Report of the ECJ Hearing in case 1-09 of 18 May 2010
Request of an Opinion by the Council

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A. The Arguments of Member Sates and the EU Institutions

1. Procedural Situation
On May 18, 2010, the European Court of Justice held its hearing in the proceeding for an opinion under art. 300 (6) EC (now art. 218(11) TFEU ²) concerning the compatibility of the Draft Agreement for a European and Community Patents Court ³. This request for an Opinion had been filed by the Council of the European Union on July 9, 2009.

Twenty countries had intervened and submitted written pleadings, in addition to the European Parliament and the European Commission. Fourteen countries⁴ plus the Commission regarded the Draft Agreement as compatible with the provisions of the Treaty (France, Czech Republic, Denmark, Germany, Estonia, Poland, Netherlands, Portugal, Romania, Slovenia, Finland, Sweden, United Kingdom, Belgium), seven countries plus the Parliament regarded the Draft Agreement as incompatible with the provisions of the Treaty (Greece, Ireland, Spain, Lithuania, Luxembourg, Italy, Cyprus), Spain and the European Parliament in addition pleaded that the request was inadmissible arguing that it was “premature and incomplete” in view of the uncertainty surrounding the legal context in which the proposed agreement is to operate. The number of fourteen countries in favor must however be taken with some reservation, since the reasoning among them was very diverse and partly contradictory, some rejecting vigorously a legal basis in favor of compatibility which others had pleaded as the only possible article of the Treaty.

The Council, Commission, Parliament and the Member States had the opportunity for oral presentations of the usual fifteen minutes according to the rules of the ECJ. The ECJ had asked the parties in writing before the hearing to concentrate on three topics:

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² The Lisbon Treaty is referred to as Treaty on the Functioning of the European Union (TFEU)

³ Doc. st7928/09 of March 23, 2009

⁴ Belgium apparently had not submitted a written brief but joined the “pro”- group in its oral pleadings
(i) admissibility of the request, in particularly with respect to the reasons against admissibility submitted by the Parliament;

(ii) effects of the entry into force of the Lisbon Treaty on the Agreement with the partly new rules of the Treaty; and

(iii) how the provisions proposed in the Draft Agreement fit and can be integrated into the legal structure of the court system under the Treaty.

The representatives of the parties dealt with the topics by mostly repeating their arguments from the written submissions.

2. Admissibility
The European Parliament as well as some member states argued that the request for an opinion is not only premature and inadmissible because the European Parliament had not yet approved the draft Regulation on the Community Patent 5, but also because national parliaments have a word to say as to whether the discussed texts are in conformity with their national constitutions in view of the fact that court jurisdiction and competence would shift from national courts to international courts6.

3. Effects by the Lisbon Treaty
With respect to the effects of the entry into force of the Lisbon Treaty (TFEU), most Member States agreed that the new rules dealing with industrial property rights and the court competence in this field have not decisively changed or extended the powers of the EU or the competence of the ECJ.

The significance of article 118 TFEU7 was discussed by most speakers, but primarily under the aspect of the intended improvement of the competitive situation by the Agreement within the internal market which could mean that it only applies to the EU patent but would leave the competence for national and EP patents in the hands of the Member States.

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5 Doc. st16113/09 of 27 November 2009

6 The discussion turned around the interpretation of art. 218 (11) TFEU as to whether the Agreement was “envisaged”:

11. The.. Council .. may obtain the opinion of the Court of Justice as to whether an agreement envisaged is compatible with the Treaties.

7 Art. 118 TFEU reads in its relevant part: In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.
However, interpreting the later oral questions of the Court this second topic might have aimed at a more precise point, namely whether article 118 obliges the EU to

\[\text{set up centralised Union-wide authorisation, coordination and supervision arrangements.}\]

This topic was however not discussed by the speakers who primarily dealt with the question whether the internal market needs for its own development an international Agreement with third parties.

