

# The Unitary Patent Package & Unified Patent Court

## Problems, Possible Improvements and Alternatives

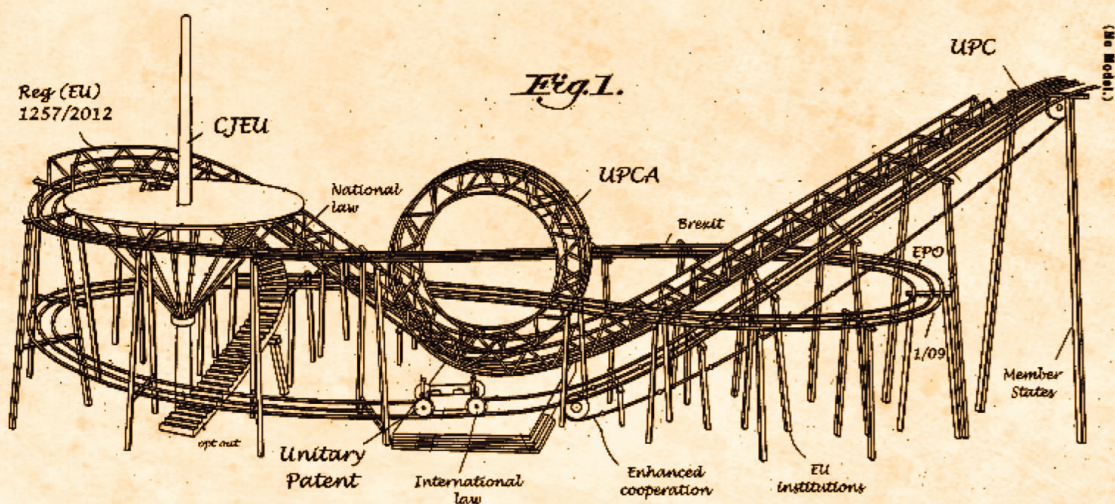
Editors:

L. Desaunettes-Barbero, F. de Visscher, A. Strowel & V. Cassiers

### Unitary Patent Package

June 1, 2023.

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# **The Unitary Patent Package & Unified Patent Court**

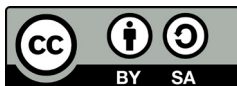
**Problems, Possible Improvements and  
Alternatives**

**edited by**

**L. Desaunettes-Barbero, F. de Visscher,  
A. Strowel, V. Cassiers**

**Ledizioni**

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# FOREWORD: SOME REFLECTIONS ON THE UNITARY PATENT PACKAGE

*by Melchior Wathelet, Former first Advocate-General to the Court of Justice of the EU, professor of European law*

European law has developed considerably since the Treaty of Rome.

The Member States, through the Treaties and their participation in the Council, as well as the Community and European Union institutions have, among other examples, created and refined the single market, made VAT a largely harmonised tax, created the Euro, designed the Schengen area, adopted numerous legislations on immigration and asylum, given binding force to the European Charter of Fundamental Rights...

Some of these reforms have taken longer than others. Some were developed gradually (such as VAT or the Euro in 1999 after the European Monetary System, the monetary snake and the Werner report of 1970) or were the subject of exceptions (or opting-outs) in favour of certain States (such as the Euro or Schengen) or of exclusion from the jurisdiction of the Court of Justice (such as the Common Foreign and Security Policy), or had their origin in an act of public international law (such as Schengen) or were the subject of enhanced cooperation (such as the European Public Prosecutor's Office), which often made these innovations more complex in legal terms.

However, none of those reforms has been fundamentally called into question, nor are there any proposals for radical change of the main innovative interpretations brought by the Court of Justice, whose proclamation of some general principles, the primacy of European law, its direct effect or the responsibility of the Member States in the event of infringement of Union law, and the interpretations or appreciations of validity have always been confirmed by the successive Treaties and legislators.

There is one branch of the law that is breaking all records from all these points of view: the length of the negotiations and discussions, the complexity of both the legal tools used to adopt the reform and of the reform itself and finally the very many and often radical proposals for amendments to which it is subject... even before it comes into force: it is patent law and its reform (the Unitary Patent Package) composed of two parts: on the one hand, the Unitary Patent Protection in the EU, created by two Regulations adopted in 2012, and, on the other hand, the Unified Patent Court (UPC) created by an international

agreement signed in 2013 (this gave rise to a regulation amending the so-called “Brussels 1 a Regulation” in 2014).

These are the three points which, through some thirty contributions from specialists in patent law (professors, researchers, lawyers from different countries), are the subject of this book, for which I have the pleasure to write the preface.

### ***1. The duration of the negotiations and discussions***

Several contributions deal, either exclusively or in conjunction with other aspects, with the history of the reform.

As in many areas, the idea of harmonising patent law was born in the very early years of the Community. The hope took some shape with the 1973 Munich Convention, which came into force in 1977, creating in that city the EPO (European Patent Office) competent to grant European patents protected under national law in each country signatory of the Convention and designated in the application for the patent.

This Convention was not binding on the European Community, as not all Member States had ratified it (which is the case today) and other countries than EC Member States had adopted it (today the Convention is in force in 39 countries).

Since the 1973 Munich Convention, nothing much changed in the legal framework for patents in Europe until the two Regulations were adopted in 2012 and the UPCA signed on 19/02/2013, but we have had forty years of proposals, negotiations, communications, intergovernmental conferences, unratified agreements, negative opinions of the European Parliament or the Court of Justice...

With the entry into force of the two Regulations and the Unified Patent Court Agreement on the 1st of June 2023, this brings us to half a century for the negotiation and the entry into force of the patent reform.

### ***2. Complexity***

Many contributions in the book comment on the extreme complexity of the legal path chosen (or imposed by political realities) to achieve the reform.

For the European Patent with Unitary Effect, the Council had to realise that unanimity could not be achieved in order to adopt the two Regulations mentioned above. It therefore authorised to rely on the very exceptional procedure of enhanced cooperation, as Italy and Spain refused to support the

draft Regulations because of their opposition to the rules on the translation of patents which did not provide for the use of Italian and Spanish.

They filed an action for annulment against the decision authorising enhanced cooperation and Spain filed another action for annulment against the two Regulations which the CJEU rejected in 2013 and 2015 respectively.

Italy finally joined the enhanced cooperation in July 2015.

Today, therefore, only Spain and Croatia (which was not yet an EU Member State at the time of the decision on enhanced cooperation) are not bound by the enhanced cooperation.

Very strangely, the two EU Regulations dealing with patent do not contain any substantive patent law! Indeed, substantive patent rules have not been introduced in an EU act but in an international act (the UPCA) not signed by the EU and creating the Unified Patent Court, essentially because the negotiators, considering that the CJEU did not have sufficient expertise in the field, did not want to entrust, except at the margin, the patent issues to the CJEU, which moreover, in its opinion 1/09, had rejected an earlier version of the agreement!

Here too, two Member States, Poland and Spain, did not sign the UPCA.

This book also contains numerous analyses of the complexity of many aspects of the new system itself: the intergovernmental nature of the UPCA, the very complex structure of the new patent Court (with a Court of Appeal, a Court of First Instance comprising a central division (with its seat in Paris and sections in Munich and, initially, in London) as well as local and regional divisions), the non-mandatory nature of the unitary effect patent (leaving national patents intact), the pitfalls concealed by the transitional period, the so-called bifurcation concept, the characteristics of the rules of procedure which will be applicable before the new Court and which have gone through up to 17 drafts), its relationship as a Court of international law with European Union law and in particular the two Regulations of 2012 and the Court of Justice, as well as with other sources of law (such as international law including the UPCA, the European Patent Office (EPO) and national laws), the remaining opportunities for forum shopping, the absence of a compulsory licensing regime, the guarantees offered or the grey areas left by the agreement in terms of respect for human rights (whether the ECHR, national constitutions or the European Charter), the system governing the research and the Bolar exemptions, the interactions between patent law and other areas of law (will they be neglected in favour of technology-based values?) ...

This list is far from being exhaustive.

### **3. Alternatives**

As the title of the book indicates, the above analyses not only describe the problems, but also suggest improvements to be made in the new system. Some contributions also propose nothing less than alternatives to the new system... even before it comes into force.

Essentially with the view of enabling a genuine patent policy at EU level and drawing inspiration from what exists for other intellectual property rights, such as trademarks and designs, these proposals aim to bring substantive patent law and judicial remedies back into the fold of EU law under the ultimate control of the Court of Justice... in the knowledge, of course, that the authors of the system that is about to enter into force, wanted to isolate it as far as possible from the control of this Court and from (fundamental) rights based on EU law. This means that these alternative proposals are far from being adopted (even if the Brexit could facilitate the adoption of some of them), whether it be the creation of a European Union Patent Office (possibly merged with the EUIPO), a specialised European Union patent Court, as provided for by Article 257 TFEU (but it should be remembered that the Commission had already made a similar proposal in 2003 without meeting the slightest success), an EU title of protection (as required by Article 118 TFEU)...

### **4. Two final existential questions**

#### **A. The relocation of the London seat of the Central Division of the Unified Patent Court**

Like the rest, this issue is complex.

Article 18(2) of Regulation 1257/2012 (like Article 7(2) of Regulation 1260/2012) provides for that the Regulation “shall apply from 1 January 2014 or the date of entry into force of the agreement on a Unified Patent Court, whichever is the later”.

The linkage of the Regulation with the agreement on a Unified Patent Court has created a gap of at least ten years between its publication and its applicability.

As regards the UPCA, the provisional application period started on the 18th of January 2022. Since the States agreed on the sufficient UPC’s functionality and with the ratification of Germany, the UPCA will enter into force on the 1 of June 2023.

The problem is the consequence of the Brexit: where to locate the seat of the Central Division elsewhere than in London (cf. art. 7.2 UPCA and its Annex

II)? Is there any need to amend the UPCA accordingly while this international convention expressly provides for a precise location of the three seats of the central Division? Ratifications by the Contracting States of such an amendment may take a lot of time. A provisional arrangement without amending the UPCA for hearing in another place the cases foreseen for the London seat, if any and if permitted under international public law, should take into account the requirement for the Court to be established by law beforehand. An objection in this respect could be raised in addition to other ones analysed in some contributions in this book.

### **B. How long will the reform last?**

As many authors in this book mention it, the legal sky of the reform is not free of clouds.

First of all, the judgments of the CJEU in the actions for annulment brought by Italy and Spain have not examined all the possible grounds of illegality of the two Regulations creating the Unitary Patent Protection. They could come back by the way of exceptions of illegality.

Second, the consistency of the UPCA with the Treaty has not yet been assessed by the CJEU and some authors consider that the UPCA is essentially a copy with some formal and cosmetic changes of the previous model which had been declared incompatible with the Treaty by the CJEU in its opinion 1/09, under Article 19(1)(2nd sentence) TEU and Article 267 TFEU.

Third, will the CJEU accept preliminary references of the Unified Patent Court? It is true that Article 1 UPCA provides that “the Unified Patent Court shall be a Court common to the contracting Member States and thus subject to the same obligations under Union law as any national Court of the contracting Member States”. Will such labelling and Articles 20 to 22 UPCA be sufficient to the CJEU to consider that the Unified Patent Court, as it did for the Benelux Court of Justice for trademarks, is a “Court or a tribunal of a Member State”, in the meaning of Article 267 TFEU?

This book will be a reference in the history of European Patent law and... demonstrates that it will not be the last chapter in the patent legal saga.



## GLOSSARY OF THE MAIN ABBREVIATIONS

AA	Application to amend the patent ( <i>see</i> UPC RoP)
BR1a (recast)	“Brussels Regulation 1a (recast)” : EU Reg 1215/2012
CFR	Counterclaim for revocation ( <i>see</i> UPC RoP)
CJEU	Court of Justice of the European Union
DAA	Defence to the Application to amend the patent ( <i>see</i> UPC RoP)
DCFR	Defence to the Counterclaim for revocation ( <i>see</i> UPC RoP)
EP	European Patent
EPC	European Patent Convention
EPO	European Patent Office
EPUE	European Patent with Unitary Effect
FTO	Freedom to operate
HIPDC	High Patent Density Country ( <i>see</i> Fr. Wéry)
JDA	Join Development Agreement
LOPDC	Low Patent Density Country ( <i>see</i> Fr. Wéry)
IP	Intellectual Property
NDA	Non-disclosure Agreement
RDAA	Reply to the Defence to the Application to amend the patent ( <i>see</i> UPC RoP)
R&D	Research and Development
SME	Small or Medium Enterprise
SPC	Supplementary Protection Certificate
UP	Unitary Patent
UPC	Unified Patent Court
UPC RoP	Unified Patent Court’s Rules of Procedure
UPP	Unitary Patent Package





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# INTRODUCTION

On the 1<sup>st</sup> of June 2023, after years of negotiations, setbacks and postponements, the European patent with unitary effect (EPUE) will become a reality, and the Unified Patent Court (UPC) will start its activities. As Europeans, we would like to rejoice at the prospect of witnessing the EU progressing towards an “ever closer union among the peoples of Europe” with a unified patent law under a unitary title and, above all, because of the birth of the first jurisdiction with transnational competence on substantive law and questions of fact.

However, it is a feeling of bitterness that prevails. The patent system put in place is not a genuinely European project. The system was adopted through the procedure of enhanced cooperation and therefore does not include all EU Member States. More worryingly, the system seeks to abstract patent law from the European legal and judicial orders in order to reduce the Court of Justice’s influence. Thus, rather than being integrated into the European judicial order, the new Court has been created via an international treaty between the Member States to which the European Union is not a party. Likewise, the substantive provisions concerning the unitary patent, rather than being incorporated into a European regulation, have either been placed in the same international treaty or are left as a matter of national law. The result is a system of great complexity, hazardous in terms of its harmonization objective and whose viability (due to a risk of incompatibility with the European treaties) is not guaranteed.

For those reasons, we consider that a thorough review of the issues surrounding the new patent system is still needed today. The present book gathers contributions from academics and practitioners aiming to highlight the problems, possible improvements or even alternatives to this system.

## ***1. The Unitary Patent Package and the Unified Patent Court: a short presentation***

### *A. Generality*

The Unitary Patent Package (UPP) was adopted in 2012 and 2013 with the view of establishing a system whereby a new uniform patent protection is created at the supranational level for the EU Member States participating in the enhanced cooperation decided in 2011 (the so-called European patent with unitary effect

often referred as Unitary Patent (UP),<sup>1</sup> and a Court is set up for litigation relating to the infringement and validity of this new type of patents (the Unified Patent Court).

This new system should enable the patentee, in the participating EU Member States, to obtain a uniform patent protection of the already existing European patent (EP) granted by the European Patent Office (EPO). As it is today, the conditions for the grant of these patents are set up in the European Patent Convention (EPC)<sup>2</sup> and their granting procedure is centralised at the level of the EPO. However, these European patents are not unitary titles since, once granted, they are subject to national laws and hence often regarded as bundles of national titles. Consequently, the enforcement and post-grant revocations of these patents essentially remain questions of national law, disputed in front of national courts with potentially different outcomes. One of the purposes of the Unitary Patent Package was to address a potential internal market fragmentation by ensuring uniform protection in the post-grant phase across the participating countries.

Because of the difficulty of reaching a consensus amongst all EU Member States, in particular concerning the language regime of the contemplated new type of patent, the legislative package necessary to set up this new system was adopted in the framework of an enhanced cooperation under Art. 20 Treaty on European Union (TUE) and Arts. 326-334 Treaty on the Functioning of the European Union (TFEU).<sup>3</sup> Twenty-five Member States engaged in the enhanced cooperation<sup>4</sup> in 2011, Italy joined in 2015<sup>5</sup>. Spain and Croatia remain, until today, outside the enhanced cooperation.

The difficulty in reaching an agreement is also apparent in the package structure. As the result of a very long-lasting and sinuous negotiation process, the latter is indeed composed of four different acts — three EU regulations and an international agreement:

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- 1 According to its very title and the precise wording of its articles, Reg. 1257/2012 creates a unitary patent protection or effect, not a unitary title as such, namely a “European patent with unitary effect” (see inter alia para. 4 to 10 of the preamble, and art. 3 to 6).
  - 2 Convention on the Grant of European Patents, 5. 10. 1973.
  - 3 Council Decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, 2011/167/EUOJ L 76, 22.3.2011, p. 53–55.
  - 4 Council decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, ref. 2011/167/EU, *O.J.E.U.*, 22 March 2011, No L 76, p. 53.
  - 5 Commission decision (EU) 2015/1753 of 30 September 2015 on confirming the participation of Italy in enhanced cooperation in the area of the creation of unitary patent protection, *O.J.E.U.*, 1 October 2015, No. L 256, p. 19.



- an EU Regulation for the creation of a unitary patent protection<sup>6</sup> (the so-called “Unitary patent regulation” or “UP-Regulation” (UP-Reg.)),
- an EU Regulation regarding the language regime of the European patent with unitary effect,<sup>7</sup>
- the Agreement on a Unified Patent Court (UPCA) signed on 19 February 2013<sup>8</sup>, and
- an EU regulation amending the “Brussels 1a Regulation” as regards the rules to be applied with respect to the Unified Patent Court<sup>9</sup>.

*B. The Regulation (EU) No 1257/2012 on the creation of Unitary patent protection: the so-called UP-Regulation*

With regard to its purpose, namely “implementing the enhanced cooperation in the area of the creation of unitary patent protection”, the UP-Regulation first surprises by its brevity: only 18 articles.<sup>10</sup> The reason for this is that this Regulation is not a self-comprehensive system but appears much more as “an empty shell that cross-references to other legal systems”.<sup>11</sup>

The UP-Regulation first defines the conditions under which a patent owner can request the unitary effect for a European patent, and thereby a European patent with unitary effect: the patent needs to be a European Patent granted with the same set of claims in respect of all the participating Member States (Art. 3(1)). Hence, instead of defining the protected subject matter and the

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6 5 Reg. (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ 31.12.2012 - L 361, p. 1.

7 Reg. (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, OJ 31.12.2012 - L 361, p. 89.

8 Done at Brussels, doc. 2013/C 175/01, OJ 20.06.2013 - C 175, p. 1 (also at <https://www.unified-patentcourt.org/sites/default/files/upc-agreement.pdf>).

9 Reg. (EU) 542/2014 of 15 May 2014 amending Reg. (EU) 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice, OJ 29.05.2014 - L 163, p. 1. *Regulation 542/2014 will not be presented further in this introduction as it essentially consists of amending Reg. 1215/2012 for the effectiveness of the UPCA* (see the contribution by Ph. Campolini in this book).

10 As a matter of comparison, the (EU) 2017/1001 Regulation on the European Union trade mark entailed more than 200 provisions.

11 Th. Jaeger, ‘Unitary Patent system is an arbitrary and ailing hybrid monster mix’, Kluwer Patent Blog, December 9, 2021, available under: <http://patentblog.kluweriplaw.com/2021/12/09/unitary-patent-system-is-an-arbitrary-and-ailing-hybrid-monster-mix/>

conditions of validity, the Regulation refers to a title and conditions existing under the EPC.

The UP-Regulation then describes in broad terms the consequences of the new unitary effect. The patent “shall provide uniform protection and shall have equal effect in all the participating Member States. It may only be limited, transferred or revoked, or lapse, in respect of all the participating Member States” (Art. 3(2)). Like for the validity, the Regulation does not specify the content of the rights attached to the EPUE. Its Article 5 reads indeed: “The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect” (paragraph 2) and “[t]he acts against which the patent provides protection (...) and the applicable limitations shall be those defined by the law applied to [EPUEs] in the participating Member State whose national law is applicable to the [EPUE] as an object of property in accordance with Article 7” (paragraph 3). This cryptic provision referring to Art. 7 is in reality an indirect reference to the UPCA presumed to be in force in the participating Member State concerned, and which contains the substantial patent law provisions that are needed for giving a concrete content to the uniform protection. For the rest, Art. 7 of the Regulation determines the applicable national law, which is responsible for the property aspects of the EPUE (i.e., its conditions for ownership, transfer or licensing). Art. 6 exposes, without much surprise, under which conditions the rights conferred by a EPUE should exhaust. The rest of the regulation essentially deals with practical institutional and budgetary aspects and see the entry into force of the Regulation been linked to the entry into force of the UPCA (Art. 18 UP-Reg.).

### *C. The Regulation (EU) No 1260/2012 on the applicable translation arrangement*

The second Regulation composing the Patent package is dedicated to the question of the translation arrangements. From a political perspective, the language regime was a sensitive issue, which led to the decision to rely on the enhanced cooperation procedure to bypass the refusal of Italy and Spain to accept a system in which a translation in their national language of the EPUE was not compulsory.

Even if the reference, again, to the EPC provisions might not make it fully clear from the outset for a person not specialised in patent prosecution, Art. 3 of the Translation Regulation, in fact, limits the publication to the languages in which the European patent is granted: namely to English, French or German. One has to remember that these are the three working languages of the EPO among which the applicant may choose for the proceeding until the grant of

the European patent; the claims are then to be translated in the two other languages.

However, during a transitional period (12 years max.), some translations will be required. Hence “where the language of the proceedings is French or German, a full translation of the specification of the European patent into English” is mandatory, whereas another translation may be made “into any other official language of the Union if the language of proceeding was English” (Art. 6 (1)). After this transitional period, no translation will be necessary anymore in the absence of a dispute. In the event of such a dispute, a translation might then be required from the patent owner, the cost of which should be borne by him/her (Art. 4).

#### *D. The Regulation (EU) No 542/2014 amending Brussels I Regulation*

Regulation 542/2014 amending Regulation 1215/2012 (“Brussels 1a” or “BR1a(recast)”) <sup>12</sup> completes the Package by adding to the Brussels 1a Regulation some rules intended to take account of the new jurisdiction created by the UPCA, described as a “common court” for the Member States participating in the system <sup>13</sup>. The UPCA makes these adaptations necessary: on the one hand, its provisions modify certain rules concerning “classic” European patents (non-opted-out and those granted after the transitional period), and, on the other hand, the unitary effect conferred on the European patent has consequences that the Brussels 1a Regulation could not foresee.

In essence, these changes consist in assimilating the UPC to a national court (new Article 71a) and extending the rules of Chapter II to defendants established outside the European Union (new Article 71b (2)) <sup>14</sup>. The issues of *lis pendens* and related matters are dealt with in the new Article 71c. Finally, the main content of the new Article 71d is to regulate the recognition and enforcement of UPC decisions in EU Member States not bound by the UPCA.

For the rest, once the jurisdiction of the UPC has been determined under the amended Brussels 1a Regulation, the rules of the UPCA apply to determine which division of the UPC has jurisdiction to hear the dispute and it is these rules alone that apply between the Member States bound by the UPCA.

<sup>12</sup> But the Lugano Convention (Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 339, 21.12.2007, p. 3) has not been amended to date.

<sup>13</sup> See in particular the contribution by Ph. Campolini in this book.

<sup>14</sup> Point 3 of the same article deals with the consequences of a particular case of infringement by such a defendant.

### *E. The Agreement on a Unified Patent Court*

As its name indicates, the UPCA is not an EU legislative act but an international agreement. All the 27 EU Member States have signed the Agreement except Spain, Croatia and Poland. Its denomination hides that it not only defines the framework, including the procedural aspects, for litigating the EPUEs and EPs before the Unified Patent Court, but it also contains essential substantive patent law provisions.

#### **1. The court system**

The Unified Patent Court is an international court that will have jurisdiction to decide (essentially) on the infringement and revocation of European Patents and European patents with unitary effect (Art. 1, 3 and 32 UPCA).

According to Art. 1 UPCA, despite being established by an international agreement, the UPC “shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of the Contracting Member States”. The UPC will not only have jurisdiction upon EPUEs but also upon ‘standard’ or ‘classical’ EPs (i.e., without ‘unitary effect’ but then solely for the territories of the participating Member States), with the only exception of EPs that will be ‘opted-out’ by their holders during the transitional period (Art. 83 UPCA). The decisions of the UPC will have “pan-European” effects, in the sense that the territorial scope will extend in the case of EPUEs to the participating Member States where the UPCA will be in force (17 EU Member States in a first stage), and in case of (non-opted-out) EPs to the “territory of those Contracting Member States for which the European patent has effect” (Art. 34 UPCA).

The UPC is **structured** essentially around:

- a Court of first instance (Art. 7 UPCA), composed of a central division and several local and regional divisions.<sup>15</sup>
- a Court of appeal located in Luxembourg (Art. 9 UPCA).

The judges will sit in panels composed of legally and technically qualified judges of different nationalities (Art. 8, 9 UPCA).

The questions related to the proceedings before the UPC and with the powers of the Court for fulfilling its mission are dealt with in Chapters III and IV of the UPCA.

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<sup>15</sup> One of the sections composing the central division should have been seated in London (Art 7(1) UPCA). However, this reference becomes obsolete in the aftermath of the UK Brexit-related decision to leave also the UPCA.

Lastly, it can be noted that the Court budget “shall be financed by the Court’s own financial revenues and, at least as necessary in the transitional period referred to in Art. 83, by the contributions from the Contracting Member States’, whereas ‘the Court’s own financial revenues shall comprise court fees and other revenues” (Art. 36 UPCA).

An Administrative Committee plays a pivotal role in appointing the judges, managing the system (rules of procedure, creation and cancellation of divisions, etc.) and revising the UPCA (Art. 11, 12, 36, 40, 41 and 87 UPCA; Art. 3, 5, 12, 16, 18 and 33 of the Statute of the UPC).

## **2. Substantial patent law**

As already noted, the Agreement also contains provisions dealing with substantial patent protection rules. These provisions are placed in Chapter V of the UPCA and include:

- Art. 25 and 26: the setting up of the patent’s owner prerogatives to prevent the direct and indirect use of the invention,
- Art. 27: a list of limitations concerning the scope of patent protection, which includes inter alia, acts done privately or for experimental purposes, use of biological material for the purpose of breeding, or discovering and developing other plant varieties, etc.,
- Art. 28: the possibility for a right of prior use,
- Art. 29: a recall of the rule of exhaustion already existing in Art. 6 UP-Reg.,
- Art. 30: a very short provision according to which supplementary protection certificates enjoy the same right and are subject to the same limitations as those foreseen for patents.

