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OPINION OF THE LEGAL SERVICE*

To :	The Working Party on Intellectual Property
Subject :	Draft Agreement on the European Union Patent Judiciary - compatibility of the draft Agreement with the EC Treaty - possible request to the EC Court of Justice for an opinion (Article 300(6) EC)

A) Introduction

1. The Working Party on Intellectual Property has examined a draft Agreement on the European Union Patent Judiciary[1] (hereinafter "the draft Agreement"), elaborated by the Presidency of the Council. The text lays down an international agreement to be concluded by the Member States and the Community and to which other States parties to the European Patent Convention may accede. The draft Agreement is aimed at setting up a new jurisdiction for disputes concerning European patents and Community patents whose decisions would apply throughout the Community (and other European States). In the course of the discussions on

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[1] Document of the Council 9124/08. A revised text has just been circulated by the Presidency on 4 November 2008 in document 14970/08.

the draft Agreement, the Working Party requested the opinion of the Legal Service on the competence of the Community to conclude such an agreement as well as to its compatibility with the EC Treaty as regards to the tasks which would be assigned by this Agreement to the Court of Justice of the European Communities.

B) Background

2. No Community patent exists as of today. However, texts aimed at creating it are being examined by the Council; these texts are based on:

   - the creation of a unitary Community patent title by a Community Regulation. That Regulation would cover the rights conferred by the patent title, possible actions for the enforcement of these rights, grounds for invalidity and the mechanisms for the granting and renewal of the patent title. It is foreseen that the grant of Community patents will be carried out by the European Patent Office;

   - the adhesion of the Community to the European Patent Convention[2] (hereinafter, "the EPC"), which would have to be amended accordingly. The European Patent Office would thus grant both European and Community Patents;

   - the establishment of a Community patent jurisdiction, through conferring on the Court of Justice jurisdiction in disputes relating to the infringement and validity of Community patents. The proposed legal basis for the decision conferring jurisdiction to the Court is Article 229a EC. Furthermore, pursuant to Article 225a EC, the Council would establish the Community Patent Court, a judicial panel attached to the Court of First Instance of the European Communities.

[2] The European Patent Convention (hereinafter"EPC"), whose official name is "Convention on the Grant of European Patents", was signed in Munich on 5 October 1973. All Member States are parties of the Convention, as well as Switzerland, Croatia, Iceland, Liechtenstein, Monaco, Norway and Turkey.

3. The proposals for a Council Regulation and Council decisions referred to in point 2, on which the Council could not agree at its meeting on may 2004, are still on the table of the Council. The Presidency tabled on 23 May 2008 a Presidency Working Document on the revised proposal for a Council Regulation on the Community patent[3].

4. Under the EPC, a patent is granted in all States which are parties to the Convention and which are designated in the application for a patent. Patents granted by the European Patent Office are merely a bundle of identical national patents conferring national protection[4]. The disputes relating to the possible infringement of a patent right and/or revocation of a European patent must be judged by national courts, hence the possibility for multiple litigation. Similarly, actions for damages or compensation in respect of the protection conferred by a granted European patent must be submitted to national courts.

C) The draft Agreement on the European Union Patent Judiciary

5. The draft Agreement as elaborated by the Presidency is based on the following elements:

- the establishment of a new jurisdictional system, to be named "European Union Patent Court", composed of a court of first instance - comprising a central division as well as local and/or regional divisions - and a court of appeal;

- the new patents courts shall have exclusive competence in respect of actions for infringement of patents or for a declaration of non-infringement, actions or counterclaims for revocation of patents, actions for damages, actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the patent and other actions concerning Community patents and related to licences or supplementary protection certificates;

- the jurisdiction of the new patents courts shall cover both the European patents and the Community patents (when created);

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[3] Document of the Council 9465/08.

[4] Order, case T-295/05, Document Security Systems, ECR [2007] p. II-2835, paragraph 53.