4. The Question of Compatibility

a) Some Member States which denied the compatibility of the Draft Agreement with the Treaty stated that with the Agreement the community legal order would be significantly changed by depriving national courts of the jurisdiction that they today enjoy to hear and determine private party actions in the field of patent infringement. Others limited these doubts to the jurisdiction for EP patents for which they challenged the competence of the Union and denied the applicability of article 118 TFEU for the establishment of an international court system, as long as this is not limited to EU intellectual property rights, since art. 118 speaks only of the internal market.

b) But even between the Member States who affirmed the compatibility of the Agreement the reasoning could not have been more controversial. Seven Member States proposed Art. 308 EC (now art. 352 TFEU) as an argument for compatibility, two of them with reservations as to EP patents. Those who were against the application of article 352 TFEU argued that it does not confer competence on the EU to conclude agreements which fall within the competence of the Member States. Four Member States relied on Art. 229a EC (now article 262 TFEU), which was strictly rejected by five, but was accepted by another four only for EU patents. Those which rejected article 262 TFEU as a legal basis argued that according to its text

\[\text{to confer jurisdiction ... on the Court of Justice [pertaining to] acts which create Community industrial property rights}\]

it only regards the possibility of conferring jurisdiction on the Court of Justice in respect of disputes relating to EU patents, but not in respect of disputes relating to EP patents. Others argued that Art. 262 is not an obstacle, without discussing whether they meant only EU patents or also EP patents. Four did not suggest any legal basis at all and only gave general explanations why they were in favor and that they did not find a provision speaking against the Agreement.

8 Doubts were raised whether there is evidence that such a shift of competence and jurisdiction is indispensable if the present rules of jurisdiction also bring satisfactory results and a uniform Common Market is obtained by the creation of a uniform IP right for which special courts exist. Not one Member State mentioned in this context the experience with the Community Trademark for which no shift of jurisdiction from the national courts to international courts outside the EU has taken place.
c) While the necessity for the establishment of a uniform patent right for the Community was affirmed by the majority of Member States, the distinction between the compatibility of the proposed Agreement with the EU legal order for EU patents and its lack of competence for EP patents was also made by a number of Member States who generally spoke in favor of the compatibility as such. It was not surprising that the question whether and how to include EP patents in the Agreement was again discussed very controversially. A few argued in favor of combined jurisdiction for EP and EU patents with the argument that one cannot duplicate the patent courts. However, these same countries had voted in favor of a Revision Clause in December 2009 which, if accepted, would shut down the national courts which act as local chambers six years after the entry into force of the Agreement.

d) For some countries the geographic location of courts sitting in non-member states played a decisive role for denying the compatibility of the Agreement if those foreign courts decide on the application of intellectual property rights with effect in the internal market. Their argument was that the preservation of the autonomy of community law requires that the validity of patents covering the entire European Union cannot be decided by courts sitting in non-member states9. So it was a colorful picture of legal controversy10.

B. Result of the Oral Presentations

1. Although there were a number of valid arguments which would speak against the admissibility of the request as being premature based on prior case law, one could imagine that the Court will not see a problem for the admissibility of the request in this particular situation, although one must admit that legal certainty as to the basis of the Agreement is not yet given.

2. The effects of the entry into force of the Lisbon Treaty concern primarily the further handling of the Regulation for the EU patent by the EU Parliament and not the Agreement. However one would still need evidence that the existence of identical courts for EU and EP patents is indispensable for a functioning of the internal market. The experience with the Community trademark shows the opposite. The clear answer of some of the member states therefore was that "such a construction (of international courts) does not fit" into the Community legal order and is contrary to the text and purpose of article 118 TFEU which only applies to internal IP rights. To overcome these legal obstacles will not be easy, but the real problems lie in fact with the core of the question of compatibility.

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9 This arguments, if it is accepted by the ECJ, might force the Commission to reconsider the inclusion of EP patents into the jurisdiction of the EU Court system and leave those bundle patents with the national courts,

10 Other provisions were discussed as well like article 225a EU (now article 257 TFEU) which mentions the creation of a specialized community court but not of an international judicial body. Articles 133 EC (now art. 207 TFEU) and 95 EC (now art. 115 TFEU) in conjunction with Directive 2004/48 EC were rejected as a sufficient legal basis.
3. The controversy between Member States arguing in favor of a compatibility with the Treaty, some insisting on article 352 TFEU as only legal basis\textsuperscript{11}, others relying only on article 262 TFEU and rejecting art. 352 TFEU because of its vague text, left an impression of total legal uncertainty. None of the representatives examined the questions, why all the more specific rules cited contained a limitation to the territory and effect on the internal market. None tried to examine the legal history of article 352 as to its purpose or explained how one can overcome in spite of the apparently broad language of this provision the limitation

\textit{in the course of the operation of the common market.}

One observer in the audience, after having listened to the diversity of oral presentations of Member States, made the remark during a break that it is difficult to understand how they had come to an \textit{unanimous} acceptance of the Conclusions on 4 December 2009 in view of those partly drastic differences between them.