## *F. Outcome*

The result of the Unitary Patent Package is thus — in summary — as follows: the conditions for obtaining a European patent (EPs and EPUes) are governed by the EPC while the protection’s scope and limitations are set up by the UPCA — two international treaties to which the EU is not a party, with the result of a potential absence of control by the Court of Justice of the European Union (CJEU) in so far as most of patent law issues are concerned.<sup>16</sup>

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<sup>16</sup> The decisions of the European Patent Office applying the EPC on the conditions for patenting are already outside the jurisdiction of the EU (for European patents granted for EU countries). Hence, if the recent decision of the Enlarged Board of appeal ensuring an application of the Biotech directive about patenting plants and animals has been welcomed, there is no legal mechanism at all ensuring that such compliance with EU

In the meanwhile, national patent laws are not harmonised and remain applicable not only for national patents and opted-out EPs but also for all aspects of the other patents left outside the scope of the EPC and UPCA (for instance, transactional aspects or the legal regime of compulsory licenses).<sup>17</sup> Consequently, and to a certain extent purposively, this legal framework, concerning an essential cornerstone of the EU innovation policy, falls largely out of EU control.<sup>18</sup>

## **2. Reaction from the academia: why this book?**

Concerned by the deficiencies of the system proposed, at a time when the UPCA was not in force, a group of IP scholars and professionals tried to warn<sup>19</sup> the lawmaker and to propose amendments or even alternatives to the Unitary Patent Package. This process led to the signature of a motion by more than

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law will be systematic in the future (see Decision G 3/19 of 14 May 2020 of the EPO Enlarged Board of Appeal).

- 17 This can make the position of alleged infringers rather difficult, if not inequitable. For instance, the research exception is shaped differently in the different countries. One example: the Belgian legislator has provided for a research exception in the same wording as UPCA but added a rule which potentially extends the exception (Law of 19 December 2017, *Moniteur belge* 28 December 2017): this means that a competitor will face in the same country different scopes of patent protection to be invoked by patentees depending on the type of patent at stake (EPUE or non-opted out EP, on the one hand, and national patents or opted-out EP on the other hand). It is for the patentees to choose which patent will be enforced in the same territory. This means that the competitors will face a lot of uncertainty.
- 18 For a general analysis of the evolution of the project, the adoption of the Patent Package and an analysis of their problems and consequences, see *inter alia* : Hanns Ullrich, “Le futur système de protection des inventions par brevets dans l’Union européenne : un exemple d’intégration (re-)poussée ?”, Max Planck Institute for Innovation and Competition, Discussion Paper n°2, <https://dx.doi.org/10.2139/ssrn.2464032> ; Franklin Dehousse, “The Unified Court on Patents: the New Oxymoron of European Law”, Egmont Paper 60, Royal Institute for International Relations (Brussels), October 2013, <http://www.egmontinstitute.be/content/uploads/2013/10/ep60.pdf?type=pdf> ; M. Desantes Real, “Le “paquet européen des brevets”, paradigme du chemin à rebours : De la logique institutionnelle à la logique intergouvernementale”, *Cahiers de droit européen*, 2013, p. 584.
- 19 Warning from the academia against the system were not new, see for instance: R. Hilty, T. Jaeger, M. Lamping, U. Hanns, “The Unitary Patent Package: Twelve Reasons for Concern” (October 17, 2012), Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 12-12, Available at SSRN: <https://ssrn.com/abstract=2169254> or <http://dx.doi.org/10.2139/ssrn.2169254> ;

60 scholars and IP professionals “*urg[ing] all the decision-makers and persons involved in the process of adjusting the UPCA, following the withdrawal of the United Kingdom, to pause and to consider alternatives solutions*”.<sup>20</sup> In the meantime, a preliminary research working document<sup>21</sup> was also published explaining more in detail some of the reasons for the experts’ scepticism toward the proposed system, including that the “*UPCA shows substantial deficiencies and constitutes a significant precedent that challenges the democratic processes and institutional balance within the EU*”.

This group then further engaged in a transnational reflection on the way to improve the system. After a first online workshop in 2021, the group held an international conference in Brussels on the 28th of January 2022.

This book reflects most of the ideas having emerged during these months of research and dialogues. The circumstance that the UPCA will enter into force on 1<sup>st</sup> June 2023,<sup>22</sup> renders even more acute the necessity of assembling the various criticisms and — more positively — of sketching possible solutions and alternative proposals.

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20 The motion is accessible here: <https://cdn.uclouvain.be/groups/cms-editors-crides/droit-intellectuel/UPC%20Alternatives%20-%20Short%20motion%20-%2016%20JUN%2021%20%28with%20sign.%29.pdf>; See also: A. Strowel, F. De Visscher, V. Cassiers and L. Desauettes: “Unified Patent Court: Poison pill for future of EU integration”, Euractiv (24.11.2020), accessible here: [https://www.euractiv.com/section/economy-jobs/opinion/the-unified-patent-court-a-poison-pill-for-the-future-of-eu-integration/?utm\\_term=Autofeed&utm\\_medium=social&utm\\_source=Twitter#Echo-box=1606232018](https://www.euractiv.com/section/economy-jobs/opinion/the-unified-patent-court-a-poison-pill-for-the-future-of-eu-integration/?utm_term=Autofeed&utm_medium=social&utm_source=Twitter#Echo-box=1606232018). Refereeing to the motion: “UPCA ratification bill progresses in German Bundestag – Academics: UPC not the best solution for Europe and for innovation”, Kluwer Patent Blog, 20.11.2020, accessible here: <http://patentblog.kluweriplaw.com/2020/11/20/upca-ratification-bill-progresses-in-german-bundestag-academics-upc-not-the-best-solution-for-europe-and-for-innovation/>; R. Schestowitz, “New Position Paper on the Unified Patent Court (UPC) Says It’s “Not the Best Solution for Europe” — Clearly an Understatement”, techrights.org, 22.11.2020, accessible under: <http://patentblog.kluweriplaw.com/2020/11/20/upca-ratification-bill-progresses-in-german-bundestag-academics-upc-not-the-best-solution-for-europe-and-for-innovation/>

21 The Unified Patent Court system is not the best solution for Europe and for innovation, and there are alternative systems to consider after Brexit, accessible here: <https://cdn.uclouvain.be/groups/cms-editors-crides/droit-intellectuel/Prel%20%20Research%20Working%20Doc%20%28updated%207%20dec%2020%29.pdf>

22 See : “Austria closes the loop – the Protocol on Provisional Application of the UPC Agreement has entered into force”, 19.01.2022, accessible here: <https://www.unified-patent-court.org/news/austria-closes-loop-protocol-provisional-application-upc-agreement-has-entered-force>

The initial intent to establish a Patent of the European Union was certainly commendable. However, the result of the long adoption process departs from this truly European integration objective and raises criticism in many respects.

### **3. Presentation of the book**

This book, composed of twenty-eight contributions by scholars and practitioners, aims at analysing the impacts of the new system, its shortcomings and possible improvements. It is divided into five parts.

With historical, sociological, comparative and institutional contributions, the **first part**, by offering a multidisciplinary view, aims at putting the new system established by the UPP into context. **Tamar Khuchua** first offers an in-depth historical outlook of the long-lasting and sinuous negotiation process that led to the adoption of the Package. This glance backwards is mandatory to understand the contingencies that led to the adoption of the Package. **Rochelle Cooper Dreyfuss** then delivers insightful lessons from the US experience where since 1982, patent issues have also been reviewed by a single court, the US Court of Appeals for the Federal Circuit. This Court, despite not being specialised in the sense that it also has jurisdiction over non-patent law disputes, has, however, been criticised for adopting a strong protection of the patent owner interests to the detriment of the general interest of society. Based on this US experience, the author proposes some suggestions for the new EU system. **Emmanuel Lazega** and **François Lachapelle** propose a sociological analysis of the role played by the judges present at the Venice Forum in 2009 in the building of the UPC as a transnational institution. Based on interviews, in-person observation, a survey, and a social network analysis, the two authors emphasize the role of the relational dynamics between these judges, forming a 'collegial oligarchy', as a fundamental element in the UPC construction process. This first part is concluded by the contribution of **Dimitris Xenos**, reflecting the intense debate and opposition that the current model raises. The author indeed first attacks the upcoming model because of the democratic deficit resulting from its constitutional design. While offering some lip-service to the 'European integration' mantra, the new system, according to this contributor, results in a manipulation of the EU treaties to the benefit of corporate interests. The author then denounces the false claim that the system would benefit SMEs.

The **second part** focuses on EU law compatibility and the integration issues posed by the UPP. It starts with a presentation by **Jean Christophe Galloux** of some of the UPC's shortcomings, particularly given the competencies of the UPC, the risks of lack of coherence with the rest of European law and the lack of controls existing within the system. Recalling that the entry into force of



the Patent Package does not resolve the doubts concerning its legality, **Thomas Jaeger** delivers a layer-by-layer analysis of the conformity of the proposed system to EU law. The viability of the system remains under the Damocles sword of the Court of Justice, notably in respect of the legality of the UPCA – which is highly questionable. In any case, Thomas Jaeger also doubts that the strategy chosen to restrain the Court of Justice’s role will be effective. Focusing on the integration issues, **Heinz Goddar** and **Konstantin Werner** explain that the proposed system is missing its harmonisation promise and is only “semi-European” due to the territorial fragmentation between participating and non-participating States. Furthermore, the two authors argue that the entry into force of the UPP will lead to further fragmentation in the patent field and result in additional costs and legal uncertainty due to the problematic coordination of parallel procedures resulting from the co-existence, next of the UPC system, of national patents. Analysing the legal framework applicable to the EPUE, **Rafal Sikorski** also questions the potential for harmonisation of the UPP because of the regulatory complexity resulting from the multiple sources (national, European and international) that define it. When looking specifically at the regime applicable to EPUEs as objects of property, the author explains that the choice of the lawmaker to only refer to national law will result in as many types of unitary patents as there are participating Member States. **Nicolas Binctin**, for his part, criticizes the fact that the setting of substantive patent law in the UPCA contributes to isolating patent law from the rest of the national and EU legal frameworks. This internationalisation indeed clashes with the necessity to ensure the intrinsic coherence of the substantive standards governing these rights and with the necessity to articulate these standards with adjacent instruments and concepts existing within these systems. The author also deplors the fact that this internationalisation has the effect of weakening the position of the European Union in the international arena. In his contribution, **Tomasz Gawliczek** first offers insights on the arguments that led Poland to decide not to sign the UPCA before questioning if these concerns are still justified today. For the latter, most of the arguments that supported this decision (notably the language issue, the risk of patent thickets and the question of compatibility of the UPP with the Polish constitutional order) have, in reality, lost their relevance. Lastly, **Laurent Manderieux** also proposes a focus on the non-UPC Member States. He argues that despite their choice not to participate in the UPCA, these States will also be affected by the new system.

The **third part** is dedicated to the institutional, jurisdictional and procedural aspects of the Unified Patent Court. It starts with a critical analysis by **Mathieu Leloup** and **Sebastien van Drooghenbroeck** of the risks that the UPC, under its current form, might not conform with the requirements of the fundamental

right to a fair trial. In this respect, the main issues concern the budget of the UPC supposed to be covered by the court's fees and the powers conferred to the Administrative Committee on the appointment of the judges and the setting up and discontinuance of divisions. **Franck Macrez** then discusses the impartiality issues that could arise within the UPC framework, in particular due to the reliance on technical part-time judges (mainly private practitioners). Despite the existing procedural guarantees, and the proposals made by the author to increase the transparency of the UPC functioning or to enact internal guidelines, some conflict of interest could be inevitable due to the restricted number of judges competent to deal with some technical procedures. **Philippe Campolini** then investigates Regulation 542/2014 in relation to the UPCA. According to the contributor, the UPCA makes not only technical adjustments to the Brussels I Regulation but also provides unprecedented rules of jurisdiction over defendants domiciliated outside the EU. However, the author deplores the lack of clarity of this new regime and of the rules on *lis pendes* and related actions. **Julia Zöchling** looks then more deeply at the risk that specialized patent judges might develop a pro-patentee 'tunnel vision'. The author stresses the need for patent law to interact with other areas of law, such as fundamental rights or contract law and investigates some suggestions for coping with identified biases. This part concludes with the contribution of **Lisa van Dongen**, dealing with the proportionality and flexibilities in final injunctive relief. The author argues that under current EU harmonisation, automaticity of injunctive relief prevails and that it will be difficult for the UPC to break out from this tendency.

**Part four** is then devoted to the innovation and markets issues of the new system. This part opens with a contribution by **François Wery** analyzing, based on his business expertise, the impact of the EPUE and the UPC on EU companies. His conclusion is mitigated. Some limited positive effects might result from the uniform protection and cost reduction for patentees needing extended coverage in the EU. However, this comes at the cost of a multiplication of patent constraints on EU companies, an increase in patent protection benefiting non-EU companies and patent trolls, and last but not least, higher costs in legal proceedings and increased difficulty for the parties to assert their rights in court. **Marie Liens**, **Thomas Leconte** and **Stéphanie Rollin de Chambonas** offer some practitioners' views on the different patent filing, assertion and defence strategies that should be considered in the aftermath of the entry into force of the UPP. According to these authors, the choice to opt-out, to embrace the UPC system, or to adopt an intermediate position should be the result of careful choice and depend on the strategic interest of the patent at stake. **Krista Rantasaari** then offers a contribution dedicated to the impact of the upcoming system for SMEs. Indeed, if one of the main justifications for creating the

unitary patent was that it should be particularly beneficial for these entities (notably by lowering their transaction costs), the system, at the same time, is raising a certain number of concerns for these entities. Looking at products necessitating a market authorisation to be commercialised and benefiting from Supplementary Protection Certificates, as compensation for the long duration of the granting procedure, **Christophe Ronse** and **Kirian Claeys** discuss the impact of the new system on these rights and the need to establish a 'unitary SPC'. **Bojan Pretnar** discusses the role of the Unitary Patent in the competition policy context and the need for IP authorities in charge of granting industrial property titles and competition agencies to establish some institutionalized form of cooperation. The author makes several institutional proposals concerning, for instance, the need to revise the status of DG COMP or to set up an EU patent Office instead of the EPO. **Olivier Mignolet**, **François Jonquieres**, **Estelle Thiebaut** and **Hannelore Daems** address the applicable regime of the research and so-called Bolar exemption and investigate how these exemptions could be affected by the entry into force of the Unified Patent Court ("UPC") and propose a comparative investigation of the situation in Belgium and France. This part of the book terminates with a contribution of **Alina Wernick**, in which the author deplores the absence of a compulsory licensing instrument with a unitary effect within the legal framework devoted to EPUes. This results in an unbalanced system in favour of the patent holder.

The **fifth and ultimate part of this book** is devoted to contributions that are focusing on improvements or alternatives to the Patent Package. **Luc Desaunettes-Barbero** and **Alain Strowel** first investigate how to address some of main criticisms against the UPP system without fully dismantling it. In this regard, the two authors explore solutions that would permit to re-integrate the UPCA within the orbit of EU law with the aim of re-establishing the CJEU as last resort jurisdiction for patent matters and of re-empowering the EU for determining the substantive rules concerning unitary patents. Alternatives to the new system are then first contemplated by **Fernand de Visscher**, who proposes three different models that could replace the UPP: the first inspired by the EU trade mark system, the second transforming the UPC into an EU court and the third as a combination of the two. In its contribution concerning the possibility of adopting a judicial system corresponding to that implemented for the European Union trade mark, **Annette Kur** expresses doubts about such solution as an alternative to the UPC first because of the specificities of the patent environment and second because the trade mark system is itself also far from being ideal. In his second contribution to this book, **Thomas Jaeger** reflects on the possibility of overcoming the flaw of the current system with a model inspired by the example of the Benelux Court of Justice. Lastly, **Vincent Cassi-**

**ers** contemplates the possibility to instore a new jurisdictional system for all IP rights in Europe based on the proposal for a model of a “European Code of Business Law”.

*The editors*

**PART I.**  
**HISTORICAL, COMPARATIVE AND**  
**INSTITUTIONAL PERSPECTIVES**



# 1. A HISTORICAL PERSPECTIVE ON EUROPE'S LEGAL DEVELOPMENTS: TOWARDS THE UNITARY PATENT PACKAGE AND THE UNIFIED PATENT COURT

*Tamar Khuchua*

## **1. Introduction**

Due to patents' industrial and economic importance, it is no surprise that their regulatory framework has been the subject of discussions for many years, also in Europe. Historically, given the limited territorial nature of patents protecting inventions, they were rather a matter of different national laws that in turn were rooted in customary law.<sup>1</sup> The differences concerned substantive patentability criteria as well as procedural rules on the enforcement of patent rights, such as the required novelty standard or the duration of patent protection.<sup>2</sup> The issue of heterogeneity of patent legal systems had been raised already back in 1873 at the first International Congress of Vienna, subsequently in 1883 when the "Paris" International Union for the Protection of Industrial Property was created and later in 1932, at the Congress of London.<sup>3</sup> However, the outcomes concerning the harmonisation of patent law were rather limited, particularly for Europe.<sup>4</sup> This chapter aims to provide a historical overview of the "Europeanisation" of patent law and judiciary by focusing on the legal milestones starting from the post-WWII period until today. Even if some have failed, numerous legislative proposals demonstrate that promoting innovative industries has been an essential part of Europe's economic integration agenda. At the same time, the divergent legal and political standing of the European states has often hindered European harmonisation and unification of the legislative and judicial framework for the patent field. Shedding light on the histor-

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1 Council of Europe, 'Report Presented by Henri Longchambon on Behalf of the Committee for the Economic Questions' (1949) (Longchambon Report 1949) 1.

2 Justine Pila, 'The European Patent: An Old and Vexing Problem' (2013) 62(4) *The International and Comparative Law Quarterly* 917, 921.

3 Longchambon Report 1949, 4-5.

4 *ibid* 4.

ical perspective on Europe's legal developments helps us to understand the complexity as well as the political and scientific controversies about the Unified Patent Package (UPP), which is a composition of mixed legislative instruments with EU and international legal nature and to which some EU Member States have not yet adhered. Setting the historical context is particularly timely and relevant as the UPP is entering into force, and we will witness the functioning of Europe's unprecedented specialised Unified Patent Court (UPC).

## **2. First Initiatives of “Europeanisation” of Patent Law and Judiciary**

### *A. The Birth of the “Strasbourg Convention”*

After the first international-level attempts of the late 19<sup>th</sup> century and in the general spirit of Europe's economic integration, which came along with the transfer of regulating powers to supranational institutions, the concrete submissions of a Europe-wide harmonisation of patent laws have been made in the post-WWII period.<sup>5</sup> The first submission dates back to 1949, when the French Senator Henri Longchambon, a member of the Parliamentary Assembly of the Council of Europe, proposed the idea of creating a “European certificate of invention” that would have been administered by national and European patent services together and would have been valid in the Member States of the Council of Europe on the basis of an international convention.<sup>6</sup> Longchambon's proposal, though viewed as an ambitious project, was accepted in principle and submitted to an expert group formed at the Council of Europe for further reconsideration.<sup>7</sup> Two remarkable suggestions within the expert group were made by the German representative Professor Eduard Reimer and the Dutch representative C. J. de Hann.<sup>8</sup> The former envisaged the grant of European patents by the national offices but enforced at a European Court of Justice competent for patent revocation and infringement issues. The latter advocated the establishment of a European patent office – a “Council,” for granting European patents that would have been enforced at the national courts.<sup>9</sup> These

5 *ibid*, pp. 4-5; See also, Fredrik Neumeyer, ‘Unification of European Patent Legislation on the Common Market’ (1961) 24(6) *Modern Law Review* 725, 727.

6 Longchambon Report 1949, 7.

7 Christopher Wadlow, ‘Strasbourg, the Forgotten Patent Convention, and the Origins of the European Patents Jurisdiction’ (2010) 41(2) *International Review of Intellectual Property and Competition Law* 123, 127.

8 *ibid* 129.

9 *ibid*.



proposals have eventually resulted in the adoption of the Strasbourg Convention in 1963<sup>10</sup> – a rather modest version of all the considered ideas, as it has aimed at harmonising the national substantive patent laws without creating an institution of any kind – neither for the grant nor for the enforcement of patents.<sup>11</sup> Notably, the Convention set the ground concerning the patentability criteria and patent scope.<sup>12</sup>

Even if, at first glance, the Strasbourg Convention did not seem to be a great success, it is an essential milestone in the journey of the Europeanisation of patent law, a work that should have been realised before the creation of a European patent and respective institutions.<sup>13</sup>

### *B. The Initiatives of the European Economic Community Towards the (Failed) Community Patent Convention*

More ambitiously, the newly created European Economic Community (EEC), driven by the Treaty of Rome's objectives concerning the elimination of barriers in the Common Market, initiated a "central attack" against the national patent laws, as Neumeyer calls it.<sup>14</sup> The so-called "Groeben plan"<sup>15</sup> aimed at total unification at the expense of the territorially limited national patents and creating an independent European patent legislation for the "Inner Six".<sup>16</sup> The plan took shape by the European Commission's proposal in 1959 on the creation of an international convention amongst the six founding states of the EEC.<sup>17</sup> The subsequently created Coordination Committee on Industrial Property chaired by Guillaume Finnis, the Inspector-General of Industry and Commerce of France and the President of the International Patent Institute of the Hague, took charge of drafting the general principles of the future convention for

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10 Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, Strasbourg, 27.11.1963, <<https://rm.coe.int/168006b65d>> accessed 7 July 2022.

11 *ibid* 146.

12 Pila 'The European Patent: An Old and Vexing Problem' (n 2) 922.

13 *ibid*.

14 Neumeyer (n 5) 728.

15 Hans von der Groeben was a German diplomat and the European Commissioner of the Common Market. See, *ibid*; See also, Guillaume Finnis, 'Will National Industrial Property Rights Disappear?' (1961) 3(3) *Industrial Property Quarterly* 148, 162.

16 The six states that signed the Treaty of Paris on the European Coal and Steel Community in 1951 (that came into force in 1952) were Belgium, the Netherlands, Luxembourg, France, Germany and Italy – countries considered as founding states of today's European Union.

17 Neumeyer (n 5) 728; Pila 'The European Patent: An Old and Vexing Problem' (n 2) 923.

European patents.<sup>18</sup> In spite of the initial aspiration of creating supranational administrative and enforcement bodies for a federal patent, the Coordination Committee recognised the importance of national patent laws and the difficulty to abolish national patents all at once.<sup>19</sup> Therefore, the first EEC project eventually considered parallel systems where supranational patents would co-exist alongside the national patents, and in case of disputes concerning the former, the national courts would have maintained their competence.<sup>20</sup> The issue of compulsory licensing was particularly considered to remain within the national boundaries.<sup>21</sup>

Due to historically differing patent philosophies of the states,<sup>22</sup> the Community Patent Convention (CPC) project was fraught with a number of pending issues, such as the property entitlement, as it was regulated under national laws.<sup>23</sup> It was also not certain whether to enable accession to the convention for the states outside the EEC and, despite the existence of the national treatment requirement deriving from the Paris Convention, whether the foreign nationals could obtain the unitary patent protection under the new convention — choices that could have been decisive for the EEC in terms of its economic attractiveness on an international level.<sup>24</sup> Hence, the project was stalled over these controversies.

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18 George F. Westerman, 'A Common Patent in the Common Market' (1962) 44(7) *Journal of the Patent Office Society* 444, 451-452.

19 Finnis (n 15) 162.

20 *ibid.* Finnis had, however, realised that the creation of federal patent rights would have resulted in the decrease of national patent applications and would therefore endanger the existence of national patents. Hence, he deemed this trend as a threat to the national civil servants whose professions might have subsequently disappeared.

21 Pila 'The European Patent: An Old and Vexing Problem' (n 2) 923.

22 For example, in France, by the end of the 18<sup>th</sup> century, patents were considered equal to private property, and only later the French law shifted towards the exhaustion of patent rights to attract foreign business. The patent law of England had similar trade-related objectives, which is why the requirement of novelty was absent from English law and obtaining patents for foreign (continental European) investors was relatively easy. On the other hand, German policy was against patents and only favoured those patents, the grant of which could be justified by important public policy. For example, unlike England and France, in Germany, chemical technology was not patentable, thus leading to the liberalisation of the chemical industry. See in this regard, Heinrich Kronstein, Irene Till, 'A Revolution of the International Patent Convention' (1947) 12 *Law & Contemporary Problems* 765, 772-774.

23 Pila 'The European Patent: An Old and Vexing Problem' (n 2) 923.

24 *ibid* 924-925.

### *C. Beyond the Community Legal Order: The Successful Adoption of the European Patent Convention*

While the EEC project was on pause, a larger group of European states belonging to the European Free Trade Association (EFTA), the EEC itself, as well as Greece, Ireland, Spain and Turkey, initiated the set-up of a less ambitious “Europeanisation” project for the substantive criteria of patent granting.<sup>25</sup> By creating a legal standard for the examination of European patents that would in essence be the bundle of national patents, the participating States of the new regime of the European Patent Convention (EPC) would delegate the burdensome patent examination task<sup>26</sup> to the centrally created European Patent Office, while the post-grant patent infringement and validity issues would remain within the national legal framework, including the national judiciaries.<sup>27</sup> Hence, in 1970, the intergovernmental conference presented its first draft of the European Patent Convention, which was successfully ratified in 1973, entering into force in 1977.<sup>28</sup> Munich was designated for hosting the administrative agency – European Patent Office (EPO), responsible for granting the bundle of European patents up until today.

### *D. Another Failure of the Community Patent Convention*

Meanwhile, the work on the CPC was taken up again in 1969, following the initiative of the foreign minister of France, Michel Debré,<sup>29</sup> resulting in the adop-

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25 *ibid* 926.

26 It is noteworthy that as carrying out search of prior art requires financial, technological and human resources when the European Patent Convention and the Patent Cooperation Treaty were being adopted, developing countries could not afford the sophisticated patent examination. The lack of examination experience may have also derived from the perception of patents as natural, human rights, which was the case in France, where the administrative organs could not define intellectual property rights, but only the judicial branch could do so. See in this regard, Eda Kranakis, ‘Patents and Power: European Patent-System Integration in the Context of Globalisation’ (2007) 48(4) *Technology and Culture* 689, 703.

27 Stefan Luginbuehl, Teodora Kandeve, ‘The Role of the European Court of Justice in the European Patent Court System’ in Ch. Geiger, C. A. Nard and X. Seuba (eds) *Intellectual Property and the Judiciary* (Edward Elgar 2018) 207, 208.

28 European Patent Convention of 5 October 1973 as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000 (European Patent Convention 1973).

