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GIVING TEETH TO EUROPEAN PATENT REFORM: OVERCOMING RECENT LEGAL CHALLENGES

INTRODUCTION

Europe¹ must transition from a national, splintered patent enforcement regime to a transnational, uniform patent enforcement regime to protect the value of European patents in the global economy. Patent reform in Europe is ongoing and supported by most member states of the European Union (“EU”),² but objections by the European Court of Justice (“ECJ”),³ the European Parliament,⁴ Spain,⁵ and Italy⁶ have stymied progress. This Comment proposes modifications to patent reform in an effort to overcome these myriad objections and to enable the realization of meaningful European patent reform.

Patent reform in Europe is necessitated by the patent regime currently in place. In the contracting states⁷ to the European Patent Organization (“EPOrg”), consisting largely of the member states of the EU,⁸ patent applicants may currently choose to eschew national patent offices in lieu of a

¹ For purposes of this manuscript, Europe will refer to the member states, see *infra* note 2, contracting with the European Patent Organization that includes, but is not limited to, member states of the European Union.

² See *Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with Regard to the Applicable Translation Arrangements*, at 2, 4, COM (2011) 216 final (Apr. 13, 2011).

³ See Case C-1/09, Opinion Delivered Pursuant to Article 218(11) TFEU – Draft Agreement – Creation of a Unified Patent Litigation System – European and Community Patents Court – Compatibility of the Draft Agreement with the Treaties, 2011 ECJ EUR-Lex LEXIS 114, *37–42 (Mar. 8, 2011) [hereinafter Case C-1/09].

⁴ Press Release, European Parliament, EU Patent: Parliament Postpones Vote Due to Council’s Last-Minute Change (July 3, 2012) [hereinafter EP Press Release], available at <http://www.europarl.europa.eu/news/en/pressroom/content/20120703IPR48182>.

⁵ See, e.g., Enrico Bonadio, *The EU Embraces Enhanced Cooperation in Patent Matters: Towards a Unitary Patent Protection System*, 3 EUR. J. RISK REG. 416, 419 (2011).

⁶ *Id.*

⁷ Contracting states include Albania, Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Estonia, Spain, Finland, France, United Kingdom, Greece, Croatia, Hungary, Ireland, Iceland, Italy, Liechtenstein, Lithuania, Luxembourg, Latvia, Monaco, Former Yugoslav Republic of Macedonia, Malta, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Slovakia, San Marino, and Turkey. *Member States of the European Patent Organization*, EUR. PAT. ORG., <http://www.epo.org/about-us/organisation/member-states.html> (last visited Nov. 19, 2011).

⁸ Compare *Member States of the European Patent Organization*, *supra* note 7, with *Countries*, EUROPA, http://www.europa.eu/about-eu/countries/index_en.htm (last visited Nov. 25, 2012).

single submission to the European Patent Office (“EPO”).⁹ This option ostensibly simplifies the patent application process when seeking patent protection in multiple contracting states. This simplification is offset, however, by the fact that applicants must also pay expensive maintenance fees for each contracting state that is designated in the application.¹⁰ In addition, patent protection in all contracting states saddles applicants with burdensome translation fees.¹¹ Perhaps as a result, patent applicants typically seek patent protection in just five of the twenty-seven EU member states.¹²

Apart from the upfront costs of patent prosecution, substantial costs remain if a patentee wishes to sue infringers in multiple member states. The Competitiveness Council of the EU recently admitted as much, stating that “patent litigation in Europe is fragmented and expensive.”¹³ This problem is the result of the fact that “a patent owner needs to start court proceedings in a number of different courts in order to enforce his/her European patent on the same invention throughout Europe. This creates unnecessary costs as well as legal uncertainty.”¹⁴ Despite the uniform patent prosecution process available in Europe through the EPO, patent infringement is litigated using the national laws and courts of each contracting state.¹⁵ The result is a patchwork of similar, but ultimately disparate, patent interpretation regimes that create differential enforcement values depending on the contracting state in which the patent action is litigated.¹⁶

Faced with these burdens, patent reform efforts are currently underway to institute a unitary European patent enforcement regime.¹⁷ The proponents of this reform are attempting to succeed where previous, similar efforts have

⁹ EUROPEAN PATENT CONVENTION, art. 3, (14th ed., 2010) 13 I.L.M. 268, *available at* [http://documents.epo.org/projects/babylon/eponet.nsf/0/7bacb229e032863dc12577ec004ada98/\\$FILE/EPC_14th_edition.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/7bacb229e032863dc12577ec004ada98/$FILE/EPC_14th_edition.pdf) [hereinafter EPC].

¹⁰ *Id.* art. 79(1)–(2).

¹¹ *Id.* art. 65(1)–(2).

¹² Bonadio, *supra* note 5, at 417.

¹³ Memorandum 11/864 from the EU Competitiveness Council 4 (Dec. 2, 2011) [hereinafter Memorandum 11/864], *available at* http://europa.eu/rapid/press-release_MEMO-11-864_en.htm.

¹⁴ *Id.*

¹⁵ EPC, *supra* note 9, art. 64(3).

¹⁶ *See id.*

¹⁷ *See generally* Note from the Presidency to the Council of the European Union, 11328/11 (June 23, 2011) [hereinafter Note 11328/11], *available at* <http://register.consilium.europa.eu/pdf/en/11/st11/st11328.en11.pdf>.

failed.¹⁸ The current reform proposes that patent prosecution through the EPO would result in an enforceable patent in each participating EPOrg contracting state without the current requirement of significant renewal and translation fees for each participating contracting state designated in the application.¹⁹ Under the current system, the total administrative cost, not including attorney fees, to obtain patent protection in all twenty-seven EU member states is estimated to be approximately \$40,000, with translation costs accounting for about two-thirds of the total.²⁰ The total cost would likely drop to less than \$1,000 under the proposed system.²¹ Even more significantly, the pending reform proposes the elimination of patent litigation in national courts, where national laws are applied, in favor of a new, centralized patent court system that would apply a harmonized European patent law.²² This court system would comprise both a court of first instance as well as a court of appeal.²³

Uniformity of European patent enforcement through the harmonization of national patent law is indispensable for meaningful European patent reform. Although the harmonization of patent laws has occurred gradually in Europe, significant differences in patent interpretation remain between national courts.²⁴ The proposed centralized patent court system would allow for the uniformity of patent enforcement by preventing disparate interpretations of a single patent in multiple countries. The certainty that such uniformity affords would add to the value of the proposed unitary European patent. Unfortunately, the ECJ has stated objections to the formation of this centralized patent court

¹⁸ See, e.g., MARTA PERTEGÁS SENDER, CROSS-BORDER ENFORCEMENT OF PATENT RIGHTS: AN ANALYSIS OF THE INTERFACE BETWEEN INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW 10 (James Fawcett ed., 2002).

¹⁹ See Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of Creation of Unitary Patent Protection with Regard to the Applicable Translation Agreements, 2011/0094 (CNS), in Note 11328/11, *supra* note 17, Annex II, 36, 38 [hereinafter Proposal for a Council Regulation, 2011/0094 (CNS)]; Proposal for a Regulation of the European Parliament and of the Council Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection, 2011/0093 (COD), in Note 11328/11, *supra* note 17, Annex I, 10 [hereinafter Proposal for a Regulation of the European Parliament and of the Council, 2011/0093 (COD)].

²⁰ Bonadio, *supra* note 5, at 416.

²¹ This estimate does not include the cost for obtaining patent protection in Spain and Italy, the two EU member states that have not endorsed this proposal. *Id.* at 419.

²² European Patent Office, Draft Agreement on the Establishment of a European Patent Litigation System 8 (2005), available at [http://documents.epo.org/projects/babylon/eponet.nsf/0/F4CF2F6008160AB4C125723D004B0707/\\$File/latest_draft_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/F4CF2F6008160AB4C125723D004B0707/$File/latest_draft_en.pdf).

²³ *Id.*

²⁴ Louise Hallenborg et al., *Intellectual Property Protection in the Global Economy*, in ADVANCES IN THE STUDY OF ENTREPRENEURSHIP, INNOVATION AND ECONOMIC GROWTH 84 (Gary D. Libecap & Marie C. Thursby eds., 2008).

system as it was initially proposed.²⁵ Although the European Council recently approved a centralized patent court system,²⁶ debate over the role of the ECJ prompted the European Parliament to delay voting on the patent reform.²⁷ Furthermore, Spain and Italy have refused to join the twenty-five other EU member states in the reform effort.²⁸

Fortunately, the concerns of the European Parliament, the ECJ, Spain, and Italy may be overcome by the proposal described herein, which outlines a method for creating uniform patent enforcement throughout Europe while maintaining the integrity of the national court systems. In Part I, this Comment will describe the development of the patent system that exists in Europe today. In Part II, it will discuss the current European patent model and its shortcomings in the global economy. Next, in Part III, it will describe and analyze the ECJ's rejection of the proposed patent court and the European Parliament's associated voting delay, as well as the opposition of Spain and Italy to the reform. Finally, in Part IV, this Comment will address the objections of the European Parliament, the ECJ, Spain, and Italy with both a direct rebuttal and a compromise proposal that satisfies the call for the institution of uniform patent enforcement throughout Europe.

