine, October 2011, pp. 18-19; Jochen Pagenberg, “Das zukünftige europäische Patentgerichtssystem – Status quo nach den Anträgen der Generalanwälte”, GRUR 2011, pp. 32-35.

1/09, finding that the EEUPC was not in harmony with the EU treaties. The ECJ based its opinion on the following considerations⁴⁸:

- Under the current agreement, the EEUPC is an institution which is outside the institutional and judicial framework of the EU with a distinct legal personality under national law.
- The draft agreement confers on the EEUPC exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of patents. To that extent, the courts of the EU Member States are divested of that jurisdiction.
- The creation of the EEUPC would deprive national courts the power of, as the case may be, the obligation to refer questions to the ECJ for a preliminary ruling in the field of patents.
- The EEUPC has, unlike other international judicial systems on which the ECJ has ruled in the past⁴⁹, the duty to interpret and apply not only the envisaged international agreement, but also provisions of European Union law.
- If a decision of the EEUPC were to be in breach of EU law, it could not be the subject of infringement proceedings nor could it give rise to any financial liability on the part of one or more Member States.

The ECJ observed that the agreement would alter the essential character of powers conferred on the institutions of the EU and EU Member States, powers which are indispensable to the preservation of the very nature of EU law. In consequence, the ECJ concluded that the envisaged agreement on the creation of the EEUPC was not compatible with the provisions of EU law⁵⁰.

⁴⁸ Opinion 1/09, *Draft Agreement on the Creation of a European and Community Patent Court*, 8 March 2011; a summary of the main considerations can be found in GRUR Int. 2011, pp. 309-314.

⁴⁹ See Opinion 1/91, *Draft Agreement Relating to the Creation of the European Economic Area*, of 14 December 1991 [ECR I-6079] and Opinion 1/00, *Draft Agreement on the Establishment of a European Common Aviation Area*, of 18 April 2002 [ECR I-3493].

⁵⁰ A detailed analysis on Opinion 1/09 can be found in Dieter Stauder, “Europäische Patentgerichtsbarkeit – Wie geht es weiter nach dem Gutachten 1/09 des EuGH?”, sic! 6/2011, pp. 351-360; Carl Baudenbacher, “The EFTA Court remains the only Non-EU-Member States Court – Observations on Opinion 1/09”, European Law Reporter 2011, Nr 7/8, pp. 236-242.

3. Excursus: Enhanced Cooperation

Only weeks before the ECJ issued its opinion, the creation of an EU patent including a separate language regime for all Member States also failed due to an EU-internal disagreement on the language regime: Italy and Spain objected to the proposed translation arrangements, which declared German, French and English (the three official languages of the EPO) as the official filing languages for the EU patent⁵¹. Eventually, in November 2010, the Competitiveness Council noted that insurmountable differences existed which made a decision on the translation arrangements (requiring unanimity) impossible now and in the foreseeable future⁵². However, based on the Lisbon Treaty, 12 EU Member States⁵³ requested the use of the so-called Enhanced Cooperation procedure with the aim of establishing a unitary patent valid within their respective territories⁵⁴. On 10 March 2011 (one day before issuing Opinion 1/09), the Council gave its approval⁵⁵.

On 13 April 2011, based on the Council's authorising decision, the Commission adopted two proposals: one on Enhanced Cooperation for unitary patent protection⁵⁶ and one for the translation regime for this protection⁵⁷. The new unitary patent takes advantage of the existing EPO patent granting system by adopting the regular filing procedure for European patents and by providing them with unitary effect for 25 EU Member States after their granting⁵⁸. A patent owner may choose in future whether he wants, on his own request, to give a 'classic' European patent within one month after granting the unitary effect for the whole territory of the participating 25 EU Member States, or he may validate the European

⁵¹ Italy and Spain were both in favour of adopting the translation agreements of the Office of Harmonization for the Internal Market (OHIM) in Alicante, where the official languages are German, English, French, Italian and Spanish.

⁵² Under Article 118 Paragraph 1 of the TFEU (fn. 40), any language arrangements for European IPR have to follow a special legislative procedure with unanimity in the Council.

⁵³ Denmark, Estonia, Finland, France, Germany, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Sweden and the United Kingdom.

⁵⁴ For more on the background of the Enhanced Cooperation procedure and the inherent dilemma from the tension between expansion and consolidation as the EU becomes larger, see Matthias Lamping, "Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?", *International Review of Intellectual Property and Competition Law* IIC, 8/211, Volume 42, pp. 879-925.

⁵⁵ Cf. Doc COM(2010) 790 Final – Proposal for a Council Decision Authorising Enhanced Cooperation in the Area of Unitary Patent Protection, p. 6. The Enhanced Cooperation in the field of unitary patent protection is the second time that this procedure has been sought at the EU level (the first time was in the field of divorce and legal separation in 2009); Lamping (fn. 54), p. 899 and pp. 904 ff. with further references.

⁵⁶ Doc COM(2011) 215 Final – 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.

