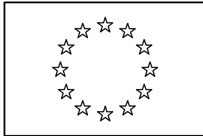

COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 20.3.2009
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RECOMMENDATION FROM THE COMMISSION TO THE COUNCIL

To authorise the Commission to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System

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A. EXPLANATORY MEMORANDUM

1. INTRODUCTION

The Commission proposes to open negotiations with a view to the conclusion of an agreement between the European Community, its Member States, and other Contracting States of the Convention on the Grant of European Patents (European Patent Convention, EPC) of 5 October 1973[1]on the creation of a Unified Patent Litigation System. The court structure established in the framework of the Unified Patent Litigation System would have jurisdiction both for existing European patents and future Community patents. In view of the former the agreement would be open for accession by any Contracting States of the Convention on the Grant of European Patents (European Patent Convention, EPC) which is not among the initial contracting parties of the agreement.

The protection of industrial property rights, such as patents, at EU level promotes cross-border manufacturing and distribution of goods in the European Community and thereby contributes directly to the better functioning of the Internal Market. Furthermore, it affects trade within the EEA and is therefore of relevance to all signatory countries of the EEA Agreement.

Patents play an important role in the system of industrial property rights. They stimulate and reward innovation and lead to the successful development of new products and processes. The current fragmentation of the patent system in Europe and in particular the lack of a unitary title and the absence of a unified patent litigation system renders access to the patent system complex and costly and hampers effective enforcement of patents, especially for SMEs.

Innovators wishing to protect their invention in various Member States of the Community can currently achieve this protection through separate national patents or through a European patent. European patents are granted by the European Patent Office (EPO) established by the EPC and which has currently 35 contracting parties. Besides the Member States these include, inter alia, Switzerland, Iceland, Liechtenstein and Norway.

In case of disputes concerning the validity or an alleged infringement of a patent, Community legislation in the field of civil justice currently provides that proceedings concerning the validity of a patent must be brought before the courts of the Member State in which the patent has been registered. Infringement proceedings may be brought alternatively before the courts of the Member State of the defendant's domicile or before the courts of the Member State where the harmful event occurred or may occur. Similar rules apply in the relations with Switzerland, Norway and Iceland, both under the 1988 and 2007 Lugano Conventions. This system entails multi-forum litigation since companies may have to litigate in parallel in all

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[1] http://www.epo.org/patents/law/legal-texts/html/epc/2000/e/contents.html

Member States where the patent is validated. Stakeholders have repeatedly reported that this involves considerable cost, complexity and legal insecurity resulting from the risk of contradicting court decisions in different Member States. On the occasion of a 2006 consultation exercise it has been claimed by stakeholders that the current litigation system leads to legal insecurity, in particular as regards patent issues with a cross-border dimension. Finally it has also been suggested that the system does not comply with the requirements of a single market.

As set out in the Commission's Communication of 3 April 2007 the accumulated costs of parallel litigation in the four Member States having currently the bulk of patent litigation cases (DE, FR, UK and NL) would vary between 310,000 € and 1,950,000 € at first instance and 320,000 € and 1,390,000 € at second instance. This means that patent litigation is currently unnecessarily costly and risky for all parties involved. The risks associated with patent litigation together with the lack of a unitary title hamper in particular access to the patent system for SMEs and individual inventors and are a draw-back for European innovation and competitiveness.

The Commission is preparing a report on the application of the Brussels I Regulation[2] in which it will address the main shortcomings of the current Community / Lugano systems. However, the costs relating to parallel proceedings before national courts and related difficulties of coordinating such proceedings would be best addressed if a unified patent litigation system was set up.

A recent economic cost-benefit analysis of a Unified and Integrated European Patent Litigation System[3] came to the conclusion that there would be substantial benefits for litigants and the overall European economy by avoiding duplication of patent infringement and revocation cases. As early as in 2013 total private cost savings are forecasted to amount to 148 to 289 million € per annum, in accordance with the expected number of avoided multi-forum cases. It is expected that such cost savings will continue to rise in the future.

The creation of a Community patent and a unified patent litigation system both for future Community and European patents therefore remains a priority for Europe.