29 Pila ‘The European Patent: An Old and Vexing Problem’ (n 2) 926.

tion of the CPC in 1975 for the EEC states.<sup>30</sup> The Convention had considered the grant of community patents operated by the special departments created within the European Patent Office<sup>31</sup> and the national courts to be competent for infringement disputes around Community patents<sup>32</sup> based on national laws.<sup>33</sup> For validity questions, the EPO was supposed to be consulted.<sup>34</sup> The preliminary reference procedure to the Court of Justice concerning the interpretation of the Convention was also provided,<sup>35</sup> a feature that had particularly embodied the Convention into the EEC's constitutional order.<sup>36</sup> Notably, as the Community did not hold the competence to adopt its internal, Community legal instrument in the patent domain at the time, the convention took the form of an international legal instrument which in turn was subject to national ratifications.<sup>37</sup> For several reasons, namely, the language regime imposing the obligation of translating patent claims in all of the EEC states' languages,<sup>38</sup> the bifurcation model of splitting infringement and validity proceedings as well as the issue of forum shopping amongst the different national courts, the Convention failed to obtain the necessary ratifications.<sup>39</sup>

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30 Karen Walsh, 'Promoting Harmonisation across the European Patent System through Judicial Dialogue and Cooperation' (2019) 50(4) *International Review of Intellectual Property and Competition Law* 408, 411. It is important to note that at that time, the international patent treaty – the Patent Cooperation Treaty (PCT) had been concluded in 1970 and the CPC was supposed to function in compliance with the PCT's provisions. Therefore, the question concerning the possibility of applying for a unitary patent protection for non-nationals of the EEC was affirmatively decided. See in this regard, Robert C. Newman, 'Progress Toward a European Patent' 5(3) *New York University Journal of Intellectual Property and Politics* 249, 476-477. As for the possibility of accession to the CPC by states outside the EEC, Article 96 provided the possibility for a State, party to the European Patent Convention or the free trade area with the EEC, to participate in the Convention upon the unanimous decision of the Council of the European Communities and with the condition that such Third State would accept the provisions of this Convention determined by the specific agreement.

31 Article 8(1), 76/76/EEC: Convention for the European patent for the common market (OJ L 17, 26.01.1976) 1–28 (Community Patent Convention 1975).

32 *ibid* Article 69.

33 *ibid* Article 36(1).

34 *ibid* Article 78.

35 *ibid* Article 73.

36 Pila 'The European Patent: An Old and Vexing Problem' (n 2) 932.

37 Commission of the European Communities, 'Promoting Innovation Through Patents: Green Paper on the Community Patent and the Patent System in Europe', Brussels, 24.06.1997, COM (1997) 314 final, 3.

38 Article 33(1), Community Patent Convention 1975.

39 See in this regard, Luginbuehl, Kandevara (n 27) 210-211; Justine Pila, 'An Historical Perspective I: The Unitary Patent Package' in J. Pila and Ch. Wadlow (eds) *The Unitary*

With the objective to address some of these issues, the new version of the Community Patent Convention was concluded in Luxembourg in 1989,<sup>40</sup> once again as an international treaty instrument (Luxembourg Agreement). In contrast to its previous version, the new Agreement envisaged the establishment of the Community Patent Appeal Court (COPAC) for centralising the appeals deriving from the national courts and providing a certain degree of uniformity on a second instance level.<sup>41</sup> The preliminary reference procedure before the Court of Justice was maintained for the national courts<sup>42</sup> and, in addition, before the new COPAC concerning the interpretation of the Agreement.<sup>43</sup> The COPAC itself would also be able to refer questions to the Court of Justice concerning the relation between the Agreement and the Community law.<sup>44</sup> Unlike the predecessor, the new version did not contain the rule on bifurcation. Therefore, the EPO's role was rather limited to the granting of Community patents within its special departments.<sup>45</sup> Nevertheless, the new agreement shared the fate of its predecessor and failed to obtain the necessary ratifications, primarily due to, once again, the complex litigation scheme and language-related reasons.<sup>46</sup>

Hence, the parallel project initiated by the "larger Europe" (the European Patent Organisation and the European Patent Office) turned out to be more successful. Notably, it was particularly supported by the outsiders of the EEC, by the "EFTA seven"<sup>47</sup> to which the UK also belonged while it was not yet a member of the EEC at the time. Apparently, to "just sit back" and wait until the EEC's convention entangled with the Community's constitutional order would invite the third countries' participation, was not an option for these third

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*EU Patent System* (Hart Publishing 2017) 9, 11.

40 89/695/EEC: Agreement relating to Community patents - Done at Luxembourg on 15 December 1989 (OJ L 401, 30.12.1989) 1–27 (Luxembourg Agreement 1989).

41 Article 5, Recital 9, Luxembourg Agreement 1989.

42 *ibid* Article 3(1) and 3(2).

43 Article 30, Protocol on the Settlement of Litigation concerning the Infringement and Validity of Community Patents (Protocol on Litigation).

44 Article 2(2) and 2(3), Luxembourg Agreement 1989.

45 Article 4(1) and Article 7, Luxembourg Agreement 1989.

46 Concerning the new version of the Community Patent Convention see, Christopher Wadlow, 'An Historical Perspective II: The Unified Patent Court' in J. Pila and Ch. Wadlow (eds) *The Unitary EU Patent System* (Hart Publishing 2017) 33, 35; Luginbuehl, Kandevas (n 27) 211–212.

47 The members of the European Free Trade Association (EFTA), established in Stockholm in 1960, were Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the UK and are also named as "Outer Seven" in contrast to the founding states of the EU – the "Inner Six."

states.<sup>48</sup> One can regard the episode of the EPC's successful implementation as a starting point of a "rivalry" between the "Inner Six" and the "Outer Seven", with the latter's particular hopes resting in the UK's experience and expertise.<sup>49</sup> To a greater extent, the modern-day patent landscape and the ongoing debates concerning the modalities of the Unified Patent Court (UPC) are rooted in history and even repeated, simply with the changed formal names and the number of countries present on the two camps. Viewed through the lens of history, it is perhaps less surprising that the UK is once again among the "Outer" in the "Europeanisation of patent law" discourse today.

### **3. Further Projects on European Patent Litigation Arrangements Within and Outside the Community**

#### *A. Towards the Regulation of the Community Patent*

The described failed attempts of creating a Community patent urged the European Commission to make a fresh start, this time within the Community's new legal landscape in the field of intellectual property rights where several new Community instruments had been adopted.<sup>50</sup> Moreover, the Court of Justice had recognised the Community's competence in the patent field wherever the Community's goals concerning the free movement of goods and services and undistorted competition were at stake.<sup>51</sup> Within this context, in 1997, the Commission launched the Green Paper on the Community Patent and the

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48 Neumeyer (n 5) 729. See, Article 96, Community Patent Convention 1975.

49 Neumeyer (n 5) 737.

50 In the late 1980s and in the 1990s, the Directive in the field of biotechnology, the two regulations on supplementary protection certificates as well as the Community trade mark regulation had been adopted. Moreover, the Court of Justice delivered the decisions on the relationship between, on the one hand, the Community's rules on free movement of goods and services and undistorted competition and, on the other, national compulsory licensing concerning patented products, thus clarifying once again the issue of industrial and commercial property related justifications for the restrictions on the trade between the Member States; See, for example, Case C-191/90, *Generics and Harris v Smith Kline and French Laboratories*, EU:C:1992:407, para. 24; See in this regard, Pila, 'An Historical Perspective I: The Unitary Patent Package' (n 39) 13.

51 Case C-350/92, *Spain v Council*, EU:C:1995:237, para. 15; Opinion 1/94 of 15 November 1994, EU:C:1994:384, para. 59. The latter concerned the Commission's request for the Court's opinion on whether the Community had had an exclusive competence to conclude the GATT Agreement.

Patent System in Europe,<sup>52</sup> where it analysed the experienced complexities around the ratification issue in search of new ways forward.<sup>53</sup>

While recognising the advantages of the European Patent Convention for the patent grant procedure, the Commission strongly endorsed the importance of a Community patent with unitary nature due to its equal effects in the entire territory of the Community and the managerial simplicity offered to the users, including for the litigation phase.<sup>54</sup> The results of the submitted opinions that the Green Paper widely welcomed were published in the follow-up document from 1999.<sup>55</sup> The submissions of the Economic and Social Committee, as well as from experts from the Member States and the European Parliament, led to the conclusion that a Community Regulation should have been adopted based on (then) Article 235 (now 352) of the Treaty on the Functioning of the European Union (TFEU).<sup>56</sup> Subsequently, the Commission's draft proposal from 2000<sup>57</sup> put forward the creation of not only a unitary patent<sup>58</sup> but also of the Community Intellectual Property Court competent for invalidity and infringement proceedings over Community patents.<sup>59</sup> The Community's reliance on the European Patent Convention and the acknowledgement of the importance of the existing system is reflected in its proposition concerning the Community's accession to the EPO and thus enabling the patent applicants to designate the Community as a territory of patent protection, after which the Community

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52 Commission of the European Communities, 'Promoting Innovation Through Patents: Green Paper on the Community Patent and the Patent System in Europe', Brussels, 24.06.1997, COM (1997) 314 final.

53 *ibid* 3.

54 *ibid* 5-6.

55 Communication from the Commission to the Council, the European Parliament, and the Economic and Social Committee, 'Promoting Innovation through Patent: The Follow-Up to the Green Paper on the Community Patent and the Patent System in Europe', 05.02.1999, COM (1999) 42 final.

56 *ibid* 7; According to the Article 352, TFEU, "If action by the Union should prove necessary, within the framework of the policies defined in the Treaties, to attain one of the objectives set out in the Treaties, and the Treaties have not provided the necessary powers, the Council, acting unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament, shall adopt the appropriate measures. Where the measures in question are adopted by the Council in accordance with a special legislative procedure, it shall also act unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament."

57 Proposal for the Council Regulation on the Community Patent, 28.11.2000, COM (2000) 412 final (Regulation Proposal 2000).

58 *ibid* Article 2.

59 *ibid* Article 30.

Regulation rules would be activated.<sup>60</sup> Such a cautious approach towards the European Patent Office can be explained by the latter's active involvement in the discussions launched by the Commission<sup>61</sup> as well as its already well-established experience and (quasi)jurisprudence in contouring European patents.<sup>62</sup> One can say that the grant stage of patents is almost undeniably acknowledged to have been mastered and almost monopolised by the EPO, while the unified litigation feature originally comes attached to the unitary patents proposed on a Community level.

Therefore, subsequently to the Community Regulation proposal, the Commission presented its new draft proposal for the Council Decision concerning the establishment of the Community Patent Court in 2003.<sup>63</sup> According to both proposals from 2000 and 2003, the new court – Community Intellectual Property/Patent Court<sup>64</sup> would have been integrated into the Community's judicial system under the Article (then) 225a of the EC Treaty (now 257 TFEU), enabling the establishment of a specialised court – a judicial panel below the first instance level of the Court of Justice with the jurisdiction for the infringement and validity issues regarding Community patents as well as the Community supplementary protection certificate.<sup>65</sup> The Court of First Instance of the Court of Justice would thus have been competent for hearing appeals against the decisions of the newly created Community Patent Court.<sup>66</sup> As for the Court of Justice, in order to maintain uniformity of justice, it was considered to guard its essential function of handing down preliminary rulings in wait of which the Community Patent Court would have to stay its proceedings.<sup>67</sup>

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60 *ibid*, Recitals 3 and 4; See in this regard, Mauricio Troncoso, 'International Intellectual Property Scholars Series: European Union Patents: A Mission Impossible? An Assessment of the Historical and Current Approaches' (2013) 17(2) *Marquette Intellectual Property Law Review* 231, 237.

61 Communication from the Commission to the Council, the European Parliament, and the Economic and Social Committee, 'Promoting Innovation through Patent: The Follow-Up to the Green Paper on the Community Patent and the Patent System in Europe', 05.02.1999, COM (1999) 42 final, 7.

62 Pila, 'An Historical Perspective I: The Unitary Patent Package' (n 39) 12.

63 Proposal for the Council Decision establishing the Community Patent, 23.12.2003, COM (2003) 828 final (Council Decision Proposal 2003).

64 'The Community Intellectual Property Court' is the term used in the Regulation Proposal 2000 while the 'Community Patent Court' is used in the Council Decision Proposal 2003.

65 The Regulation Proposal 2000, Article 30(3); The Council Decision Proposal 2003, 6-7.

66 *ibid* 7.

67 *ibid* 26.



### *B. The Initiation of the European Patent Litigation Agreement Outside the Community's Legal Order*

The innovative litigation feature of the Community's new proposals inevitably meant the exclusion of states outside of the (now) European Union, which in turn triggered the parallel project on the litigation arrangement with the EPO's leadership in 2004.<sup>68</sup> After the intergovernmental conference held in Paris in 1999, the EPO's working party initiated the European Patent Litigation Agreement (EPLA) and the European Patent Judiciary, a two-instance court for patent infringement and validity issues, encompassing the contracting states of the EPC.<sup>69</sup> Structurally, the first instance court would have been divided into several regional divisions, while the court of appeal would have been centralised.<sup>70</sup> Due to the majority of the EPO's contracting states being also Member States of the European Community, the EPLA's drafters could not have neglected the primacy of Community law. For this reason, Article 40 of the Agreement maintained that the new European Patent Court would have been assimilated to a national court amongst the Member States of the Community within the meaning of (then) Article 234 (now 267) of the Treaty, which would thus create an avenue for the preliminary references to be made to the Court of Justice.<sup>71</sup> However, very intricately, the Court of Justice's rulings would have been binding for the new patent court only if the decisions of this court had been enforced in the Community's Member States.<sup>72</sup> Such constellation was certainly prone to complexities in practice, let alone that even if the delineation were possible in theory, the patent jurisprudence would have been bizarrely split.<sup>73</sup> At the same time, the Community regulation model, proposed in 2003, had not succeeded due to the complex translation requirements and the "excessive centralisation" of the patent litigation.<sup>74</sup>

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68 Draft Agreement on the establishment of a European patent litigation system, 16.02.2004 (EPLA); See in this regard, Thomas Jaeger, 'Reset and Go: Unitary Patent System Post-Brexit' (2017) 48, *International Review of Intellectual Property and Competition Law* 254, 256; the draft is retrievable at <https://web.archive.org/web/20061018103942/http://patlaw-reform.european-patent-office.org/epla/> (19.01.2023).

69 Article 2, EPLA.

70 *ibid* Article 10 and Article 11.

71 *ibid* Article 40(1).

72 *ibid* Article 40(2).

73 Luginbuehl, Kandeve (n 27) 216.

74 Communication from the Commission to the European Parliament and the Council, 'Enhancing the Patent System in Europe', Brussels, 3.04.2007, COM (2007) 165 final, (Commission's Communication 2007) 3.

Since the EPLA touched on the issues also falling within the *acquis communautaire*, such as the questions of enforcement,<sup>75</sup> the Community's participation in the negotiations concerning EPLA was required.<sup>76</sup> The Commission was thus urged to take the lead concerning these negotiations on the various options for a European patent jurisdiction deriving from the EPLA model on the one hand and from Community-level initiatives on the other.<sup>77</sup> The consultation process was subsequently propelled once again in 2006 resulting in the respective Communication paper of the Commission from 2007 on "Enhancing the Patent System in Europe" that explored different positions.<sup>78</sup> While some Member States saw a danger in creating EPLA as a parallel jurisdiction to that of the Community's judicial system, others deemed EPLA as a way forward for efficient patent litigation.<sup>79</sup> Moreover, the "numerous stakeholders" were in favour of the rapid adoption of the EPLA, an opinion also strongly advocated by the UK judges who argued in their response to the Commission that the EPLA would have had "enormous advantages for patent users" for various reasons, including that the "questions of patent law would *not* go to the [Court of Justice]."<sup>80</sup>

### *C. The Draft Agreement on the European and Community Patent Court and the Opinion 1/09 of the Court of Justice of the European Union*

The Commission's leadership prompted a middle-ground solution, labelled as the "Commission's compromise."<sup>81</sup> The suggested model over which the consensus could have been achieved, according to the Commission, would be a single court with its jurisdiction for both European patents and the forthcoming Community patents. Inspirations drawn from EPLA would have been reflected in the structure of the court, particularly in terms of regional proximity of

75 Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights (OJ L 157, 30.4.2004) (OJ L 195, 2.6.2004) 16-25; Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I).

76 Commission's Communication 2007, 10.

77 See in this regard, Jaeger, 'Reset and Go: Unitary Patent System Post-Brexit' (n 68) 256, who submits that the Commission's leadership was rather hostile to EPLA.

78 Commission's Communication 2007, 3.

79 *ibid* 9.

80 Royal Courts of Justice, 'Response of the English Patent Judges to the Commission's Questionnaire on the Patent System in Europe (9.1.06)' (2006) 6-7.

81 Commission's Communication 2007, 10.

first instance court's divisions<sup>82</sup> and with a centralised appeal court.<sup>83</sup> The close connection to the Community would have been ensured by the respect of the jurisdiction of the Court of Justice, not only concerning the questions of EU law but also on the validity of Community patents.<sup>84</sup>

Subsequently, in 2008, during the presidency of Slovenia, followed by France, the Council submitted the Draft Agreement on the European Union Patent Court<sup>85</sup> and in 2009, the Council's proposal of the Regulation on the Community patent once again emphasised the role of a new court that would have been competent for both the Community and the existing European patents.<sup>86</sup> As a mixed international agreement creating a new jurisdiction, its parties would have been the EU, the EU's Member States and third countries – signatories of the EPC.<sup>87</sup> The formal appearance of the term 'European Union' (EU) for the patent court stems from the Treaty of Lisbon signed in 2007 entering into force in 2009, that had renamed the Community.<sup>88</sup> Apart from this, substantial change had occurred for the intellectual property landscape since the new EU Treaty had introduced the Article 118, TFEU – a legal basis for the creation of intellectual property rights as a matter of EU law and for the establishment of the "centralised Union-wide authorisation, coordination and supervision arrangements" of IP rights.<sup>89</sup> Due to such a new reality, the new Agreement's

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82 According to Article 12(2), EPLA, the regional divisions of the Court of First Instance could have been set up.

83 Commission's Communication 2007, 11.

84 *ibid.*

85 Report on the Patent Dossier Proceedings during the Slovenian Presidency of the EU, Republic of Slovenia, Ministry of Economy, Slovenian Intellectual Property Office, 51041-1/2008-9, 2008 5 (Slovenian Presidency Report 2008).

86 Recital 7, Proposal for a Council Regulation on the Community Patent, Council of the European Union, 16113/09, 27 Nov. 2009; Recital 7, Revised Proposal for a Council Regulation on the Community Patent, Council of the European Union, 8588/09, 7 April 2009.

87 Slovenian Presidency Report 2008, 4; See in this regard, Franklin Dehousse, 'The Unified Court on Patents: The New Oxymoron of European Law' (2013) 60 *Egmont Paper*, Academia Press for Egmont – The Royal Institute for International Relations 5, 6.

88 Article 1, Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon, 13 December 2007 (OJ C 306, 17.12.2007) 1–271.

89 Article 118, Consolidated Version of the Treaty on the Functioning of the European Union, OJ C 326, 26.10.2012 47-390 (TFEU). According to the first paragraph of this Article, "In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the

open policy towards the internationalisation of the Union's patent litigation was questionable,<sup>90</sup> particularly as the new court would have to apply the combination of different legal sources such as the Community law (the Council Regulation on the Community patent), the European Patent Convention, national laws, international agreements binding on the contracting states of the proposed new agreement as well as the new agreement itself.<sup>91</sup> Furthermore, practitioners' strong activism resulted in Court of Justice's role being limited to the interpretation of EU law in an attempt to bypass the interpretative powers of the Court of Justice in substantive patent law.<sup>92</sup>

The EU's participation to the Agreement on the European and Community Patent Court (ECPC) triggered the possibility of requesting an opinion from the Court of Justice regarding its compatibility with EU law, based on Article 218(11) TFEU. The Court's famous Opinion 1/09 declared the ECPC incompatible with EU law. Particularly, according to the Court of Justice, the new patent court would be in the position to rule on not only the new Agreement but also on the Regulation on the Community patents and inevitably on other EU legal areas, such as EU competition law – something that was seen as an interference with the integrity of EU law depriving the national courts from the power of interpretation and application of EU law and from the duty of cooperation with the Court of Justice via so preciously valued<sup>93</sup> preliminary references.<sup>94</sup> Linked to this issue was the fact that the potential violation of EU law by the newly established court was not leading to the liability of any Member State, contrary to the existing rule on the attribution of liability to a Member State in case of a breach of EU law by its authorities.<sup>95</sup> Overall, the Court of Justice found it illegal to confer the powers of interpretation and application of EU law,

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Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements." The second paragraph introduces the legal basis for the adoption of the translation measures – "The Council, acting in accordance with a special legislative procedure, shall by means of regulations establish language arrangements for the European intellectual property rights. The Council shall act unanimously after consulting the European Parliament."

90 Pila, 'An Historical Perspective I: The Unitary Patent Package' (n 39) 15.

91 Opinion 1/09 of the Court (Full Court) of 8 March 2011, EU:C:2011:123 (Opinion 1/09) para. 9.

92 Luginbuehl, Kandevara (n 27) 220; See also, Tobias Lock, 'Taking National Courts More Seriously? Comment on Opinion 1/09' (2011) 36(4) *European Law Review* 576, 586-587.

93 See Joined Cases C-188/10, *Aziz Melki* and C-189/10, *Sélim Abdeli*, ECLI:EU:C:2010:363, para. 51; See in this regard, Lock (n 92) 581.

94 Opinion 1/09, paras. 78-79.

95 *ibid* para. 88.

including Community patents, to a court outside the judicial framework of the EU.<sup>96</sup>

With this Opinion, the Court of Justice overshadowed the bargaining efforts of the European Commission,<sup>97</sup> subsequently realised by the Council, that were so determined to reach a compromise that they almost disregarded the fundamentals on which the EU law is built.

#### ***4. Unitary Patent Package and Unified Patent Court: The Surrounding Legal and Political Challenges***

##### *A. The Enhanced Cooperation Mechanism and Its Legality Checks by the Court of Justice of the European Union*

Not to lose the momentum, the Commission immediately acted in response to the delivered Opinion 1/09 of the Court of Justice and proposed an alternative court model. The Commission narrowed down the agreement only to the EU Member States and devised the new court as a Court Common to the Contracting Member States,<sup>98</sup> even though some argue that the main concern of the Court of Justice was not the participation of third states in the Agreement but rather the absence of EU-law based rights and EU judicial remedies provided to individuals “under the final control of the CJEU.”<sup>99</sup> Other amendments concerned the addition of the provision stipulating the primacy of EU law,<sup>100</sup> as well as the liability clause, attributing the actions of the Unified Patent Court (UPC) to the Contracting Member States.<sup>101</sup> Assimilating the UPC to any national court also allowed for adding a cooperation clause with the Court of Justice of the European Union through the preliminary reference mechanism to be used by the new UPC.<sup>102</sup>

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96 *ibid* para. 89.

97 See, Neil Fligstein, Iona Mara-Drita, ‘How to Make a Market: Reflections on the Attempt to Create a Single Market in the European Union’ (1996) 102(1) *American Journal of Sociology*, 8. The authors submit that the Commission has the task of “bargaining” the problems that the states might have between themselves.

98 Article 1, Agreement on a Unified Patent Court of 11 January 2013 Doc. 16351/12 (UPC Agreement).

99 See, Thomas Jaeger, ‘Reset and Go: Unitary Patent System Post-Brexit’ (n 68) 276.

100 Article 20, UPC Agreement 2013.

101 *ibid* Article 23.

102 *ibid* Article 2; See in this regard, Dehousse (n 87) 12.

However, meanwhile, the negotiations on the unitary patent and particularly concerning its language arrangements were heated among the Member States that held up the entire process. The majority of the Member States were in favour of opting for the three official languages of the EPO (English, French and German), while Spain and Italy advocated the addition of Spanish and Italian, thus for the five official languages of the European Union Intellectual Property Office (EUIPO).<sup>103</sup> The “English-only” regime was also considered. However, the first option was prioritised by the majority.<sup>104</sup> The unanimous agreement over the language regime as required under the Article 118 TFEU could thus not be reached, leading to a limited number of the EU Member States (12) requesting the Council to authorise the seldom-used enhanced cooperation mechanism<sup>105</sup> in order to move forward with the unitary patent- and the UPC-related agenda. The Council, upon the consent of the European Parliament, approved the enhanced cooperation in 2011,<sup>106</sup> which then resulted in the adoption of the Unitary Patent Package (UPP) by the participating Member States and the European Parliament in 2012.<sup>107</sup> It contained three main instruments: 1. A Regulation on the creation of the unitary patent protection;<sup>108</sup> 2. A Regulation

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103 See, Jaeger, ‘Reset and Go: Unitary Patent System Post-Brexit’ (n 68) 258.

104 Proposal for the Council Regulation on the translation arrangements for the European Union patent, 30.6.2010, COM(2010) 350 final, 5.

105 According to Article 20(1) of the Treaty on the European Union (OJ 326, 26.10.2012) (TEU) “Member States which wish to establish enhanced cooperation between themselves within the framework of the Union’s non-exclusive competences may make use of its institutions and exercise those competences by applying the relevant provisions of the Treaties, subject to the limits and in accordance with the detailed arrangements laid down in this Article and in Articles 326 to 334 of the Treaty on the Functioning of the European Union.”

106 Council Decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection (OJ L 76, 22.3.2011).

107 European Parliament legislative resolution of 11 December 2012 on the 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 (COM(2011)0215 – C7-0099/2011 – 2011/0093(COD)).