I. BACKGROUND

The current patent prosecution and enforcement systems in Europe are the products of centuries of development. This Part is divided into four Subparts, tracing the emergence of modern patent protection in Europe through the current efforts at reform. Subpart A provides a brief primer on the value and primary requirements of a patent. Subpart B highlights the development of the modern patent system in Europe by summarizing the most important legislation. Subpart C recounts recent, unsuccessful efforts at further patent reform and the motivating factors behind these efforts. Finally, Subpart D introduces the genesis of the current reform effort via enhanced cooperation.

²⁵ Case C-1/09, *supra* note 3, at *37–42.

²⁶ Memorandum 12/509 from the European Comm'n (June 29, 2012) [hereinafter Memorandum 12/509], available at <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/509&type=HTML>.

²⁷ See EP Press Release, *supra* note 4.

²⁸ See Bonadio, *supra* note 5, at 419.

A. *Patents Are a Powerful Intellectual Property Right*

In both Europe and the United States, a patent for an invention is a temporary, government-granted exclusionary right given to the applicant or assignee.²⁹ This temporary exclusionary right is a powerful negative right—a right to exclude others from practicing the patent, rather than a right for the patent holder to practice the invention—and is given in exchange for the applicant’s disclosure of the invention to the public.³⁰ The requirements for both obtaining and enforcing patent protection, therefore, are of paramount importance to applicants. In Europe, patents have three primary requirements: (1) novelty, (2) inventive step, and (3) industrial application.³¹ Despite the superficial clarity of these three broad requirements, differences persist in their interpretation by the national courts of Europe. Not surprisingly, it follows that an even greater disparity arises in the interpretation of the more subtle aspects of patent law. The three primary requirements of patentability are now discussed in turn.

1. *Requirement One: Novelty*

The first patentability requirement, novelty, requires that an invention not be a part of the state of the art, which includes “everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.”³² This requirement avoids the removal of material from the public domain and offers a de facto exchange of a temporary government-granted monopoly for the public disclosure of a truly new invention.³³

2. *Requirement Two: Inventive Step*

The second requirement, inventive step, requires that a patentable invention must not be an obvious step from what is currently known to a hypothetical person having ordinary skill in the art (“PHOSITA,” a common term of art in patent law).³⁴ In other words, this requirement is designed to deny patent protection for mere trivial advances. The skill attributable to a PHOSITA

²⁹ OLIVER MILLS, *BIOTECHNOLOGICAL INVENTIONS: MORAL RESTRAINTS AND PATENT LAW* 2–3 (2d ed. 2010).

³⁰ *Id.*

³¹ Hallenborg et al., *supra* note 24, at 85.

³² EPC, *supra* note 9, art. 54, § 2.

³³ MILLS, *supra* note 29, at 2–3.

³⁴ EPC, *supra* note 9, art. 56.

depends upon the technical field of the particular invention. For example, if the invention is a rocket design, a PHOSITA will be assumed to be reasonably knowledgeable in engineering, but not necessarily in biology. By adjusting the perceived level of knowledge and skill in a PHOSITA, a court is able to adjust what is considered an obvious improvement, resulting in a range of possible ways to construe the patent. Whereas one court might perceive a PHOSITA in engineering to be brilliant, another court might construe the PHOSITA as possessing more modest abilities. Clearly, different interpretations of a PHOSITA's skill level by national courts may lead to problematic, disparate patent enforcement, as discussed in Part II.D.

3. *Requirement Three: Industrial Application*

The third requirement, industrial application, is approximately equivalent to the utility requirement in the United States. In Europe, an invention must be susceptible of industrial application, in that it must be "made or used in any kind of industry, including agriculture."³⁵ This requirement of industrial applicability has led to controversy in Europe over whether patents may be granted for business methods and software, both of which are permitted in the United States.³⁶

Apart from the three primary requirements already described, patents are territorial in that they are enforceable within prescribed boundaries, typically within a particular country, with treaties serving as the mechanism for providing some measure of transnational patent recognition.³⁷ Generally speaking, patents are filed with a patent office, such as the EPO, where they are later examined in a process known as patent prosecution. If a patent is granted, the patent owner must elect to litigate in the event of any infringement.³⁸ Although patent prosecution in the EPO-contracting states is uniform, the patentee receives a bundle of national rights such that enforcement is not uniform, because infringement actions must be brought in each of the contracting states' national courts.

³⁵ *Id.* art. 57.

³⁶ See, e.g., Larry A. DiMatteo & Robert E. Thomas, *Unifying the International Law of Business Method and Software Patents*, in *THE GLOBAL CHALLENGE OF INTELLECTUAL PROPERTY RIGHTS* 17, 22 (Robert C. Bird & Subhash C. Jain eds., 2008).

³⁷ Margo A. Bagley, *Patents and Technology Commercialization: Issues and Opportunities*, in *ADVANCES IN THE STUDY OF ENTREPRENEURSHIP, INNOVATION AND ECONOMIC GROWTH*, *supra* note 24, at 118–19.

³⁸ MILLS, *supra* note 29, at 3 n.11 and accompanying text.

B. *Development of Patents in Europe*³⁹

For centuries, patents in Europe were prosecuted, if at all, through national patent offices.⁴⁰ As patents grew in importance throughout the nineteenth and twentieth centuries, the immense cost and difficulty of managing all of the disparate filing requirements for acquiring patent rights throughout Europe due to the sheer number of national patent systems became evident.⁴¹ The European Patent Convention of 1973 (“EPC”) partially addressed this problem by “streamlining” patent prosecution through a central patent office, without making a change in the traditional application of national courts for patent enforcement.⁴² The EPC created EPOrg, a public international organization that consists of the EPO and the Administrative Council.⁴³ Despite centralized prosecution, substantial renewal and translation fees are still required for each member state in which patent protection is sought.⁴⁴ Furthermore, any patent infringement action is settled by the national courts of member states, rather than by a centralized European court system applying European law.⁴⁵

C. *Unsuccessful Attempts to Improve EU Patent Prosecution and Enforcement*

Although patent prosecution in Europe was simplified by the formation of the EPO, burdensome costs and uncertainty regarding differences in national patent interpretation remain. These shortcomings have led to reform efforts motivated by three desires: (1) to reduce costs, (2) to harmonize patent interpretation throughout Europe, and (3) to stimulate investment in research and innovation by means of an improved patent regime.

1. *Factor One: A Desire to Reduce Costs*

One significant impetus for patent reform in Europe is concern over costs, specifically, translation costs and maintenance fees. Currently, parties incur substantial translation costs for the validation of patents in multiple contracting

³⁹ See generally John N. Adams, *History of the Patent System*, in PATENT LAW AND THEORY: A HANDBOOK OF CONTEMPORARY RESEARCH 101 (Toshiko Takenaka ed., 2008).

⁴⁰ *Id.* at 127–31.

⁴¹ Tomoko Miyamoto, *International Treaties and Patent Law Harmonization: Today and Beyond*, in PATENT LAW AND THEORY, *supra* note 39, 154, 160–63.

⁴² See DiMatteo & Thomas, *supra* note 36, at 21.

⁴³ EPC, *supra* note 9, art. 4.

⁴⁴ See *id.* art. 86, § 1.

⁴⁵ See *id.* art. 64, § 3.

states.⁴⁶ The required translation costs of a typical patent filed in all EPOrg-contracting states was estimated to as much as double the total cost of the patent application process.⁴⁷ The first means by which the proposed reform seeks to reduce costs is by introducing an automated, mechanical translation system; the system would be applicable to all contracting states and would be capable of dramatically lowering the associated translation costs.⁴⁸ Applications would be submitted and translated into English, French, or German while the claims would be translated into all three languages.⁴⁹ As a result of these proposed translation requirements, neither Spain nor Italy have agreed to participate in the reform effort, out of fear that they would be at a disadvantage.⁵⁰ The concerns of Spain and Italy are perhaps indicative of a concern underlying the loss of revenues that these translation services currently provide.

Apart from onerous translation fees, obtaining patent protection throughout Europe requires the payment of significant maintenance fees in each state.⁵¹ A second means by which the proposed reform seeks to reduce costs is by unifying the patent prosecution process beyond what exists today. Instead of simply a bundle of national patents, the proposed reform would grant the issuance of a European patent with one set of maintenance fees.⁵² The precipitous reduction in translation and maintenance fees proposed by the reform would bring the cost of obtaining patent protection in Europe to the same level as, if not lower than, that of the United States.⁵³ This is crucial in that it would make obtaining patent protection comparably affordable between the two systems and reduce the cost disadvantage currently faced by Europe.