– decisions given by the new patents court of appeal may be subject to further appeal before the Court of Justice of the European Communities on points of law only ("cassation") in cases to be defined in the Statute.

6. The Commission services have participated in the discussions within the Working Party. However, the Commission has not made any recommendation for the Council - pursuant to Article 300(1) EC - to authorise the Commission to open the necessary negotiation[5].

D) The Community's competence and the possible legal basis to conclude the draft Agreement

7. The Council Legal Service has already explained[6] that the Community has exclusive competence to negotiate matters covered by Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters[7]. The reasoning behind that opinion has thereafter been confirmed by the Court of Justice in opinion 1/03 on the new Lugano Convention[8].

8. The draft Agreement seems *prima facie* to affect:

- provisions in Regulation (EC) No 44/2001 on jurisdiction in proceedings concerned with the registration or validity of patents and in proceedings for damages relating to infringement of patents, as well as provisions on recognition and enforcement of judgments in those proceedings,

- provisions in Regulation (EC) No 864/2007[9] on the law applicable to non-contractual obligations arising from an infringement of an intellectual property right,

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5 Up to now, the Commission has not withdrawn or amended its proposals for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance (document of the Council 5189/04) and for a Council Decision conferring jurisdiction on the Court of Justice in disputes relating to the Community patent (document of the Council 5190/04), referred to in point 2, last indent, above. Such proposals seem incompatible with the draft Agreement.

6 Document of the Council 2816/01.

7 OJ L 12 of 16.1.2001, p. 1.

8 ECR [2006] p. I - 1145.

9 Regulation of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), OJ L 199 of 31.7.2007, p. 40.

- provisions in Directive 2004/48/EC[10] on persons entitled to apply, on evidence, on provisional and precautionary measures, on measures that may result from a decision on the merits, on damages, on legal costs and on the publication of judicial decisions, in proceedings concerned with patents.

The Community has exclusive competence to negotiate matters affected by the draft Agreement. Since the envisaged agreement includes also a number of provisions on matters falling within the competence of Member States (e.g. the organisation of the court or the rules of procedure), competence to negotiate and conclude the envisaged agreement would be clearly shared by the Community and its Member States ("mixed agreement").

9. The Court of Justice has stated that "*since the Community has conferred powers only, it must tie ...[the international agreement to be concluded] to a Treaty provision which empowers it to approve such a measure*".[11] Therefore, even if the exclusive competence of the Community has been established, it is necessary to determine the specific Treaty provisions empowering the Community to approve international commitments in the matters referred to in the previous paragraph.

10. However, the debate on the appropriate legal basis (or legal bases) for concluding the draft Agreement is certainly premature, given that the Commission has not yet presented even a recommendation to open negotiations. The Council Legal Service considers that it is up to the Commission to propose a legal basis, which the Council may review if necessary; the Council Legal Service would state its opinion on the appropriate legal basis or bases at that stage.

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[10] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 157 of 30.4.2004, p. 16.

[11] Opinion 2/00, Cartagena Protocol, [ECR 2001] p. I - 9713, paragraph 5.

E) The compatibility of the draft Agreement with the EC Treaty

11. The question put to the Council Legal Service on the legality of the draft Agreement relates to the role assigned to the Court of Justice of the European Communities in the draft Agreement. Under Article 48 of the draft Agreement decisions given by the new patents court of appeal "may be subject to further appeal before the Court of Justice of the European Communities on points of law only, in accordance with the Statute". The reasoning on the compatibility of that provision with the Treaty must differ depending on whether such role is to be exerted in respect of Community patents or in respect of European patents. The draft Agreement foresees the same procedures in respect of both types of rights.

1) Community patent

12. Article 229a EC allows the Council *"to confer jurisdiction, to the extent that it shall determine, on the Court of Justice in disputes relating to the application of acts adopted on the basis of this Treaty which create Community industrial property rights"* (underlined by the Council Legal Service).