108 Regulation (EU) No 1257/2012 of the European Parliament and the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, (OJ L 361, 31.12.2012) 1–8 (Regulation on a Unitary Patent 2012).

on the translation arrangements for the unitary patent;<sup>109</sup> and 3. An agreement on the UPC, having an international legal nature.<sup>110</sup>

As a reaction to the agreed UPP, Spain and Italy, which did not participate in the Package, challenged the Council's decision authorising the enhanced cooperation. They essentially argued that the Council's decision was a misuse of power as it had disregarded the Union's legal order and that such a mechanism should be used only as a last resort.<sup>111</sup> Furthermore, they questioned the EU's non-exclusive competence in the field of intellectual property, which is a prerequisite for an enhanced cooperation mechanism under Article 20 TEU and the Articles 326 and 327, TFEU.<sup>112</sup> Italy also argued that the competence of the Union, conferred by Article 118 TFEU concerning the creation of a uniform protection of intellectual property rights was supposed to serve the entire Union and not just one part of it; otherwise, the expressions "throughout the Union" and the "Union-wide" used in the Article 118 would have become meaningless.<sup>113</sup> The Court of Justice however, with its decision handed down in 2013, did not find any breach by the Council, but rather, on the contrary, held that the Council's decision was stimulating the integration process since an agreement amongst all Member States could not have been reached.<sup>114</sup> The last resort requirement was also considered to be met as the process of establishing a Union-wide patent had begun back in 2000, and several language-related arrangements had been considered, none of which were supported sufficiently to move forward, according to the Court.<sup>115</sup> The Court's approach has been criticised as it offers a precedent that might enable such enhanced cooperation mechanism as a negotiation tool "too soon" and "too easily" whenever the consensus is not reached in a short period of time.<sup>116</sup> As for the issue of the competence, the Court deemed Article 118 TFEU as falling under the Union's non-exclusive competence within the meaning of the Treaty.<sup>117</sup> The infringe-

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109 Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (OJ L 361, 31.12.2012) 89–92 (Regulation on the Applicable Translation Arrangements 2012).

110 Agreement on a Unified Patent Court of 19 February 2013, OJ C 175, 20.6.2013 (cf. Council Doc. 16351/12 of 11 January 2013) (UPC Agreement).

111 Joined Cases C-274/11 and C-295/11, *Spain and Italy v Council*, EU:C:2013:240, para. 7.

112 *ibid.*

113 *ibid.* para. 64.

114 *ibid.* para. 37.

115 *ibid.* paras. 55–56.

116 Jaeger, 'Reset and Go: Unitary Patent System Post-Brexit' (n 68) 260.

117 Joined Cases C-274/11 and C-295/11, *Spain and Italy v Council*, EU:C:2013:240, paras. 24–25. The Court held that matters regulated by Article 118 are shared competencies

ment of the same Article pleaded by Italy was also dismissed by stating that when this Article was exercised in the circumstances of the enhanced cooperation, the uniform protection should be pertinent not to the entire Union but only to those countries participating in this mechanism.<sup>118</sup> The absence of a teleological interpretation of Article 118 has thus enabled the Court to conclude that the integration agenda had been achieved, even though Spain and Italy were left aside.<sup>119</sup>

The Court's response was manifestly unsatisfactory for Spain and Italy and led to a new challenge before the Court of Justice, this time by Spain only and concerning the two Regulations of the UPP.<sup>120</sup> Regarding the Regulation on a Unitary Patent,<sup>121</sup> Spain argued the infringement of the principles of the rule of law; the lack of legal basis as the Regulation lacked substance; the misuse of power due to the absence of a reliable judicial system; as well as the infringement of the principle that the Union acts must be implemented by the Union's institutions and not by the Member States. In this case, the task of setting the renewal fees was reserved for the Member States.<sup>122</sup> Spain also claimed the infringement of the *Meroni* case law due to the delegation of administrative tasks to the EPO concerning the European patents with unitary effect; and finally, the infringement of autonomy of EU law due to the linking of the activation of the EU regulations to the entry into force of the UPC Agreement, an instrument outside the EU's legislative reach.<sup>123</sup>

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for the purposes of Article 4(2) of the TFEU and of Article 20(1) TEU, as it does not fall within the TFEU's Chapter, "Rules on Competition" which in itself, is within the EU's exclusive competence based on the Article 3(1)(b), TFEU. Thus, the Court has used a literal approach to define whether Article 118, TFEU is an exclusive or a shared competence, ignoring the purpose of this Article which has been obviously rooted in the history of the development of intellectual property rights in the EU.

118 *ibid* para. 68.

119 See in this regard, Troncoso (n 60) 254.

120 See, Case C-146/13, *Spain v Parliament and Council*, EU:C:2015:298 and Case C-147/13, *Spain v Council*, EU:C:2015:299. Spain raised seven pleas concerning Regulation on a Unitary Patent 2012 and five please concerning Regulation on the Translation Arrangements 2012.

121 The pleas concerning the Regulation on the Applicable Translation Arrangements were essentially the same and thus, are not analysed separately in this chapter.

122 As the setting of renewal fees was reserved for the Member States according to the Article 9(2) of the Regulation on a Unitary Patent, Spain argued the infringement of Article 291(2) TFEU, which in turn requires that the implementing powers are accorded to the Commission or the Council. See, Case C-146/13, *Spain v Parliament and Council*, EU:C:2015:298, para. 23 and para. 60.

123 Case C-146/13, *Spain v Parliament and Council*, EU:C:2015:298, para. 23 and para. 92. Article 18(2) of the Regulation on a Unitary Patent 2012 states that it will apply on the



The “rule of law” argument was dismissed by regarding the contested Regulation as an implementation of Article 142 of the EPC, which in itself provides the possibility for a group of contracting states of the EPC to agree upon the unitary character of the European patents just on their territory.<sup>124</sup> Concerning the lack of a legal basis and the misuse of power, the Court rejected both arguments by underlining that within the meaning of Article 118 TFEU, the Regulation did not have to necessarily offer more than it already did in terms of unitary protection in the territories of the states participating in the enhanced cooperation.<sup>125</sup> Therefore, the fact that the Regulation on a Unitary Patent does not contain substantive provisions for determining the scope of supposedly EU's patents – “an empty shell” argument and the lack of a respective judicial system did not raise any legality issue for the Court.<sup>126</sup>

Since the Regulation was regarded as an extension of the EPC, it was relatively easy for the Court to reject the arguments concerning the delegation of implementing powers to the Member States or to the EPO, hence arguments concerning the breach of Article 291(2) TFEU or the principles of the *Meroni* case did not succeed either.<sup>127</sup> Finally, the autonomy of EU law was not considered to be impaired by linking the Regulation to the UPC Agreement, as the latter was seen as a measure that had to be adopted to ensure “the proper functioning of the European patent with unitary effect.”<sup>128</sup> The essential part of the Court's response relying on the argument that the EU regulation implements the EPC-envisaged agreement on unitarity of “classical” European patents is certainly an obscure solution given that not all contracting states of the EPC are members of the EU and thus, it appears that the EU's legislative implementation derives from an international agreement with its own (non-EU) Administrative Council.<sup>129</sup> Moreover, according to such type of reasoning, using the legislative route of the EU for the realisation of the goals of Article 142 EPC is unjustly reserved only for those contracting states of the EPC that are also EU Member States. Whether this is an appropriate functioning under the EPC is a question beyond the scope of this chapter and which cannot be decided by the Court of Justice for now due to the missing organisational link between, on the one hand, the EU and, on the other, the EPC and its institutions.

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date of the entry into force of the UPC.

124 Case C-146/13, *Spain v Parliament and Council*, EU:C:2015:298, paras. 28-29.

125 *ibid* para. 51.

126 *ibid* para. 58.

127 *ibid* paras. 82-86. See in this regard, Jaeger ‘Reset and Go: Unitary Patent System Post-Brexit’ (n 60) 264.

128 *ibid* para. 106.

129 See, in this regard, Jaeger, ‘Reset and Go: Unitary Patent System Post-Brexit’ (n 68) 264.

The decisions of the Court of Justice from 2013 and 2015 turned out to be catalysts for the advancement of the UPP. Hence, except for Spain and Croatia, as the latter had newly joined the EU at that time, all Member States adhered to the enhanced cooperation, including Italy. As for the UPC Agreement, Croatia, Spain and in addition, Poland, the latter invoking economic disadvantages of the new court, have refused their participation. Thus, for the final success of the project, the missing national ratifications of the UPC Agreement had to be collected,<sup>130</sup> which turned out to be equally challenging as the preceding negotiation rounds between the states.

### *B. Overcoming the Issues of National Ratifications of the UPP – Brexit and the Constitutional Complaints in Germany*

Article 89 of the UPC Agreement conditions the entry into force of the Agreement on the deposit of thirteen ratification instruments, including from the three Member States where the highest number of patents were in effect before the signature of the UPC Agreement. These were Germany, the UK and France. The seats of the sections of the UPC's first instance central division were also allocated for these countries accordingly (in Paris, London and Munich). Apart from France that ratified the Agreement in 2014, German and British national processes significantly delayed the entry into force of the UPC. The strong involvement of the UK in the negotiations on the UPP and the related constellations were casting no doubts that the UK would ratify the Agreement, which indeed took place in 2018. However, after the Brexit referendum, the continuation of the UK's participation in the Regulation on a Unitary Patent and the UPC Agreement became questionable and an inspiration for many legal scholars to speculate upon the potential chances of the UK to stay on board. For example, concerning the Regulation, Jaeger has extensively reviewed the possibilities of an agreement between the EU and the UK based on Article 142 of the EPC since such "legal fiction" had been endorsed by the CJEU, though questionably, according to the author.<sup>131</sup> As for the participation in the UPC, since the UPC Agreement provides in Article 2(b) that the Member States are to be understood as members of the EU, the Contracting Member States to the UPC (Article 2(3)) can thus only be EU countries. Ohly and Streinz suggested the

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130 Article 89, UPC Agreement 2013.

131 See, Jaeger, 'Reset and Go: Unitary Patent System Post-Brexit' (n 68) 270-272. The author also draws parallel with the Schengen Agreement that is an EU policy within the primary law implemented through the EU secondary law and includes the third states as participants.

clarification of the wording, indicating the “Contracting EU Member States and the UK.”<sup>132</sup> The Opinion 1/09 of the Court of Justice was thus, not seen by the authors as an impeding element for the UK’s continued participation, in spite of the future, non-binding nature of EU law for the UK.<sup>133</sup> In contrast, Lamping and Ullrich argued that such understanding of the Opinion 1/09 was against the rule of law and would render the “court common to the Member States” to an “ordinary international court.”<sup>134</sup> Despite the numerous scenarios explored, particularly from the legal point of view,<sup>135</sup> the political agenda of the British government after Brexit’s finalisation, to the disappointment of many,<sup>136</sup> led the UK to withdraw ratification of the UPC.

In addition to the Brexit dilemma, national ratification in Germany has been hampered by the persistent complaints lodged at the Federal Constitutional Court of Germany – *Bundesverfassungsgericht*, once again questioning the legality of the Unitary Patent and the UPC project. The constitutional complaint raised in 2017 concerned, in particular, the democratic deficit as regards the rules on the functioning of the UPC’s internal organs,<sup>137</sup> including the appointment procedure of judges. Three years later, the long-awaited judgment handed down by the Federal Constitutional Court of Germany did not uphold the complainant’s substantive pleas but requested the Act of rati-

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132 Ansgar Ohly, Rudolf Streinz ‘Can the UK Stay in the UPC System after Brexit?’ (2017) 12(3) *Journal of Intellectual Property Law and Practice* 254.

133 *ibid* 255.

134 Matthias Lamping, Hanns Ullrich, ‘The Impact of Brexit on Unitary Patent Protection and its Court’ (2018) Max Planck Institute for Innovation and Competition Research Paper no.18-20, 20-21.

135 See for example, Willem Hoyng, ‘Does Brexit Mean the End of the UPC?’ (EPLAW Blog, 24 June 2016) <<http://eplaw.org/upc-does-brexit-mean-the-end-of-the-upc/>> accessed 1 April 2022; Richard Gordon, Tom Pascoe, ‘Opinion regarding the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement (12 September 2016) <<https://www.eip.com/assets/downloads/gordon-and-pascoe-advice-upca-34448129-1-.pdf>>, accessed 1 April 2022; Winfried Tilmann, ‘A Possible Way for Non-EU UK to Participate in the Unitary Patent and Unified Patent Court?’ (28 June 2016) <<https://ipkitten.blogspot.com/2016/06/a-possible-way-for-non-eu-uk-to.html>> accessed 1 April 2022.

136 Amy Sandys, ‘What Now for UPC? Dismay as UK Government Rejects Participation’ (Juve Patent Blog, 28 February 2020) <<https://www.juve-patent.com/news-and-stories/legal-commentary/what-now-for-upc-dismay-as-uk-government-rejects-participation/>> accessed 9 June 2020.

137 Bundesverfassungsgericht (BVerfG), Beschluss des Zweiten Senats vom 13. Februar 2020 – 2 BvR 739/17, Rn. 1-21, para. 67, <[https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/02/rs20200213\\_2bvr073917.html](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/02/rs20200213_2bvr073917.html)> accessed 2 April 2022.

fication of the UPC Agreement to be voted again at the Federal Parliament of Germany – *Bundestag*; the only reason being the procedural misconduct by the parliament.<sup>138</sup> The second round of complaints was held entirely inadmissible in June 2021, stating that the minimum constitutional standards were not affected by Article 20 of the UPC Agreement concerning the obligation to respect the primacy of EU law.<sup>139</sup> Subsequently, after a long suspension, the UPC is in the position to advance towards its entry into force. The following remaining steps were the ratification of the Protocol on the Provisional Application (PAP) by 13 Member States, which was fulfilled by Austria's deposit of ratification on 18 January 2022 which marked the beginning of the provisional application period. For the time being, logistical affairs are being solved, such as the arrangement of the court services and the appointment of judges by the

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138 The German Federal Constitutional Court concluded that the Act of Approval by the German Federal Parliament was void. It stated that an Act of Approval of an international treaty that is linked to European integration (*Integrationsprogramm*) should be measured in the light of Article 23(1) in combination with Article 79(2) of Basic Law of Germany. These stipulate that passing amendments or supplements to Basic Law requires a two-thirds majority in parliament, considering the importance of the integrity of the Constitution and the democratic legitimation of interference with constitutional order. According to Basic Law, judicial powers in Germany are “exercised by the Federal Constitutional Court, by the federal courts [...] and by the courts of the *Länder*.” (Article 92, German Basic Law – *Grundgesetz*). Therefore, an Act of Approval of the agreement on the creation of the UPC, which replaces the function of the German courts in a given field of law, equals to an amendment to Basic Law. Thus, such an act should have been subject to the two-thirds majority requirement to be passed and, since it was adopted in violation of this constitutional requirement of reaching the qualified majority, as there were only 35 members of parliament present, the Court held it void. See in this regard, Bundesverfassungsgericht (BVerfG), Beschluss des Zweiten Senats vom 13. Februar 2020 – 2 BvR 739/17, Rn. 1-21, paras. 98, 157, 164-165, <[https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/02/rs20200213\\_2bvr073917.html](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2020/02/rs20200213_2bvr073917.html)> accessed 27 May 2020.

139 The applicant had requested the interim injunctions, which were dismissed and the complaints on the merits were found to be inadmissible. The Court stated that the applicant could not prove why his/her identity would be affected by Article 20 of the UPC Agreement. See, Bundesverfassungsgericht (BVerfG), Beschluss des Zweiten Senats vom 23. Juni 2021- 2 BvR 2216/20 -, Rn. 1-81, para. 79, <[https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2021/06/rs20210623\\_2bvr221620.html](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/DE/2021/06/rs20210623_2bvr221620.html)> accessed 10 August 2021.

Administrative Committee of the UPC.<sup>140</sup> Only then will the UPC start receiving its first patent cases.<sup>141</sup>

There is no doubt that the UPC project encountered several existential issues before it reached this point. As evidenced in this chapter, from a purely legal historical perspective, overcoming these issues largely depended on the respective institutions, be it the European Commission, the Council or the courts, namely the Court of Justice of the European Union and the Federal Constitutional Court of Germany; as well as on addressing contrasting national, legal traditions and systems of the Member States. However, the role of the individuals directly concerned with the new system cannot be ignored, which has already surfaced through the legal analysis, but which can be more richly explored through a sociological research perspective.<sup>142</sup>

#### **4. Discussion and Concluding Remarks**

Despite overcoming the challenges on formal grounds, the UPP still raises several open-ended issues and unanswered questions today, which in turn may have far-reaching repercussions. The critique can be summarised by four main interlinked aspects: 1. The fact that the EU Regulation on a Unitary Patent does not contain substantive patent law; 2. The CJEU's limited role in patent litigation in the EU; 3. The EPO's isolation from the EU's judicial architecture; and 4. The multi-layered patent system without full integration at the EU level.

To address each point in order, firstly, it must be stated that during the legislative process, when the Member States were being consulted, the only substantive articles (6 to 8) of the draft Regulation were removed and instead were introduced into the UPC Agreement which as stated above, is an international treaty and not an EU law instrument.<sup>143</sup> These articles concerned the direct

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140 'Austria Closes the Loop – The Protocol on the Provisional Application of the UPC Agreement Has Entered into Force', (Unified Patent Court, 19 January 2022), <<https://www.unified-patent-court.org/news/austria-closes-loop-protocol-provisional-application-upc-agreement-has-entered-force>> accessed 2 April 2022.

141 Provisional Application Period will last for at least eight months. As soon as State Parties are satisfied with the new court's capacity to function Germany will deposit its instrument of ratification of the UPC Agreement itself, which means that the UPC will start to be operational on the first day after the fourth month from the deposit of this instrument, see, *ibid*.

142 See the contribution of Emmanuel Lazega and François Lachapelle in this book.

143 Mauricio Troncoso (n 60) 247; See also, Emma Barraclough, 'Lehne on the unitary patent: deleting articles 6-8 is not acceptable', (Managing IP, 2 October 2012), <[managingip.com](http://managingip.com)> accessed on 4 April 2022.

and indirect infringement of unitary patents and the limitations to protection deriving from patents, currently articles 25 to 30 of the UPC Agreement. Hence, the EU Regulation on a Unitary Patent itself only provides the legal basis for a uniform protection in its Article 5, i.e., the unitary character can be attributed to the ‘classical’ European patents, issued by the EPO and based on the EPC. However, the criteria for those patents to become alive in the first place and the scope of protection during their lifetime is entirely outsourced from the Regulation to the EPC and the UPC Agreement. Similarly, the UPC Agreement specifically mentions the EPC as one of the applicable sources of law next to the EU Regulation.<sup>144</sup> Such an arrangement is almost no different in this respect from the model under which the Community could be designated as a territory of patent protection upon the grant of the European Patent at the EPO, as contemplated in the Commission’s draft proposal in 2000.

The first point concerning the legislative lacuna whereby the European patents with EU unitary character as well as their scope of protection are defined under an international legal instrument – the EPC, rather than the EU law, based on which they only receive a unitary character, leads to the second issue, namely the role of the CJEU. Through such a constellation, it was precisely meant to limit the CJEU’s interference in patent matters to the preliminary references that concern EU law only and not in relation to substantive patent law.<sup>145</sup> One can argue that despite the need and desire for patent law harmonisation by patent practitioners, they have repeatedly met the harmonising role of the Court of Justice with apprehension and criticism.<sup>146</sup> Perhaps even more paradoxically, the EU legislator itself has drafted patent laws in a way that limits the CJEU’s jurisdiction.<sup>147</sup> One of the main arguments against the CJEU’s involvement in patent adjudication, which emerged amongst the practitioners, is that it is a generalist court without sufficient expertise. This will, however, only perpetuate unless more avenues are created for the Court also in the patent field. After all, the generalist approach of the Court of Justice, together with the UPC’s specialised jurisdiction, can only guarantee a balanced approach towards patent matters in the EU. For now, it can be speculated that,

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144 Article 24, UPC Agreement 2013.

145 Clement Salung Petersen, Jens Schovsbo, ‘Decision-making in the Unified Patent Court: Ensuring a Balanced Approach’, in Ch. Geiger, C. A. Nard and X. Seuba (eds) *Intellectual Property and the Judiciary* (Edward Elgar 2018) 238.

146 E. g. practitioners often argue that the decisions of the Court of Justice in the field of Supplementary Protection Certificates are fraught with uncertainties.

147 See in this regard, Thomas Jaeger, ‘Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise’ (2013) 44, *International Review of Intellectual Property and Competition* 389, 391, where the author regards such EU legal framework “schizophrenic and foolish.”

in spite of the limited EU legal framework in the patent field, preliminary references concerning other areas of EU law (competition law, EU Charter of Fundamental Rights,<sup>148</sup> Biotechnology Directive<sup>149</sup> and Regulations on Supplementary Protection Certificates in the pharmaceutical<sup>150</sup> and plant sectors<sup>151</sup>) will enable the Court to step in the substantive patent issues as well.<sup>152</sup> The extent of this interference will only become apparent once the UPC becomes operational.

The third point, concerning the EPO's isolation, is perhaps an even more fundamental institutional issue regarding which the decision was taken back in 1973 when the "outer seven" led the discussions concerning the centralised patent grant procedure. While the benefits of such a unified procedure and the EPO's success are undoubtful, the question of whether an external judicial body should review the EPO's decisions is important to ask, given that all European patents, which in turn can be decisive for the respective industrial sectors, are delivered at the EPO.<sup>153</sup>

Finally, given the multi-faceted patent landscape in Europe, both in terms of the different types of patents available (national, European and forthcoming European patents with unitary effect) and the surrounding co-existing institutions, the question inevitably arises as to whether the true European Union harmonisation of patent law and policy can be achieved. The desire and the need for uniformity are undeniable, the many efforts evidenced across different milestones, including the achievement of the UPC, cannot be explained otherwise. Nevertheless, history suggests that there is also room for (further) compromises to address the divide in the dynamics regarding the EU unitary patents and patent judiciary.

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148 Charter on Fundamental Rights of the European Union (2012/C 326/02).

149 Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions 1998 (OJ L 213, 30.7.1998) 13–21.

150 Council Regulation (EEC) No 1768/92 of 18 June 1992 concerning the creation of a supplementary protection certificate for medicinal products (OJ L 182, 2.7.1992) 1–5.

151 Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products, OJ L 198, 8.8.1996, p. 30–35.

152 Petersen, Schovsbo (n 145) 238.

153 See in this regard, Aurora Plomer, 'The EPO as Patent-Law-Maker in Europe' (2019) 25(1) *European Law Journal*, 57. The author argues that even though the EPO is an a-political body, it determines an important patent policy for the whole Europe.





## 2. LAUNCHING THE UNIFIED PATENT COURT: LESSONS FROM THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

*Rochelle Cooper Dreyfuss*

As of this writing (April 2022), the Unitary Patent System, which includes an EU-wide patent, a dedicated court system, and a Unified Patent Court Agreement (UPCA) on procedural and substantive aspects of patent law, is about to come into force.<sup>1</sup> It is easy to understand why an EU Patent is considered desirable. The EU Trademark has proved successful in no small part because state-by-state protection of intellectual property becomes a costly proposition when rights are embedded in products that are sold and used throughout a single market.<sup>2</sup> The demand for a Unified Patent Court (UPC) is somewhat harder to understand. After all, national courts have long entertained patent cases. However, once the Court of Justice of the European Union (CJEU) interpreted the Brussels Convention to prohibit cross-border consolidation of patent disputes, the creative community saw the need for a more efficient adjudicatory mechanism.<sup>3</sup> It expected that specialization would have other advantages as well. As the establishment of intellectual property courts in over 90 countries suggests, specialization can be especially valuable when disputes involve technological complexities.<sup>4</sup> Repeated exposure to such cases is thought to

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1 Council Regulation 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L 361/1; Agreement on a Unified Patent Court, 2013 O.J. (C 175) 1 (19 Feb. 2013); European Patent Office, Unitary Patent & Unified Patent Court <<https://www.epo.org/law-practice/unitary.html>> accessed 25 March 2022

2 Annette Kur, 'Evaluation of the Functioning of the EU Trademark System: The Trademark Study' in Christophe Geiger (ed), *Constructing European Intellectual Property Law* (Edward Elgar 2013) 123.

3 Paul Torremans, 'The Widening Reach of Exclusive Jurisdiction: Where Can You Litigate IP Rights after GAT?' in Arnaud Nuyts (ed), *International Litigation in Intellectual Property and Information Technology* (Kluwer 2008) 61; Dietmar Harhoff, 'Economic Cost-Benefit Analysis of a Unified and Integrated European Litigation System' (26 February 2009) <<https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.180.5997&rep=rep1&type=pdf>> accessed 25 March 2022.

4 Rohazar Wati Zuallcoble et al, 'Study on Specialized Intellectual Property Courts' (2012) <<https://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf>> accessed 25 March 2022.

give judges the expertise they need to develop a uniform body of predictable high quality law.

Nonetheless, the UPC has triggered considerable controversy.<sup>5</sup> As other Chapters in this volume explain, many of the concerns stem from EU-specific issues, including the incompatibility of a separate court system with the constitutive law of the European Union; language and procedural differences among member states; the fragmentation of patent law under the confluence of the European Patent Convention (EPC),<sup>6</sup> national law, international patent law, EU law, and the law of the UPCA;<sup>7</sup> and the democratic deficit created when there is no central law-giving authority accountable to the people.<sup>8</sup>

However, the establishment of the UPC also raises another fundamental question: is there a danger that law interpreted by a specialized court, insulated from the jurisprudential mainstream, will be suboptimal from an economic or social perspective? On this point, the experience of the United States is instructive. Since 1982, patent determinations have been reviewed by a single court, the United States Court of Appeals for the Federal Circuit.<sup>9</sup> The Federal Circuit is not specialized in that it has jurisdiction over a set of disputes that are unrelated to patent law.<sup>10</sup> But it does hear all patent appeals and as with the UPC, the expectation was that it would develop expertise and improve the law.<sup>11</sup> Yet in its early years, many concerns were expressed about the ways in which it handled its mandate. The Secretary of Health and Human Services criticized the court's decisions for contributing to the high cost of health care;<sup>12</sup> the Department of Justice and the Federal Trade Commission questioned the impact of its case law on competition,<sup>13</sup> and the National Academies of Science

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5 Justine Pila, 'An Historical Perspective I: The Unitary Patent Package' in Justine Pila and Christopher Wadlow (eds), *The Unitary Patent System* (Hart 2014) 9.

6 European Patent Convention, 5 October 1973, 13 ILM 268.

7 UPCA, art 24.

8 See the contributions of Emmanuel Lazega & François Lachapelle, and of Dimitris Xenos in this book; Dimitris Xenos, 'The Impact of the European Patent system on SMEs and National States' (2020) 36 *Prometheus* 51; Tuomas Mylly, 'A Constitutional Perspective' in Pila and Wadlow *The Unitary Patent System* (n 5) 77.

9 Federal Court Improvements Act, Pub L No 97-164, 96 Stat 25 (1982).

10 28 USC § 1295.