2. *Factor Two: Harmonization of Patent Enforcement*

Another factor motivating patent reform is the unification of the parochial patent enforcement regime that exists in Europe today. Patents may be interpreted differently depending on which national court is enforcing a given

⁴⁶ See Proposal for a Council Regulation, 2011/0094 (CNS), *supra* note 19, at 31.

⁴⁷ Thomas Hays, *The Exhaustion of Patent Owners' Rights in the European Community*, in PATENT LAW AND THEORY, *supra* note 39, 501, 511 n.32.

⁴⁸ See Proposal for a Council Regulation, 2011/0094 (CNS), *supra* note 19, at 33.

⁴⁹ Bonadio, *supra* note 5, at 418.

⁵⁰ *Id.* at 419.

⁵¹ *Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of Unitary Patent Protection with Regard to the Applicable Translation Arrangements*, *supra* note 2, at 4.

⁵² See *id.*

⁵³ Bonadio, *supra* note 5, at 419.

patent, consequently complicating patent rights and reducing certainty.⁵⁴ Uniform patent prosecution currently offered by the EPO merely simplifies the patent application process, but it does not address the more critical need for uniform patent enforcement in instances of infringement. To enforce patent rights against an infringer, an action must be brought in each country of infringement, making the process both tedious and incredibly expensive. Uniform patent enforcement would not only harmonize the application of patent law in Europe, but it would also simplify infringement litigation and lower costs.

3. *Factor Three: Economic Stimulus*

The current patent reform effort in Europe is, in part, spurred by a belief that the proposed changes would increase both the number of patent filings and research and development investment in Europe.⁵⁵ This is the third, and perhaps the ultimate, motivation behind patent reform in Europe. The importance of international cooperation for unifying the patent systems of Europe has been known since the nineteenth century, demonstrated through agreements such as the Paris Convention for the Protection of Industrial Property in 1883.⁵⁶ These early agreements, however, focused on patent prosecution. As the importance and cost of patent enforcement has increased, the focal point of patent reform in Europe has shifted accordingly.⁵⁷

European patent enforcement reform efforts have been underway in earnest since the European Patent Convention of 1973, and informal discussions of possible reform occurred as early as 1949.⁵⁸ The nine member states of the European Economic Community signed the Luxembourg Community Patent Convention on December 15, 1975, but not enough states ratified it to bring it into force.⁵⁹ A second attempt also failed fourteen years later.⁶⁰ Community Patent Regulation (CPR), proposed in 2000, sought a simplified translation system and the creation of an exclusive patent court.⁶¹ This effort failed in

⁵⁴ See SENDER, *supra* note 18, at 8–9.

⁵⁵ See George T. Haley & Usha C.V. Haley, *India: A Study in Patent Law Effects*, in THE GLOBAL CHALLENGE OF INTELLECTUAL PROPERTY RIGHTS, *supra* note 36, 106–07.

⁵⁶ MIYAMOTO, *supra* note 41, at 160.

⁵⁷ See, e.g., Toshiko Takenaka, *Adequate Compensation for Patent Infringement Damages*, in PATENT LAW AND THEORY, *supra* note 39, 584, 608–09.

⁵⁸ See Hays, *supra* note 47, at 510–11.

⁵⁹ SENDER, *supra* note 18, at 10.

⁶⁰ *Id.* at 47.

⁶¹ *Id.* at 52.

March 2004 when the Competitiveness Council could not reach an agreement.⁶² In light of these setbacks, it became clear that a more powerful means of achieving patent reform was needed.

D. “Enhanced Cooperation” and the Current Patent Reform Effort

Frustration mounted following decades of unsuccessful attempts at meaningful patent enforcement reform.⁶³ In 2010, twelve EU member states submitted a proposal to the EU Council authorizing the use of enhanced cooperation.⁶⁴ Enhanced cooperation is a rarely-used procedural tool that several EU member states recently employed to initiate the current patent reform effort.⁶⁵ In fact, enhanced cooperation has been employed only once before, for the purpose of settling disparate divorce laws, by the EU member states.⁶⁶ Enhanced cooperation is a method of last resort whereby legislation may be enacted despite a “case of disagreement, and if at least nine [EU] Member States”⁶⁷ agree to participate, provided that “the internal market or economic, social and territorial cohesion”⁶⁸ of the EU is not undermined. The process is such that at least nine member states propose enhanced cooperation to the European Commission, which then may forward a proposal to the European Council for approval provided the European Parliament consents.⁶⁹

Following the failure of patent reform efforts such as the CPR, the latest effort at patent reform has implemented enhanced cooperation. Enhanced cooperation was approved by twenty-five of the twenty-seven member states, Spain and Italy being the two exceptions.⁷⁰ The initial proposals for the current European patent reform effort propose three primary objectives. The first

⁶² Press Release, European Union, Results of the Competitiveness Council of Ministers, Brussels, 11th March 2004 Internal Market, Enterprise and Consumer Protection Issues (Mar. 12, 2004), available at http://europa.eu/rapid/press-release_MEMO-04-58_en.htm?locale=fr.

⁶³ See, e.g., Edmund L. Andrews, *In Push for European Unity, Leader Finds Fissures*, N.Y. TIMES, Dec. 15, 2001, at A3.

⁶⁴ *Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with Regard to the Applicable Translation Arrangements*, *supra* note 2, at 2.

⁶⁵ See Council Decision 2011/167/EU, Authorising Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection, para. 5, 2011 O.J. (L 76) 53, 53.

⁶⁶ See Elitsa Vucheva, *Divorce Rules Could Divide EU States*, EUOBSERVER (July 24, 2008, 9:28 AM), <http://euobserver.com/22/26532>.

⁶⁷ Consolidated Version of the Treaty on the Functioning of the European Union art. 82, Mar. 30, 2010, 2010 O.J. (C 83) 80 [hereinafter TFEU].

⁶⁸ *Id.* art. 326.

⁶⁹ *Id.* art. 329.

⁷⁰ See Note 11328/11, *supra* note 17, at 1; Proposal for a Regulation of the European Parliament and of the Council, 2011/0093 (COD), *supra* note 19, at 7.

objective is for uniform patent filing through the EPO to be valid for all participating contracting states without the need for additional filings and fees.⁷¹ The second objective calls for European patents to be enforced through a new, centralized European Patent Office.⁷² The third objective is for the implementation of a new, mechanical translation system to address cost concerns associated with translating the multitude of languages used across the EPOrg-contracting states.⁷³

Unfortunately, the European Court of Justice (ECJ) rejected the validity of the proposed European Patent Court, as discussed below.⁷⁴ Consequently, the contracting states participating in the current reform began work on a follow-up proposal in response to the ECJ's ruling.⁷⁵ The European Council subsequently approved a reform proposal,⁷⁶ but the European Parliament delayed voting due to omissions that would affect the ECJ's role in the new patent court system.⁷⁷ The success of this ongoing effort is crucial to the competitiveness of Europe relative to other major markets, such as the United States.

II. UNIFORM PATENT ENFORCEMENT IS NECESSARY TO PROVIDE VALUE TO EUROPEAN PATENTS, SIMPLIFY LITIGATION, AND REDUCE COSTS.

The establishment of the EPO, resulting in the simplification of patent prosecution in Europe, was a significant advance, but further reform is needed to strengthen the value of European patents. This Part is divided into six Subparts, highlighting the shortcomings associated with Europe's lack of uniform patent enforcement, the desire for reform, and a historical example of the potential benefit of the proposed patent reform. Subpart A discusses the conflict between Article 69's mandate of uniform patent claim interpretation with the differences observed in actual practice. Subpart B highlights the importance of certainty that is afforded by bona fide uniform patent enforcement. Subpart C discusses the burdens imposed by patent enforcement in national courts, while Subpart D provides examples of the burdens resulting

⁷¹ *See id.* at 7.

⁷² *Id.*

⁷³ *Id.* at 33.

⁷⁴ *See* Case C-1/09, *supra* note 3, at *37.

⁷⁵ Press Release, Hungarian Presidency Welcomes Court Opinion on Unified Patent Litigation System; Work on Enhanced Cooperation Unaffected (Mar. 8, 2011), *available at* http://www.eu2011.hu/files/bveu/documents/PatentPressRelease_08032011.pdf.

⁷⁶ *See* Memorandum 12/509, *supra* note 26.

⁷⁷ *See* EP Press Release, *supra* note 4.

from differential interpretation. Subpart E describes the strong impetus for patent reform observed in countries throughout Europe, while Subpart F provides a historical example—that of the U.S. Court of Appeals for the Federal Circuit (“CAFC”)—for the benefits that may result from the creation of a uniform method of patent enforcement.