⁵⁷ Doc COM(2011) 216 Final – 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

⁵⁸ With the adoption of the existing EPO patent granting system, a revision of the EPC will be redundant: The creation of a 'unitary patent' is provided for in Art. 142 EPC. Switzerland and Liechtenstein, for example, made use of this option and form a unified patent area within their territory.

patent just for some selected EPO Member States, as under the old regime. As a consequence of the unitary effect, a unitary patent can only be limited, transferred, revoked or lapsed in respect of all EU Member States participating in the Enhanced Cooperation.

In May 2011, both, Italy and Spain filed complaints with the ECJ calling for the annulment of the Council's decision to allow the use of the Enhanced Cooperation for creating a unitary patent without Italy and Spain. They claim inter alia misuse of powers, lack of competence and violation of the spirit of the single market⁵⁹. Both complaints are pending, but they could, eventually, have an enormous impact on the implementation of the unitary patent as such or at least on the time schedule set by the EU if the ECJ will issue a decision in favour of Italy and Spain⁶⁰.

4. EU approach 2: The Unified Patent Court (UPC)

After the ECJ delivered Opinion 1/09, the Council started to revise the agreement on the creation of the EEUPC according to the Court's findings. On 30 May 2011, the Competitive Council held an orientation debate based on a non-paper presented by the Commission on solutions for a unified patent litigation system in response to Opinion 1/09. A large majority of Member States endorsed the proposal presented in the Commission's non-paper⁶¹. The Member States agreed that a Unified Patent Court (UPC) should be established by an agreement creating a jurisdiction common to EU Member States only. Moreover, the agreement must ensure that the primacy of the UPC is respected, in line with the ECJ's Opinion 1/09. The Member States also agreed that the basic institutional architecture of the UPC should be based on the EEUPC.

⁵⁹ Cf. Italy against the Council of the European Union, Case C-295/11; statement of the claim reproduced in OJ 2011 C 219/12. Kingdom of Spain against the Council of the European Union, Case C-274/11; statement of the claim reproduced in OJ 2011 C 232/21.

⁶⁰ See also final remarks in Section VII.

⁶¹ Cf. Press Release of the European Council on the 3094th Meeting (Competitiveness) of 30 and 31 May 2011, Doc 10547/11 PRESSE 146 PR CO 34, p. 11; Doc. 10630/11 PI 54 COUR 28 – Creating a Unified Patent Litigation System – Orientation Debate.

a) Institutional structure of the UPC

In contrast to the EPLA and the EEUPC, the proposed new patent litigation system for Europe is to be based on an international treaty among EU Member States only: the Agreement on a Unified Patent Court (UPC) and the Draft Statute⁶². The UPC will have exclusive jurisdiction in respect to infringement or revocation actions over both European patents and future European patents with unitary effect⁶³. Thus, the UPC will also be open to accession for EU Member States which do not participate in the Enhanced Cooperation in the field of patent protection (i.e. Italy and Spain). At the same time, it will not be open for non-EU members that are EPO members (such as Switzerland, Turkey or Norway). As a result, decisions by the UPC regarding European patents with unitary effect will only be binding on the EU Member States participating in the Enhanced Cooperation while decisions regarding ‘classic’ European patents will only be binding on contracting member states of the UPC. The agreement includes a new chapter on the *Primacy and Interpretation of Union Law*, which addresses the recognition of the absolute primacy of EU law and the contracting member state’s obligation to ensure that the UPC complies with EU law. It also contains provisions for preliminary rulings by the ECJ which are binding on the UPC and for rules governing the responsibilities of the contracting states, as well as on the liability for damages in the case of infringement of EU law.

On 29 September 2011, the Competitiveness Council held an exchange of views, in particular on the compatibility of the draft agreement with the EU legal order. Delegations seemed sufficiently reassured in this respect, and the vast majority supported the creation of a cost-effective and legally sound system⁶⁴. In November 2011, the Polish Presidency announced that it aimed to reach political agreement on the patent "package", now consisting of the two regulations on the establishment of the unitary patent and language regime as well as the agreement on the UPC, by the end of the 2011⁶⁵. But in December 2011, only an “in substance” agreement had been reached. The main reason for this was the dispute among the EU Member States on the seat of the Central Court of Appeal. Other obstacles were the

⁶² Doc 11533/11 PI 68 COUR 32 – Draft Agreement on a Unified Patent Court and Draft Statute, Presidency Text. This was the first draft after Opinion 1/09. On more details of the institutional structure of the UPC see Raimund Lutz/Stefan Luginbuehl, “A Patent Court for Europe – Status and Prospectus”; Reinhold Geimer/Rolf A. Schütze (ed.), *Recht ohne Grenzen, Festschrift für Athanassios Kaissis zum 65. Geburtstag*, Munich 2012, pp. 577-586.

⁶³ For information on the unitary patent, see previous Section IV.3.

⁶⁴ Cf. Press Release of the European Council on the 3113th meeting (Competitiveness) of 29 and 30 September 2011, Doc 14691/11 PRESSE 331 PR CO 55, p. 9.