11 Paul Carrington, Daniel Meador, and Maurice Rosenberg, *Justice on Appeal* (West 1976).

12 Office of Biological Studies, National Institute of Health, 'Gene Patents and License Practices and Their Impact on Patient Access to Genetic Tests' (April 2010) <[http://oba.od.nih.gov/oba/sacghs/reports/SACGHS\\_patents\\_report\\_2010.pdf](http://oba.od.nih.gov/oba/sacghs/reports/SACGHS_patents_report_2010.pdf)> accessed 25 March 2022.

13 US Department of Justice & Federal Trade Commission, 'Antitrust Enforcement And Intellectual Property Rights: Promoting Innovation and Competition' (April 2007)

were concerned about the effect of the Federal Circuit’s holdings on innovation.<sup>14</sup> In addition, the court’s decisions were thought to galvanize patent trolls, non-patent-practicing entities (NPEs) whose sole business consists of enforcing patent claims.<sup>15</sup>

To be sure, there are important differences between the UPC and the Federal Circuit. The Federal Circuit is a single appellate court which hears appeals from trial courts of general jurisdiction; the UPC includes both courts of first instance and a Court of Appeal.<sup>16</sup> The Federal Circuit has so-called “case jurisdiction,” and therefore reviews not only the trial courts’ application of the US Patent Act, but also the disposition of all other matters asserted by the parties, including, for example, claims sounding in copyright or antitrust (competition) law.<sup>17</sup> De novo review is, however, limited to issues of law; on questions of fact, the Federal Circuit must defer to the findings at trial.<sup>18</sup> In contrast, while the UPC’s competence is confined to issues regarding patents,<sup>19</sup> the Court of Appeal can, in these patent cases, reconsider both questions of law and fact.<sup>20</sup> Finally, Federal Circuit decisions are all reviewable in the United States Supreme Court and can, for the most part, be modified by congressional action.<sup>21</sup> But because the UPC will apply patent law sourced in the EPC, UPCA, national law, and international

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<<https://www.ftc.gov/sites/default/files/documents/reports/antitrust-enforcement-and-intellectual-property-rights-promoting-innovation-and-competition-report.s.department-justice-and-federal-trade-commission/p040101promotinginnovationandcompetitionrpt0704.pdf>> accessed 25 March 2022; Federal Trade Commission, ‘To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy’ (October 2003) <<https://www.ftc.gov/sites/default/files/documents/reports/promote-innovation-proper-balance-competition-and-patent-law-and-policy/innovationrpt.pdf>> accessed 25 March 2022.

- 14 Committee on Intellectual Property Rights in Genomic and Protein Research and Innovation, *Reaping the Benefits of Genomic and Proteomic Research: Intellectual Property Rights, Innovation, and Public Health* (National Research Council of the National Academies 2006) 133-144; Committee on Intellectual Property Rights in the Knowledge-Based Economy, *A Patent System for the 21st Century* (National Research Council of the National Academies 2004).
- 15 Damian Myers, ‘Reeling in the Patent Troll: Was *Ebay v MercExchange* Enough?’ (2007) 14 *J Intell Prop L* 333.
- 16 UPCA, arts 7-9.
- 17 28 USC 1295(a)(1); Rochelle Cooper Dreyfuss, ‘Specialized Adjudication’ 1990 *BYU L Rev* 377.
- 18 Fed R Civ P 52(a)(6).
- 19 UPCA, art 32.
- 20 UPCA, art 73(3).
- 21 28 USC 1254 (giving the Supreme Court discretionary authority to review cases); Jonas Anderson, ‘Congress as a Catalyst of Patent Reform at the Federal Circuit’ (2014) 63 *Am U L Rev* 961.

agreements, only some decisions will be within the jurisdiction of the CJEU. By the same token, most UPC decisions cannot be easily overruled by legislative action in the EU.

To some extent, the differences between the US and EU systems may allow the UPC judges to avoid the critiques leveled at the Federal Circuit. However, there are also differences that can exacerbate the problems associated with the Federal Circuit's jurisprudence. In Part 1 on structure and Part 2 on substance, this Chapter explores the sources of the Federal Circuit's perceived difficulties and evaluates the extent to which the UPC is likely to follow in its footsteps. In Part 3, it offers a few suggestions on how the EU system might learn from the US experience.

### **1. Structural Issues**

As noted above, there are significant structural differences between the UPC and the Federal Circuit. One reason for them can be explained by the differing objectives that EU and US legislatures were pursuing when they designed the courts. In the EU, the tribunals were established to improve the efficiency of patent litigation, to enhance certainty, raise the quality of adjudication, and to create a uniform body of patent law.<sup>22</sup> Such was not precisely the case in the United States. Efficient adjudication was a prime goal. But the efficiency Congress was mainly concerned about was that of the regional circuit courts of appeal: the Federal Circuit was designed to divert a set of time consuming cases from the dockets of these overburdened forums, into a court that would have the expertise to decide them expeditiously.<sup>23</sup> As Howard Markey, who later became the Federal Circuit's first Chief Judge, put it in testimony before Congress, "[I]f I am doing brain surgery every day, day in and day out, chances are very good that I will do your brain surgery much quicker... than someone who does brain surgery once every couple of years."<sup>24</sup>

Still, Congress chose, from among all federal disputes, to divert cases involving patent law. Apparently, it understood that there were special problems in

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22 UPCA, Preamble

23 Rochelle Cooper Dreyfuss, 'The Federal Circuit: A Case Study in Specialized Courts' (1989) 64 NYU L Rev 1; Commission on Revision of the Federal Court Appellate System, *Structure and Internal Procedures: Recommendations for Change* (1975), reprinted in 67 FRD 195 (1975).

24 Court of Appeals for the Federal Circuit: Hearings Before the Subcommittee on Courts, Civil Liberties and the Administration of Justice of the House Committee on the Judiciary, 97th Cong, 1st Sess 42-43 (1981) (statement of the Honorable Howard T. Markey, Chief Judge, Court of Customs and Patent Appeals).

their resolution. There were “notorious differences” between the law as interpreted by the courts and by the United States Patent and Trademark Office (PTO),<sup>25</sup> as well as large discrepancies in outcomes among the regional circuits. These had led to a considerable degree of forum shopping.<sup>26</sup> Moreover, some courts were so quick to invalidate patents, the value of acquiring protection was thought to have declined.<sup>27</sup> Congress therefore saw in the opportunity to establish a new court, the chance to create a specialized judiciary that would make patent law more uniform, improve patent stability, and encourage innovation.

In so doing, however, Congress failed to consider where in the system specialization would be especially useful. That is largely at trial, where technologically complex facts must be unraveled: where patent claims are construed, prior art is evaluated, and the relationships between the patented invention, the references, and the accused product are analyzed. By leaving these determinations to generalist regional district courts and requiring (as is conventional in the federal system) that the Federal Circuit defer to their factual findings,<sup>28</sup> Congress created several problems. It made judgments highly sensitive to whether an issue is characterized as a question of law or fact, leading to considerable litigation on that question.<sup>29</sup> It likely increased resort to jury trials (as a way to protect outcomes from specialized review), which then led the Supreme Court to announce rules that complicated the conduct of trials.<sup>30</sup> And most importantly, the design of the system did not eliminate forum shopping; rather it shifted it to the trial court level.<sup>31</sup> An astonishing amount of patent litigation now occurs in Texas, where the win rate for patentees (and in particular, NPEs) is significantly higher than in other trial courts.<sup>32</sup>

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25 *Graham v John Deere Co.*, 383 US 1, 18 (1966).

26 An example is presented by the facts of *Hoffman v Blaski*, 363 US 335 (1960).

27 *Industrial Innovation and Patent and Copyright Law Amendments: Hearings Before the Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the Judiciary*, 96th Cong, 2d Sess 574-75 (1980) (statement of Sidney A. Diamond, Commissioner of Patents and Trademarks).

28 *Dennison Manufacturing Co. v Panduit Corp.*, 475 US 809 (1986) (per curiam).

29 *Teva Pharmaceuticals USA, Inc v Sandoz, Inc*, 574 US 318 (2015).

30 *Markman v Westview Instruments, Inc.*, 517 US 370 (1996); Jerry A Riedinger, ‘Markman Twenty Years Later: Twenty Years of Unintended Consequences’ (2015) 10 Wash J L, Tech & Arts 249.

31 Robert G. Bone, ‘Forum Shopping and Patent Law-A Comment on TC Heartland’ (2017) 96 Tex L Rev 141.

32 Colleen V Chien and Michael Risch, ‘Recalibrating Patent Venue’ (2017) 77 Md L Rev 47.

In this respect, the EU system represents a significant improvement. It builds expertise into the first-instance courts,<sup>33</sup> it permits the Court of Appeal to review factual decisions *de novo*,<sup>34</sup> and its central divisions are likely to attract at least some of those shopping for a forum within the UPC system.<sup>35</sup> Nonetheless, forum shopping may occur. It is, after all, quite possible that the courts of first instance will diverge significantly from one another. Some UPC courts will probably attract enough litigation to keep the judges busy full time (the central and German divisions are likely examples), whereas jurists on other tribunals will fill their schedule by sitting on national courts, where they will be exposed to other types of cases.<sup>36</sup> Their divergent experiences — as well as the differences in applicable national laws — may yield the type of inconsistency that can give rise to tactical exploitation within the UPC system.<sup>37</sup> Furthermore, at least in its early years, the UPCA creates opportunities to choose a court outside the UPC system, thereby fostering opportunities for extra-UPC forum shopping.<sup>38</sup> The effects of this dynamic are explored in more detail below.

## 2. Substantive Issues

Putting structural issues aside (for the moment), the harder question is whether the UPC will succeed in producing stable, uniform, high quality substantive law or fall into the traps that captured the Federal Circuit, especially in its early years.<sup>39</sup> Thus, while the Federal Circuit produced law sufficiently uniform and predictable to satisfy industry and the patent bar,<sup>40</sup> observers were, as previously noted, greatly concerned by the substance of the court's decision making. In analyzing why these concerns arose, it is important to recognize how much discretion judges in patent cases enjoy. Because the advances that are the subject of litigation are (almost by definition) unforeseeable and often lead

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33 UPCA, arts 8, 15, and 19.

34 UPCA, art 73(3).

35 UPCA, art 7(2).

36 UPCA, art 17(3)(allowing judges of the UPCA to “exercise ... other judicial functions at the national level”). See the contribution of Julia Zöchling in this book.

37 See the contribution of Heinz Goddar & Konstantin Werner in this book.

38 UPCA, art 83.

39 Dreyfuss (n 17); the Honorable Kathleen M O'Malley and the Honorable Barbara MG Lynn, 'The Proposed Structure and Function of the Unified Patent Court: Lessons from the American Experience' in Christophe Geiger, Craig Allen Nard and Xavier Seuba (eds), *Intellectual Property and the Judiciary* (Edward Elgar 2018) 357.

40 Donald R. Dunner, 'The Supreme Court: A Help or a Hindrance to the Federal Circuit's Mission?' (2018) 17 *J Marshall Rev Intell Prop L* 298.

to equally unanticipated new business models and arrangements, legislators cannot easily set out specific legislative guidance on how to decide disputes or even articulate detailed policies that should be favored. Left on its own, the Federal Circuit tended to resolve open questions in ways that furthered what it considered to be Congress's goals in choosing patent cases as the ones to divert to a special tribunal: uniformity, stability, and ensuring adequate incentives to innovate. In that process, it arguably lost sight of the "delicate balance" that intellectual property laws are traditionally construed to achieve.

### A. Uniformity

Congress's decision to specialize patent law at the appellate level was not totally unreasoned. Prior to the court's establishment, the outcome of a patent dispute depended profoundly on the regional circuit in which it was litigated. For example, from 1945-1957, a patent was twice as likely to be held valid and infringed by the Fifth Circuit Court of Appeals than in the Seventh Circuit, and almost four times more likely to be enforced in the Seventh Circuit than in the Second Circuit.<sup>41</sup> To make things worse, examinations were appealable to a non-regional appellate court (the Court of Customs and Patent Appeals), which meant that the PTO was sometimes required to apply an interpretation of patent law that differed from that of the courts where enforcement would eventually be sought.<sup>42</sup> To create a uniform body of law across the nation, it was necessary to endow an appellate court with the authority to bind the lower courts as well as the PTO. The Supreme Court was one possibility, but the same docket pressure afflicting the regional circuits was at play there as well. Diverting cases to a single intermediate appellate court was the obvious answer.

The Federal Circuit was responsive to the problems produced by inconsistent outcomes across the nation's appellate courts. It created uniformity by announcing bright line rules on the interpretation and application of many of the key doctrines of patent law. These rules were designed to be so straightforward that patent examiners and lower courts would apply them consistently. As a result, like cases were treated alike and forum shopping aimed at situating an appeal in a favorable appellate court ended. But the rigidity of the rules the

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41 Thomas Cooch, 'The Standard of Invention in the Courts (Floor Discussion)' in W Ball (ed), *Dynamics of the Patent System* (Central Book Co 1960) 34, 56-59.

42 *John Deere* (n 25) is a good example of the forum shopping problem in that one of the patents at issue there was litigated in two regional appellate courts to opposite conclusions on validity.

court constructed tended to create many type I errors: patents that covered subpatentable advances.

A prime example is the test the Federal Circuit developed to measure the most important determinant of patent validity, the inventive step (in US terminology, nonobviousness).<sup>43</sup> According to the so-called TSM test, an examiner or a court could use information derived from multiple references to determine whether an advance was obvious, but only if the prior art included an explicit teaching, suggestion or motivation to combine. According to the court, “[c]ommon knowledge and common sense, even if assumed to derive from the agency’s expertise, do not substitute for authority when the law requires authority.”<sup>44</sup> That test certainly reduced discretion and variation among adjudicators. However, because information possessed by everyone in a field is not usually published (or even publishable, as everyone in the field already knows it), many advances that could be accomplished by ordinary artisans were nonetheless considered patentable. Consider, for instance, *In re Dembiczak*,<sup>45</sup> which involved a challenge to the validity of a patent on a leaf bag that, when filled, looked like a jack o’lantern. The prior art — jack o’lanterns made from pumpkins, ordinary leaf bags, and a children’s book on making jack o’lanterns from sandwich bags — combined to produce the claimed advance. But because none of these references suggested the combination, the new leaf bag was held to be inventive enough to protect.

Another example is furnished by the tests used to determine whether an advance was patentable subject matter.<sup>46</sup> At one point, the Federal Circuit held that any advance that produced a “useful, concrete, and tangible result” was patent-eligible.<sup>47</sup> When that led to an extraordinary number of patents, the court shifted to the so-called MOT approach, which upheld patentability when the advance was tied to a machine or involved a physical transformation.<sup>48</sup> These approaches were straightforward for adjudicators to apply. But both allowed patents on abstractions — patents so broad, they covered a wide range of business, computer, and e-commerce activity.<sup>49</sup> They also led to patents on

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43 35 USC § 103.

44 *In re Sang-su Lee*, 277 F3d 1338, 1345 (Fed Cir 2002).

45 175 F3d 994 (Fed Cir 1999).

46 35 USC § 101.

47 *State Street Bank v Signature Financial Group, Inc*, 149 F3d 1368, 1373 (Fed Cir 1998).

48 *In re Bilski*, 545 F3d 943, 958-59 (Fed Cir 2008), *affd on other grounds*, *Bilski v Kappos*, 561 US 593 (2010).

49 Rochelle Cooper Dreyfuss, ‘Are Business Method Patents Bad for Business?’ (2000) 16 *Santa Clara Computer & High Tech LJ* 263; Vincent Chiappetta, ‘Defining the Proper Scope of Internet Patents: If We Don’t Know Where We Want to Go, We’re Unlikely to Get There’ (2001) 7 *Mich Telecomm & Tech L Rev* 289.



scientific inputs, such as isolated genes.<sup>50</sup> Coupled with the TSM test, the Federal Circuit's patentability jurisprudence led to more patents, higher consumer prices, increased transaction costs, and impediments to innovation.

It is possible that this problem will not arise in the EU because UPC courts will not have the same control over the European Patent Office (EPO) that the Federal Circuit has over the PTO. Thus, as long as the EPO holds the line, low quality, broad patents are less likely. Nonetheless, there are reasons for concern. First, the EPO may begin to use UPC case law as a supplementary means of interpretation in the same way that it uses EU directives or it may start to consider them, as it does CJEU decisions, as not binding — but nonetheless persuasive — authority.<sup>51</sup> Second, consistency across the UPC system will be crucial to avoiding intra-UPC forum shopping. Accordingly, judges in the central divisions and in large technology markets may gravitate toward bright line rules as a way to ensure that the judges who hear fewer cases decide them in the same way. As UPC decisions begin to proliferate and dominate traditional patent litigation, that approach to patentability could influence the EPO and lead it to apply rigid rules that produce patents on advances that ought to be in the public domain.

### B. Patent value

Of course, the Federal Circuit could have formulated rigid rules that yield type II errors: denials of patents on advances innovative enough to deserve protection. However, the Federal Circuit also interpreted its remit as a mandate to stabilize patent value — a mandate that quickly morphed from *stabilizing* value into *increasing* value. It is not surprising that this should occur. Regulatory capture is a well known phenomenon,<sup>52</sup> and it can play a crucial role in a specialized judicial system. Because the tribunal's jurisdiction is limited, well heeled special interest groups have freer rein to influence appointments.<sup>53</sup> Moreover, adjudi-

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50 Guyan Liang, 'Molecules or Carriers of Biological Information: A Chemist's Perspective on the Patentability of Isolated Genes' (2012) 22 Alb LJ Sci & Tech 133.

51 EPO Guidelines for Examination, Part G, Chapter II. 5.2, [https://www.epo.org/law-practice/legal-texts/html/guidelines/e/g\\_ii\\_5\\_2.htm](https://www.epo.org/law-practice/legal-texts/html/guidelines/e/g_ii_5_2.htm). See also O'Malley and Lynn (n 39) 378 (suggesting that the UPC may have been designed with this type of interaction in mind).

52 Michael A Livermore and Richard L Revesz, 'Regulatory Review, Capture, and Agency Inaction' (2013) 101 Geo LJ 1337; Simon Rifkind, 'A Special Court for Patent Litigation? The Danger of a Specialized Judiciary,' (1951) 37 ABA J 425.

53 William M Landes and Richard A Posner, 'An Empirical Analysis of the Patent Court' (2004) 71 U. Chi. L. Rev 111.

cators hear more from those who regularly use their services. Pleasing these repeat players attracts interesting cases, justifies the tribunal's creation, and maintains (or grows) its business. That, in turn, enhances the jurists' reputations and enlarges their impact on socially important matters.<sup>54</sup>

For the Federal Circuit, the relevant interest groups are the patent industries and the repeat players are those holding large patent portfolios. Since their interests tend to lie in acquiring lucrative patents, it is clear why the court would prefer type I over type II errors. That bias in favor of patent holders produced other problems as well. The court made it harder to challenge patents,<sup>55</sup> increased damage awards,<sup>56</sup> granted injunctive relief almost automatically,<sup>57</sup> minimized the ambit of defenses,<sup>58</sup> and gave patent holders power to control secondary markets.<sup>59</sup> To be sure, there were some doctrines that went the other way and made it harder for inventors to obtain broad protection.<sup>60</sup> And on a few issues, the court fluctuated between extremes.<sup>61</sup> Overall, however, the court's approach tilted toward the interests of those asserting patent rights. As suggested earlier, its generosity affected consumer prices and interfered with the ability of later generations to push forward the frontiers of knowledge. Furthermore, the high awards available, combined with the low risk of invalidation, encouraged an industry "in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining

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54 Richard A Posner, 'Will the Federal Courts of Appeals Survive Until 1984? An Essay on Delegation and Specialization of the Judicial Function' (1983) 56 S Cal L Rev 761; Stefan Bechtold, Jens Frankenreiter, and Daniel Klerman, 'Forum Selling Abroad' (2019) 92 S Cal. L Rev 487.

55 Michael J Burstein, 'Rethinking Standing in Patent Challenges' (2015) 83 Geo Wash L Rev 498.

56 Paul M Janicke, 'Contemporary Issues in Patent Damages' (1993) 42 Am UL Rev 691.

57 An example is *Richardson v Suzuki Motor Co*, 868 F2d 1226 (Fed Cir 1989).

58 See text at ns 68-70.

59 An important precedent is *Mallinckrodt, Inc. v Medipart, Inc*, 976 F2d 700 (Fed Cir 1992).

60 *Gentry Gallery, Inc v Berklene Corp*, 134 F3d 1473 (Fed. Cir 1998) (invigorating the written description requirement in 35 USC § 112); *Hilton Davis Chemical Co v Warner-Jenkinson Co*, 62 F3d 1512 (Fed Cir 1995), revd 520 US 17 (1997) (limiting the scope of the doctrine of equivalents).

61 *In re Seagate Technology*, 497 F3d 1360 (Fed Cir 2007) (en banc) (standards for an award of treble damages); *Therasense, Inc. v Becton, Dickinson & Co*, 649 F3d 1276 (Fed Cir 2011) (en banc) (standard for finding inequitable conduct).

licensing fees”<sup>62</sup> — in other words, NPEs. The result was a high tax on the creative sector.<sup>63</sup>

In this regard, the UPC should be particularly wary. The controversy leading to the UPCA coupled with Brexit and the withdrawal of the large UK market, likely created an audience highly skeptical of the value of obtaining a Unitary Patent. The judges may, therefore, consider it their duty to convince the patent industries and the international patent bar that these patents are worth choosing. A particularly effective way to do that is by interpreting the law in ways that enhance patent value.

Even more worrisome are the transitional provisions.<sup>64</sup> During the critical time when the court is working to establish itself, inventors will have several choices: they can decline to obtain these patents in favor of national patents or traditional European patents (bundles of national rights), in which case they can bring enforcement actions in national courts. In addition, patent holders have the opportunity to opt out of the UPC system entirely — but to opt back in once convinced the courts will serve their interests. Since potential infringers do not have the same choices, there are significant reasons to be concerned that a pro-patent bias will emerge as UPC judges endeavor to attract inventors, expand judicial business, increase their prestige, and position themselves to contribute to the creative climate within the EU. (The lopsidedness of this choice may also raise questions about the right to a fair adjudication).

### *C. Innovation Incentives*

In addition to seeking to please its perceived constituents, another reason for the Federal Circuit’s expansive approach to patent protection arguably stems from its isolation from mainstream law. Cut off from most competition law (antitrust) cases, private contract actions, litigation over tax benefits for research and development, or disputes arising from prize competitions and government grants, the only incentives to innovation that the Federal Circuit regularly sees are those that involve patent rights.<sup>65</sup> Since, as the saying goes, “if all you have is a hammer, everything looks like a nail,” it is no wonder that

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62 *eBay v MercExchange*, 547 US 388, 396 (2006)(Kennedy, J, concurring); Edward Lee, ‘Patent Trolls: Moral Panics, Motions in Limine, and Patent Reform’ (2015) 19 *Stan Tech L Rev* 113.

63 James Bessen and Michael J Meurer, ‘The Direct Costs from NPE Disputes’ (2014) 99 *Cornell L Rev* 387.

64 UPC, art 83.

65 Daniel J Hemel and Lisa Larrimore Ouellette, ‘Beyond the Patents-Prizes Debate’ (2013) 92 *Tex L Rev* 303 (categorizing non-patent incentives to innovate).

the court would view patents as the key to technological progress. Thus, as a former Chief Judge put it, “[T]he American advantage in the marketplace is innovation and inventiveness, creativity, research, development, engineering. That’s what we do best and that has always been largely due to the magnificent protection and underpinning of the patent system.”<sup>66</sup>

Unable to imagine research motivated by curiosity, internal need, private ordering, competition, governmental encouragement, or sheer fun, the court tended to see even more reason to expand the scope of protection and make patents easier to acquire and enforce. *Dembiczak* and its low standard of inventiveness is one example of that calculus. There are many more. In a case about watering down the utility requirement, a concurring judge argued that even minor advances should be protected because science always advances in incremental steps.<sup>67</sup> Similarly, the court largely eliminated the common law research exemption, calling it “the experimental use excuse.”<sup>68</sup> The public interest in the freedom to build on the inventions of others, to engage in open innovation, to educate, or to increase access to the fruits of intellectual labor were discounted. Thus, in *Roche Products, Inc v Bolar Pharmaceuticals Co*, the Federal Circuit prohibited generic drug companies from using patented pharmaceuticals to generate the data needed to market their products upon patent expiration.<sup>69</sup> More dramatically, in *Madey v Duke University*, a case involving a university’s use of an invention for research and teaching, the court stated that “conduct that is in keeping with the alleged infringer’s legitimate business, regardless of commercial implications” is never immunized from infringement liability.<sup>70</sup>

In some ways, isolation from the mainstream is even more of a danger for the UPC. In the United States, trials are held in courts of general jurisdiction. And since the Federal Circuit has case jurisdiction, claims and defenses sounding in such matters as antitrust law or rooted in public-regarding doctrines occasionally appear on its docket.<sup>71</sup> In addition, the court hears certain other kinds of

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66 Transcript: The Honorable Judge Randall R. Rader, Chief Judge of the Court of Appeals for the Federal Circuit, ‘The Most Pressing Issues in IP Law Today’ (2011) 2 *Cybaris Intell Prop L Rev* 1, 6.

67 *In re Fisher*, 421 F3d 1365, 1380 (Fed Cir 2005)(Rader, J).

68 *Embrex, Inc v Service Engineering Corp*, 216 F3d 1343, 1353 (Fed Cir 2000)(Rader, J, concurring).

69 733 F2d 858 (Fed Cir 1984).

70 307 F3d 1351, 1362 (Fed Cir 2002).

71 Examples include *XY, LLC v Trans Ova Genetics*, 890 F3d 1282 (Fed Cir 2018)(involving an antitrust counterclaim) and *Association for Molecular Pathology v US Pat & Trademark Office*, 702 F Supp 2d 181, 190 (SDNY 2010), as amended (5 April 2010)(asserting a human right of patient to know her genetic endowment), *affd in part, revd in part*, 653 F.3d 1329 (Fed Cir 2011), *affd in part, revd in part*, *Association for Molecular Pathol-*

cases, including claims against the United States for unauthorized use of patented inventions, for regulatory takings involving trade secrets, disputes involving international trade in patented inventions, and claims under the National Vaccine Injury Compensation Program.<sup>72</sup> These disputes (among others) bring home to the court countervailing public interests in access to innovations.