13. The Treaty does not create an obligation to submit disputes relating to the application of acts which create Community industrial property rights to the Court of Justice, but allows the Council to do it "*to the extent that it shall determine*". The Council may thus consider that such extent should be confined to the appeal on last resort on points of law[12], as foreseen in the draft Agreement.

[12] Even though Article 229a EC, introduced in the EC Treaty by the Treaty of Nice, did not exist when the Council adopted Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ L 11 of 14.1.1994, p. 1), it is worth noting that this Regulation only reserves for the Court of Justice the actions against decisions of the Boards of Appeals of the Office for Harmonization in the Internal Market (trade marks and designs), while national courts, designated by the Member States as "Community trade marks courts", remain competent in any other dispute relating to the application of Community trade marks, including disputes concerning the infringement and validity of Community trade marks (Articles 91 and 92).

14. Conferring those powers on the Court of Justice in respect of Community patent litigation should be decided by the Council in accordance with Article 229a EC; the draft Agreement could just take note - as regards Community patents - of the Council decision conferring powers on the Court of Justice and set out the operational provisions to articulate the exercise of these powers conferred upon it by the Council in respect of decisions taken by the new patents courts established by the draft Agreement[13].

15. The draft Agreement does not expressly contemplate the possibility for the new patents courts therein established to request a preliminary ruling from the Court of Justice on the interpretation of the Treaty and on the validity and interpretation of acts of the institutions of the Community. It may thus seem that the draft Agreement deprives the Court of Justice from a role which it currently fulfils (the European patents being in fact a bundle of national patents subject to national courts). However:
    - first, the draft Agreement does not exclude the possibility of requesting a preliminary ruling;
    - second, the fact that the Court of Justice may be called to adjudicate as the highest judicial instance of the new patents jurisdiction on points of law (both Community and national law) would make that recourse to Article 234 EC would not have relevant legal effects; and,
    - third, Article 229a EC seems to give the Council a certain margin of discretion in organising the jurisdiction of the Court of Justice ("*to the extent that it shall determine*") in a way not necessarily identical to what would exist in absence of any decision based on that Article, but which preserves the role of the Court of Justice as final interpreter of Community law.

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[13] The case law of the Court of Justice has laid down the conditions and limits to the doctrine of the implied powers of the Community in external relations, i.e. that the power to enter into international commitments could arise not only from an express attribution by the Treaty, but also implicitly from its provisions. The Court concluded in particular that whenever Community law created for the institutions of the Community powers within its internal system for the purpose of attaining a specific objective, the Community had the power to enter into the international commitments necessary for the attainment of that objective, even in the absence of an express provision to that effect (see Opinion 2/91, Convention No 170 of the ILO, ECR [1993] p. I-1064, paragraph 7). No agreement is necessary and involvement from third countries is clearly superfluous in order to confer powers on the Court of Justice in respect of a Community act (on the Community patent) whose territorial scope would be the territory of the Community. Thus, Community's implied external powers cannot be inferred from Article 229a EC as regards Community patents.

16. Therefore, insofar as it concerns the Community patent, in the opinion of the Council Legal Service, the role which would be assigned to the Court of Justice according to the draft Agreement would be compatible with the EC Treaty.

b) European patents

17. The draft Agreement envisages a specialised jurisdiction for actions concerning European patents. In principle, nothing prevents the Community and the Member States, insofar as they share the required competences, from creating such a new jurisdictional structure.

18. The Court has explained that "*the Community's competence in the field of international relations and its capacity to conclude international agreements necessarily entails the power to submit to the decisions of a court which is created or designated by such an agreement as regards the interpretation and application of its provisions*"[14]. In this context and as regards European patents, the draft Agreement is the corollary of the EPC, subjecting disputes on the validity and/or the application of the titles created by this international agreement to the jurisdiction of the courts created by the draft Agreement.