⁶⁵ Doc 17539/11 PI 168 COUR 171 – Draft Agreement on the Creation of a Unified Patent Court – Guidance for Future Work.

funding of the UPC and the costs for patent litigation, which SMEs still fear to be too high. The negotiations will thus continue in 2012⁶⁶.

b) User satisfaction with the UPC

Regarding user needs, the UPC, unfortunately, does not completely meet the needs of European patent system users:

Satisfaction of user needs with the UPC:

	EPO (non-EU) Industry → European patent	EPO (non-EU) Industry → Unitary patent	EU Industry → European patent	EU Industry → Unitary patent
Costs	X	✓	X	✓
Effectiveness	X	✓	X	✓
Legal certainty	X	✓	X	✓

✓ = Meets needs
X = Does not meet needs

In terms of unitary patents, the UPC is able to satisfy the needs of non-EU EPO industry. For example: the owner of a unitary patent domiciled in Switzerland who wants to take action against an infringement of his unitary patent in Germany, will indeed get legal certainty within the Enhanced Cooperation territory. The UPC's decision will be binding for the whole Enhanced Cooperation territory, i.e. in all EU Member States with exception of Spain and Italy. And the Swiss patent owner will not be obliged to call various national courts in case there is future infringement of his rights regarding a unitary patent. Costs will be reduced and proceedings more effective.

However, for European patents with effect in non-EU Member States, the situation remains unsatisfactory for all users, including EU industry. The proposed unified litigation system is limited to EU Member States. The drawback of this can be easily illustrated by the following example: Assume that a multinational enterprise, such as Siemens (with headquarters in

⁶⁶ The latest draft which is publicly available is Doc 17539/11 PI 168 COUR 171 (fn.65), dated 24 November 2011.

Germany), is the owner of a unitary patent (with effect in the Enhanced Cooperation territory) as well as of a ‘classic’ European patent with effect in Switzerland, Turkey and Spain. Siemens would be forced to proceed against an alleged infringement of its patent rights by a Swiss, Turkish or Spanish company, not only before the UPC, but also in Switzerland, Turkey and Spain. And, in the worst case, Siemens would be confronted with four different court decisions on the same patent based on the same patent infringement. *For the European industry and the European innovation area, this means continued fragmentation of jurisdiction and risk of forum shopping, diverging court decisions and interpretation of patent law, as well as costly litigations under different court and proceeding rules.*

V. Challenges Facing the European Innovation Area with the UPC

The long-term objective of effective patent protection⁶⁷ and the final goal of a unified patent litigation system in Europe has been, so far, best addressed by the EPLA which “offers an optimum solution for users of the European patent system”⁶⁸ as it has the potential to fully remedy the drawbacks of the European patent system in the long run, and to meet user needs.

The EEUPC can be seen as a suitable solution for Europe, although the question of how to completely integrate non-EU members into this system remains. The UPC, currently under discussion, manages to solve the institutional hurdles criticized by the ECJ. However, compared to the EPLA and EEUPC, it is not addressing the current drawbacks of the European patent system successfully or in a sustainable way because it only partially covers the European patent territory. Significant players within the innovation market, such as Switzerland (3rd in EPO patent filings), Italy (6th) and Spain (9th) or growing players like Turkey, with a market place comprising more than 74 million people, are kept on the side. Instead of creating a *pan-European* patent system, the UPC would ultimately perpetuate fragmentation of patent litigation. Such a situation would not be for the benefit of the innovative industry in Europe.

⁶⁷ Cf. Doc COM(2010) 614 – Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – An Integrated Industrial Policy for the Globalisation Era Putting Competitiveness and Sustainability at Centre Stage, p. 9; 1997 Green Paper (fn. 15), p. 1 ff.; Assessment of the Impact of the EPLA (fn. 32), p.1 ff.

⁶⁸ Declaration of the Working Party of 3 December 2003 (fn. 38). On the EPLA see Section IV.1.b).

1. UPC as a “EU-25 only-solution”

What are the consequences if the UPC remains an “EU-25 only solution”? First, the national courts of EPO Members outside the EU would remain competent for patent disputes regarding European patents. Therefore, neither would they have to respect the primacy of EU law nor would the UPC’s decisions be binding on these national courts (no conflict of law).

Secondly, the jurisdiction of the UPC over the unitary patent would bring more legal certainty in patent litigation for all system users seeking patent protection in the area of the Enhanced Cooperation. In this case, the UPC clearly carries significant advantages for businesses in Europe in terms of reduced costs, simplified procedures and enhanced legal certainty.

However, the lack of legal certainty would remain an essential obstacle for ‘classic’ European patents which have been validated in a non-EU EPO Member State (i.e., Switzerland, Turkey or Norway), or in Italy or Spain (both countries not participating in the Enhanced Cooperation). The situation will be worse if these countries do not have special national courts with the legal and technical expertise needed to deal with complex patent litigation in due time and with acceptable costs⁶⁹. Equipping EPO Member States with effective and reliable national patent courts within their jurisdiction is a big step towards legal certainty. However, owners of European patents with effect in these countries still face the disadvantages of an un-harmonised EPO patent landscape.