In contrast, because the UPC's competence is limited to patent and patent licensing issues, there is reason to be concerned about whether the courts will gain a similar level of familiarity with other sorts of interests.<sup>73</sup> The expertise of trial courts and the Court of Appeal may instead develop largely around the legal regimes that they regularly encounter: the EPC and the UPCA, which focus on patent law. To be sure, UPC judges will also apply national and EU laws that may be based on other interests. But they will likely do so sporadically. And since the divisions will be applying different national laws, the concern for uniformity may trump the judges' willingness to fully consider the values undergirding such measures.

### 3. Lessons

To some extent, dissatisfaction with the Federal Circuit has now dissipated. At around the Federal Circuit's 15<sup>th</sup> anniversary, the Supreme Court began to intensively review patent decisions. By the 30 years mark, the Federal Circuit had the worst record in the federal system: 80 percent of the decisions that the Supreme Court heard were reversed, vacated, or otherwise modified.<sup>74</sup> In these and subsequent cases, the Supreme Court warned the Federal Circuit that "too much patent protection can impede rather than 'promote the Progress of Science and useful Arts'"<sup>75</sup> and repeatedly criticized the court's rigidity.<sup>76</sup> On inventiveness, the Supreme Court emphasized the need to consider common sense and other incentives to invent, such as market pressure and design

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ogy v Myriad Genetics, Inc, 569 US 576 (2013).

72 28 USC § 1498; 28 USC § 1295(a)(3), (5), (6); 42 USC § 300aa-11(a).

73 UPCA, art 32. See the contribution of Bojan Pretnar in this book.

74 Rochelle C Dreyfuss, 'Percolation, Uniformity, and Coherent Adjudication: The Federal Circuit Experience' (2013) 66 SMU L Rev 505. The new era began with Pfaff v Wells Electronics, Inc, 525 US 55 (1998).

75 *Laboratory Corp. of America Holdings v Metabolite Laboratories, Inc*, 548 US 124, 126 (2006)(Breyer, J, dissenting from the dismissal of certiorari, quoting the US Constitution).

76 The Supreme Court used the term six times in *KSR International Co. v Teleflex Inc.*, 550 US 398, 415, 419, 419, 421, 422, 426 (2007); there are multiple other examples of Supreme Court references to rigidity as a way to characterize the Federal Circuit's decisions.

needs.<sup>77</sup> It stripped patentees of control over secondary markets and articulated a strong national and international exhaustion doctrine.<sup>78</sup> Furthermore, it reinterpreted the venue statute to reduce trial court forum shopping.<sup>79</sup> Although the Supreme Court has not had occasion to consider the Federal Circuit's decisions limiting the common law research defense, it did expand a statutory experimental use provision.<sup>80</sup> Moreover, in *Google LLC v Oracle America Inc*, a copyright case that had worked its way onto the Federal Circuit's docket, the Supreme Court emphasized the importance of the analogous fair use doctrine to "the creativity which [the law] is designed to foster."<sup>81</sup> This more expansive approach to fair use permitted programmers to use the interfaces in Oracle's (presumably) copyrighted Java language and promoted interoperability among different cellphone systems and platforms.

The Supreme Court also addressed the effects of isolation. It admonished the Federal Circuit for failing to stay abreast of mainstream legal developments. Thus, in an antitrust case, it criticized the court for ignoring the academic literature and the views of the enforcement agencies.<sup>82</sup> In a case about the right to challenge validity, it emphasized the federal judiciary's traditional (and more relaxed) approach to questions of standing.<sup>83</sup> Perhaps most importantly, in *eBay v MercExchange*, the Supreme Court vacated a decision granting injunctive relief and remanded the case to the Federal Circuit with the statement that the "traditional test [employed by courts of equity] applies to disputes arising under the Patent Act."<sup>84</sup>

The outcome of Supreme Court involvement in patent law has been far from perfect. Because the Federal Circuit has had difficulty explaining its perspective to the Supreme Court, the justices tend to undervalue supervisory issues, such as the ease with which the law can be implemented.<sup>85</sup> For example, the

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77 *Ibid* 420-422, 424.

78 *Impression Products, Inc v Lexmark International, Inc*, 137 S Ct 1523 (2017); *Quanta Computer, Inc v LG Electronics, Inc*, 553 US 617 (2008).

79 *TC Heartland LLC v Kraft Foods Group Brands LLC*, 137 S Ct 1514 (2017).

80 *Merck KGaA v Integra Lifesciences I, Ltd*, 545 US 193 (2005); 35 USC § 271(e).

81 *Google LLC v Oracle America, Inc*, 141 S Ct 1183, 1196 (2021).

82 *Illinois Tool Works Inc v Independent Ink, Inc*, 547 US 28, 44 (2006).

83 *MedImmune, Inc v Genentech, Inc*, 549 US 118 (2007).

84 547 US 388, 390 (2006); Ryan T Holte and Christopher B Seaman, 'Patent Injunctions on Appeal: An Empirical Study of the Federal Circuit's Application of *Ebay*' (2017) 92 *Wash L Rev* 145.

85 Rochelle Cooper Dreyfuss, 'In Search of Institutional Identity: The Federal Circuit Comes of Age' (2008) 23 *Berkeley Tech LJ* 787; The Honorable Timothy B Dyk, 'Thoughts on the Relationship Between the Supreme Court and the Federal Circuit' (2016) 16 *Chi-Kent J Intell Prop* 67, 78.

indeterminacy of a quartet of Supreme Court cases on patent eligibility has decreased legal certainty and raised investment risk in a diverse set of industries.<sup>86</sup> Some of the Supreme Court’s decisions have also revealed its lack of familiarity with the technology sector. For instance, *Quanta Computer, Inc v. LG Electronics, Inc* demonstrated an imperfect understanding of how the computer industry is structured.<sup>87</sup> As Rebecca Eisenberg succinctly put it, the episodic nature of the Supreme Court’s involvement in patent law makes its relationship to that law seem “like that of a non-custodial parent who spends an occasional weekend with the kids.”<sup>88</sup>

Nonetheless, there are a substantial number of empirical studies of the Federal Circuit’s role in patent jurisprudence that measure both the beneficial and harmful effects of specialization in key doctrinal areas.<sup>89</sup> Notably, many demonstrate the importance of the Supreme Court’s engagement. The judges of the Federal Circuit appear to feel the same way. For example, in a 2016 address, Federal Circuit Judge Timothy Dyk opined that “Supreme Court review of our patent cases has been critical to the development of patent law and likewise beneficial to our court.”<sup>90</sup> Judge Dyk attributed that to the Court’s involvement in “important and foundational questions” and “bring[ing] to bear its generalist perspective.”<sup>91</sup> Indeed, as Judge Dyk and others have noted, the Federal Circuit has become rather adept at attracting the Supreme Court’s interest.<sup>92</sup>

Congress has also weighed in to temper the negative effects of specialization. It added the statutory research exemption mentioned above.<sup>93</sup> Most prominently, the American Invents Act (AIA), although best known for changing the priority rule to first-to-file, also created new, quicker, and cheaper procedures

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86 *Bilski v. Kappos*, 561 US 593 (2010); *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 US 66 (2012); *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 US 576 (2013); *Alice Corp Pty v. CLS Bank International*, 573 US 208 (2014).

87 553 US 617 (2008); Robert W. Gomulkiewicz, ‘The Federal Circuit’s Licensing Law Jurisprudence: Its Nature and Influence’ (2009) 84 Wash L Rev 199.

88 Rebecca S. Eisenberg, ‘The Supreme Court and the Federal Circuit: Visitation and Custody of Patent Law’ (2007) 106 Mich L Rev First Impressions 28.

89 Jason Rantanen, ‘Empirical Analyses of Judicial Opinions: Methodology, Metrics, and the Federal Circuit’ (2016) 49 Conn L Rev 227 (examining over 70 empirical studies); Melissa F. Wasserman and Jonathan D. Slack, ‘Can There Be Too Much Specialization? Specialization in Specialized Courts’ (2021) 115 Nw U L Rev 1405 (demonstrating the extent to which individual judges are specialized in particular fields).

90 Dyk (n 85) 71.

91 *ibid* 71, 73-74, 76.

92 *ibid* 78-79; John F. Duffy, ‘The Festo Decision and the Return of the Supreme Court to the Bar of Patents’ 2002 Sup Ct Rev 273.

93 Drug Price Competition and Patent Term Restoration Act of 1984, Pub L No 98-417, 98 Stat 1585 (codified, in part, at 35 USC § 271(e)(1)).

for challenging patent validity.<sup>94</sup> Congress has considered other issues as well, both in the run up to the AIA and in subsequent bills. For example, it has had the difficulties caused by the Supreme Court's patent eligibility decisions on its agenda for several years.<sup>95</sup> But even though it has not made all the changes it has contemplated, Congress's oversight has, along with the reversals in the Supreme Court, altered the dynamics of the bench. For instance, the Federal Circuit's generous monetary remedies led Congress to propose a bill limiting damages. The proposal gave rise to an interchange between the legislature and the court's then Chief Judge, Paul Michel.<sup>96</sup> Eventually, the Federal Circuit developed a new (and less expansive) approach.<sup>97</sup> Coupled with the aftermath of *eBay* on injunctions and the decisions limiting patent eligibility, especially in the business method and e-commerce area, the new view on damages has greatly reduced the leverage available to NPEs. Hopefully, that will diminish the incidence of trolling.<sup>98</sup>

In the final analysis, the dialogue among the Federal Circuit, the Supreme Court, and Congress has improved patent law significantly and moved it closer to achieving a sensible balance among proprietary interests, the needs of future generations of innovators, and the access interests of the public.<sup>99</sup> Indeed, many commentators would like to see even more interchange. Some have suggested that the responsibility to review patent cases should be shared with at least one other appellate court.<sup>100</sup> Others have emphasized different

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94 American Inventors Protection Act, Pub L No 106-113, 113 Stat 1501A-552 (1999) (codified in scattered sections of 35 USC); 35 USC §§ 311-329.

95 Kevin J. Hickey, 'Patent Eligible Subject Matter Reform in the 116<sup>th</sup> Congress' (17 September 2019) Congressional Research Service <<https://sgp.fas.org/crs/misc/R45918.pdf>> accessed 28 March 2022.

96 Letter from Chief Judge Paul R Michel to Senator Orrin Hatch and Senator Patrick Leahy (3 May 2007) <<http://www.fr.com/files/uploads/attachments/patentdamages/05-03-07Michelletter.pdf>> accessed 28 March 2022.

97 *Lucent Technologies, Inc. v Gateway, Inc.*, 580 F3d 1301 (Fed Cir 2009); *LaserDynamics, Inc v Quanta Computer, Inc.*, 694 F3d 51 (Fed. Cir 2012); Jonas Anderson, 'Patent Dialogue' (2014) 92 NC L Rev 1049 (2014).

98 Matthew Fawcett and Jeremiah Chan, 'March of the Trolls: Footsteps Getting Louder' (2008) *Intell Prop L Bull* 1; Joe Mullin 'New Data Shows More Signs that Patent Troll Suits are in the Decline' *Ars Technica* (28 October 2014) <<https://arstechnica.com/tech-policy/2014/10/new-data-shows-more-signs-of-patent-troll-suits-decline>> accessed 28 March 2022 (citing other studies); Richard Gruner, 'Strategy and Abuse in Massive Patent Assertions at the Extremes of Patent Litigation' (2021) 29 *Tex Intell Prop LJ* 363 (suggesting further reforms).

99 John M Golden, 'The Supreme Court As "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law' (2009) 56 *UCLA L Rev* 657.

100 Craig Allen Nard and John F Duffy, 'Rethinking Patent Law's Uniformity Principle' (2007)



ways to produce exchange, including the elevation of trial court judges and PTO lawyers to the Federal Circuit bench,<sup>101</sup> or appointing judges from the Federal Circuit to sit by designation in other courts or designating judges from other courts to sit on the Federal Circuit.<sup>102</sup>

To be sure, the UPC is limited in how much it can draw from this experience. Most significantly, the EU’s legislative arm cannot provide the same level of oversight as Congress because much of the law the UPC will apply is not EU law. For the same reason, the CJEU’s jurisdiction is circumscribed. Moreover, the patent community appears eager to avoid creating another “noncustodial parent” and that may lead the UPC to be highly selective in the referrals it makes to the Court of Justice.<sup>103</sup> Although the totality of the US experience suggests that generalist input would be beneficial, these practical limits on both legislative and apex court oversight remain a reason for concern, not only because of the democratic deficit entailed, but also because these limits may lead to a suboptimal legal regime.

Nevertheless, as Judge Kathleen O’Malley (of the Federal Circuit) and Judge Barbara Lynn (of a Texas trial court) have suggested, the UPC’s structural problems could be turned to advantage. Thus, they say, the absence of oversight may allow the UPC to respond more quickly to new problems than is typical in the US, where the potential for Supreme Court involvement delays the final resolution of many cases.<sup>104</sup> Similarly, these judges suggest that the UPC may present more potential for “creative discourse” than does the United States system.<sup>105</sup> They note that unlike the Federal Circuit, the UPC relies on both legally and technically qualified judges.<sup>106</sup> The interchange between the two

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101 Nw. U. L. Rev 1619; The Honorable Diane P Wood, ‘Keynote Address: Is It Time to Abolish the Federal Circuit’s Exclusive Jurisdiction in Patent Cases?’ (2014) 13 Chi-Kent J. Intell Prop 1 (2014); Rochelle C Dreyfuss, ‘Abolishing Exclusive Jurisdiction in the Federal Circuit: A Response to Judge Wood’ (2014) 13 Chi-Kent J Intell Prop. 327.

101 Paul R Gugliuzza ‘Saving the Federal Circuit’ (2014) 13 Chi.-Kent J Intell Prop 350. To some extent this has happened: Judge Kathleen O’Malley served on a trial court in Ohio before her elevation; Judge Raymond Chen was previously Solicitor at the USPTO, Federal Circuit ‘Judge Biographies’ <<https://cafc.uscourts.gov/home/the-court/judges/judge-biographies/>> accessed 28 March 2022.

102 Lynda J Oswald, ‘Improving Federal Circuit Doctrine Through Increased Cross-Pollination’ (2017) 54 Am Bus LJ 247; Mark A Lemley and Shawn P Miller, ‘If You Can’t Beat ‘Em, Join ‘Em? How Sitting by Designation Affects Judicial Behavior’ (2016) 94 Tex L Rev 451.

103 UPCA, art 38.

104 O’Malley and Lynn (n 39); Dyk (n 85) 82-83 (noting the sources of delay).

105 O’Malley and Lynn (n39) 379.

106 UPCA, art 15.

sets of jurists could lead to refinements in patent law that better serve individual industries.<sup>107</sup> And because the technically qualified judges can be counted on to supply the technological capacity needed to decide cases, the legally qualified judges can be drawn from a set of fields wide enough to provide the court with a broad perspective on the role patents play in innovation and social welfare.

These opportunities may, however, not be enough to ensure high quality patents and patent law. In truth, the Federal Circuit's composition is not very different from that envisioned for the UPC. It has the power to appoint technical assistants.<sup>108</sup> While they could help tailor the law, there is little evidence that they have done so. Moreover, because the Federal Circuit has responsibilities over cases outside patent law, many appointments are not based on scientific or patent law experience. On the current court, there are judges who worked in trade law, administrative law, and commercial law; some handled complex litigation or general appellate work; and several were employed in various capacities by the US government, including by the Solicitor General's office, the Justice Department, the Department of Treasury, the National Labor Relations Board, and the Office of Management and Budget.<sup>109</sup> As we saw, none of these experiences mitigated the problem of isolation or gave the court useful intuitions concerning other incentives to innovate. One reason may be that both law and technology change too quickly for past experience to matter for very long. Once on the court, it is difficult to keep abreast of every potentially relevant legal or technological development.

That said, the UPC has other features that could improve the perspective of the bench. The UPCA does not require all of the judges on a panel to be nationals of the state hosting the local division (indeed, it assumes some will be of different nationalities).<sup>110</sup> Thus (putting language considerations to one side), every judge could be given an opportunity to sit on courts of first instance in both high tech and low tech regions; in places that are net innovation importers and in places that are net innovation exporters. In addition, because UPC judges can sit on their own national courts, some will have the opportunity to hear cases sounding in areas of the law that expand their horizons on such matters as business strategies, government programs, and the costs and benefits of other types of exclusivity. Since that exposure can serve to temper the enthusiasm for patent protection, it would be fruitful to afford even judges in busy UPC divisions the chance to sit elsewhere. And given the disconnects

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107 Cf Dan L Burk and Mark A Lemley, 'Policy Levers in Patent Law' (2003) 89 Va L Rev 1575.

108 28 USC § 175(c).

109 Judge Biographies (n 101)

110 UPCA, arts 8 and 9.

between the Supreme Court and the Federal Circuit, it is also worth thinking about letting judges on the Court of Appeal and first instance courts occasionally switch places.

As to the substance of the law, Judges O'Malley and Lynn also note that fragmentation gives UPC judges freedom to "develop [their] own common law over time;" to "develop the law according to the policy rationale [the UPC] favors."<sup>111</sup> Significantly, in comparison to the Federal Circuit, the UPC has better information on the policies the legislature sought to further. Thus, while the US court took uniformity, patent value, and innovation incentives as its touchstones, the UPC judges can rely on the policies set out in the UPCA. The Agreement's recital-like declarations (unfortunately, not numbered) set a balanced tone. Some recitals stress efficient enforcement, which we saw was a prime reason the system was created. Several mirror the expectations the Federal Circuit perceived in its creation. But the Agreement also emphasizes other interests: the free movement of goods and services; undistorted competition;<sup>112</sup> the ability of small and medium sized enterprises to defend against unfounded claims and low quality patents;<sup>113</sup> and the protection of individual rights and the primacy of the Charter of Fundamental Rights.<sup>114</sup> Possibly most important, the Preamble states that the objective is to "stri[k]e a fair balance between the interests of right holders and other parties and tak[e] into account the need for proportionality and flexibility."<sup>115</sup> There can thus be no question that rigid rules are to be disfavored, low quality patents are to be avoided, and that the overarching goal is to weigh the interests of patent holders against the needs of future generations of innovators and the access interests of the public.

Fragmentation has other benefits as well, for judges called upon to apply multiple sources of law will be obligated to take multiple values into account and to balance them against each another. The substantive law set out in the UPCA offers to patentees the standard exclusions required by the TRIPS Agreement.<sup>116</sup> Further, it allows them to prevent third-party supply of essential elements used in a protected invention.<sup>117</sup> At the same time, however, the Agreement also protects important public interests, including many of those that the Federal Circuit had weakened. For example, the UPCA articulates a broad right to experiment with patented materials, including for noncommer-

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111 O'Malley and Lynn (n 39) 374.

112 UPCA Preamble, Recital 1.

113 *ibid* Recitals 2 and 5.

114 *ibid* Recitals 9 and 13.

115 *ibid* Recital 6.

116 TRIPS Agreement, art 28.

117 UPCA, arts 25 and 26.

cial purposes and to learn about the protected invention.<sup>118</sup> It also recognizes a right to develop data on generic alternatives to patented medicines.<sup>119</sup> Similarly, it protects secondary markets from incursions by patent holders.<sup>120</sup> Significantly it ensures that third parties can use patented materials to make interoperable products.<sup>121</sup> In this way, the UPCA partially compensates for the courts' narrower judicial authority (for example, the interoperability provision mirrors the result in *Google v Oracle*). These provisions and others, such as rights for prior users, breeders, and farmers,<sup>122</sup> encourage UPC judges to focus on the impact of their decisions on society as a whole.

The Agreement also requires the application of other EU law.<sup>123</sup> Here, one important issue will be remedies. The relationship between the remedy provisions of the UPCA and the Enforcement Directive is unclear.<sup>124</sup> However, the CJEU's case law suggests that intellectual property measures apply cumulatively.<sup>125</sup> While the Enforcement Directive stresses that right holders are entitled to a "high level of protection," the CJEU has also emphasized that in implementing it, courts must strike "a fair balance . . . between the applicable fundamental rights protected by the European Union legal order" and the intellectual property measure in question.<sup>126</sup> Furthermore, decisions must be attentive to the "freedom to conduct business."<sup>127</sup> Thus, remedies must be "effective, proportionate and dissuasive and ... avoid the creation of barriers to legitimate trade."<sup>128</sup> References in the UPCA to proportionality suggest that these core principles, although developed largely in the context of copyright claims, will apply to patent disputes as well.<sup>129</sup>

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118 UPCA, art 27 (a) and (b).

119 UPCA, art 27(d).

120 UPCA, art 29.

121 UPCA, art 27(k).

122 UPCA, arts 28, 27(i), (j) and (l).

123 UPCA, Recitals 8, 10, and 13 and art 20.

124 UPCA, arts 22, 60-64; Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L 157 (Enforcement Directive).

125 For an example, see Case C-5/08, 16 July 2009, *Infopaq International A/S v Danske Dagblades Forening* [2009] I-06569 ( ECLI:EU:C:2009:465).

126 Case C-314/12, 27 March 2014, *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH*, ECLI:EU:C:2014:192, paras 31 and 46.

127 *Ibid* paras 48-50.

128 Enforcement Directive, art 3(2); Ansgar Ohly, 'Three Principles of European IP Enforcement Law: Effectiveness, Proportionality, Dissuasiveness' in Josef Drexler (ed), *Technology and Competition, Contributions in Honour of Hanns Ullrich* (Larcier 2009) 257.

129 UPCA, Recital 6; arts 42 and 64(4).

Strict application of these principles should help the EU avoid (or at least minimize) the trolling problem that the United States has encountered. Thus, while there has been considerable concern in the EU that the large market covered by the Unitary Patent will encourage NPEs,<sup>130</sup> the US experience is somewhat different. US patents have always covered a large market and there have always been intermediaries to monetize them.<sup>131</sup> These intermediaries often function beneficially. When they purchase multiple patents in specific fields, they operate essentially like patent pools to lower transaction costs. Their purchasing practices can also relieve small inventors of the cost and economic risks associated with licensing and enforcement actions.<sup>132</sup> The current crop of bad actors is, in short, not a result of the geographic coverage of US patents but may rather be attributable to the Federal Circuit's early jurisprudence. Broad (and often low quality) patents enabled NPEs to assert claims in a wide swath of industries. And the availability of high damage awards and near-automatic injunctive relief gave them leverage to procure disproportionate returns. To the extent the UPC concentrates on the values articulated in the UPCA and other EU laws, particularly the emphasis on proportionality, it could avoid creating similar conditions.

The UPCA also envisions the application of national law.<sup>133</sup> The opportunity to consider national law is something of a two-edged sword. On the one hand, it engages the UPC with other dimensions of the innovation ecosystem. For example, claims involving patent licenses draw attention to how the contours of the law affect those who manufacture, distribute, sell, and buy products and processes that are covered by a patent — or often multiple patents. The application of these measures can also bring the concerns of investors to the fore.<sup>134</sup> The contractual obligations in which patent licenses are enmeshed

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130 E.g., Kluwer Patent Blogger, 'Industry Group: "Unified Patent Court Hands Patent Trolls a Powerful Weapon' (April 23, 2017) <<http://patentblog.kluweriplaw.com/2017/04/23/industry-group-unified-patent-court-hands-patent-trolls-a-powerful-weapon/>> accessed 29 March 2022.

131 Mark A Lemley and A Douglas Melamed, 'Missing the Forest for the Trolls' (2013) 113 *Colum L Rev* 2117.

132 Naomi R Lamoreaux and Kenneth L Sokoloff, 'Intermediaries in the U.S. Market for Technology, 1870-1920' in Stanley L Engerman, Philip T. Hoffman, Jean-Laurent Rosenthal, and Kenneth L Sokoloff (eds), *Finance, Intermediaries, and Economic Development* (CUP 2003) 209; Noel Maurer and Stephen Haber, 'An Empirical Analysis of the Patent Troll Hypothesis: Evidence from Publicly-Traded Firms' (2018) Economics Working Paper 18114, Hoover Institution <[https://www.hoover.org/sites/default/files/research/docs/18114\\_maurer-haber.pdf](https://www.hoover.org/sites/default/files/research/docs/18114_maurer-haber.pdf)> accessed 29 March 2022.

133 UPCA, art 24(e).

134 In the US, questions about the use of a patent as a security interest and the disposition

demonstrate the ways in which patents can be complements of — or substitutes for — copyrights, trademarks, trade secrets, and duties of confidentiality. Consumer protection law may influence how judges think about the terms of patent licenses and whether they can abrogate other rights and norms, such as the right to repair.<sup>135</sup> On the other hand, the more that national laws factor into decisions, the larger will be the disparity in outcomes among the first instance courts and the greater will be the litigants' temptation to engage in intra-UPC forum shopping.

The extent to which national law will come into play depends, in part, on how far into other matters the competence of the UPC extends. In infringement actions, competence is defined to cover “related defenses, including counterclaims concerning licenses” and “actions for compensation for licenses.”<sup>136</sup> It remains to be seen how much discretion the UPC divisions will have to construe these provisions. To the extent the divisions do have authority to determine what “related defenses” means and what constitutes “a counterclaim concerning licenses,” they should exercise that discretion with careful attention to the risk of forum manipulation. If, realistically, intra-UPC forum shopping turns out to be limited, it would be helpful to consider a variety of claims sounding in national law as within the court's competence. They can help keep the UPC in the jurisprudential mainstream and avoid the tunnel vision that afflicted the Federal Circuit in its early years.<sup>137</sup>

#### **4. Conclusion**

At its inception, the Federal Circuit interpreted its mandate as creating a uniform system of law that strongly protected patent value and enhanced

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of licenses when the patent holder or licensee has declared bankruptcy raise a host of conceptual questions about patents as business assets, Ariel Glasner, ‘Making Something Out of “Nothing” the Trend Towards Securitizing Intellectual Property Assets and the Legal Obstacles That Remain’ (2008) 3 J Legal Tech Risk Mgmt 27; Peter S Menell, ‘Bankruptcy Treatment of Intellectual Property Assets: An Economic Analysis’ (2007) 22 Berkeley Tech LJ 733; Marie T Reilly, ‘The Federal Interest in the Transfer of Patent License Rights in Bankruptcy’ (2000) 10 J Bankr L & Prac 3.

135 Leah Chan Grinvald and Ofer Tur-Sinai, ‘Intellectual Property Law and the Right to Repair’ (2019) 88 Fordham L Rev 63; Amit Elazari Bar On, ‘Unconscionability 2.0 and the IP Boilerplate: A Revised Doctrine of Unconscionability for the Information Age’ (2019) 34 Berkeley Tech LJ 567.

