

Kluwer Patent Blog

What to remember from the dismissal by the CJEU of Spain's actions against the unitary patent package?

Pieter Callens (Eubelius) · Thursday, May 7th, 2015

Sighs of relief... sighs of disappointment... Depending on your position towards the unitary patent package, one of the aforementioned sighs was heaved on Tuesday, when the CJEU dismissed the annulment actions of Spain against the Council Regulation 1257/2012 ("Unitary Patent Regulation") and Council Regulation 1260/2012 ("Translation Regulation") of the so-called unitary patent package. Irrespective of what side you are on, it is fair to say that after the dismissal by the CJEU of Spain's and Italy's actions against the enhanced cooperation (C-274/11 and C-295/11) and the Opinions of the Advocate General Bot of 18 November 2014, very few people expected the CJEU to rule in favour of Spain's actions against the Unitary Patent Regulation and the Translation Regulation.

Probably the most important thing of these judgments is that they are there. Although the participating member states have been active in the select committee of the Administrative Council of the EPO and the Preparatory Committee of the UPC, Spain's actions kept hanging as a sword of Damocles above the unitary patent package. Now, the sword has been removed by the CJEU and, hopefully, the participating member states can now enter the last straight line towards the entry into force of the UPC and the uniform patent protection.

However, before moving on, it is interesting to have a look at what we have to remember from the CJEU judgments C-146/13 and C-147/13 and which elements can be considered to be (finally?) settled.

1. The great importance of the characterization of the Unitary Patent Regulation as a special agreement within the meaning of article 142 EPC

In several paragraphs of its judgments, the CJEU emphasizes the importance of the characterisation of the Regulations as a special agreement within the meaning of article 142 European Patent Convention (EPC). This article provides that any group of Contracting States which have agreed 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.

Spain had argued in its first plea in law against the Unitary Patent Regulation that this Regulation disregards the rule of law because the (i) protection is based on European patents (of which the granting procedure is not subject to judicial EU law review) and (ii) the Regulation would

“incorporate” the EPC procedure into EU law. According to the Court, the accessory nature of the Unitary Patent Regulation is due to the fact that the Regulation qualifies itself as a special agreement within the meaning of Article 142 of the EPC. It follows from the characterization of the Uniform Patent Regulation as a special agreement that that Regulation merely (i) establishes the conditions under which a European patent previously granted by the EPO pursuant to the provisions of the EPC may, at the request of the patent proprietor, benefit from unitary effect and (ii) provides a definition of that unitary effect. The Court implies in this reasoning that all EU member states have adopted the EPC and the provisions regarding the so-called special agreements regarding the unitary character of a European patent. Therefore, the Unitary Patent Regulation cannot be considered to “incorporate” the procedure for granting European patent laid down by the EPC into EU law. The Unitary Patent Regulation does not intervene in the granting procedure for European Patents, but merely establishes and defines as a special agreement the unitary effect.

With respect to the fourth and fifth plea in law of Spain, the CJEU also referred to the qualification of the Unitary Patent Regulation as a special agreement within the meaning of article 142 EPC. Spain contested in its fourth and fifth plea the assignment, in article 9(2) of the Unitary Patent Regulation, to the participating Member States acting in a select committee of the Administrative Council of the European Patent Organisation of the power to set the level of renewal fees and to determine the share of distribution of those fees.

The CJEU ruled that it follows from the characterization of the Unitary Patent Regulation that the Participating Member States may give tasks to the EPO and set up a select committee of the Administrative Council of the EPO. After all, the member states have to apply the other provisions regarding special agreements, i.e. article 142 to 149 EPC. Since nor the Commission, nor the Council of the EU are party to the EPC, they cannot apply these provisions and only the member states itself can. Therefore, the Court ruled that Spain is wrong to claim that the member states may not delegate such powers to the EPO.