2. UPC as an “EPO all-solution”

What would be the consequences if non-EU members were to be invited and wished to sign the agreement one day? First, because of the binding effect of the UPC’s decisions, national courts outside the EU would have to respect the jurisdiction of the UPC if a ‘classic’ European patent was at issue. As some national laws in non-EU countries differ from EU law, the binding effect would result in an indirect harmonisation of patent law in Europe.

⁶⁹ Switzerland was such an example: Until recently, Switzerland had not been one of the central places to go when looking for an effective, sustainable and financially affordable court for resolving patent disputes. With the establishment of the Swiss Federal Patent Court, parties to patent litigation can benefit from modern, attractive rules which will drastically reduce the procedural complexity, duration and costs of patent litigation in Switzerland. On the Swiss Federal Patent Court, see Section IV.2.a).

A good example for the divergences of Swiss and EU patent law is the latest ECJ decision⁷⁰ on the patentability of the use of human embryonic stem cells to treat neurological diseases: Mr Oliver Brüstle is the holder of a German patent for isolated and purified neural precursor cells produced from human embryonic stem cells used to treat neurological diseases. On application by Greenpeace, the German Federal Patent Court ruled that the patent was invalid in so far as it covers processes for obtaining precursor cells from human embryonic stem cells. On appeal, the ECJ was asked to interpret, in particular, the concept of “human embryo” which is not defined in Directive 98/44/EC on the legal protection of biotechnological inventions⁷¹. In the view of the court, the concept of “human embryo” must be understood in a wide sense. Accordingly, any human ovum must, as soon as fertilised, be regarded as a “human embryo”⁷². Next, the ECJ examined if the concept of “use of human embryos for industrial or commercial purposes”, not patentable under the Directive⁷³, also covers the use of human embryos for purposes of scientific research. In this regard, the Court notes that the grant of a patent for an invention implies, in principle, its industrial or commercial application. Consequently, the court concludes that scientific research entailing the use of human embryos cannot access the protection of a patent. It also concludes that, under the Directive, the use for therapeutic or diagnostic purposes which are applied to help the embryo itself, is not prohibited⁷⁴. In Switzerland, according to the Swiss Patent Act⁷⁵, only the use of human embryos “for non-medical purposes” is not patentable. In consequence, Swiss patent law does not exclude Brüstle’s invention from patentability, for Switzerland’s legislation differs from the EU Directive⁷⁶.

⁷⁰ Oliver Brüstle v. Greenpeace e.V., Judgement in Case C-34/10 of 18 October 2011.

⁷¹ Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions, OJ 1998 L 213/13.

⁷² So far, the Swiss legislation is compatible with the ECJ’s decision.

⁷³ See Article 6 Section 2 letter c of Directive 98/44/EC (fn. 71)

⁷⁴ See also Press Release No 112/11 of 18 October 2011 of the ECJ.

⁷⁵ See Article 2 Section 2 letter g on the Federal Act of the Protection of Inventions (Patent Act, PatA; SR 232.14).

⁷⁶ The ECJ’s judgment C-34/11 and its implications in Switzerland are further discussed by Pascal Fehlbaum/Claudia Mund/Renée Hansmann, “Keine Patentierbarkeit der Verwendung von menschlichen embryonalen Stammzellen zu industriellen oder kommerziellen Zwecken”, *sic!* 2012/1, pp. 55-62.

In addition, the reference to the directly applicable EU law is dynamic (and not static) and therefore also encompasses future developments and also involves a harmonisation of substantive patent law. Another question is whether non-EU EPO members would be politically willing to access the UPC and its institutional framework, despite not having been involved in setting it up. Furthermore, it is unclear, whether or not judges from non-EU EPO member states could participate in the UPC judiciary (and under what conditions in terms of immunities or privileges), and whether non-EU member states would be allowed to build up additional regional courts of first instances. Finally, there is the issue of financial burden: How much would a non-EU member have to contribute to the costs of the UPC if participating in this new judiciary?

VI. Can the Challenges Be Met? Some Options for a Pan-European Solution

Possible solutions for integrating all EPO members under the UPC are in the interests of all EPO member states (including the EU-25 which participate in the Enhanced Cooperation). Consequently, the question of whether there is a need for action or not is not just an academic one. It is a fundamental one for Europe's innovative industry. No company wants to multiply its efforts and costs just to enforce its European patent rights or challenge the European patent rights of competitors. The question that lies at the heart of the discussion concerns the options that exist providing that there is, indeed, the will to create a truly unitary patent litigation system. One which is open to all EPO member states and which deals with all post-grant disputes regarding all patents issued by the European Patent Office – that is to say, both future unitary patents and existing 'classic' European patents – on the part of all actors involved.