136 UPCA, arts 31(1)(a) and (h).

137 Cf Dyk (n 85) 77 (noting the effect of “no criminal jurisdiction, hear[ing] few constitutional issues, and almost no cases involve state-law issues.”).

incentives to innovate. To many observers, the resulting decisions skewed in favor of proprietary interests, to the detriment of society as a whole. Establishment of the UPC risks duplicating that experience. As with the Federal Circuit, the UPC system will be specialized, isolated from the judicial mainstream, subject to capture by patent holders, and (especially in its early years) in need of support from the patent industries and the patent bar. However, forewarned is forearmed. Although oversight by the legislature and the CJEU will be limited, there is much that can be done to ensure balance. Judges can be chosen with an eye toward bringing a variety of experiences to bear. Opportunities to sit in different divisions and in national courts could relieve isolation. References to proportionality and flexibility should be regarded as invitations to use the fragmentation of legal sources as a vehicle for considering the interests of all stakeholders, including especially the public interest.





### 3. COLLEGIAL OLIGARCHY AND DEMOCRATIC DEFICIT IN EMERGING TRANSNATIONAL INSTITUTION-BUILDING – THE CASE OF EUROPEAN PATENT JUDGES ASSEMBLED AT THE VENICE FORUM (2009)

*Emmanuel Lazega & François Lachapelle*

#### **1. Introduction**

How institutions emerge, or as the sociologist Harrison White<sup>1</sup> puts it “how social structure and culture emerge from the chaos and uncertainty of social life” is a challenging question for social scientists to answer. The case of the European Unified Patent Court (UPC) requires us to confront an even more ambitious problem, namely transnational institution building. In this chapter, we provide a sociological account of the 2009 Venice Forum (VF)<sup>2</sup> as a field-configuring event where a form of “mini social movement” of more or less specialised judges adhering to the UPC project was gaining momentum. In addition to enabling the selection of the participants in this political process which excluded European judges who did not adhere to the project and therefore remained without a voice, the event facilitates the establishment—and reinforcement—of personal relationships not only between these judges themselves, but also between these judges and the business lawyers of the European Patent Lawyers Association (EPLAW) as well as representatives of the European Patent Office (EPO). This network of corporate lawyers and judges as institutional entrepreneurs designed and negotiated new patent rules on behalf of the transnational organisations and national institutions that they represented or to which they were affiliated. Intellectual property is a key institution of contemporary capitalism, but IP rights do not constitute a perfectly coherent and stable system across boundaries. They bring together complex, heterogeneous laws, rules and regulations protecting patents. Hence, negotiating how IP rights, especially

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1 Harrison C White, *Identity and Control: How Social Formations Emerge* (Princeton University Press 2008).

2 Also simply known as the “Judges’ Forum” or the “European Patent Judges’ Forum”.

pragmatic interpretations of patents, can be established is a political, compromising and convergence inducing process.

This chapter is based on insights from our interviews with the VF judges and our in-person observations at the event, as well as answers to a survey to which all judges present in 2009 responded. Also, we employ social network analysis to map existing and emerging cross-border relationships between the VF judges. We look at how building a transnational institution such as the UPC requires more than simply having social actors from different legal traditions seek information from each other. Harmonisation is a legal and a political process. The relational dynamics that we observe help to describe the critical role of the VF as an early informal phase of the UPC construction process. While working together on harmonising their legal interpretations and hammering out a 'European Compromise', they worked on formulating the Rules of Procedure (RoP) of the future UPC, a first step in legal convergence. In addition to the identification of procedural norms as an area where concrete progress could be accomplished in building the UPC's judicial backbone, the VF was also compared by its participants to a 'conclave' that became the site for the identification of the leadership of institutional entrepreneurs that would start and carry forward the harmonising legal work. Indeed, where European governments failed to build the institution, a small collegial oligarchy of super-central judges emerges among the magistrates at the 2009 Venice Forum, i.e. a *de facto* leadership for UPC judicial entrepreneurs. This collegial oligarchy of judges is perceived by their peers as *primi inter pares* who should sit on the future Court of Appeal of the UPC and make decisions that will create a common jurisprudence.

We use a neo-structural sociological approach to institution building.<sup>3</sup> This approach looks at how actors use their networks to participate in the complex process of joint (public-private) regulation of the economy. It sheds light on how the institutionalisation processes as political work relies on the use of private personalised relationships and relational infrastructures to make joint regulation of markets work, including in transnational economic institutionalisation. Collegial oligarchies are thus created, enrolled, and mobilised to pursue the political process of joint regulation discreetly, in the shadow of failing officials and out of the limelight.

The relational and structural complexity of the regulatory process is worth taking into consideration in an approach aiming to understand political work and the development of new institutions. Is it necessary to work at such a level

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3 Emmanuel Lazega, 'Government by Relational Infrastructures: The Case of the Transnational Institutionalization of the European Unified Patent Court' (2020) *The Oxford Handbook of Institutions of International Economic Governance and Market Regulation*, Oxford University Press.

of relational granularity to understand transnational institutionalisation, and *a fortiori* the joint forms of regulation of the economy. The joint regulatory process stresses the ways and means used by this oligarchy, often in situations of conflicts of interests and making use of status inconsistencies, to build/buy a form of legitimacy that skirts elections and constituencies, and that cuts across the boundaries of Montesquieu's division of powers.

## **2. A General European Institutionalisation Pattern: A Five-Step Approach**

To better appreciate the role of the Venice Forum in the political process of the emergence of the Unified Patent Court, we refer to a general theory of European institutionalisation. The joint regulation process examined here is part of a wider process of European legal integration (or lack thereof) that starts in the 1960s, as identified by a rich political science literature.<sup>4</sup> This history of the emergence of European institutions is full of well-documented examples of similar and recurrent dynamics, and this institutionalisation pattern likewise pertains to the UPC. Analytically speaking, it is useful to look at this pattern to contextualise the process deployed for patents.

The first step in this pattern is the emergence of a functional need for cooperation and harmonised regulation when national regulators in each sector encounter similar problems (see Table 1). A second step consists in mobilising more or less high civil servants and experts who depoliticise the problem sufficiently so as not to threaten the governments who fail to agree on a common solution to the problem. In our case, patent/corporate lawyers and national judges, supported by EPO and prodded by a high-level official from Brussels, built a network that bypassed the European legislative powers. This took place, partly, at the VF annual events, with the quiet support of private operators such as corporate law firms<sup>5</sup> organised around the then newly formed Europe-

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4 For an overview, see Renaud Dehousse, 'L'Europe Par Le Droit' (1999) 2 *Critique internationale* 133.; Nicolas Leron, 'La Gouvernance Constitutionnelle Des Juges: L'institutionnalisation d'un Nouveau Mode de Régulation Du Risque de Conflit Constitutionnel Dans l'Union Européenne' (PhD Thesis, Institut d'études politiques de paris-Sciences Po 2014).; Mark Thatcher, 'The Third Force? Independent Regulatory Agencies and Elected Politicians in Europe' (2005) 18 *Governance* 347.; Renaud Dehousse, Laurie Boussaguet and Sophie Jacquot, 'From Integration through Law to Governance: Has the Course of European Integration Changed?' [2010] *Europe: The New Legal Realism*, Copenhagen, DJOF 153.

5 Notable law firms such as Simmons and Simmons LLP, London; Hoyng Rokh Monegier, Amsterdam; Brinkhof, Amsterdam; Hogan Lovells, Dusseldorf; Véron & Associés, Paris; etc. The participation of EPLAW members in the yearly Venice Forum event was

an Patent Lawyers Association (EPLAW). The resolution adopted by the General Assembly of EPLAW in Brussels on December 2, 2005, only a few weeks after the association had successfully co-organised the First Venice Forum alongside EPO, captures well the social logics behind Step 2 (see Table 1). To contextualise the substantive elements found in the resolution, the document begins as follows: “In view of the fact that the work on the Community Patent is being stalled by translation and other problems”<sup>6</sup>. In other words, recognising the institutional failure of national governments and European Community leadership to build a durable legal solution, EPLAW was ready to step in to begin organising a joint (public-private) network that includes EPO and European patent judges (Step 2) adhering to the project of unifying and strengthening European patent law. One can find this call to organise in the EPLAW 2005 resolution when it is stipulated that “the European Patent Lawyers Association urgently asks for cooperation between the EU Commission, the EU Council and the European Patent Office to make progress”.<sup>7</sup> European patent judges are conspicuously absent from EPLAW’s document.

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a highly sought-after one, and presumably still is. As early as 2008, apart from some of EPLAW officials (i.e., past president, current president, and vice-presidents, directors) who attend each event, the remaining spots to join the Venice Forum were decided via a lottery. EPLAW president, in his introductory remarks of the 2007-2008 yearbook, explains that “the initiative to give access to 10 members who were the *lucky winners* of the draw in the beginning of the year proved a success – *all enjoyed the participation*” (EPLAW Yearbook 2007-2008, 1). For the Fourth Venice Forum, EPLAW ‘sent’ a total of 15 lawyers from 8 countries. The opportunity for patent lawyers to get to know their patent judges for a few days represents an opportunity to not only accumulate relational capital—building personal relationships with judges—but also to build a reputation as institutional entrepreneurs. This experience can then be used by law firms to signal to existing and potential corporate clients their expertise and role in shaping the future new European UPC. For an example of how a law firm can use such experience as a legitimising marketing tool, we can take the case of a British lawyer who participated in the Venice Forum and who helped draft the UPC training manual for judges. On their website, the firm explained how our lawyer “recently authored the sections of the training manual for UPC judges on the patentability of pharmaceutical and biotechnological inventions and on Articles 123(2) and 123(3) EPC”. The ability of a law firm to signal familiarity with a new intellectual property institution that will create legal uncertainties at its beginning is a strong competitive advantage. For breakdown of attendees to the Fourth VF, see *ibid*, 7. For names of prominent patent law firms involved in EPLAW, see *ibid*, 207.

6 Document “Resolution Adopted by the General Assembly of the European Patent Lawyers Association (EPLAW) Brussels - 02 December 2005”. Retrieved on the EPLAW website on April 8, 2022. <https://eplaw.org/wp-content/uploads/2015/12/26.pdf>.

7 *Ibid*.

*Table 1. European Institutionalisation Pattern*

<b>Step 1</b>	Emergence of a functional need, or transnational problem
<b>Step 2</b>	Failure to build governmental solution → administrative elites “depoliticise” the problem into a technical issue
<b>Step 3</b>	Emergence of joint (public-private) network, codification of pragmatic solutions, & creation of an agency
<b>Step 4</b>	Official ratification & operationalisation of this agency as a new institution
<b>Step 5</b>	Political tensions between EU institutions (Brussels and the agency)

While the judges who proceed in this way are civil servants, they also think of themselves as citizens and institutional entrepreneurs whose duty is to push forward the stalled integration process. The third step for this network of regulators is to codify the pragmatic solutions hammered out by the assembled national regulators and to ask the European Commission (EC) to create a decentralised European agency that would have the power to enforce these solutions. In the case of patents, in addition to the fact that the UPC is not a European Community court and EPO is not an EC agency, but a functional equivalent, this step took forty years, from the creation of the European patent in 1973 to the creation of the UPC in 2013. Such processes have been widely documented and theorised.<sup>8</sup> It is important to realise here that, with the creation of such institutions, national judges take advantage of their multilevel position as first-level European judges. Thus, the regulatory strategy of this network

8 Rachel A Cichowski, *The European Court and Civil Society: Litigation, Mobilisation and Governance* (Cambridge University Press 2007).; Renaud Dehousse, *The European Court of Justice: The Politics of Judicial Integration* (Springer 1998); Dehousse, Boussaguet and Jacquot (n 4).; AW Green, ‘Political Integration by Jurisprudence (Sijthoff: Leyden, 1969).’ (1981) 5 *American Journal of International Law* 75; A Jettinghoff and H Schepel, ‘Lawyers’ Circles: The Role of Lawyers in European Legal Integration’; David Levi-Faur, ‘Regulatory Networks and Regulatory Agencification: Towards a Single European Regulatory Space’, *Agency governance in the EU* (Routledge 2013); Anne-Marie Slaughter, *A New World Order* (Princeton University press 2009); Anne Marie Slaughter, Alec Stone Sweet and Joseph Weiler, *The European Court and National Courts: Doctrine & Jurisprudence: Legal Change in Its Social Context* (Bloomsbury Publishing 1998); Eric Stein, ‘Lawyers, Judges, and the Making of a Transnational Constitution’ (1981) 75 *American journal of international law* 1; Alec Stone Sweet and Thomas Lloyd Brunell, *The Judicial Construction of Europe* (Oxford University Press 2004); Thatcher (n 4); Joseph HH Weiler, ‘A Quiet Revolution: The European Court of Justice and Its Interlocutors’ (1994) 26 *Comparative political studies* 510.

is to convince the national judges to participate in the push and to enrol them in the institution-building process—that is, a European-level court topped with a Court of Appeal. The fourth step consists in the agency separating itself over time from the network of national regulators when the leaders come to use their newly-acquired powers of enforcement. In the case of the UPC, this step should start upon its installation. Let us insist on the fact that one important difference here with the pattern described by political scientists (footnote 8) is that the UPC is constructed outside the legal architecture of the EU.

A fifth step begins when governments of large countries—often with very Europhilic discourses but quite reluctant practices and attitudes—re-enter the stage and argue that they are happy with one common and codified solution to the problem, and that it should be enforced by the agency, provided the solution is its own national solution. Recurrent and self-destructive dynamics are then triggered at the level of the European Commission, which increasingly perceives as rivals the agencies that it has itself created. Since it also acts as the watchdog of these decentralised agencies, the European Commission tries to interfere with their work and steer their activities. This war between the EC and the decentralised agencies is a very real problem of political control between the top of the European administration (controlled remotely by national governments) and its internal substructures, which have different visions and strategies. This problem throws into question the public's unitary view of these institutions.<sup>9</sup> In the case of the UPC, the European institutional entrepreneurs promoting the court hope that this fifth step will not come to pass and that the UPC Court of Appeal will quietly homogenise the European IP regime for patents.<sup>10</sup>

The value-added of our research is in helping to specify the dimension of this process at one of its specific stages: the crucial phase when the network of judges meet to design pragmatic solutions to the problems that their national jurisdictions encounter while trying to uphold (or cancel) patents across borders. Their work, as they defined it, was to “harmonise”<sup>11</sup> their interpretation of European patent law, i.e. to create procedural and/or substantive conver-

9 Mark Thatcher, ‘Analysing Regulatory Reform in Europe’ (2002) 9 *Journal of European Public Policy* 859; Thatcher (n 4).

10 Several documents indicate that the exclusion of the CJEU from the UPC system was a key goal and serious concern of the EPLAW network. To see lobbying effort of the EPLAW presidency vis-à-vis the French government, see EPLAW Yearbook 2007-2008, 87: For example Professor W. Tilmann's efforts at the House of Commons (see House of Commons European Scrutiny Committee, ‘The Unified Patent Court: Help or Hindrance?’ (2010) 12 Sixty-fifth report of session).

11 The 2005 EPLAW resolution underlines the need to make progress on “the harmonisation of divergences in the practice of the national courts and the EPO”.

gence in this interpretation. This is exactly what legal integration as presented above is about. The story around patent law harmonisation thus reproduces the classical problem of the same text being differently interpreted in various countries. Convergence as a product of efforts made by the judges toward a common interpretation is the essence of judicial integration as defined above by political scientists specialised in European politics.

In this social construction of a European patent judiciary as a mostly bottom-up process relying on transnational interactions and dialogue between judges, it is important to stress the heterogeneity and status inconsistency of these judges as institutional entrepreneurs: they were both civil servants (subject to the division of powers in force in Western democracies) and private citizens involved in lobbying; they had to be invited *intuitu personae* but were nevertheless considered as a country delegation; and they were a mix of activist judges committed to the idea of building a European institution to protect European interests in the global IP competition, judges concerned with patent issues and about the emergence of the future UPC, and judges who simply wanted the voice of their country to be heard in this semipublic, semiprivate arena. Patent judges are often targeted by groups lobbying on behalf of industry, and some of them saw the Venice Forum as part of such industrial lobbying. Some had mixed feelings about participating in a process that involved lobbying and politics, and others refused to participate. All of those who chose to participate knew that their gathering was part of a broader political process.

We highlight here an under-examined moment,<sup>12</sup> a set of processes revolving around the joint identification of priority norms and judicial *ex ante* leaders championing these norms in such networks, as well as future alignments on these norms and leaders as part of the dynamics of the transnational institutionalisation process. This approach is useful because it helps to identify small collegial oligarchies with particular influence in transnational institution-building, who are able to handle some professional hurdles linked to the diversity of approaches to the same issue in different countries. Describing social and communication networks during these field-configuring events can thus help to explore the micropolitics of institution-building among peers.

### **3. Empirical Sources**

Fieldwork to reconstitute the network that is created by the relations between these judges was carried out at the Venice Forum (San Servolo Conference,

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12 For example, see Susana Borrás, 'The Governance of the European Patent System: Effective and Legitimate?' (2006) 35 *Economy and Society* 594.

30–31 October 2009). We took advantage of the existence of this annual meeting in Venice to carry out face-to-face interviews with all 38 participating judges about their normative choices (procedural and substantive) with respect to patents. The survey received a 100% participation rate among the judges present at the VF. In addition, the team of researchers used sociometric questions to rebuild networks of interactions among these judges with respect to learning about each other's practices. Four networks were measured among the European patent judges: a 'reading other judges' work' network, a 'personal discussion network', an 'explicit reference to other judges' decisions' network, and a 'uniform' network<sup>13</sup>, i.e. a network constituted by each of the judges citing among his/her peers, at the VF, those who best represented a future uniform European position with respect to patents, i.e. a 'European compromise'.

#### **4. Venice Forum as Field-Configuring Convergence Event**

The Venice Forum had three general goals. The first was to facilitate communication and recognition among European patent judges who were likely to work together one day at the future Unified Patent Court. The judges who accepted the invitation to participate came from the lowest specialised jurisdictions as well as from the highest national courts in the European countries. The second was to help lawyers to know the judges.<sup>14</sup> Corporate lawyers participate in this effort to build a new market institution because it helps them get to know their judges and to observe mock trials in a way that allows them to prepare a toolkit of strategies, including a multilevel and sophisticated way of carrying out 'forum shopping' for their clients. The third was to promote a specific perspective on the European patent as well as the construction of the UPC. Some patent judges in this association have more or less frequent bilateral relations, exchanging views and problems. Again, it is clear from our interview data that the judges coming to the Venice Forum knew that their gathering was part of a broader political process. In sociological terms the Venice Forum was a field-configuring event, i.e. a "temporary social organisation such as conferences, trade shows, or festivals that assemble diverse members of an organisational field in a bounded time and space to exchange information or coordinate activities".<sup>15</sup>

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13 See Emmanuel Lazega, Eric Quintane and Sandrine Casenaz, 'Collegial oligarchy and networks of normative alignments in transnational institution building' (2017) 48 *Social Networks* 10-22.

14 Footnote 4 develops on that very point.

15 Joseph Lampel and Alan D Meyer, 'Field-Configuring Events as Structuring Mechanisms:



It is important to mention that while we conducted our fieldwork in 2009 at the Fifth Venice Forum, the process of legal harmonisation and judicial leadership selection at the Venice Forum was already picking up steam since at least 2005. At the First Venice Forum in October 2005, an event co-organised by EPLAW and EPO<sup>16</sup>, 29 patent judges signed a resolution in favour of the construction of a Europe-wide judicial system for patents.<sup>17</sup> The following year, at the 13<sup>th</sup> European Patent Judges' Symposium organised by the EPO in Thessaloniki, Greece, more than 40 social actors from the European patent field — lawyers, attorneys, judges, national patent offices' officers, and EPO personnel — signed a declaration signalling their support for the first resolution passed the previous year at the First Venice Forum.<sup>18</sup> In 2006, at the Second Venice Forum,<sup>19</sup> again, the curated group of invited judges approved a second resolution—referred to as the “Venice II Resolution” by EPLAW leadership<sup>20</sup>—related to guidelines for the Rules of Procedure<sup>21</sup> of the future European Patent Court. In 2007, the President of EPO attended the Third Venice Forum.<sup>22</sup> In their third resolution drafted at the Fourth Venice Forum in 2008<sup>23</sup>, the event

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How Conferences, Ceremonies, and Trade Shows Constitute New Technologies, Industries, and Markets, Guest Editors Introduction' (2008) 45 Journal of Management Studies 1025.

- 16 The document entitled “IV. European Judges' Forum Venice 2008 Results of Questionnaire on European Patent Judiciary Selected Points of Presidency Working Paper st 14970/08 of Nov. 4, 2008” indicates that the “Venice Forum of Judges [is] traditionally organised by EPLAW and the European Patent Academy (EPA)”. Because the EPA is the educational and training arm of the EPO, in this chapter we refer to the fact that the Venice Forum events were jointly organised by EPLAW and EPO. From EPLAW website. Retrieved on April 7, 2022. <https://eplaw.org/wp-content/uploads/2015/12/Questionnaire.pdf>.
- 17 Bob Sherwood, *Europe's top judges start campaign on patent cases*, Financial Times, November 3, 2005.
- 18 For a list of all the participants, see the Official Journal European Patent Office – 13<sup>th</sup> European Patent Judges' Symposium.
- 19 EPLAW web site, *News & Events* Archived 2007-10-07 at the Wayback Machine. Consulted on July 25, 2007; <http://eplaw.org/document/second-venice-forum/>
- 20 Document “Draft Comments of EPLAW Regarding the Preliminary Set of provisions for the Rules of procedure of a Unified Patent Court” [28-07-2009]. Retrieved on EPLAW website on April 7, 2022. <https://eplaw.org/wp-content/uploads/2015/12/Draft-Comments-of-EPLAW-regarding-the-Preliminary-Set-of-provisions-for-the-Rules-of-procedure-of-a-Unified-Patent-Court-28-07-2009.pdf>
- 21 The first draft of the RoP of the UPC emerged on May 29, 2009. Primary archives for a list of all the rounds of revisions, see document “Preliminary set of provisions for the Rules of Procedure ('Rules') of the Unified Patent Court”.
- 22 EPLAW Yearbook 2007-2008.
- 23 Document “Resolution Venice IV”. EPLAW website. Retrieved on April 7, 2022. <https://>

that took place one year before the one we observed, the Intellectual Property Judges Association (IPJA)<sup>24</sup> members and other patent judges continued to give their support for the establishment of the UPC while noting that they “regret a certain slowdown in possible further progress and urge all Member States of the European Union to give full support to” this initiative. The UPC project was encountering a rival project. As Borrás<sup>25</sup> explains: “Governance takes place within networks of stakeholders, patent professionals and practitioners, who form powerful communities – sometimes competing against each other – and whose interaction decisively influences the shape of the patent system”.

The ambition of EPLAW and EPO was to create convergence towards a unified substantive interpretation of patents. In fact, the *raison d’être* of EPLAW’s creation in 2001<sup>26</sup> was precisely to support renewed efforts toward the Community Patent project. But, as Khuchua explains in the first chapter of this volume, the EPLAW-EPO vision to create a European patent judiciary—which took shape in the first decade of the 21<sup>st</sup> century—orchestrated under international law was engaged in a political struggle with the European Commission (EC)’s own vision to create a European patent court composed under EU law.<sup>27</sup> The political struggle between the EPLAW-EPO network and the EC—and its outcome—is perfectly captured with the following example. On March 8, 2006, just as both the EC and the EPLAW-EPO projects were gaining momentum, a group of four UK patent judges responded to the EC’s questionnaire about the patent system in Europe. In their response, the UK judges very clearly indicated their allegiance as they wrote that “The EPLA should be an immediate priority for Europe [but it] does not matter that it would not be an EU institution”.<sup>28</sup> In fact,

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[eplaw.org/wp-content/uploads/2015/12/Third-Resolution-of-Judges-15-November-2008.pdf](https://eplaw.org/wp-content/uploads/2015/12/Third-Resolution-of-Judges-15-November-2008.pdf).

24 The Fourth Venice Forum was co-organised by EPLAW, EPO, and “the newly founded” Intellectual Property Judges Association (IPJA). One can find very little information online regarding this association. See document “Questionnaire” from EPLAW website. Retrieved on April 7, 2020. <https://eplaw.org/wp-content/uploads/2015/12/Questionnaire.pdf>.

25 Borrás (n 12).

26 See <https://eplaw.org/about/history/>. Also, in the EPLAW Yearbook 2007-2008’s introduction, President Willem A. Hoyng begins his reflection on the activities of the young association during the previous year by discussing the successful co-organisation of the fourth Venice Forum. “Together with the EPO, we have successfully organised the fourth Venice Forum” (1).

27 For a reconstruction of the history of the attempts to build a European patent and a European Patent Court in two parallel and competing political arenas (Venice vs. Brussels, to simplify), see also A. Jettinghoff, ‘The Quest for a Transnational Patent System in Europe’ (2011) 32 *Recht der Werkelijkheid* 172.

28 UK judges’ response letter to the European Patent Consultation.

two of the four UK judges were already prominently enrolled in the network of judicial institutional entrepreneurs knitted around the Venice Forum.<sup>29</sup>

Although the EPLAW-EPO network succeeded in gaining the upper hand in the political struggle, it failed in getting rid of the interpretative differences in the political economies and forms of capitalism as diverse as, for example, the UK and Germany. Redesigning the institutional framework of intellectual property is in fact an enormous political ambition. In addition, the intellectual activity of the judges is not simply aligned with that of the institutional model and the constraints of their respective countries. The multilevel character of the structure allows for discretion and flexibility at that individual level. Judges from the same country can understand what is a 'good patent' in different ways. Their conception of the good patent in terms of goals and scope varies. These variations still exist, and the purpose is also to examine the extent to which alignments on possible dominant views take place in a set of processes bringing together conventions and structures, culture and networks, norms and status.

## **5. Results**

### *A. Normative Judicial Choices*

Different judicial cultures of European countries allow for forum shopping<sup>30</sup> by litigants who favour the country that interprets substantive patent law in a way that best protects their interests. In order to measure a possible outcome of this learning process, we look at whether or not there is consensus among these judges with respect to controversial issues concerning the right interpretation of existing European patent law (either as exceptions to the freedom of copying, or as a reward to the contribution of the inventor to technological development); and the right procedure to be used in the attribution of a patent by the future UPC: assessment of inventive step, determination of the scope of protection, and involvement of technical experts.