In the second judgment (C-147/13) regarding the action of Spain against the Translation Regulation, Spain repeated the argument of the unauthorized delegation of EU powers to the EPO. The Court ruled the same way by stating that “the fact that the EPO is given additional tasks is a consequence of the fact that the participating Member States, as contracting parties to the EPC, entered into a special agreement within the meaning of Article 142 of the EPC” (§61) and summarized that “the Council did not, contrary to what is asserted by the Kingdom of Spain, delegate to the participating Member States or to the EPO implementing powers which are uniquely its own under EU law” (§62).

From the reasoning of the CJEU we can conclude that the Court attaches great importance to the characterization of the Unitary Patent Regulation as a special agreement between contracting member states of the EPC. Such characterization leaves the EU Member States a safe harbor for a number of powers that fall outside the exclusive control of EU law.

2. The interpretation of uniform protection of intellectual property rights in article 118 TFEU

Both in the action against the Unitary Patent Regulation as in the action against the Translation Regulation, Spain had argued that the Regulations could not be legally based on article 118 TFEU. Regarding the uniform protection of intellectual property rights throughout the Union, Spain argued that the Regulation itself did not specify the acts against which the European patent with unitary effect provides protection (which are specified in the UPC Agreement) and that the

Regulation wrongly makes reference to the applicable national law.

In the judgment regarding the actions of Spain and Italy against the decision for enhanced cooperation (C- 274/11 and C-295/11), the CJEU had already decided that the expression “throughout the Union” in article 118 TFEU does not necessarily mean that the intellectual property right so created and the uniform protection given by it must be in force in the entire Union. Through enhanced cooperation it is possible to instaure an IP-right which is only exercised and protected in the territory of the participating Member states. In the judgment of 5 May 2015 (C-146/13) the Court investigated whether the Unitary patent protection provided by the Unitary Patent Regulation establishes measures providing uniform protection of intellectual property rights in the territory of the participating Member States.

From the recitals of the Unitary Patent Regulation, the Court deduces that the aim of the Regulation is clearly to create unitary patent protection by making it possible for undertakings to obtain uniform protection in the participating Member States and eliminate costs and complexity. Additionally, the content of the Unitary Patent Regulation gives expression to the aim to provide uniform protection. The Court refers in this respect not only to the fact that the patent may only be limited, transferred or revoked, or lapse in respect of all the participating Member States, but surprisingly also to the designation of one applicable national law. According to the Court, article 5 (3) (which refers to the national law applicable to the patent as an object of property to determine the acts against which the patent provides protection) and article 7 of the Unitary Patent Regulation (which determines the national law applicable to the patent as an object of property) “guarantee that the designated national law will be applied in the territory of all the participating Member States in which that patent has unitary effect” (§47).

Furthermore, the Court confirmed the position of the Advocate General that Article 118 TFEU does not necessarily require the EU legislature to harmonize completely and exhaustively all aspects of intellectual property law. The Court rules that the Unitary Patent Regulation is apt to prevent divergences in terms of patent protection in the participating Member States and, accordingly, provides uniform protection within the meaning of the first paragraph of Article 118 TFEU.

Finally, in the judgment regarding the Translation Regulation, the Court interpreted § 2 of article 118 TFEU. The Court ruled that the second paragraph of Article 118 TFEU does not preclude, when the language arrangements for European intellectual property rights are being determined, reference being made to the language arrangements of the organization of which the body responsible for issuing the intellectual property right to which unitary effect will be attributed forms part. This reasoning not only applies to patents, but is also important in the context of other EU IP-rights, such as the Community Trademark and the Community Design.

The Court finds it of no relevance that the Regulation does not establish an exhaustive body of rules for the language arrangements applicable to the Unitary Patent. The second paragraph of Article 118 TFEU imposes no requirement on the Council to approximate all aspects of the language arrangements for intellectual property rights established on the basis of the first paragraph of Article 118 TFEU.

3. Impact of the UPC Agreement on the EU powers

With respect to the argument of Spain that by including the substantive provisions regarding patent

infringement in the UPC Agreement, an international agreement would have unlawfully altered or applied the powers of the EU, the Court simply decided that it has no jurisdiction to rule on the unlawfulness of an international agreement or a “measure adopted by a national authority”. However, since the Court several times stated that article 118 TFUE does not oblige the EU to harmonize completely and exhaustively all aspects of the uniform IP protection and at the same time emphasizes that the Unitary Patent Regulation has an accessory nature, the judgments seem to imply that the UPC Agreement does not alter the powers of the EU.