A. *National Courts of Europe Enforce Many Aspects of Patents Similarly, But Significant Differences Remain.*

Superficially, Europe has made extraordinary progress in harmonizing the multitude of its national patent law. In large part, this harmonization was propelled by the creation of the EPC and other subsequent legislation, such as the Biotech Directive of 1998, which harmonized the patent laws applicable to biotechnology.⁷⁸ More to the point, Article 69 of the EPC imposed uniform requirements on both claim interpretation and the doctrine of equivalents.⁷⁹ In actuality, the national courts of Europe have construed patents differently despite applying the so-called uniform requirements of the EPC. Whether an invention has sufficient inventive step, one of the three pillars of patentability, is but one example that national courts have construed inconsistently.⁸⁰ This will be discussed in greater detail in Subpart D, below.

Despite the existence of significant international agreements providing for the harmonization of patent laws in Europe,⁸¹ this harmonization is not complete in regard to patent enforcement as discussed above. For the true harmonization of patent laws to occur throughout Europe, a uniform enforcement body is necessary to provide patent precedent. This harmonization via precedent will be analogous to the manner by which the CAFC settled the disparate patent rulings of other federal circuit courts prior to its formation, as discussed above.⁸² As a result of this centralized patent enforcement body, certainty and expectations in regard to patent protection will improve, thereby strengthening patents throughout Europe.

⁷⁸ Hallenborg et al., *supra* note 24, at 84.

⁷⁹ EPC, *supra* note 9, art. 69 (stating that “[t]he extent of the protection . . . shall be determined by the claims,” and that “the description and drawings shall be used to interpret the claims”).

⁸⁰ See, e.g., *Brussels Medsystems Inc. v. Angiotech Pharmaceuticals Inc.*, [2008] UKHL 49 [*1] (appeal taken from Eng.) (arguing on appeal “that the Dutch court was right and that the patent should be declared valid”).

⁸¹ See SENDER, *supra* note 18, at 8.

⁸² See Herbert Hovenkamp, *Meador Lecture Series 2007–2008: Empire: Innovation and the Domain of Competition Policy*, 60 ALA. L. REV. 103, 124–25 (2008).

B. Certainty is Crucial to the Parties in Patent Infringement Litigation.

Certainty in how a patent will be construed by courts, and therefore how it will be enforced, is of paramount importance to patentee and infringer alike. Certainty of how a patent will be construed allows a potential infringer to “reasonably foresee” which actions will be potentially infringing.⁸³ Certainty will also grant the patent holder “cost-effective mechanisms without significant delays”⁸⁴ by promoting settlements due to an infringer’s fear of unfavorable outcomes in patent enforcement. Unfortunately, patent enforcement in Europe is currently dependent on the decisions of national courts that, despite a significant level of patent law harmonization, lack certainty for the parties due to a substantial number of remaining differences in patent enforcement.⁸⁵

This issue is often framed in terms of protecting the expectations of the parties because of their “natural interest in knowing the possible extent of their respective rights and liabilities.”⁸⁶ This knowledge permits the autonomy of the parties to resolve patent disputes independent of the courts.⁸⁷ When a patent system does not adequately address these expectations, however, the value of the patents in that system is diminished.

C. A Unitary European Patent Without Uniform Enforcement Merely Reduces Upfront Costs While Lacking Backend Value.

A unitary European patent, regardless of whether uniform patent enforcement is introduced, will benefit patent applicants by eliminating the need for payment of numerous national filing, renewal, and translation fees.⁸⁸ This benefit is tempered, however, by the realization that significant patent litigation costs will remain when attempting to enforce patent protection throughout the multiple contracting states. Often a patent holder will be “unable to afford the costs of several patent infringement claims in different States”⁸⁹ despite having obtained patent protection in those states. Observers have pointed out that even if a patentee can afford such proceedings, it would

⁸³ See SENDER, *supra* note 18, at 28–29.

⁸⁴ *Id.*

⁸⁵ *Id.* at 60–62.

⁸⁶ *Id.* at 216–17.

⁸⁷ *Id.*

⁸⁸ See Proposal for a Regulation of the European Parliament and of the Council, 2011/0093 (COD), *supra* note 19, at 10.

⁸⁹ SENDER, *supra* note 18, at 43.

arguably be “unfair to compel them” to do so “against the same opponent”⁹⁰ for the same infringement in multiple venues.

Concerns regarding a lack of certainty and the cost of patent litigation in various European venues have led to multiple efforts at European patent reform. The European Patent Litigation Agreement (“EPLA”), for example, is one such effort that aims to reduce the cost to private parties by reducing the number of venues permissible for a single case of patent infringement.⁹¹ The EPLA also will attempt to ensure that uniform enforcement of European patent laws is actually carried out by proposing the creation of specialist courts for this purpose.⁹² The legality of the EPLA remains in doubt, however, and the effort appears to have stalled since the latest draft in 2005.⁹³

*D. Patents Are Often Enforced Disparately by European National Courts.*⁹⁴

Numerous examples exist of differences in patent interpretation by multiple states across Europe despite the harmonization allegedly afforded by the EPC.⁹⁵ One such example is the protection afforded to biotechnological inventions. Despite support for such patents via the EPC, both the United Kingdom patent office and courts remain skeptical of providing patent protection to such inventions.⁹⁶ The reason for this difference, despite the existence of the EPC, is likely a result of the decisions of the courts being “dominated by policy issues” outside of the legislative framework.⁹⁷ A particularly striking example of this difference was a case in which the House of Lords revoked a Biogen hepatitis B patent in spite of the EPO upholding the patent.⁹⁸ In that case, the House of Lords revoked a patent on the grounds of insufficiency where the inventive step pertained to the method by which a product was made.⁹⁹ This so-called “*Biogen* insufficiency” was severely narrowed by the House of Lords in a decision a decade later,¹⁰⁰ highlighting

⁹⁰ *Id.*

⁹¹ Kerry J. Begley, *Multinational Patent Enforcement: What the “Parochial” United States Can Learn from Past and Present European Initiatives*, 40 CORNELL INT’L L.J. 521, 557 (2007).

⁹² *Id.*

⁹³ Working Party on Litigation, European Patent Organization, *Draft Agreement on the Establishment of a European Patent Litigation System* (Dec. 2005).

⁹⁴ See MILLS, *supra* note 29, at 19.

⁹⁵ EPC, *supra* note 9, art. 52(1).

⁹⁶ See MILLS, *supra* note 29, at 83.

⁹⁷ *Id.*

⁹⁸ *Biogen Inc. v. Medeva PLC*, [1997] R.P.C. 1 (H.L.) [3].

⁹⁹ *Id.* at 5.

¹⁰⁰ E.D. Ventose, *The House of Lords Clarifies “Biogen Insufficiency,”* 6 SCRIPTED 718, 719 (2009).

the differences in interpretation not only between judicial bodies, but also within a single court.

Another example of differences in patent interpretation involves what constitutes a PHOSITA; the United Kingdom and Germany, for example, have different interpretations for the purpose patent claim construction.¹⁰¹ In Germany, a PHOSITA is assumed to have substantial capabilities such that Germany courts may “stretch the meaning of claim terms” while rarely using a PHOSITA to narrow claim construction.¹⁰² In the United Kingdom, however, the courts have used the construction of a PHOSITA to narrow claim construction, construing claims by what the inventor “meant to say,” in stark contrast to the German regime.¹⁰³ In the United Kingdom, for example, the House of Lords in *Kirin-Amgen* interpreted a claim involving the DNA of a “host cell” in which the claim did not literally include any limitation on the scope of the DNA.¹⁰⁴ The court nonetheless excluded the endogenous DNA of the host cell based on what the inventor “meant to say.”¹⁰⁵ German courts, conversely, generally allow expansive construction of patent claims incorporating variations known to, but not necessarily disclosed by, a PHOSITA.¹⁰⁶ Had a German court heard the *Kirin-Amgen* case, it is quite likely that the patentee would be afforded protection for the endogenous DNA, creating a completely different set of enforceable rights compared with the United Kingdom.

Yet another difference exists between application of the experimental use exception in the United Kingdom and Germany.¹⁰⁷ Both countries’ patent laws permit acts done “privately” and which are not “commercial.”¹⁰⁸ Furthermore, acts are acceptable if “done for experimental purposes relating to the subject matter of the” invention.¹⁰⁹ Despite the strikingly similar wording of the experimental use exception in these two countries, motivated in part by the EPC, the two countries view clinical trials differently. The United Kingdom

¹⁰¹ See Toshiko Takenaka, *Extent of Patent Protection in the United States, Germany, the United Kingdom and Japan*, in PATENT LAW AND THEORY, *supra* note 39, 443, 444.

¹⁰² *Id.* at 451.

¹⁰³ *Id.* at 453.

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ See Sean O’Connor, *Enabling Research or Unfair Competition? De Jure and De Facto Research Use Exceptions in Major Technology Countries*, in PATENT LAW AND THEORY, *supra* note 39, 519, 530–34.

¹⁰⁸ *Id.* at 530.