In the following paragraphs, we present three options. However, we do not mean to imply that these are 'the best', or that there are no others⁷⁷. In particular, it is not an expression of our opinion regarding the political acceptability of any of the solution for the parties involved. They were selected as potential models for a viable, pan-European solution due to their institutional set-up which allows the accession or participation of non-EU member states in certain EU areas. Each option offers a coherent evaluation by presenting the main features

⁷⁷ The option of a possible accession of non-EU EPO members to the EU was not further pursued. An EU membership in order to access the UPC and to participate in the patent litigation system would, indeed, be the easiest way for membership candidates. But this way is not a realistic one to all EPO members, such as Turkey, Switzerland or Norway, as they are not EU members, for different reasons. Therefore, other and more promising solutions shall be evaluated and addressed in this Section VI.

of the model, its origin and any modifications needed for a possible accession to the UPC. It also discusses the model's advantages and disadvantages in terms of institutional challenges for the participating EPO member states and the benefits for business in Europe and the European innovation area.

1. Establishing a jurisdiction which transposes the model of the EFTA Court

a) Main features

In searching for similar constellations of a common jurisdiction of EU and non-EU members, the European Economic Area (EEA) and the attempt to create a common EEA court is immediately apparent: It is interesting to see that Opinion 1/09 was not the first time the ECJ ruled that a jurisdiction was incompatible with EU law. In Opinion 1/91 and 1/92, the Court held that conferring jurisdiction on a newly established Court of the EEA was incompatible with Community law⁷⁸. The ECJ's rulings resulted in new negotiations and the establishment of jurisdiction with two competent courts (EFTA Court and the ECJ) as legal authorities. The two operate in parallel and aim to distribute justice in the same way without being one common court. The EFTA Court is competent for interpreting the EEA Agreement and the uniform implementation of the common EEA rules by the EFTA/EEA states⁷⁹. The ECJ fulfils this judicial function for the EU. With this "two-pillar-construction", the EU Member States retain their institutional structures and judicial powers while EFTA states do not subject themselves to the EU jurisdiction. The EEA aims at homogeneous development of law within the EEA territory by respecting the autonomy of EU and EFTA member states.

In order to avoid diverging judgements by the two competent courts, the EEA Agreement requires that the implementation and application of the Agreement be interpreted in conformity with the relevant rulings of the ECJ⁸⁰. Article 3 Paragraph 2 of the Agreement between the EFTA States on the Establishment of a Surveillance Authority and a Court of Justice⁸¹ specifies:

⁷⁸ Cf. Opinion 1/91 (fn. 49), para. 36, and Opinion 1/92 (fn. 49), para. 22.

⁷⁹ See www.eftacourt.int.

⁸⁰ Cf. Article 6 of the Agreement on the European Economic Area (EEA), OJ 1994 L 1/3.

⁸¹ OJ 1994 L 344/3.

“In the interpretation and application of the EEA Agreement and this Agreement, the EFTA Surveillance Authority and *the EFTA Court shall pay due account to the principles laid down by the relevant rulings by the Court of Justice of the European Communities* given after the date of signature of the EEA Agreement (...).”

This provision imposes the obligation on the EFTA/EEA States to pay due account to the principles and relevant rulings of the ECJ. *De facto*, the EFTA Court thus follows the rulings of the ECJ; it does not have the power to develop an independent jurisprudence.

The EFTA Court is not a model which can be transposed as is to the European Patent Area for two main reasons: First, the UPC does not belong to the *acquis communautaire*, for it is an agreement signed by EU Member States based on international law and, therefore, is not relevant to the EEA. And second, EPO member states such as Switzerland or Turkey are not members of the EEA, hence, the EFTA Court does not have jurisdiction over these two countries. It would only be possible to reach the aim of establishing a pan-European patent court for all EPO member states by creating a common “European Patent Area”⁸² and by implementing a court for patent litigation on the model of the EFTA Court and the two-pillar structure: The European Patent Area could be based on a multilateral agreement between the EU Member States participating in the Enhanced Cooperation and the remaining EPO member states by preserving the two-pillar structure of EU institutions on one side and common European Patent Area institutions on the other side, as well as a joint committee for the observation and mutual transmission of case law established by the ECJ and the new patent judiciary on the side of EPO member states. In order to reach the aim of homogeneous development of law, the EPO member states would be obliged to *implement the existing EU acquis communautaire on patent matters*⁸³ as well as *some UPC regulations* which are also applicable to ‘classic’ European patents. The new patent court implemented on the model of the EFTA Court *would have to comply with the jurisdiction and interpretation of the ECJ regarding the UPC and substantive EU patent law.*

⁸² Analogously to ‘European Economic Area’.