19. The fact that the Community patent does not yet exist but that the Community has established rules on the jurisdiction for patents (i.e. including European patents) may lead to a situation where the Community is a party to the draft Agreement but not (or not yet) to the EPC. However, the fact that the Community's competence is currently ancillary as regards European patents - insofar as it only concerns provisions on disputes relating to them- does not create any obstacle to the Community submitting to the decisions of a court which would be created or designated by an international agreement.

20. The Court of Justice has anyhow clearly stated that submitting to the decisions of any such court should not undermine the autonomy of the Community legal order in pursuing its own particular objectives[15].

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[14] Opinion 1/91, European Economic Area, ECR [1991] p. I-6084, paragraph 40.

[15] Opinion 1/00, European Common Aviation Area, ECR [2002] p. I - 3493, paragraphs 11, 12 and 26.

21. The new patents courts to be created by the draft Agreement are not going to adjudicate on any dispute among the parties to the Agreement, but on disputes among private parties concerning the interpretation and application of rights conferred by European patents. In so doing the new patents courts will apply the provisions of the EPC[16], other provisions of national law and provisions of Community law (e.g. provisions on free movement of goods concerning exhaustion of rights).

22. In order to ensure the autonomy of the Community legal order, the draft Agreement provides for the possibility of a further appeal before the Court of Justice, on points of law only, on any appeal judgment from the envisaged new patents courts.

23. The fact that the Court of Justice would be the highest interpreter of law in the new patents jurisdictional system and that its decisions would be binding in the Community (and in the territory of third countries parties to the Agreement) would constitute a safeguard of the autonomy of the Community legal order. In order to strengthen such a safeguard, the draft Agreement should clearly state the principle of primacy of Community law within the Community, so that there is no doubt that the new patents courts (and the Court of Justice) should apply the EPC in a way which is consistent with Community law.

24. Anyhow, the main legal objection to the draft Agreement would precisely be that, by providing for the possibility of a further appeal before the Court of Justice on points of law of any appeal judgment from the envisaged new patents courts, the powers being vested on the Court of Justice would go beyond the powers conferred on it by the Treaty and, possibly, beyond what may be compatible with the Treaty.

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[16] These provisions will become Community law when the Community becomes a party to the Convention.

25. One has to stress that the Treaty does neither confer nor allow to confer jurisdiction on the Court of Justice to interpret and apply national law on disputes concerning patents[17] (Article 229a EC gives the power to the legislator to conferring jurisdiction "*in disputes relating to the application of acts …which create Community industrial property rights*"). In so doing, the draft Agreement would confer new competences on the Court of Justice. The legality of conferring such new powers is the main question to be addressed.

26. The Court of Justice has already stated that an international agreement concluded by the Community may confer new powers on the Court or other institutions, provided that, in so doing, it does not change the essential character of the powers conferred on the Community institutions by the Treaty[18].

27. When examining whether or not the essential character of the powers and the function of the Court of Justice was being altered, the Court has focused on the binding character of its decisions[19] and less on the nature of its functions and responsibilities[20], probably because the new powers conferred on the Court of Justice pursuant to international agreements or protocols maintained the basic characteristics of responsibilities conferred upon it by the Treaty (i.e. review of the legality of decisions taken by the Community institutions and

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17 In case T-295/05, already quoted, the Court of First Instance stated that "no provision of Community law confers on the Court of First Instance jurisdiction to give judgment on patent infringements. Patent infringement proceedings do not appear amongst the type of actions in respect of which jurisdiction is conferred upon the Community courts by Articles 220 to 241 EC".

18 Opinion 1/92, European Economic Area II, ECR [1992] p. I-2825, paragraph 32 and opinion 1/00, European Common Aviation Area, ECR [2002] p. I-3493, paragraph 20.