¹⁰⁹ *Id.*

does not consider such trials to be experimental use if done by unauthorized users, whereas Germany does consider it to be an exemption for unauthorized users.¹¹⁰

The practical effect of the German interpretation is significant in that it permits competitors to thoroughly prepare their product for commercialization during the life of the patent. The effect of this interpretation is that German competitors could immediately launch a thoroughly tested commercial product as soon as a competitor's patent expired. In the United Kingdom, however, competitors are forced to wait until the patent expires before testing their competing product in a commercial manner. The consequence of this difference is that the patentee may have a de facto patent extension by virtue of the time required for competitors to commercialize their product, whereas in Germany no such extension would exist.

These differences, which are but a few of many, highlight the means by which the national courts may differentially interpret the same patent despite applying the so-called harmonized European patent law. Such differences only serve to highlight the urgent need for uniform patent enforcement throughout Europe. An impartial, distinct patent enforcement entity applying harmonized European patent law would overcome both disparate outcomes resulting from national policy concerns as well as the subtle differences, such as the application of PHOSITA to claim construction, that otherwise would result in significant differences in patent enforcement. For instance, if Europe adopted the German standard for experimental use and PHOSITA, the public would be aware that they could prepare a commercial product in advance of a competitor's patent expiring. The public would also be confident that the interpretation of a PHOSITA would not limit their claims, but in fact would likely increase the claim scope. These components of a patent, which are but two of many, would considerably improve the clarity of patent rights if standardized.

E. Significant Motivation for Patent Harmonization Exists in Europe.

Many aspects of patent law have been harmonized throughout the national courts of Europe, as described above. The existing harmonization suggests that the contracting states are not opposed to European-wide harmonization of

¹¹⁰ *Id.* at 532–34.

patent laws. On the contrary, there is in fact a strong desire to harmonize the enforcement of European patents as evidenced by three observations.

First, the current implementation of enhanced cooperation by twenty-five of the twenty-seven EU member states—only the second instance of this procedural tool ever being used—to propose a European and Community Patents Court is evidence of the desire for patent enforcement harmonization. Second, the creation of the EPO via the EPC resulted in uniform patent prosecution with uniform patent enforcement being the logical next step. Third, for Europe to remain competitive in the global economy, it must strengthen its patent regime by eliminating the current patchwork of patent enforcement, thereby improving certainty and allowing growth in innovation investment. The current upfront costs associated with European patent prosecution and the lack of European patent enforcement in a single forum reduce the incentive of patentees to file in Europe compared with the United States, Japan, and other more affordable, convenient markets. The twenty-year cost of acquiring and maintaining a patent in the thirteen most common European countries was approximately ten times the twenty-year cost in either the United States or Japan, for instance.¹¹¹ The formation of a centralized patent court in the United States, the CAFC, serves as an excellent example of the benefits that Europe might gain by resolving its disparate enforcement system.

F. The Court of Appeals for the Federal Circuit Model

The creation of the CAFC in the United States increased the value of U.S. patents and is an excellent, modern example of the benefit that uniform, European patent enforcement could create.¹¹² Until the CAFC was formed in 1982, patent appeals from federal district courts went to their respective federal circuit courts of appeal.¹¹³ The existence of multiple courts of appeal resulted in circuit splits; the power of the CAFC to take patent appeals from all districts served to eliminate these splits.¹¹⁴ Most significantly, the CAFC by most

¹¹¹ B. VAN POTTELSBERGHE DE LA POTTERIE & D. FRANÇOIS, CENTRE EMILE BERNHEIM, THE COST FACTOR IN PATENT SYSTEMS 15 (2003).

¹¹² See Rochelle C. Dreyfuss, *Resolving Patent Disputes in a Global Economy*, in PATENT LAW AND THEORY, *supra* note 39, 610, 621–23.

¹¹³ ADAM B. JAFFE & JOSH LERNER, INNOVATION AND ITS DISCONTENTS 100–01 (2004).

¹¹⁴ See Dreyfuss, *supra* note 112, at 621–23.

accounts strengthened patent protection, correlating with an increase in the value of patents for certain industries within the United States.¹¹⁵

Prior to the formation of the CAFC in the United States, the federal circuit court splits in patent enforcement led to a “mad and undignified race” to file actions in the federal circuit that was the most advantageous and amenable to a litigant’s position following a particular court ruling.¹¹⁶ This is somewhat analogous to the differences observed in the application of patent laws by the national courts throughout Europe today. The creation of the CAFC, much like the proposed central patent court in Europe, not only addressed the uncertainty of disparate patent enforcement, but also strengthened the competitive strength of the United States’ ability to support innovation.¹¹⁷ Although some forum shopping remains at the Federal District Court level,¹¹⁸ the overall impact of the CAFC has been positive.

Notably, the Carter administration indicated the advantages of a stronger, more predictable patent enforcement regime in its “Domestic Policy Review of Industrial Innovation” during the late 1970s.¹¹⁹ The strong economic impetus for the United States’ desire for patent reform in decades past will be discussed below and will be related to Europe’s current economic situation with regard to patent enforcement.

III. THE OBJECTIONS OF THE EUROPEAN PARLIAMENT, THE ECJ, SPAIN, AND ITALY TO THE PROPOSED EUROPEAN PATENT COURT

The current patent reform effort faces opposition not only from the European Parliament and the ECJ, but also from Spain and Italy.¹²⁰ The objections of the European Parliament and the ECJ are intertwined and are discussed together in Subpart A, which lists and analyzes the associated objections to the formation of a new European patent court system. Subpart B assesses the objections posed by Spain and Italy, the only two EU member states not to join in the enhanced cooperation.

¹¹⁵ See Hovenkamp, *supra* note 82, at 124–25.

¹¹⁶ JAFFE & LERNER, *supra* note 113, at 100.

¹¹⁷ *Id.* at 100–01.

¹¹⁸ Megan Woodhouse, *Shop ‘til You Drop: Implementing Federal Rules of Patent Litigation Procedure to Wear Out Forum Shopping Patent Plaintiffs*, 99 GEO. L.J. 227, 228 (2010) (discussing the large number of patent infringement cases filed with the Eastern District of Texas).

¹¹⁹ JAFFE & LERNER, *supra* note 113, at 101.

¹²⁰ Ben Hirschler, *Painful Birth for Europe’s New One-Stop Patent*, REUTERS, Aug. 30, 2012, available at <http://www.reuters.com/article/2012/08/30/us-europe-patents-idUSBRE87T09W20120830>.

A. *The European Parliament's and the ECJ's Objections to the Formation of a Central Patent Court*

The Council of the EU proposed a centralized European and Community Patents Court system, which would comprise a central court of first instance as well as a subsequent court of appeal, on behalf of the member states participating in enhanced cooperation.¹²¹ This proposal was heard by the ECJ and, on March 8, 2011, the ECJ provided three primary justifications for rejecting the creation of this court system.¹²²

The first reason that the ECJ provided indicates the court's concern that its jurisdiction over EU law would be usurped.¹²³ Specifically, it stated that "the international court envisaged in this draft agreement is to be called upon to interpret and apply not only the provisions of that agreement but also the future regulation on the Community patent and other instruments of European Union law."¹²⁴ The ECJ was concerned, therefore, that the formation of a new patent court would overstep its bounds by interpreting EU law, over which the ECJ is granted sole jurisdiction.

The second reason that the ECJ gave for rejecting the proposed European and Community Patents Court system was that the creation of that court "would deprive [national courts] of their task," or "as the case may be, the obligation, to refer questions [to the Court] for a preliminary ruling."¹²⁵ Whereas the ECJ's first concern was over its own jurisdictional authority, the ECJ's second objection concerned the jurisdictional authority of the national courts of Europe.

The third reason cited by the ECJ for rejecting the proposed European and Community Patents Court system was that the agreement "would alter the essential character of the powers" conferred on the institutions of the European Union and on the Member States which "are indispensable to the preservation of the very nature of European Union law."¹²⁶ In effect, the ECJ implied that the proposed patent court system would challenge the very structure of European Union law.

¹²¹ Case C-1/09, *supra* note 3, at *2.

¹²² *Id.* at *37.

¹²³ *Id.* at *39.

¹²⁴ *Id.* at *37–38.

¹²⁵ *Id.* at *38.

¹²⁶ *Id.* at *42.

The European Council subsequently reached an agreement that provided details on the location of the proposed patent courts.¹²⁷ Specifically, a central Unified Patent Court was proposed for Paris and specialized Unified Patent Courts were proposed for both London and Munich.¹²⁸ Before the European Parliament could vote on the proposal, however, a modification was made by which the ECJ's role in patent litigation would be diminished.¹²⁹ The European Parliament, as a result, delayed a vote on the reform.¹³⁰

B. The Objections of Spain and Italy to the Current Enhanced Cooperation

Neither Spain nor Italy has agreed to participate in the enhanced cooperation for patent reform. Their objections likely stem from the fact that English, French, and German are the three official languages of the EPO and are likely to be selected as suitable for submission to the EPO without translation in a future unitary patent system.¹³¹ In essence, Spain and Italy were concerned that the additional translation burdens associated with Spanish and Italian inventors would place those two nations at a competitive disadvantage.¹³² In fact, both Spain¹³³ and Italy¹³⁴ have brought challenges before the ECJ seeking an annulment of the Council's March 2011 decision.¹³⁵

1. Spain's Objections

Spain's legal challenge to the use of enhanced cooperation for patent reform is based on three arguments.¹³⁶ First, Spain claims that the use of enhanced cooperation was improper, because recourse could have been had through a special agreement,¹³⁷ per Article 142 of the EPC,¹³⁸ rather than via enhanced cooperation. Second, Spain claims that the proposal did not offer a

¹²⁷ See Memorandum 12/509, *supra* note 26.