⁸³ As defined in the EEA Agreement, e.g. Directive 98/44/EC on the protection of biotechnological inventions (fn. 71), Directive 2009/24/EC on the protection of Computer Programs or Regulation 1768/92 and Regulation 1610/96 concerning Supplementary Protection Certificates on Medical Products and Plant Protection Products.

b) Advantages of this model

A jurisdiction transposing the EFTA Court model would be compatible with the ECJ's previous opinions. Instead of having a common court, the UPC would be competent for litigation over European patents and European patents with unitary effect based on the substantive regulations of the UPC, substantive EU patent law and the EPC. On the side of the remaining 11 EPO member states, litigation would also be based on the substantive EU law and the EPC. However, it would not be under the UPC, but under a new judicial court authority which would have to be established among the 11 non-EU EPO members. National (patent) courts would, according to this model, still be competent for patent litigation over 'classic' European patents in first and second instance, but jurisdiction would follow harmonised substantive patent law, and a new supranational court would act in parallel to the ECJ. Based on the obligation to pay due account to the rulings of the ECJ, patent litigation over 'classic' European patents would be brought before two court authorities (UPC/ECJ and the new judicial court authority for EPO members) with similar case law, which would be, indeed, not a perfect solution but would *contribute to more legal certainty*. It would, therefore, be an improvement compared to the status quo and to the UPC approach. And there seems to be another advantage of this model linked with the future development of the unitary patent: If one day all EU Member States should finally agree on the creation of the unitary patent and participate in the Enhanced Cooperation, both, the regulation on the creation of unitary patent protection and the regulation on the language regime would become part of the EU *acquis communautaire* and could, therefore, *open the door to accession of all EPO member states to the unitary patent*.

c) Disadvantages of this model

The new judicial court authority for non-EU EPO member states could be forced to follow *de facto* the relevant rulings of the ECJ. In consequence, not only would it be accompanied by a *loss of sovereignty* for the 11 EPO member states, but also by an *indirect harmonisation of patent law*. Considering the higher number of participating non-EU EPO member states (presently 11 according to this model), it is likely that the EPO members would use the competences mostly to address problems with the ECJ's rulings to the Surveillance Authority. However, this model would *not be able to fully realise the original idea* of a pan-European patent court.

2. Association to the UPC based on the Schengen/Dublin model

a) Main features

With the Schengen Association Agreement (SAA⁸⁴) and the Dublin Association Agreement (DAA⁸⁵), three non-EU members⁸⁶ are able to participate in the Schengen/Dublin Area, creating a European security and asylum cooperation. This cooperation – similar to the Enhanced Cooperation on the creation of unitary patent protection – does not involve all 27 EU Member States. But it has been expanded by inviting non-EU countries interested in participating in the Schengen/Dublin Area. The participating non-EU members profit from common external border controls and the abolishment of internal controls by committing themselves to continuously implement the Schengen/Dublin acquis.

In order to ensure the most uniformly possible application and interpretation of the acquis, a mixed committee has the task of constantly observing the developments in ECJ case law as well as the case law of competent national courts. In addition, case law is regularly exchanged on a mutual basis. In cases where an EU Member State submits a request for a preliminary ruling concerning the interpretation of the acquis to the ECJ, written statements can be submitted to the court⁸⁷. In general, the SAA and DAA are based on common rules regarding the adoption of the acquis in non-EU member states as well as the interpretation of the acquis in compliance with the ECJ. But there is no common court for participating states.

The Schengen/Dublin approach can only serve as a very basic model for the extension of the UPC to non-EU member states because it has a diverging focus and limited scope of application (border controls). Nevertheless, *it includes some interesting points which could match the needs for European industry* when trying to create a European patent area: One in which non-EU member states as well as EU Member States could participate, *and in which substantive patent law, as well as case law, are as uniform as possible.*

⁸⁴ Agreement between the European Union, the European Community and the Swiss Confederation on the Swiss Confederation's Association with the implementation, application and development of the Schengen Acquis, OJ 2008 L 53/52.

⁸⁵ Agreement between the European Community and the Swiss Confederation concerning the criteria and mechanisms for establishing the State responsible for examining a request for asylum lodged in a Member State or in Switzerland, OJ 2008 L 53/5.

⁸⁶ Iceland, Norway, Liechtenstein and Switzerland.

⁸⁷ Cf. Article 8 SAA (fn. 84) and Article 5 DAA (fn. 85).

b) Advantages of this model

The creation of the Schengen/Dublin area represents the “*predecessor model*” for an *Enhanced Cooperation within the EU*⁸⁸. This model could be used for the creation of a harmonised patent area in which substantive patent law and national jurisdiction follow common interpretation and application for ‘classic’ European patents. The *national courts would keep their judicial competencies*, but they would be *obliged to follow the ECJ’s case law*. Despite the lack of legal certainty for system users, at least this model would be compatible with Opinion 1/09 of the ECJ.

c) Disadvantages of this model

Neither the SAA nor the DAA provide rules for a common jurisdiction. Judicial questions between the EU and non-EU member states are only addressed through the possibility of associated member states submitting written observations and statements of case to the ECJ in the event that the ECJ is called upon for a preliminary ruling. Judges from associated non-EU member states are not able to submit preliminary rulings on the interpretation or application of the association agreements themselves. The Schengen/Dublin area aims at harmonising substantive patent law. Therefore, it would *neither establish a common patent judicial authority, nor could participating non-EU member states create such an authority*. The basis of *cooperation would be* – like in the AAT model in the following Section VI.3. – *a bilateral one* between the EU and selected non-EU member states. This would not achieve the goals set at the beginning, which is the creation of a common patent court including all EPO members.