C. Questions by the Court and the Advocate General after the Oral Pleadings

\textbf{1. Lack of unanimity between Member States}

The Judge Rapporteur must have had the same impression as to the diversity of the legal evaluation of the underlying concepts between Member States, since her \textit{first question} to the Council was how far the unanimity went in the Council between Member States on the compatibility question and how many footnotes one finds in the Draft Agreement. The Council representative admitted that there were differences of opinion between Member States on this point. But he refrained from becoming more specific.

Also the subsequent requests for further clarification of the Court and the Advocate General directed to the Council, the Commission, and in part to the Parliament, showed that the Court and the Advocate General were not satisfied with what they had heard so far and put the main actors into a defensive position\textsuperscript{12}.

\textbf{2. Necessity of Enactment of the EU Patent Regulation}

By her \textit{second question} the Reporting Judge wanted to know from the Council whether the enactment of the Regulation of the EU Patent was a prerequisite to the conclusion of the Agreement

\textsuperscript{11} Article 352 reads: \textit{If action by the Community should prove necessary to attain, in the course of the operation of the common market, one of the objectives of the Community, and this Treaty has not provided the necessary powers, the Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament, take the appropriate measures.}

\textsuperscript{12} For the purpose of coherence the following citations of questions and answers are not textual translations and take advantage of the content of the entire discussion which may facilitate the understanding of the legal problems. The comments given in single space constitute a personal analysis of the author of the questions and answers.
which was confirmed by the Council. This gives the Parliament a role to play before the court system can be finalized and might delay the further work for the Agreement.

3. Significance of Art. 118 TFEU – Lack of EU court control over the EPO granting and opposition process

The following questions by the Court and the Advocate General all focused on the legal control and supervision by the EU legal order over the granting process for EU patents when this will have been entrusted to the EPO.

(a) The Reporting Judge addressed the first question to the Commission on the significance of Art 118 TFEU for the outcome of the Opinion. From the follow-up discussion it became clear that the judges were touching here one of the core question about the judicial power which would remain with the EU or eventually be bestowed on the EPO with regard to the grant of EU patents and the eventual legal recourse against decisions of the EPO in this context.

The representative of the Commission obviously understood the question in a more theoretical or dogmatic sense and responded that the request for an Opinion did not concern the legal foundation of the competence. This was surprising in view of the long debates on this question in the written and oral pleadings of different parties and that the Agreement is all about the court structure and the competence of the EU or international courts respectively.

(b) Since the Commission refrained from bringing a further clarification on this question, the judge became more specific and now wanted to know whether transferring powers on the EU granting process to an authority outside the Community would not be in conflict with the powers of the Court. Again the answer of the Commission was evasive explaining that not the granting act but the future validity of the patent is decided by the EPO which was not further explained.

The representative of the Commission did not touch the underlying problem which the Court was interesting in, whether it was in conformity with the EU legal order if no Community instance has control over the act of grant or refusal, or more precisely, whether there is a court instance available in the Community which an applicant could call upon when his application has been rejected in the granting phase or his patent invalidated in an opposition.

(c) That this was the topic the Court wanted to discuss became clear from the next question, this time from the Advocate General who explained that she was interested in whether the EU would have to accept a positive or negative decision of the EPO, i.e. whether the EU is willing to give full powers to the EPO without reservation of its own decisional power.

Patent practitioners know that in the granting and opposition phase of the EPO the patent applicant or patent owner can file an appeal against the Examination Divisions or the Opposition Division
respectively, but there is no court above the Boards of Appeal to correct legal errors, severe violations of procedural rules or an infringement of Community law. While in case of grant of an EP patent third parties who did not succeed in invalidating the patent in an opposition or had not filed an opposition, can use the national courts for a revocation action; but no such remedy is available for the unsuccessful patent applicant.

This is one of the weak points of the EPO procedural system which has been widely ignored – or generally accepted – by the Member States of the European Patent Organisation, although there had been a discussion some years ago with the aim to transform the Boards of Appeal into an independent court. But the discussion had not led to any concrete steps13.

d) In their answers to this question the Council and the Commission contradicted each other. The Council regarded such a delegation of power as not problematic, the representative of the Commission even took the view that there was no delegation of power and alleged that the EU still has control in the granting process, since the EPO grants an EP patent which the EU then “transforms” into an EU patent. He did not explain how this was going to work in practice.