4. Non-discrimination on the ground of language

In the action against the Translation Regulation, Spain had argued that the language arrangements infringes the principle of non-discrimination since it establishes an unequal treatment of, on the one hand, European Union citizens and undertakings who have the means of understanding, texts written in the languages of the EPO, and, on the other, those who do not have such means and will have to produce translations at their own expense.

In its assessment of this plea in law, the Court first stated that it is no general principle of EU law that “anything that might affect the interests of a European Union citizen should be drawn up in his language in all circumstances” (§31).

Regarding the translation arrangements for the Unitary Patent, the Court ruled that the Regulation differentiates between the official languages of the EU, but that a legitimate objective is being pursued, i.e. facilitate access to patent protection, particularly for small and medium sized enterprises. The arrangements are appropriate to achieve the objective and do not go beyond what is necessary to achieve the legitimate objective pursued.

Regarding the proportionality, the Court ruled that while the Union is committed to the preservation of multilingualism, the high costs attached to the issue of a European patent covering the territory of all Member States constitute an obstacle to patent protection within the European Union, and consequently it was essential that the translation arrangements for the EPUE should be demonstrably cost-effective. Additionally, the Court found that the Regulation provides a number of mechanisms designed to secure the necessary balance between the interests of applicants and the interests of other economic operators in regard to access to translations of texts which confer rights, or proceedings involving more than one economic operator. Such mechanisms are the reimbursement of translation costs for applications, the arrangements during the transitional period and the language arrangements in case of a dispute.

5. Ratification of the UPC as sincere cooperation?

The most commented paragraphs of the Opinion of Advocate General Bot in the C-146/13 case were the paragraphs 179 and 180. In these paragraphs, the Advocate General argued that “by refraining from ratifying the UPC Agreement, the Participating Member States would infringe the principle of sincere cooperation in that they would be jeopardizing the attainment of the Union’s harmonization and uniform protection objectives.”

In an [earlier post](#), Miguel Montana correctly pointed out that the Court did not repeat this reasoning in its judgment. The Court ruled that the EU legislature has left it to the Member States, for the purposes of ensuring the application of the provisions of the contested regulation, to establish the Unified Patent Court. With reference to recital 24 and 25 of the Unitary Patent Regulation, the Court acknowledges that ratification of the UPC Agreement is essential in order to

ensure the proper functioning of the Unitary Patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. But the Court did not go as far as considering that by refraining from ratifying, a Member State would infringe the principle of sincere cooperation.

6. Conclusion: UPC in 2016?

In an [earlier post of the Kluwer UPC News blogger](#) we could read the prediction of Kevin Mooney of having the first cases before the UPC in October 2016. To have this prediction become true, the UPC Agreement urgently needs additional ratifications from member states. A better insight in the ratification plans of UK and Germany and a swift outcome of the discussions regarding the renewal fees for the Unitary patent would also be useful in this stage. In any event, member states can no longer hide behind the sword of Damocles that was put up by Spain to refuse or draw out ratification.

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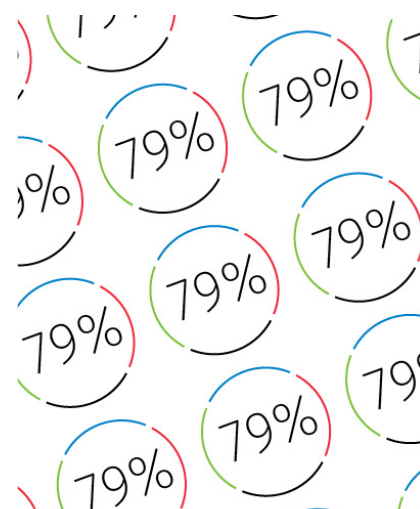
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