3. Subjugation of non-EU EPO members to the ECJ according to the Air Transport Agreement

a) Main features

The Air Transport Agreement (AAT)⁸⁹ is the only agreement that *explicitly provides a common court for dispute settlement between the EU and a non-EU member state*, namely Switzerland. Article 20 reads as follows:

⁸⁸ The Schengen/Dublin area was established before the legal instrument of the Enhanced Cooperation had officially been introduced in the Treaty of Lisbon.

⁸⁹ Agreement between the European Community and the Swiss Confederation on Air Transport (AAT), OJ 2002 L 114/73.

“All questions concerning the validity of decisions of the institutions of the Community taken on the basis of their competences under this Agreement shall be of the exclusive competence of the Court of Justice of the European Communities.”

The AAT has a limited scope in a very technical field. Therefore, it could serve as a model for non-EU EPO member states providing that they are invited to participate and are interested in doing so, in a litigation system for patent matters in Europe and accessing the UPC by an exceptional delegation of dispute resolution powers to the EU institutions, including the ECJ.

b) Advantages of this model

With the acceptance of the ECJ as having exclusive jurisdiction in patent matters, the required respect of the primacy of EU law, as claimed by Opinion 1/09 of the ECJ, would be granted. *Establishing a common jurisdiction*, with the ECJ as supervising legal authority, also would appear to be compatible with EU treaties. Despite the disadvantage of not having a common judicial authority among the non-EU EPO member states (as this model would be a bilateral approach, see Section VI.3.c) below), by submitting to the ECJ’s jurisdiction in patent matters, a harmonisation of case law and, therefore, also of substantive patent law could occur within the European patent area. That is, if all 11 EPO member states were willing to submit to the ECJ and associate with the UPC in this way.

c) Disadvantages of this model

The sole subjugation of EPO member states to a common jurisdiction with the ECJ as highest judicial authority, cannot achieve the desired effect: a common court for litigations over European patents in Europe for the purpose of enhancing legal certainty and making patent litigation more effective and less expensive. *The model consists of bilateral agreements between the EU and non-EU EPO member states*, and does not provide a common court for all EPO member states or among the remaining 11 EPO members. The drawback of no unified patent litigation settlement for ‘classic’ European patents in these non-EU member states and the danger of multiple national litigations cannot be solved through the States submitting written opinions to the ECJ. *The situation would remain unsatisfactory for European industry*. In addition, the non-EU EPO member states would be submitting

themselves to a jurisdiction in which they are not institutionally represented and which would apply EU law – a law over which they would have had no power of decision.

VII. Moving Forward: A Pan-European Patent Court

The EU Member States' decision to create a unitary patent and a Unified Patent Court is undoubtedly a step forward to improving the European patent system. However, it is neither a holistic step, nor a sustainable one. It intends to create a solution that fits the EU in terms of institutional structure and political feasibility, but such a solution does not strengthen the competitiveness of Europe's innovative industry by creating a common patent litigation system for all countries participating in the European patent area.

In our search for a better solution, we have seen that there are options integrating all EPO member states to the UPC, but all of them are limited⁹⁰ and none of them is compelling. The problem is that they are either not acceptable to the EU, or else not to non-EU EPO member states because they imply very extensive concessions on the part of at least one of the partners. These concessions are political or institutional in nature and, therefore, unlikely to be conceded by one or the other side in the foreseeable future.

Implementing the UPC based on the current proposal has its disadvantages as well, one of which is the preservation of the fragmented European patent litigation system. System users are the ones that would have to swallow the bitter pill of this fragmentation, which implies forum shopping, patent torpedoes and legal uncertainty for European patents.

The one and only existing alternative is the draft European Patent Litigation Agreement (EPLA). The EPLA is the only approach which can fully overcome the existing drawbacks of the patent systems in Europe⁹¹. But would the EPLA also be compatible with Opinion 1/09? The ECJ explicitly made it clear that "*the question at the heart of this request for an Opinion concerns, not the powers of the patent court in the field of the European patent, but the powers relating to the future Community patent*"⁹². Furthermore, the Advocates General emphasised in their previous statements to Opinion 1/09, that the EU Member States were

⁹⁰ See also Ingve Björn Stjerna, "Das Gutachten 1/09 des EuGH – Geplantes EU-Patentgerichtssystem ist mit den EU-Verträgen unvereinbar", *Mitteilungen der deutschen Patentanwälte*, 2011/5, pp. 213-217, who considers alternative solutions quite limited.

⁹¹ On the user satisfaction with the EPLA, see Section IV.1.b).