19 Idem.

20 In case C-69/02, Tilly Reichling, ECR [2002] p. I-3393, the Court of Justice stated that the Court's jurisdiction to interpret the Brussels Convention was "defined by the Protocol of 3 June 1971 on the interpretation by the Court of Justice of the Convention". The conditions for requesting a preliminary ruling therein were more restrictive that the conditions established in Article 234 EC.

preliminary rulings on the interpretation of the provisions of the international agreements[21]). However, the Court has not yet had the opportunity to rule on the legality of conferring on it new powers related to disputes which would not be the kind of disputes in respect of which its intervention is foreseen in the Treaty, i.e. adjudicating in disputes between private parties (sometimes concerning the application of national law).

28. The Council Legal Service must therefore express doubts on the compatibility of the draft agreement with the Treaty insofar as replacing national courts by the Court of Justice in adjudicating on disputes between natural or legal persons on the basis of national law[22] may be considered to "*change the nature and the function of the Court as conceived in the Treaty*". In the absence of clear precedents from the case-law of the Court of Justice, it is difficult to dispel such doubts.

29. For that reason, and given the major economic implications pertaining to the validity of decisions to be rendered by the new envisaged jurisdiction, the Council Legal Service is of the opinion that any international agreement which would have such a content should be submitted to the Court of Justice pursuant to Article 300(6) EC for the latter to give its opinion as to whether the envisaged agreement is compatible with the provisions of the Treaty.

30. It is clearly in the interest of all the States concerned, including non-member countries, that the question on the compatibility of the envisaged agreement with the Treaty "*be clarified as soon as any particular negotiations are commenced*"[23]. In its opinion 2/94[24], the Court of Justice agreed to give its opinion on the Community's competence to accede to the European

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[21] At least seven protocols on the interpretation of different conventions among the Member States and protocol nº 34 on the European Economic Area Agreement allow for national courts to put questions to the Court of Justice in situations not covered by Article 234 EC. Furthermore, the Agreement on the European Common Aviation Area acknowledges the Court's exclusive task of reviewing the legality of acts of the Commission when the latter is acting under that Agreement.

[22] It may be noted that the procedure 48 TEU is not - from a legal point of view - very different or more cumbersome than the ratification by the Community and its Member States of the envisaged agreement.

[23] See Opinion 1/78, International Agreement on Natural Rubber, ECR [1979] 2871, paragraphs 32 to 35.

[24] ECR [1996] p. I-1763.

Convention on Human Rights before the Council adopted a decision to authorise the Commission to open the necessary negotiation, but noted that the Council envisaged such an accession taking into account the studies and proposals made by the Commission and the fact that the Council had discussed the issue.

31. However, it seems that any such request of an opinion from the Court of Justice in respect of the draft Agreement would be premature when no recommendation has yet been submitted to the Council by the Commission to authorise it to open the necessary negotiation. In the absence of such a recommendation, it is unfeasible for the Council or the Member States to envisage any such Agreement[25] and, therefore, there is a risk that the Court of Justice might consider the request for an opinion premature and therefore inadmissible.

F) Conclusions

32. The draft Agreement on the European Union Patent Judiciary raises doubts on its compatibility with the EC Treaty insofar as the Court of Justice would be conferred by such an Agreement new powers to review on points of law ("c*assation*") decisions by the new patents courts to be established, in disputes between natural or legal persons and on questions not necessarily involving Community law. Those new responsibilities might be considered to alter the essential character of the function of the Court as conceived in the Treaty.

33. In case the Council intends to pursue the negotiation of such an Agreement, the Council Legal Service recommends that the Court of Justice be consulted on the compatibility of the envisaged agreement with the EC Treaty, in accordance with Article 300(6) EC, as soon as any recommendation to open negotiations is submitted by the Commission.

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[25] It may be noted that the opinion of the Council Legal Service 2816/01, referred to in point 7 above, was given in 2001, at a moment when the idea of a (different) international agreement on a new jurisdiction in respect of European patents was being pursued by Member States. In spite of all the discussions since then, the Commission has not yet indicated whether or not it intends to submit any recommendation at all, which renders the question to the Court hypothetical.