These answers did not give a convincing clarification for the envisaged procedure. Although a text for the accession agreement with the EPO is still to be drafted one must assume that EPO examiners will act under the rules laid down in Art. 142 EPC14, i.e. by an act of delegation of powers. After the accession agreement with the EU will have been concluded the applicant would have the choice what kind of patent he wishes. If he ticks the box for “EU”, he gets an EU patent, if he ticks “Switzerland, France and Norway”, he receives a bundle of three countries. The EU presumably would request and negotiate into the agreement with the EPO specific examination requirements in order to ensure that where EU substantive law differs from the written or case law of the EPO – if this is possible –, the EU patent will be granted according to those rules15.

Such specific granting rules existed already in the past for a number of EPO member countries which did not have compound protection when joining the EPO. As a result, specific claims in the form of process claims were granted for those countries, whereas for the other countries chemical compound claims were granted. If one takes the view of the Commission representative that an EP patent would first be granted which then will be “transformed” or “converted” into an EU patent,

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13 On the national level Germany founded 50 years ago the Federal Patent Court in order to ensure that an act of expropriation like the invalidation or rejection of a patent shall always be ordered or controlled by a judge. It was therefore not surprising that the ECJ saw a problem with the present structural organisation of the EPO if applied to the EU patent.

14 Article 142 - Unitary patents: (1) Any group of Contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories, may provide that a European patent may only be granted jointly in respect of all those States.

15 At present this could be the case for biotech inventions. Such a possibility is already foreseen in the EPC organisational rules, see Art. 143 EPC - Special departments of the European Patent Office - (1) The group of Contracting States may give additional tasks to the European Patent Office. (2) Special departments common to the Contracting States in the group may be set up within the European Patent Office in order to carry out the additional tasks.
one must also explain by whom. The EU has no examiners, so who could force the examiner to grant if he wants to refuse? And what legal remedies are available after the request to grant of an EP patent has been dismissed? Will there be somebody (in the EPO?) to revive the invalidated EP patent in the form of a valid EU patent? This the Court would have liked to hear in the context of the discussion of Art. 118 TFEU (...the Council .. shall establish ... supervision arrangements).

e) That the Court was indeed not interested in a virtual granting construction became clear when the Advocate General made another effort to get a precise answer as to whether there is indeed no judicial EU instance foreseen to control the granting process of EU patents and whether the EU Council does not see there a problem of competence of the Court. Also the President of the Court was obviously concerned about the lack of legal review and judicial control by the EU over adverse decisions by the EPO, since he expressly called this an important question. When the representative of the Commission came up with the answer that there was an appeal possible (within the EPO, namely to the Appeal Board) and as an alternative that one could give the Boards of Appeal the right to refer questions on interpretation of EU law to the Court, the President found this “a little surprising”.

The concerns of the Advocate General and the Court are very real indeed, if no court exists to control and possibly correct the refusal of an application by the EPO. The fact that the Member States have accepted this situation over many decades does not mean that the lack of court control must be acceptable for the users today. Cases in which clear violations of basic procedural rules, e.g. the right to be heard, were an issue left patent owners indeed helpless before the EPO after all legal avenues had been exhausted. It is therefore comprehensible that the judges of the ECJ were surprised that the EU representatives did not see a problem here.

One example is the Lenzing case where the EPO Board of Appeal had invalidated the patent based on a piece of prior art which a member of the Board of Appeal had searched and found after the hearing and which had never been discussed before. There was seldom such a clear case of violation of the right to be heard. Lenzing challenged the decision on several grounds with requests for self-

16 The comment of the President of the ECJ was telling when he called the answer by one of the EU representatives that he had no problem with the lack of judicial control “rather strong”.

17 The question whether the EPO Boards of Appeal can be regarded as “courts” for the application of Art. 267 TFEU would apparently be decided in view of this remark by the Court in the same way as with respect to the Boards of Appeals of OHIM, namely that they are instances of the granting authority and not a court or tribunal.

18 The Member States had in fact consciously renounced to provide a court instance for such review cases, see van Empel, The Granting of European Patents, Leyden 1975, no. 521 et seq.).

19 Date of decision 25 September 2000, fiel no. J 0003/98 - 3.1.1, application no. 89890209.3

20 This author took over the case after the ominous decision had issued. There was in fact a parallel case which happened approximately at the same time, the ETA case.
correction, reinstatement etc.\textsuperscript{21}, and finally a complaint before the German Constitutional Court – all without success\textsuperscript{22}.