¹²⁸ *Id.*

¹²⁹ See EP Press Release, *supra* note 4.

¹³⁰ *Id.*

¹³¹ Press Release, Council of the European Union, Council Authorizes Enhanced Cooperation on Creation of Unitary Patent Protection (Mar. 10, 2011), available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/intm/119732.pdf.

¹³² See, e.g., Hirschler, *supra* note 120.

¹³³ Notice No. 2011/C 219/16, 2011 O.J. (C 219) 12, 12–13.

¹³⁴ Notice No. 2011/C 232/34, 2011 O.J. (C 232) 21, 21–22.

¹³⁵ Case C-1/09, *supra* note 3, at *1.

¹³⁶ Notice No. 2011/C219/16, *supra* note 133, at 12–13.

¹³⁷ *Id.* at 12.

¹³⁸ *Id.*

method of dispute resolution for certain rights under EU law.¹³⁹ Third, Spain asserts that even if its first two arguments are overcome, that the use of enhanced cooperation is improper for three additional reasons.¹⁴⁰ Specifically, Spain claims that enhanced cooperation infringes on Article 20(1) of the Treaty on European Union (“TEU”),¹⁴¹ in that enhanced cooperation was not a last resort in addition to the improper inclusion of matters exclusive to the European Union.¹⁴² Spain further alleges a violation of Article 326 of the Treaty on the Functioning of the European Union (“TFEU”)¹⁴³ for disrupting the financial and social cohesion of the European Union.¹⁴⁴ Finally, Spain claims that Article 327 of the TFEU¹⁴⁵ was violated, because this particular use of enhanced cooperation does not respect the rights of Spain.¹⁴⁶

2. *Italy’s Objections*

Italy’s legal challenge was slightly different and was based on four arguments.¹⁴⁷ First, Italy challenged the Council by claiming that Article 20(1) of the TEU prohibits the use of enhanced cooperation for the purpose of creating European rules,¹⁴⁸ which are based instead on Article 118 of the TFEU.¹⁴⁹ Second, Italy claimed that the authorization of enhanced cooperation was contrary to, if not incompatible with, Article 326 of the TFEU, which requires enhanced cooperation to comply with EU law.¹⁵⁰ Third, Italy asserted that the enhanced cooperation requirement of “last resort”¹⁵¹ was not substantiated.¹⁵² Finally, Italy claimed that the use of enhanced cooperation would disrupt the EU’s internal market and would be contrary to Article 20(1) of the TEU in that it would hinder integration.¹⁵³ These objections either lack support or may be addressed by modifying the proposed reform.

¹³⁹ *Id.* at 13.

¹⁴⁰ *Id.*

¹⁴¹ Consolidated Version of the Treaty on European Union art. 20(1), May 9, 2008, 2008 O.J. (C 115) 13, 27–28 [hereinafter TEU].

¹⁴² Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁴³ TFEU, *supra* note 67, art. 326.

¹⁴⁴ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁴⁵ TFEU, *supra* note 67, art. 327.

¹⁴⁶ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁴⁷ Notice No. 2011/C 232/34, *supra* note 134, at 21–22.

¹⁴⁸ *Id.* at 22.

¹⁴⁹ TFEU, *supra* note 67, art. 118.

¹⁵⁰ Notice No. 2011/C 232/34, *supra* note 134, at 22.

¹⁵¹ TEU, *supra* note 141, art. 20(2).

¹⁵² Notice No. 2011/C 232/34, *supra* note 134, at 22.

¹⁵³ *Id.*

IV. ENACTING UNIFORM PATENT ENFORCEMENT WHILE SIMULTANEOUSLY ADDRESSING THE OBJECTIONS OF THE EUROPEAN PARLIAMENT, THE ECJ, SPAIN, AND ITALY

Progress in the battle for patent reform in Europe requires a strong consensus and necessitates the approval of the European Parliament and the ECJ to clarify the role of the courts in patent enforcement. This Part is divided into five Subparts, offering direct rebuttals to the objections of the European Parliament, the ECJ, Spain, and Italy followed by a proposed solution to the issue of uniform patent enforcement. Subpart A directly challenges the reasoning offered by the ECJ in its rejection of the proposed patent court system. Subpart B analyzes and provides potential means of resolving the reservations held by Spain and Italy. Subpart C discusses the economic policy considerations supporting patent reform, while Subpart D highlights a concession made by the ECJ. Finally, Subpart E proposes a solution, based on a pilot program in the U.S. federal courts, to the ECJ's objections.

A. *Overcoming the European Parliament's and the ECJ's Objections*

The ECJ's first objection, that the proposed patent court system would interpret provisions of European Union law, is exaggerated and is certainly not without remedy for two reasons. First, the Council's proposal, as the ECJ itself notes, is not intended "to change the essential character of the powers vested in the [ECJ]."¹⁵⁴ Second, and most importantly, the ECJ would have the final decision on matters of EU law, should they arise at all. In fact, Article 48 of the proposed agreement stated this explicitly when reviewed by the European Court of Justice in 2011, requiring referral of EU law matters to the ECJ, whose decisions "shall be binding on the [Patent] Court of First Instance and the [Patent] Court of Appeal."¹⁵⁵

Although the Council's proposal currently offers considerable opportunities for the ECJ to review matters of EU law, a revised proposal could strengthen these opportunities further in order to appease the ECJ. Instead of giving the court of first instance the discretion to submit matters of EU law to the ECJ, perhaps the court could be required to do so instead. Recent modifications to

¹⁵⁴ Case C-1/09, *supra* note 3, at *12.

¹⁵⁵ *Id.* at *11.

the proposal hint at this requirement, requiring “collaboration” with the ECJ, although the exact meaning of this language remains to be seen.¹⁵⁶

The ECJ’s second objection, that the power of the “national courts” and “tribunals” to refer questions to the ECJ would be hindered, is also dubious.¹⁵⁷ Ample opportunity exists for referring such questions to the ECJ with the proposed reform, as described above.¹⁵⁸ In fact, recent modifications to the proposal require that such questions be raised and submitted to the ECJ via preliminary rulings in accordance with EU law.¹⁵⁹ While the proposed model is not identical to the current system, it nonetheless provides an adequate remedy for litigants to obtain decisions from the ECJ regarding EU law that will be binding on the new courts.¹⁶⁰ Therefore, the proposed reform offers sufficiently strong protection to the referral of questions to the ECJ.

The reasoning behind the ECJ’s third objection, much like the first two objections cited by the ECJ, is questionable. In that objection, the ECJ asserted that the Council’s proposal “would alter the essential character of the powers” conferred “on the institutions of the European Union and on the Member States . . . which are indispensable to the preservation of the very nature of European Union law.”¹⁶¹ The proposed reform would create a community patent that would be granted by the EPO distinct from the bundle of national patents that would remain available.¹⁶² In other words, the new community patent would not be obligatory and would be a separate, elective option for applicants. It is not clear how a separate, distinct, and voluntary patent system would alter the powers conferred to the institutions of the European Union and member states when those powers are not being removed. EU law would not ostensibly be altered and, if a question of such law were raised, the ECJ would be designated to create binding decisions upon the new patent court system, as discussed above.

¹⁵⁶ Working Document 14750/12 from the Presidency to the Council of the European Union, 5 (Oct. 12, 2012) [hereinafter Working Document 14750/12], available at <http://register.consilium.europa.eu/pdf/en/12/st14/st14750.en12.pdf>.

¹⁵⁷ Case C-1/09, *supra* note 3, at *32.

¹⁵⁸ *Id.* at *12.

¹⁵⁹ Working Document 14750/12, *supra* note 156, at 5 (requiring interpretations of EU law via “preliminary rulings in accordance with Article 267 TFEU”).

¹⁶⁰ Case C-1/09, *supra* note 3, at *12.

¹⁶¹ *Id.* at *89.

¹⁶² *Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with Regard to the Applicable Translation Arrangements*, *supra* note 2, at 2–3.

The recent objections of the European Parliament, delaying a vote on the reform proposed by the European Council,¹⁶³ are also associated with perceived weakening of the ECJ's ability to hear patent litigation. In particular, the European Parliament objected to the apparent deletion of proposed Articles 6 through 8 of the draft provided by the European Council.¹⁶⁴ The deletion of these Articles, although increasing the scope of what would be covered by the Unitary Patent Court system, does not prevent the ECJ from hearing patent litigation appeals, for the same reasons discussed above. Should the European Parliament stonewall, however, then Articles 6 through 8 should remain in the proposal, as they do not prevent meaningful European patent reform.

