~*FACTSHEET*~

The long road to unitary patent protection in Europe

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Since the 1970s, the EU member states have been in agreement on the necessity of setting up a common system of patents. Both a common patent system and a unified patent litigation system are needed to improve the competitiveness of European companies, especially of small- and medium-sized enterprises.

This would reduce the cost of patent registrations and litigation, easing access to inventions and improving innovation, therefore contributing to economic growth.

At the same time a unitary title providing equal protection throughout the entire territory of the EU would enhance and render more effective the fight against counterfeiting and the copying of patented products produced by European companies.

However, no agreement had been reached between member states so far.

The current patent system

Patent titles in Europe are currently granted by the European Patent Office (EPO). The EPO administers a single procedure for the grant of patents. However, once a European patent has been granted it becomes a national patent and is subject to the national rules of the contracting EPO states[1] designated in the application. The EPO's official languages are English, French and German.

The existing European patent is not a unitary title; it is a bundle of national patents. There is at present no single jurisdiction for disputes on European patents. Any infringement, invalidity counterclaim or revocation action in relation to "bundled" European patents may be subject to diverse national laws and procedures. Consequently, claimants and defendants bear the risk of multiple litigation in a number of countries on the same patent issue.

[1] The European Patent Organisation was set up in 1977 on the basis of the European Patent Convention signed in Munich in 1973. It has two bodies, the European Patent Office (EPO) and the Administrative Council. The organisation has now 38 countries, including the 27 EU member states.

Searching for the right solution

Following a Commission proposal in 2000, the EU Council tried to find a solution to this problem. Nevertheless, member states did not support a common position neither as regards a single jurisdictional system with the power to decide matters affecting the validity of patents, nor as regards the language regime.

In January 2006, the Commission launched a public consultation broadly supported by member states, researchers and academics. Further to this consultation, the Council asked the Commission to present a comprehensive intellectual property rights strategy.

On 4 April 2007, the Commission submitted a communication on "enhancing the patent system in Europe" *(8302/07)*, considering key elements for developing the new system, such as quality, costs, efficiency, knowledge transfer, enforcement of patent rights and international aspects.

It also identified three options in order to create an integrated jurisdictional system for patents:

- the accession of the EU to an intergovernmental agreement creating a European patent court (the draft European Patent Litigation Agreement, EPLA), which has been negotiated under the auspices of the EPO;
- the creation of a specific EU jurisdiction for patent litigation on European and, once created, on EU patents; and
- a mixed system that would combine features of both EPLA and the EU jurisdiction.

All these elements were under examination under successive EU Council Presidencies and culminated with the adoption, on 4 December 2009, of Council conclusions on an "Enhanced patent system for Europe" *(17229/09)* and a general approach on a draft regulation on the EU patent *(16113/09 ADD 1)*. However, the translation arrangements for the EU patent remained out of the scope of these conclusions.

On 2 July 2010, the Commission submitted to the Council a proposal on the translation arrangements for the EU patent *(11805/10)*.

After verifying, on 10 December 2010, the failure to reach the required unanimity on the translation arrangements in the foreseeable future, and therefore the impossibility to establish a unitary patent protection in the entire EU within a reasonable period, several member states expressed their wish to establish an enhanced cooperation[2] in the area of the creation of unitary patent protection.

On 15 February 2011, the European Parliament gave its consent to proceed with the enhanced cooperation.

[2] The enhanced cooperation is a procedure enshrined in articles 326 to 334 of the EU treaty that allows a group of countries to adopt new common rules when an EU-wide agreement cannot be reached.

Following the authorization by the Council to launch the enhanced cooperation on 10 March 2011*(5538/11, 6524/11 ADD 1)*, on 13 April the Commission presented proposals on how to implement such cooperation.

On 27 June 2011, the Council agreed a general approach on the Commission proposals *(11328/11)*: a draft regulation to prescribe how patent holders can obtain European patents with unitary effect that ensures uniform protection for their invention, and a second one with translation arrangements.

In December 2011 the Council and the Parliament reached a provisional agreement on both draft regulations.
On 28 June 2012, the heads of state or government of the participating member states agreed on the solution for the last outstanding issue of the patents package, namely the seat of the central division of the court of first instance of the unified patent court. In the context of this agreement, they also suggested the co-legislators, the European Parliament and the EU Council, to delete articles 6 to 8 of the regulation implementing enhanced cooperation in the area of the creation of unitary patent protection.

On 10 December 2012, the Council endorsed the agreement together with relevant amendments introduced by the legislators on the whole patents package and, the next day, the European Parliament confirmed the institutional agreement on the package in a vote at its plenary session.

The Unified Patent Court

The work carried out between the years 2007 and 2009 resulted in a draft agreement for setting up a patent court with exclusive jurisdiction for both European patents granted by the EPO (so-called "classical" patents) and EU patents with unitary effect to be created in the future. The new jurisdictional system was designed to be concluded by the EU member states and third countries belonging the European Patent Convention.

In June 2009, the Council requested the Court of Justice of the EU to give an opinion on the compatibility of the draft agreement with EU law. The Court of Justice delivered its Opinion on 8 March 2011 and concluded that the envisaged system was not compatible with the provisions of European Union law.
(http://curia.europa.eu/jcms/upload/docs/application/pdf/2011-03/cp110017en.pdf)

One of the main concerns expressed by the Court of Justice was the possibility for non-EU member states to participate in the draft agreement, which could render difficult to set up mechanisms making the decisions of the unified patent court capable of ensuring the full effectiveness of the rules of the Union in the same way as decisions of the national courts of the EU member states.

In the light of the Court's opinion, and after evaluating several options, the member states amended the original design by including guarantees to ensure compliance of the future litigation system with the EU treaties. They endorsed the setting up of a unified patent court by means of an agreement to be concluded between them outside the EU institutional framework and excluding the participation of third countries.

Other features agreed in the Council conclusions of December 2009, such as the setting up of a court of first Instance with local and central divisions, a court of appeal and a registry, were maintained.

However, a consensus could not be found on the location of the Central Division of the Court of First instance for the future unitary patent jurisdiction.

On 28 June, EU heads of state or government reached a consensus on the location of the seat of the Central Division of the unified patent court, thus completing the distribution of the seats as follows:

- the Central Division of the Court of First Instance will be in Paris (France). Given the highly specialised nature of patent litigation and the need to maintain high quality standards, thematic clusters will be created in two sections of the Central Division, one in London (chemistry, including pharmaceuticals, classification C, human necessities, classification A), the other in Munich (mechanical engineering, classification F);
- the Court of Appeal with the Registry will be in Luxembourg;
- the Patent Mediation and Arbitration Centre will have two seats: in Lisbon (Portugal) and Ljubljana (Slovenia);
- the training facilities for judges will be in Budapest (Hungary).

Concerning actions to be brought to the central division, it was also agreed that parties will have the choice to bring an infringement action before the central division if the defendant is domiciled outside the EU. Furthermore if a revocation action is already pending before the central division the patent holder should have the possibility to bring an infringement action to the central division. There will be no possibility for the defendant to request a transfer of an infringement case from a local division to the central division if the defendant is domiciled within the EU.