The fact that the Commission would be willing to treat the EPO Boards of Appeal as courts in order to satisfy the requirements of Art 267 TFEU would open another discussion, this time between the Commission and the Parliament which had always regarded the EPO Boards as being mere \textit{administrative bodies} and had therefore refused – to the distress of the Commission - to accept its members as technical judges in the future EU patent court system which does not leave many technically trained patent experts for these jobs in Europe. Nevertheless, none of the representatives of the EU institutions - Council, Commission or Parliament – were ready to jump on the train which the President and the Reporting Judge tried to put on track, namely the use of an independent EU court instance for remedies against decisions of the EPO\textsuperscript{23}. It was surprising that the representative of the Commission did not even offer to examine this question, the more so, since not the Commission, but the Member States of the EPO are responsible for this problem. Now it can be hoped that the ECJ himself will give an appropriate answer in order to bring more justice to the EPO procedure.

4. \textit{Language of proceedings}

(a) The topic changed with a new question by the Advocate General whether it is fair if a defendant has to defend himself in a court language which he does not speak, and which might be the language of the plaintiff.

(b) Commission, Council and Parliament were unspecific in their answers by stating that this is in conformity with the law today. They could have referred to the Regulation 44/2001 and the common procedural practice of everyday life: if a German tourist has an accident during his vacation in Spain, he has to defend himself before a Spanish court in Spanish, if necessary with the help by a Spanish attorney. There is normally no translation provided by the courts for the defendant in civil cases, this has to be organized by the party itself. This could be improved in the future, but if one

\textsuperscript{21} Among others Article 122 (1) (Reinstatement); Article 101 (2), 113 (1) (Hearing opportunity for parties); Art. 125 (application of procedural rules of member states); (all numbers of articles according to the texts prior to EPC 2000).

\textsuperscript{22} Lord Justice Jacob’s comment on this problem in the parallel English case was in this author’s view more political than legal when he said: \textit{This country has agreed with the other State members of the EPC that the final arbiter of revocation under the new legal system is to be the Board of Appeal of the EPO. Other States would be justly entitled to complain if we in this country were to ignore such a final decision ... The suggested course would be to: 'hijack an organisation to which [one sovereign State] and other States had given birth and subject it (contrary to the treaty terms) to its own domestic jurisdiction...... One can put the matter another way: the EPO has an internal legal system of its own. This follows inherently as a matter of course from its own structure as an international organisation. The comment of the IPKat Blog [Jeremy Philips] on 11/23/2004 put the finger on the point; while showing understanding for the concerns of Lord Jacob of possible misuse, Jeremy Philips nevertheless was surprised about the result: It seems anomalous that the national patent laws of European’s various nations must all operate in accordance with principles of human rights while no such check is placed upon the operations of the European Patent Office itself. (!!)}

\textsuperscript{23} This could very well be the EEUPC, namely its central chamber, which would be competent for revocation cases.
wants to introduce translations in all fields of law, one should be aware that this would increase litigation cost enormously.

(c) Patent cases are the least problematic anyway, since translations in court rooms are organized today already by the parties themselves or their attorneys which does not require a change of the language of proceedings. And other than in case of a traffic accident of a tourist, businesses which can organize sales abroad and mostly have trading partners in the respective country where they do business should also be able to defend their interests in court. One may add that also the situation of the plaintiff should be considered who should not find himself in a disadvantageous position: Why should a small entity whose patent is infringed in its home country be expected to enforce its rights before a court which speaks a different language than himself?

**Conclusion**

What can be expected from the Opinion of the ECJ? A clear affirmative answer in favour of compatibility of the present Agreement is highly unlikely in view of the persistent questions and serious doubts concerning the lack of judicial EU control over the EPO granting procedure. Beyond this the controversial legal basis between the Member States about the court system as a whole, and particularly with respect to the combined jurisdiction for EU and EP patents will most probably be addressed by the Court and can hardly be resolved to the satisfaction of all Member States.

What then? If the EU patent is still the wish of a large part of European industry, then one should concentrate on finalizing the EU Patent Regulation first. Only afterwards – since the Parliament wishes to discuss a number of questions there – will it be worthwhile to think about an approach by which the court system could be "downsized" to its real needs, namely to provide a uniform answer for the Internal Market in case of infringements of an EU patent. While the functioning – and the interest of the users of this system – are being tested, things should remain as they are with respect to EP patents which can continue to be litigated before the national courts, with an option to also use the new EU courts, if the ECJ shows a way how this can be done without violating the Treaty. But there must be an option in particular for SMEs to continue using the familiar and less complex and probably less expensive national courts. It can be anticipated that many of the surprising contradictions between the Member States which were voiced during the hearing on basic legal issues will slowly dissipate once all parties see that their concerns have been taken care of and that not one class of users is put into a less favourable position than it had before. For the moment the "patent bundle" tied between the Regulation and the Agreement has proven too heavy to find an easy solution.