B. Addressing Spain and Italy's Objections to Enhanced Cooperation

Both Spain and Italy have challenged the use of enhanced cooperation for patent reform by the twenty-five other EU member states. Both countries filed suit, separately rather than jointly, at the ECJ against the reform effort by citing multiple alleged violations of the TEU and TFEU.¹⁶⁵ Both countries share the same concern of being marginalized by such a proposed patent system due to the EPO's use of English, French, and German as the official languages.¹⁶⁶ Each particular allegation will now be addressed individually with either an outright rebuttal or a compromise offered as a resolution.

1. Addressing Spain's Objections

Spain included three challenges in its case before the ECJ.¹⁶⁷ Spain's first assertion against the use of enhanced cooperation, claiming that recourse could have instead been had through a special agreement per Article 142 of the EPC,¹⁶⁸ is curious. Specifically, Article 142(1) of the EPC states that "[a]ny 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."¹⁶⁹ Spain's contention is flawed for two reasons. First, Spain seems to assume that because a special agreement could

¹⁶³ See EP Press Release, *supra* note 4.

¹⁶⁴ *Id.*

¹⁶⁵ See Notice No. 2011/C219/16, *supra* note 133, at 12–13; Notice No. 2011/C 232/34, *supra* note 134, at 21–22.

¹⁶⁶ See, e.g., Hirschler, *supra* note 120.

¹⁶⁷ Notice No. 2011/C219/16, *supra* note 133, at 12–13.

¹⁶⁸ *Id.* at 12.

¹⁶⁹ EPC, *supra* note 9, art. 142(1).

have been made, that the use of enhanced cooperation is forbidden. Second, even if a special agreement were made, it is not clear from the language of Article 142(1) that “unitary character” of a patent would also extend to patent enforcement through a unified patent court. Therefore, Spain’s proposal would not guarantee uniform patent enforcement.

Spain’s second challenge, that the proposal does not offer a method of dispute resolution for certain rights under EU law,¹⁷⁰ is somewhat reminiscent of the opinion offered by the ECJ four months earlier.¹⁷¹ It is a flawed challenge for the same reason. The proposal offered by the Council in 2011 did, in fact, provide for the resolution of questions of EU law; parties in litigation at the proposed patent court of first instance could request referral of these issues to the ECJ.¹⁷² If such issues are raised on appeal, referral to the ECJ is automatic.¹⁷³ Furthermore, recent updates to the proposal require collaboration with the ECJ in the form of preliminary rulings.¹⁷⁴ These considerations, which are more than adequate, should quell this particular challenge by Spain.

Spain’s third challenge is tripartite in that it asserts that even if its first two arguments are overcome, the use of enhanced cooperation is improper for three additional reasons.¹⁷⁵ First, Spain claims that enhanced cooperation infringes on Articles 20(1) of the TEU in that enhanced cooperation was not a last resort, as well as due to the proposal’s inclusion of matters exclusive to the European Union.¹⁷⁶ While it is true that enhanced cooperation is reserved as a last resort, Article 20(2) states that such action is proper “when [the Council] has established that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole.”¹⁷⁷ Given that Europe has sought a community patent system for decades,¹⁷⁸ this requirement is more than satisfied. The objection on the grounds that patent law is “exclusive to the European Union” is dubious. Currently, patent prosecution is available through

¹⁷⁰ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁷¹ Case C-1/09, *supra* note 3, at *2.

¹⁷² See Note 11328/11, *supra* note 17, at 4.

¹⁷³ Case C-1/09, *supra* note 3, at *12 (“Where such question is raised before the Court of Appeal, it *shall* request the Court of Justice... to decide on the question.” (emphasis added)).

¹⁷⁴ Working Document 14750/12 at 5.

¹⁷⁵ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁷⁶ *Id.*

¹⁷⁷ TEU, *supra* note 141, art. 20(2).

¹⁷⁸ See, e.g., Hays, *supra* note 47, at 510–11.

the EPO, which includes countries outside of the European Union.¹⁷⁹ In addition, patent enforcement is handled through the national courts, not EU courts.¹⁸⁰ This argument seems to be a mere catchall that attempts to appeal to the authority of the ECJ.

In the third objection, Spain also alleges a violation of Article 326 of the TFEU in that enhanced cooperation would allegedly disrupt the financial and social cohesion of the European Union.¹⁸¹ This is a rather bold assertion that flies in the face of the one of the primary factors motivating the reform movement itself. Specifically, improving the value of European patents is at the very core of the unrelenting push for a uniform European patent system.¹⁸² The current patchwork of national systems of patent enforcement is contrary to the European cohesion that Spain claims to be advocating.

In the third objection, Spain finally claims that Article 327 of the TFEU was violated, because this particular use of enhanced cooperation does not respect the rights of Spain.¹⁸³ Not surprisingly, Spain does not emphasize the remainder of Article 327, which states that “[t]hose Member States [not participating] shall not impede its implementation by the participating Member States.”¹⁸⁴ The “competences, rights and obligations”¹⁸⁵ of Spain are all preserved in the Council’s proposal. Regardless of whether Spain chooses to participate in the enhanced cooperation, its citizens will retain the ability to obtain patent protection and enforce their rights.

2. Addressing Italy’s Objections

Italy’s legal challenge was similar and was based on four arguments.¹⁸⁶ Italy first challenged that Article 20(1) of the TEU prohibits the use of enhanced cooperation for the purpose of creating European rules, which are based instead on Article 118 of the TFEU.¹⁸⁷ The Article 20(1) basis was

¹⁷⁹ See *Member States of the European Patent Organization*, *supra* note 8.

¹⁸⁰ See Memorandum 11/864, *supra* note 13.

¹⁸¹ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁸² Cf. *Communication from the Commission to the European Parliament and the Council: Enhancing the Patent System in Europe*, at 21, COM (2007) 0165 final (Apr. 3, 2007) [hereinafter *Enhancing the Patent System in Europe*] (arguing that “better innovation performance in a Member State correlates with greater patent value in that country”).

¹⁸³ Notice No. 2011/C219/16, *supra* note 133, at 13.

¹⁸⁴ TFEU, *supra* note 67, art. 327.

¹⁸⁵ *Id.*

¹⁸⁶ Notice No. 2011/C 232/34, *supra* note 134, at 22–23.

¹⁸⁷ *Id.* at 23.

discussed above. Italy's reliance on Article 118 of the TFEU is questionable, because the language is not clear that the use of enhanced cooperation would be precluded.

Italy's second claim, that the authorization of enhanced cooperation was contrary to Article 326 of the TFEU,¹⁸⁸ is severely flawed and was addressed above. Italy's third assertion, that the enhanced cooperation requirement of last resort was not substantiated,¹⁸⁹ was also addressed above. The one difference is that in the Italian case, the assertion was that an "appropriate inquiry" was not made into the matter.¹⁹⁰ Given the reasoning behind the rejection of Spain's similar argument, this slight difference does not change the rebuttal. Finally, Italy claimed that the use of enhanced cooperation would disrupt the EU's internal market and would be contrary to Article 20(1) TEU in that it would hinder integration.¹⁹¹ This, too, was addressed in the discussion of Spain's objections.

Spain and Italy's decision to file separate, partially overlapping actions with the ECJ may delay resolution on the matter of the Council's proposal. They do so, however, at the risk of riling the ECJ with unnecessary litigation. The assertions made in these two cases likely can be overcome by the above arguments. Alternatively, the entire controversy could be resolved were the Council and the EPO to add Spanish and Italian to the list of official languages at the EPO. This would presumably bring all twenty-seven EU member states into agreement, but might do so at the expense of efficiency. Such an action would bring the total number of official languages at the EPO to five, undoubtedly causing difficulties in handling patent prosecution.

C. Economic Policy Justification for Overcoming the ECJ's Objections to the Formation of a Central Patent Court System

The ECJ's opposition to the formation of a centralized patent court system conflicts with the economic policies of Europe. Patents are an increasingly important, powerful business tool in the global economy.¹⁹² To attract investment and to compete with other markets, particularly the United States and Japan, Europe must maximize the value of its patent system. To do so, it

¹⁸⁸ *Id.*

¹⁸⁹ *Id.*

¹⁹⁰ *Id.*

¹⁹¹ *Id.*

¹⁹² See, e.g., *Enhancing the Patent System in Europe*, *supra* note 181, at 2.

should follow the lesson of the United States with the formation of the CAFC in 1982, as described above.