2. THE ENVISAGED AGREEMENT CREATING THE UNIFIED PATENT LITIGATION SYSTEM

In order to remedy the significant shortcomings of the current situation of patent litigation in Europe a number of Member States and third countries prepared, under the auspices of the EPO, a draft European Patent Litigation Agreement (EPLA) which would have addressed the above-mentioned shortcomings in relation to European patents only. However, there was insufficient political support from Member States in the Council for the necessary involvement of the Community. For this reason, the Commission proposed in its above-mentioned Communication the creation of an integrated jurisdictional system for both European patents and future Community patents. On the basis of the Communication the

[2] Council Regulation (EC) No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, OJ No. L 12, 16.1.2001, p.1.

[3] Harhoff, Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System, Final Report, Study commissioned by DG MARKT of the European Commission, Tender No. MARKT/2008/06/D, 31 December 2008, as revised on 9 February 2009, p. 40.

Council Working Party on Patents has been discussing the idea of creating a Unified Patent Litigation System. The court structure established in the framework of the Unified Patent Litigation System would have jurisdiction concerning the infringement and validity of European and Community patents. It would appear that there is emerging broad consensus on the main features and the basic tasks of a Unified Patent Litigation System involving a largely decentralised first instance, a single appeal instance and a role of the ECJ aimed at providing a consistent interpretation and application of Community law.

The Unified Patent Litigation System should be created by the conclusion of an agreement in accordance with the procedure foreseen by Article 300 EC involving the Community, its Member States and other Contracting States of the EPC. The participation of the Community in the agreement is notably required since it would cover areas for which the Community has exclusive competence to conclude agreements with third countries, such as those covered by the Enforcement Directive[4] and the Brussels I Regulation[5]. It should be noted, however, that the existing acquis relates to national court procedures and may thus not be directly relevant. The proposed unified jurisdictional system would diverge from existing rules concerning national court structures to the extent required for its operation. The agreement would be complementary to the creation of a Community patent on the basis of the Commission's proposal for a Council Regulation from 2000[6]. It is envisaged that work on the proposed Regulation will proceed in parallel in the Council working party with a view to reaching an overall agreement comprising the Community patent and the patent litigation system.

Despite recent EPO patent reforms the Community patent would provide added value that the European patent cannot offer. After grant by the EPO the European patent splits into a bundle of national patents governed by national law. By contrast Community patents will be single IP titles such as the existing Community trademark. They will have a unitary and Community wide effect by virtue of a directly applicable Community Regulation. Since Community patents will stretch across the entire EU territory they will be uniformly enforceable at the EU's external borders. Last but not least they will be less costly and will involve far less administrative and other burden for applicants and rightholders.

Against the background of the current economic downturn the Commission therefore remains firmly committed to a comprehensive patent reform package involving both a pan-European patent litigation system and a single patent. The Industrial Property Rights Conference organized in collaboration with the French Presidency in Strasbourg on 16 and 17 October 2008 showed that there is broad consensus amongst all segments of European industry for urgent action on both files.

The patent reform file should also be seen in the wider context of the EU's structural reform agenda, such as the Lisbon Growth and Jobs Strategy, the European Economic Recovery Plan for growth and jobs[7] and the Single Market Review[8]. It contributes substantially to the overall goal of promoting innovation and reducing cost and burden for businesses.

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4 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ No. L 195, 2.6.2004, p.16.

5 Council Regulation (EC) No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, OJ No. L 12, 16.1.2001, p.1.

6 COM (2000) 412 final, 5 July 2000, OJ No. C 337, 28.11.2000, p. 278; latest draft text as revised by the Council on 8 March 2004, Council document 7119/04.

7 COM (2008) 800 final, 26 November 2008.

8 Staff Working Paper "The Single Market Review: one year on", SEC (2008) 3064, 16 December 2008.

It would appear at this stage that Member States show openness for the conclusion of a mixed agreement setting up a Unified Patent Litigation System[9]. Moreover additional progress has now also been made as regards outstanding issues concerning the Community patent.

Based on the results of the discussions in the Council working party so far the main features of the envisaged Unified Patent Litigation System may be summarized as follows:

- It would comprise a first instance with local and regional divisions as well as one central division, a second instance and a Registry.

- All divisions would form an integral part of a single judiciary with uniform procedures.

- Judges of the court structure established in the framework of the Unified Patent Litigation System should have a high degree of specialisation in patent litigation and technical expertise.

- A training framework for judges of the unified judiciary would be set up in order to improve and increase available patent litigation expertise and to ensure a broad geographic distribution of such specific knowledge and experience.