⁹² Opinion 1/09 (fn. 48), para. 59.

free to assign judicial competences to an international body in regards to European patents⁹³. Were they not allowed to do so, the Advocates General and the ECJ would have failed to recognise that EU Member States had already delegated some powers regarding the interpretation and application of EU law in patent matters (protection of biotechnological inventions) to EPO's Enlarged Board of Appeal⁹⁴. Therefore, for 'classic' European patents, there is, in our minds, no obstacle to creating a unified patent litigation system based on the EPLA. This leaves the question of how to integrate a possible future European patent with unitary effect. Here, the ECJ's view seems clear: There will be no common patent court for EU and non-EU member states without the ECJ having been accepted by non-EU members as the one and only superior jurisdiction. Thus, in conclusion, reviving the EPLA for both, 'classic' European patents and future unitary patents is possible, but only if non-EU EPO members would accept the ECJ's jurisdiction on unitary patents within the EPLA⁹⁵.

There is another reason why the EPLA should be re-considered. If the creation of a European patent with unitary effect for the EU Member States participating in the Enhanced Cooperation fails because it is found to violate EU law (as claimed by Spain and Italy⁹⁶), discussions for a patent for the EU would most likely be permanently ended. From today's perspective, both, the unitary patent and the unified patent court are not yet on solid ground.

The European Parliament's intention to debate the unitary patent in its plenary session of 14 February 2012 and to reach a final vote for the entry into force on 1 January 2014 has been postponed. During the Polish presidency, more than 100 amendments were requested⁹⁷. It seems unlikely that consensus could be reached within the given

⁹³ Cf. Opinion of Advocates General (fn. 47), para. 60, which points out that "it is not the competences of the future PC [Patent Court] concerning the European patent that pose a problem; in fact, judicial competences concerning European patents have always been exercised by the national courts". On the ECJ's non-acceptance of a patent court, including non-EU countries, see for example Stauder (fn. 50), p. 356; Baudenbacher (fn. 50), p. 240. On the ECJ's possible acceptance, but before the court issued Opinion 1/09, see for example Pagenberg (fn. 47), p. 33.

⁹⁴ That is the case if the Enlarged Board of Appeal is applying Rule 26 to 29 of the EPC Implementing Regulations in which the Directive 98/44/EC (fn. 71) is incorporated. Cf. also Stauder (fn. 50), p. 355, who highlights that the implementation of Directive 98/44/EC into the EPC Implementing Regulation was approved with the full knowledge that the Enlarged Board of Appeal would be given the power to interpret EU law.

⁹⁵ This brings the EPLA in close connection to the AAT (see Section VI.3.). Contrary to the AAT, this approach would not be a bilateral one, and it would, indeed, create one common European jurisdiction between EU and non-EU member states.

⁹⁶ See Section IV.3. and fn. 59.

⁹⁷ See the latest draft with all amendments in Doc 17578/11 LIMITE PI 169 CODEC 2203 of 1 December 2011 – 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 – Analysis of the Final Compromise Text.

time schedule⁹⁸. But the greatest hurdle for the unitary patent might be the pending objections before the ECJ of Italy and Spain. If these cases are not dropped, the ECJ could potentially table EU efforts for good⁹⁹. And if not, the two pending cases are, eventually, delaying the entry into force of the patent package for an indefinite period. Furthermore, signing the UPC under the Polish Presidency for 22 December 2011 was not yet possible due to lack of agreement concerning the location of the central division. Despite the appeal of the President of the European Commission to complete negotiations on the UPC in the early Danish Presidency and unblock the new patent system by abandoning the “trivial disagreement”¹⁰⁰ over the location of the central division, consensus on the UPC seems still unclear. Additionally, the duration of the opt-out period, during which patent owners would have the choice between the EU patent court and national courts as the competent body to decide on infringement disputes, is being discussed again.

The way things stand today, it is impossible to predict whether, how, and if so when, the legislative process will come to an end, and what the final solution will be. Before a wall is hit, it might show wise foresight to revive the EPLA and to reintegrate it into the discussion. Concentrating European patent litigation under the roof of the EPO and, at the same time, accepting the ECJ’s jurisdiction on unitary patents within the EPLA would create a truly pan-European solution without losing sight of the institutional framework of the EU. It would, thus, serve the interests of all users of the patent system in Europe, users for whom, in the end, this entire effort has been made.

⁹⁸ Not to mention the referendum requests claimed by parties of the current Danish presidency and the on-going debate in the UK European Scrutiny Committee (without its approval, UK Ministers cannot vote on the proposal of creating a unitary patent).

⁹⁹ Some authors seem to give Italy or Spain good chances for succeeding in court, see for example Lamping (fn. 54), p. 910 ff. and p. 924 f.: “In the present case, enhanced cooperation is used exclusively as a secessionist means of applying pressure with the aim of avoiding further negotiations on the translation arrangement. This form of “repressive dominance” is a clear misuse, or even abuse, of the concept of flexibility and violates the principles of loyalty and solidarity that must be taken into account in any cooperation between the Union and Member States.”

¹⁰⁰ Quotation from José Manuel Durão Barroso, President of the European Commission, in his speech at the European Parliament debate on the start of the Danish Presidency of the Council of the European Union of 18 January 2012, SPEECH/12/13.