The Carter administration's interest in promoting the formation of the CAFC was driven in large part by concerns over competitiveness with Japan.¹⁹³ This concern was precipitated by a decline in venture capital investment and initial public offerings during the 1970s, combined with industrial decline.¹⁹⁴ The Congressional subcommittee tasked with reviewing patent reform at the time believed that the U.S. patent system should be strengthened to "promot[e] decisions to commercialize innovations," primarily through the formation of a central court of appeals for matters involving patents.¹⁹⁵

The resulting CAFC has served to strengthen patent protection in the United States, with a greater percentage of patents found valid by the court than by the predecessor circuit courts.¹⁹⁶ This was particularly true in the area of biomedical research.¹⁹⁷ So-called Big Pharma existed in the United States, Europe, and Japan both before and after the creation of the CAFC.¹⁹⁸ Since the CAFC was formed, however, the United States is unique in that it has fostered a significant community of more than one thousand small to medium-sized biotechnology companies.¹⁹⁹ Curiously, much like in Europe today, the formation of this central patent court was met with significant resistance as early as the nineteenth century.²⁰⁰

Europe would be wise to follow the lessons of the United States. Like Europe, the United States ostensibly had uniform patent law, but disparate patent enforcement resulted as a consequence of multiple courts adjudicating patent enforcement.²⁰¹ Currently, the high cost of obtaining and enforcing patent protection throughout Europe is a major factor dissuading inventors and companies from utilizing the patent system in Europe.²⁰² The creation of a

¹⁹³ JAFFE & LERNER, *supra* note 113, at 101 (internal citations omitted).

¹⁹⁴ *Id.*

¹⁹⁵ *Id.*

¹⁹⁶ *Id.* at 104–05.

¹⁹⁷ F. Scott Kieff, *On the Economics of Patent Law and Policy*, in PATENT LAW AND THEORY, *supra* note 39, at 3, 59.

¹⁹⁸ *Id.*

¹⁹⁹ *Id.*

²⁰⁰ JAFFE & LERNER, *supra* note 113, at 102.

²⁰¹ See Dreyfuss, *supra* note 112, at 614–16 (describing the inconsistencies in judgments regarding foreign infringement).

²⁰² Hallenborg et al., *supra* note 24, at 86.

uniform patent enforcement regime in Europe would strengthen European patents and improve the competitiveness of Europe in attracting venture capital and biotechnology companies, much like what the United States experienced following the formation of the CAFC.

Commentators have gone so far as to state that, in the “global competitive economy it is not sustainable” for Europe to fall behind in the innovation resulting from a strong patent regime.²⁰³ The continued existence of Europe’s fragmented patent system puts Europe at a competitive disadvantage relative to not only the United States, but also “emerging economic powers.”²⁰⁴

D. The ECJ Left the Door Ajar.

A uniform European patent system, which would prevent a competitive disadvantage relative to other markets, remains possible. Not only were the ECJ’s three primary objectives disputed in the above discussion, but the ECJ also made a significant concession in its opinion, despite rejecting the European Patent Court proposal. The ECJ’s major concession was the admission that “the Court has, it is true, held that” an international agreement providing for the creation of a court with the duty to interpret, *inter alia*, provisions of European Union law “is not, in principle, incompatible with European Union law.”²⁰⁵

This concession by the ECJ leaves the door open for the formation of some form of a uniform European patent enforcement regime, provided that it is compatible with European Union law. This concession, when viewed in combination with the fact that proposed Article 48 ensures the right of the ECJ to hear matters of EU law, weakens the ECJ’s position that a new patent court system would undermine the authority of the ECJ to decide questions of European Union law.

E. Designation of Patent Judges to Overcome the ECJ’s Objections

To date, the focus of the current reform effort has been upon the formation of a novel patent court system. Such a system would create new courts of first instance in addition to a superior appellate court, all of which would co-exist with the current national court structure. The difference between the two

²⁰³ MILLS, *supra* note 29, at 194.

²⁰⁴ *Id.*

²⁰⁵ Case C-1/09, *supra* note 3, at 17.

systems, as proposed, is that the new court structure would hear those patent infringement cases in which the patent was designated as a community, unitary patent at the EPO. The ECJ, as discussed above, viewed such a court system as an affront to the institutions and laws of the European Union, objecting to what it perceived as the usurpation of the ECJ's and the national courts' judicial authority. Although the weaknesses in the ECJ's objections have been raised, the strongest response is to develop a proposal that would all but completely avoid the objections raised by the ECJ.

In the event that a new patent court system is not formed, then the most viable option would be to improve or modify the existing national court system, thereby preserving the institutional integrity of the national courts. As before, issues of EU law would be appealable to the ECJ for binding decisions, thereby sidestepping yet another of the ECJ's stated objections to the patent court system. The obvious question therefore is how to achieve uniform patent enforcement while using the national courts, the very courts responsible for the disparate construction of European patents.

One possibility for reforming the national court systems is to empower a panel of specialist patent law judges that would be available to hear patent-related cases. The states currently participating in the reform effort would designate particular specialist judges to preside over the patent-related case and apply the law in a manner more harmonious with the EPC and devoid of national policy influence. In the event of a judgment finding patent infringement, for example, the patent holder could then pursue infringement actions in any other additional states. The patent holder and the infringer would have far more certainty as to the outcome of the subsequent court cases, thereby promoting settlements and speeding up the effectiveness of patent enforcement throughout Europe.

The support for such a system derives from the United States. In the United States, the Patent Cases Pilot Program²⁰⁶ has designated particular specialist judges in federal district courts across the United States who, having started in 2011, will hear the case provided either (a) they are randomly assigned the case²⁰⁷ or (b) the president judge declines to accept the case, thereby deferring the case to the specialist judge.²⁰⁸ The U.S. government will analyze the results of this program to determine a variety of outcomes, including whether litigants

²⁰⁶ Patent Cases Pilot Program, Pub. L. No. 111-349, 124 Stat. 3674 (2011).

²⁰⁷ *Id.* § 1(a)(1)(B).

²⁰⁸ *Id.* § 1(a)(1)(C).

forum shop as a result, whether the reversal rates by the CAFC are changed, whether the time required to reach trial or summary judgment is changed, and whether the designated judges actually possess greater expertise in patent law.²⁰⁹

The Patent Cases Pilot Program should not only serve as a model for how the national courts of Europe should designate patent cases to their judges, but should also serve as a wake-up call that Europe has an urgent need to institute significant reforms to stay competitive. The United States already possesses a dominant patent system that has promoted innovation, as described above, but it is also attempting to improve its patent system even further, as indicated by this pilot program.

CONCLUSION

Uniform patent enforcement, achieved through the creation of a uniform enforcement regime, is crucial to the success of meaningful European patent reform. The predictability of patent enforcement through a standardized, specialist patent body would dramatically increase the value of a unitary European patent. Fortunately, the objections cited by the European Parliament, the ECJ, Spain, and Italy may be addressed as described above. Furthermore, meeting the goal of uniform patent enforcement can be achieved regardless of these objections by merely modifying, rather than supplanting, the national courts of Europe. Harmonization of disparate national patent laws via uniform patent enforcement is a significant, but neither an insurmountable nor an unprecedented challenge²¹⁰ that must be overcome for Europe to be competitive.

A modification to the proposed European patent reform may produce a benefit similar to that which was observed following formation of the CAFC in the United States. By adjusting the proposal as suggested, the current European patent reform effort may succeed, pending approval by the ECJ and other EU governmental bodies. This would realize a decades-long effort to strengthen the value of European patents relative to the United States and Japan.

The proposed reform, despite the objections of the ECJ, Spain, and Italy, was scheduled to go before the European Parliament in a plenary session on February 14, 2012 for a debate and vote, potentially advancing the push for

²⁰⁹ *Id.* § 1(e).

²¹⁰ *See* Dreyfuss, *supra* note 112, at 620.

reform.²¹¹ The matter was postponed, however, when the European Parliament's Committee on Legal Affairs stated that no vote would be taken until a revised plan for the patent court was prepared.²¹² Despite a subsequent agreement by the European Council in June 2012, the European Parliament has delayed a vote on the proposal due to the deletion of Articles 6 through 8 in the draft sent by the Council.²¹³ The deletion of these Articles would dampen, but not destroy, the ECJ's jurisdiction over patent matters. Meaningful patent reform would occur even if these Articles are included and the delay is likely based more on procedure than substance. Therefore, Articles 6 through 8 should remain in the proposal, allowing the European Parliament to vote on this historic, long-awaited patent reform.²¹⁴

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²¹¹ Procedure File for 2011/0094(CNS), LEGIS. OBSERVATORY: EUR. PARLIAMENT, <http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?id=590966#foreCast> (last visited Nov. 25, 2012).

²¹² Minutes of the Committee on Legal Affairs, European Parliament, Brussels, 5 (Dec. 19–20, 2011).

²¹³ See EP Press Release, *supra* note 4.

²¹⁴ As this Comment was in late stages of the editorial process, the European Parliament voted to approve a unitary patent system. The proposals in this Comment remain relevant, however, because Spain remains in opposition and has subsequently filed challenges to the ECJ.

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