- A pool of patent judges consisting of legally qualified and technically qualified judges would reinforce the local and regional divisions of the court structure established in the framework of the Unified Patent Litigation System.

- The court structure established in the framework of the Unified Patent Litigation System would have jurisdiction, both with respect to European and future Community patents, for infringement actions, actions or counterclaims for revocation, actions for declaration on non-infringement and actions for compensation in respect of the protection conferred by a published patent application. Moreover it would deal with actions concerning compulsory licences for Community patents. Patents granted by national patent offices would remain outside the scope of the future litigation system.

- The court structure established in the framework of the Unified Patent Litigation System would be solely competent for revocation actions and infringement actions. However prior to the date this court structure has become operational, applicants and patentees can be entitled, for pending applications and granted European patents, to opt out of the system.

- Decisions of the court structure established in the framework of the Unified Patent Litigation System would have in principle effect throughout the territory or territories where the respective patent is in force.

- The court structure established in the framework of the Unified Patent Litigation System would have essentially the power

– to declare a European or a Community patent invalid;

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[9] Council document 5072/09 (Draft Agreement on the European and Community Patents Court and Draft Statute)

- to order the infringer of such a patent to cease and desist;
- to order the destruction of infringing goods or materials used to manufacture infringing goods;
- to order the payment of damages to the injured party and for the infringer to inform the injured party of the identity of any third person involved;
- to issue provisional and protective measures, including preliminary injunctions, orders for inspection of property, freezing orders and sequestration.

- The decisions of the Court of First Instance could be appealed to the Court of Appeal.
- The Court of Justice of the European Communities would rule on preliminary questions asked by the court structure established in the framework of the Unified Patent Litigation System on the interpretation of EC law and on the validity and interpretation of acts of the institutions of the Community.

However, for the sake of legal certainty it would seem appropriate that an opinion under Article 300 (6) EC be requested from the Court of Justice on the compatibility of the envisaged Agreement with the EC Treaty insofar as the Unified Patent Litigation System would have jurisdiction with respect also to future Community patents.

3. PARTICIPATION OF THE COMMUNITY IN THE NEGOTIATIONS

A participation of the Community in the negotiations of the draft Agreement is required by virtue of Community competence existing in this area. In the negotiation process overall relations with the third countries concerned shall also be taken into account.

A participation is also in the Community interest on grounds of patent policy. The current situation, namely the jurisdiction of various national court structures in the different EPC Contracting States, does not comply with the requirements of a truly single market. The current system is both costly and carries the risk of variable or possibly even contradictory results in the Member States. The creation of a single court responsible for decisions on the European and the Community patent is in the interest of legal certainty and the promotion of the uniform application and interpretation of patent law at EU level and in the context of the EPC. It will provide patentees with a more predictable, rapid and less expensive way to settle disputes in relation to their patents and is thereby expected to further growth, competitiveness and employment. It is likely to render the patent system more affordable, in particular for SMEs.

B. RECOMMENDATION

In the light of the above, the Commission recommends:

- that the Council authorise the Commission to negotiate the adoption of a Agreement creating a Unified Patent Litigation System;

- that the Council decide that the Commission shall conduct these negotiations on behalf of the European Community, in consultation with a special committee of representatives of the Member States, called upon to assist it in its task in accordance with the attached negotiating directives

- that, when negotiating the adoption of such an Agreement for matters falling within their competence, Member States should coordinate among themselves and with the Commission, within the aforementioned special committee, any positions they will adopt vis-à-vis of third countries

- that the Council adopt the negotiating directives as set out in the Annex.

ANNEX

NEGOTIATING DIRECTIVES

– The Agreement shall be concluded by the European Community, its Member States and other Contracting States of the European Patent Convention.

– The Commission shall ensure that the court structure established in the framework of the Unified Patent Litigation System will have jurisdiction both in relation to European and Community patents.

– The Commission shall ensure that the provisions laid down in the draft Agreement and any legal instrument forming part of the draft Agreement comply with the acquis communautaire. This requirement shall be subject to express derogations from the acquis required for the purpose of the creation of a specialist patent court.

– The Commission shall ascertain that the Court of Justice of the European Communities would rule on preliminary questions asked by the court structure established in the framework of the Unified Patent Litigation System on the interpretation of EC law and on the validity and interpretation of acts of the institutions of the Community.

– The Commission shall ensure that the rules of the draft Agreement are consistent with the creation of a Community patent.