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29 EPLAW UPC digital archives. Letter sent from the Rt Hon Lord Justice Jacob to Mr. Erik Nooteboom, the head of unit at the EU Internal Market and Services Directorate General on March 8, 2006. "Commission Patent Consultation of 9.1.06". Retrieved on March 11, 2020. <https://eplaw.org/wp-content/uploads/2015/12/UK-Patent-Judges-Response.pdf>.

30 Tamar Khuchua, *Different Rules of the Game J. Intell. Prop. Info. Tech. & Elec. Com. L.* (2019), 10, 257.

### B. EPLAW Questionnaire: a Technique of Judicial Alignment

At the Fourth Venice Forum in November 2008, a year before we carried out our research, one of the events' organisers—EPLAW—designed a questionnaire to survey the 29<sup>31</sup> invited European patent judges' normative choices on several controversial legal points<sup>32</sup>—i.e., panel composition, European vs. Community (EU) Patents; bifurcation; Court of Justice (ECJ). The available report compiled by EPLAW vice-president Jochen Pagenberg only includes the answers for the questions that revealed “a high level of consensus [whereas] answers to the remaining questions not reproduced [in the document] did not show a clear preference”.<sup>33</sup>

Regarding the composition of panels, two-thirds of the judges preferred the option of having three legal judges from two nationalities. The author of the report indicates that the ‘two-thirds’ option also constitutes the option favoured in the *Presidency Working Paper*. This signals both support from European public officials as well as approval for further alignment between the VF judges. The involvement of a fourth technical judge, however, was a source of disagreements. Regarding the bifurcation or split-system, again, two-thirds of the judges agreed with the flexible approach outlined in the *Presidency Working Paper*. Regarding the role of the ECJ “against decisions of the Court of Appeal”, the judges unanimously vote in favour of removing the legal ability of the ECJ to intervene in UPC decisions. Two things are worth mentioning here. First, for the institutional entrepreneurs in charge of building the UPC it was paramount to keep the ECJ at bay. On August 12, 2008, the EPLAW president wrote a letter addressed to the French *Ministre de la Justice, the Ministre de l'Économie, de l'Industrie et de l'Emploi*, and the *Secrétaire d'État* pleading for just that<sup>34</sup>. Second, the language used in the report is quite revealing. Dr. J. Pagenberg speaks of ‘votes’ when referring to the judges’ ‘answers’ to a questionnaire. Indeed, the survey is used by EPLAW as a technique of judicial alignment. Although not contractual in nature, this exercise was marked

31 EPLAW 2007-2008 Yearbook. 2008. Ed. F. de Visscher. “At the Venice Forum of Judges, 29 of the most experienced patent judges from 15 countries discussed the possibilities for more harmonisation of patent litigation between the different countries” (Pagenberg, 2008:179). From EPLAW website. Retrieved on April 11, 2022. <https://eplaw.org/wp-content/uploads/2015/12/yearbook2007-20081.pdf>

32 EPLAW UPC digital archive. See Document “IV. European Judges’ Forum Venice 2008 Results of Questionnaire on European Patent Judiciary Selected Points of Presidency Working Paper 14970/08 of Nov. 4, 2008”. Retrieved on April 11, 2022. <https://eplaw.org/wp-content/uploads/2015/12/Questionnaire.pdf>.

33 Ibid, p.4.

34 EPLAW Yearbook 2007-2008. Pp. 87-94.

by what sociologists call a 'ratchet effect'.<sup>35</sup> A way of ensuring no back-sliding in the process of institution-building associated with procedural and organisational tools. Finally, regarding the use of the tool of Enhanced Cooperation, the judges also unanimously voted in favour of a such strategic legal approach to open "the possibility for a smaller group of countries to establish a common patent court system".<sup>36</sup>

### C. The 2009 Venice Forum Questionnaire

Similar to what the EPLAW questionnaire shows, agreements and disagreements between European judges on the different controversial issues led to a failure to reach a common view on the substantive interpretation of existing European patent and to intensive discussions about future procedural rules. Based on our interviews<sup>37</sup>, there are three main rules that were subject to discussion as important steps of the process of granting a patent: first, the assessment of the inventive step; second, the determination of scope of protection; and third, the involvement of technical experts.

#### a. General Divergences in the Interpretation of European Patent

The judges were asked about their personal interpretation of European patent, in particular whether patents are exceptions to the freedom of copying, which means that the validity of patents and the scope of protection are to be critically assessed; or whether they are to be viewed as rewards for the contribution of the inventor and therefore patent application is to be subject to a mild assessment and the scope of patent protection is to be broadly construed. The results were that, on the one hand, 45.5% of the polled judges considered patents to be exceptions to the freedom of copying. On the other hand, 27.3% of the judges thought that patents are rewards for the contribution of the inventor. A Portuguese judge thinks that "progress and innovation should be promoted – it takes a lot of work to create something, and this work should be rewarded by creating a calm environment". However, a few judges express the

35 John R Montanari and Philip J Adelman, 'The Administrative Component of Organisations and the Ratchet Effect: A Critique of Cross-Sectional Studies' (1987) 24 *Journal of Management Studies* 113.; Emmanuel Lazega, *Bureaucracy, Collegiality and Social Change*, Edward Elgar Publishers (2000), Chapter 5.

36 *Ibid.*, p.182.

37 For more details, see Emmanuel Lazega, 'Learning from Lobbying: Mapping Judicial Dialogue across National Borders among European Intellectual Property Judges', *Utrecht Law Review*, <http://www.utrechtlawreview.org>, 2012, Volume 8, Issue 2 (May), Pages 115-128.

opinion that the second part of the statement, “mild assessment of the validity of the patent and broad scope of protection” is not necessarily a consequence of the first part of the statement, and thus must be balanced. This divide led 21.2% of the judges to take a position “in between”, a position often labelled “the European Compromise”, i.e. to assert that they apply one rule or the other depending on the case: “Decisions are made on the merits of the case and whether they demand a strict or wider interpretation of the innovation”. In many ways, the European Compromise takes the place of a common position on patents that European governments and national innovation systems failed to reach.

### **b. Inventive Step**

The EPO provides guidelines for European patent judges to assess the inventive step: it is called the ‘problem and solution approach’. To simplify, a patent can be awarded to a non-obvious solution to a well-defined problem. Some judges have pointed out weaknesses in this approach that only takes into account written documentation, whereas they also want to take into account the “normal knowledge of the skilled-in-the-art-person”. Overall, the survey shows a large consensus regarding this method as 75.8% of the polled judges apply it. Many thus consider that the general aspect of the ‘problem and solution approach’ makes it a good tool for harmonising the laws between European countries and reaching some uniformity in the assessment of patents. They can interpret it from the perspective of their own culture and legal system. For example, in France, where judges in intellectual property usually do not have a technical background, the guidelines offer a good guidance: “*On essaie en tout cas. On n’a pas de membres techniciens. Je n’ai fait que l’École Nationale de la Magistrature (ENM), pas Polytechnique.*”<sup>38</sup> In addition, more than 90% of the judges consider that decisions of foreign courts in relation to the same patent are relevant. Yet, only 66% refer in their decisions to decisions of foreign courts — a high figure considering that this is not an accepted practice in several countries, including in France.

### **c. Scope of Protection**

Patents vary with respect to the scope of protection against competition that they ensure to entrepreneurs. With respect to the determination of the scope of protection by the patent and with respect to the role of the applicant’s statements during the grant procedure before the EPO, judges can put an empha-

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38 Translation: “We try at least. We are not technicians. I graduated from the National School for Judges, not from Polytechnique (an elite French engineering school).”

sis either on such past statements or on the description of the patent by the patent lawyer. Then if so, whether the applicant's statements could only lead to the limitation of the scope of protection, i.e. "play a role if they are in the interest of the alleged infringer". As in the case of inventive step, similar levels of consensus and heterogeneity can be found among the judges. According to our survey, 63.6% of the judges agreed that the applicant's statements during the grant procedure before the EPO play a role in the determination of the scope of protection, and 65.4% of them agreed that the applicant's statements could only lead to the limitation of the scope of protection, i.e. that such statements "can only play a role if they are in the interest of the alleged infringer". For 30.3% of the interviewed judges the applicant's statements during the grant procedure before the EPO do not play any role in the determination of the scope of protection. A British judge argued that "to establish the scope of protection you need a skilled-in-the-art-person, not the statements of a patent lawyer". Thus, even if a majority of the judges consider that the applicant's statements play a role in the determination of the scope of protection, many downplay the importance of this issue and consider it to be only procedural in the sense that careful examination of the actual role of these statements has to be undertaken to follow the procedural rules (when presented to them, when it is favourable to the infringer).

#### **d. Involvement of Technical Experts**

The reason for the use of experts by a majority of judges seems to be largely explained by their training background, more specifically by their lack of knowledge in science and technology. According to the survey, 60.6% of the polled judges said that they used independent technical experts when assessing inventive step. However, only 48.5% said that they used independent technical experts when assessing the scope of protection. Although parties almost always have the opportunity to comment on the reports of the experts, the use of experts is quite controversial. Some judges are very critical and perceive the danger of abdicating their role and responsibility in the decision-making process to the benefit of the experts. As pointed out by a German judge, "the danger in asking the experts to give their opinion is to, in effect, ask them to make the decision; however, the judges must make such a decision. Hence it is important *what* you ask to the experts." Thus, the use of independent technical experts to report on the *inventive step* is controversial – and even more controversial for reports on the *scope of protection* (which is more often considered to be "up to the court itself").

In sum, a high level of consensus exists among Venice Forum patent judges on several issues (assessment of inventive step, problem-and-solution approach,

relevance of foreign decisions), but strong differences remain: there is a heterogeneous use of judicial discretion in balancing the two views of 'patent as exception' and 'patent as reward'. There is great diversity with respect to an interpretation in favor of a narrow versus broad scope of protection. The opinions of technical experts are also differently seen. A real risk exists that differences among the practices of these judges (in the methods, for determining the scope of protection, and for involving the technical experts) could lead to diverging decisions for a very long time.

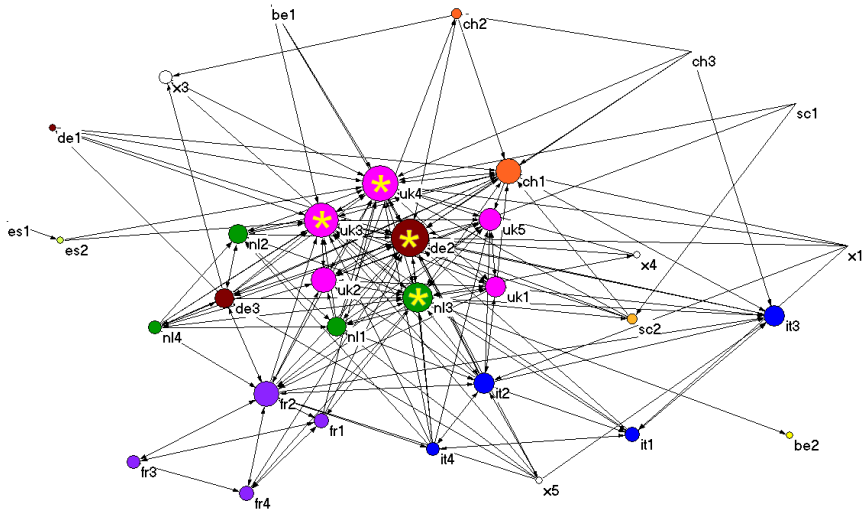
#### **e. Social Networks**

In addition to our enquiry on the judges' views on controversial issues, we used sociometrical questions to reconstitute networks of interactions among these judges with respect to learning about each other's practices and possible convergence in terms of normative choices. As already mentioned, the networks were measured among European judges at the Venice Forum: 'personal discussion network', a 'reading other judges' contributions' network and an 'explicit reference to other judges' decisions' network. Reconstitution and analysis of these networks show that the discussion network (Figure 1) is denser than the reading network (Figure 2), which is denser than the explicit reference network (Figure 3). There is much more activity in direct personal discussion with colleagues across borders (for example at events such as the Venice Forum), than with actual reading of their work (decisions and articles); there is little explicit reference to other foreign judges' decisions in the judges' own decisions. In other words, at this stage, learning across borders occurs more through discussion than through reading, and more through reading than through explicit reference to the contributions of other judges (which is not allowed in some countries).

We find that there is a hierarchy among various forms of network learning across borders. Some countries are more active in the learning/socialisation process among this set of judges: Dutch, UK, German, Italian and French judges are the most active in the personal discussion network and in the reading network. UK, German and Dutch judges are the most active in the explicit reference network. Dutch, UK and German judges display the highest activity in all three networks (reading, discussion and explicit reference). Italian and French judges also display high activity in the reading and discussion networks, but not in the explicit reference network.



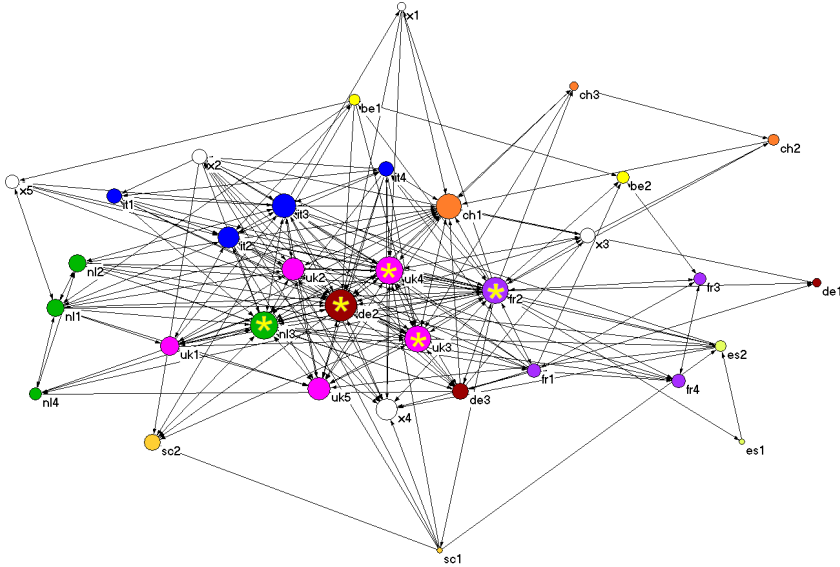
*Figure 1 - Visualisation of the direct reading network among European patent judges belonging to the Venice Forum*



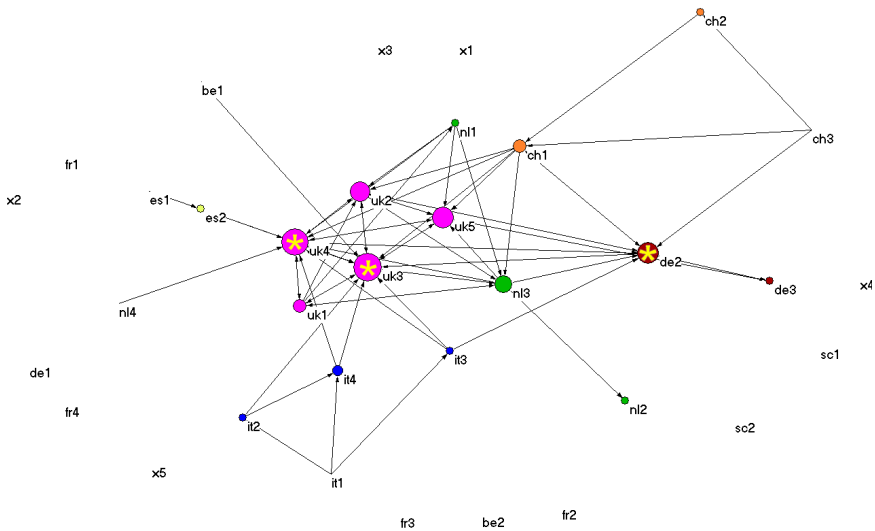
*Legend: Individual judges are identified by their country of origin and countries are colour coded. Circle size represents each judge's centrality. Highly central judges (identified by the symbol \*) are those most cited by colleagues (i.e. number of citations above the 90th percentile in at least two networks). To protect the anonymity of respondents, individuals who are single representatives of their country in this group are clustered in the white (X) subgroup.*

The core of these networks, i.e. its super-central judges connected to each other, was the same in these three networks of social exchanges. Multi-status oligarchs, i.e. super-central UK, German, Dutch judges, dominate this heterogeneous set of 38 Venice Forum judges. Losers are French, Southern and Central European judges.

*Figure 2 - Visualisation of the personal discussion network among European patent judges belonging to the Venice Forum*



*Figure 3 - Visualisation of the explicit reference network among European patent judges belonging to the Venice Forum*

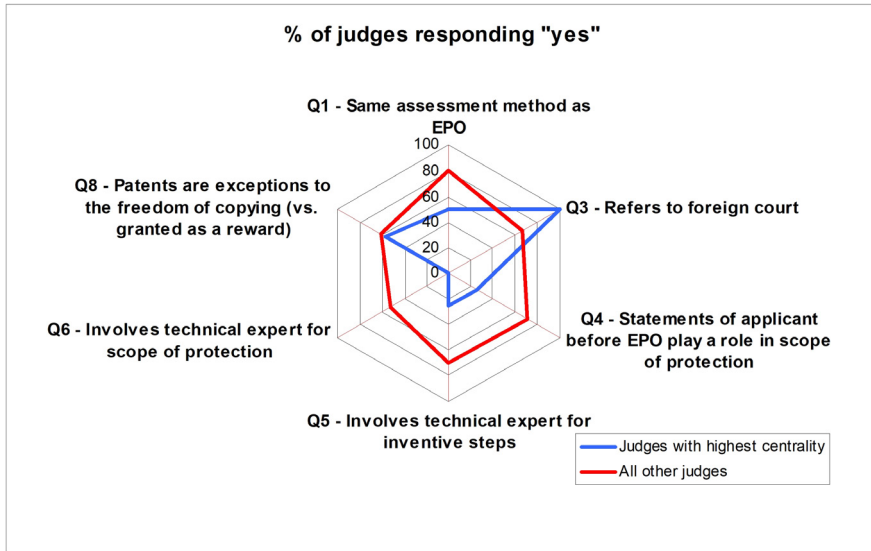


In other words, the network survey that was conducted at the VF shows how, what we call below a collegial oligarchy of European judges is itself characterised by its relational infrastructure, *i.e.* the characteristics of its core. The relational infrastructure that emerged within the dense social niche of the VF was an institutional leadership that was meant to drive this institutionalisation process as harmonisation – to bring together, beyond national specificities, norms and networks, culture and structure. These *ex-ante* “leaders” emerged through complex dynamics: their reputation in terms of giving talks around the world on patent issues and the (lack of) emergence of a new European intellectual property regime; their staying capacity and long term participation in the VF; their centrality in the social networks that were created there; and especially their capacity to be recognised by their peers as representatives of the future uniform European position on patents as we showcase in the next section, if one were to be established. By construction, IP judges who did not agree with this public/private institutionalisation process were either very peripheral in this network, or simply did not accept the invitation to attend.

#### *D. Relationship between Culture and Structure, Legal Norms and Social Networks*

To understand the learning and influence processes that drive the internationalisation of law, we then link position in the network and preferences with respect to the controversy — results from the two previous sections. The analysis shows that, on average, opinion leaders in this learning process have positions that differ from less central patent judges with respect to five issues. Figure 4 illustrates these differences. It shows that highly central judges tend to use the problem-and-solution approach less systematically than all other judges (question 1). They refer to foreign courts in their own decisions (with exceptions, for example, in France, Spain, and Romania) more than all others (question 3). They consider that ‘statements of applicant during grant procedure play a role when determining the scope of protection’ less than all others (question 4). They involve independent technical experts to report on inventive step less than all others (question 5). They involve independent technical experts to report on scope of protection less than all others (question 6). One may therefore hypothesise a future convergence of judges in this network towards a UK-German-Dutch position if judges follow their highly central colleagues (opinion leaders identified above, *i.e.* an alignment on the core of the observed relational infrastructure).

Figure 4 - Comparison between average positions of opinion leaders versus average positions of all other judges with respect to five issues



Legend: in blue: average response profile of all judges  
 in red: response profile of opinion leaders.

1. Assessing inventive step: problem-and-solution approach? 0 = No
3. Reference to decisions of foreign courts? 0 = No
4. Statements of applicant during grant procedure before the European Patent Office play any role when determining the scope of protection? 0 = No
5. Involvement of independent technical experts to report on inventive step? 0 = No
6. Involvement of independent technical experts to report on scope of protection? 0 = No
8. Which rule do you apply? 0 = Patents are exceptions to the freedom of copying

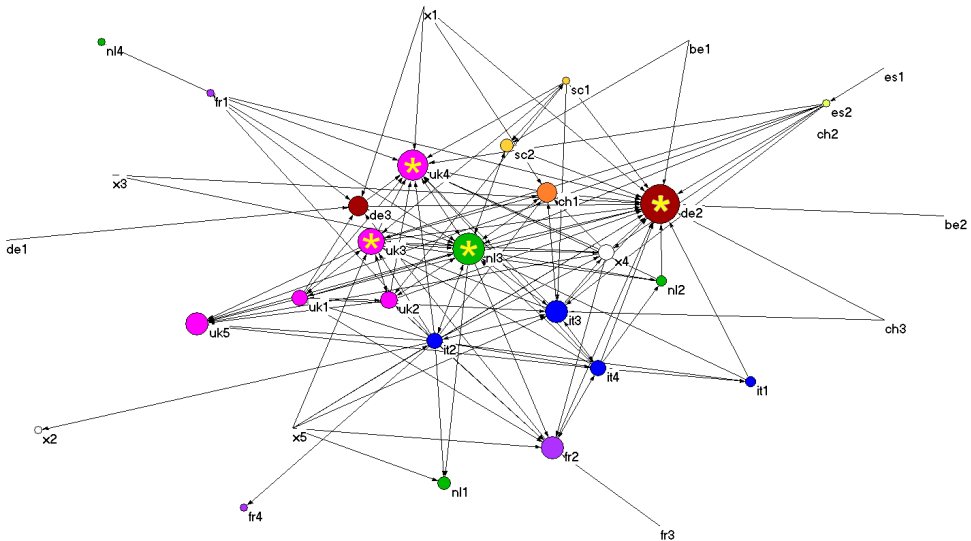
### E. Ex-Ante Leadership

During the 2009 survey, to confirm that the super-central judges identified as such through the three learning networks were in fact perceived as the ex-ante leaders, the questionnaire asked all the Venice Forum judges the following question: "Which of your colleagues is the closest to the future EU uniform position with respect to the rules relating to patents?". This was equivalent,

in their minds, to identifying the judges who they thought would sit on the yet-to-be-created Court of Appeal of the future UPC, and thus likely to make the decisions that would restructure the European patent regime (where politicians had failed) and who would personify future agreements on substance and procedure (the “European Compromise”) — provided they acquired the necessary authority among national judges.

Figure 5 maps this uniform network, providing information about how the judges position themselves and others with respect to a future possible uniform European doctrine on patent issues. As shown in this figure, the uniform network of *ex ante* leaders is a highly centralised one. These judges would constitute the core of the collegial oligarchy who would perform convergence and harmonisation by creating the essential jurisprudence, signaling to followers the direction in which the harmonised interpretation was developing and clarifying the differences between the new normal (harmonised version) and their own interpretation. By identifying this collegial oligarchy and its core, judges also inferred what efforts each of them would have to make (or what costs they would have to incur, individually or collectively) in their own country to align with the new harmonised approach. Even having only a rough perception of the structure of this uniform network when making normative choices, the judges helped to spell out a key stage of the social logic of transnational European integration. They helped to capture the essence of the progress that takes place when heterogeneous people with similar problems are brought together in the same room and agree to work together, identify their *ex-ante* leaders, and find common solutions.

Figure 5 - Uniform Network



*Legend: Individual judges are identified by their country of origin and countries are colour coded. Circle size represents each judge's centrality. Highly central judges (identified by the symbol \*) are those most cited by colleagues (i.e. number of citations above the 90th percentile in at least two networks), and therefore perceived as the ex-ante leaders closest to the future EU uniform position with respect to procedural rules. To protect the anonymity of respondents, individuals who are single representatives of their country in this group are clustered in the white (X) subgroup.*

At the VF, the judges identified their future judicial leaders, which helped them anticipate the changes that the emergence of this institution would mean for them individually at national level. They collectively nominated five judges from three different countries (the United Kingdom, the Netherlands, and Germany) as colleagues whose positions on controversial issues were likely to reflect the future “European Compromise.” Although constituting the above-mentioned core, these super-central judges were not in agreement among themselves on all the issues but were strongly connected to each other. This lack of substantive agreement led to a focus on procedural rules. Agreeing on substance (that is, on the final “right” interpretation of a European patent) was considered to be the task of the future Court of Appeal of the UPC. Strengthening the procedures instead of agreeing on substance was perceived to be

easier. Four members of this core (one German, two British, and one Dutch) were repeat players with respect to participation in VF events. Given the heterogeneity of these leaders in 2009, convergence toward consensus on the EU uniform position in this network remained uncertain until the Rules of Procedure were agreed upon in 2016, and learning through networks across borders at this field-configuring event did not necessarily, by itself, lead to convergence of perspectives and uniform positions among patent judges in Europe. The judges nevertheless identified sites of specific divergences and interpreted these divergences as a pressure toward future normative alignments.

In sum, the VF became a “conclave,” as some participants called it, dedicated to this complex activity of aligning conventions and social networks in the joint regulation and institutionalisation of a new transnational judicial institution. During this event, lawyers and judges got to know each other, participated in conferences, sat in mock trials, assessed the extent to which they did or did not agree on their substantive interpretation of European patent rules, dreamed up the future institution, and drafted a number of compromises. They began to define the case law and main lines of litigation in relation to patents, for themselves but also for future first-instance national courts. As future judges of the UPC, they thought of themselves as the most expert judges in patent law in Europe, with legitimacy that would give them an important influence on patent professionals on the continent. Their decisions would be analysed by all the professionals who would try to adapt, and even by national courts looking for inspiration. An important mechanism for reaching agreements was the building of relational infrastructures, among which the endogenous identification of super-central members who play the role of ex-ante normative leaders and future harmonisers by managing the normative anticipations of their peers, then freezing these anticipations into alignments. This discrete core of ex-ante leaders is particularly important in transnational situations where governments cannot themselves agree on political compromises.

## ***6. Discussion and Conclusion – The Ebbs and Flow of Network Evolution in Institution Building***

By all accounts, the Venice Forum was a success for the EPLAW-EPO coalition. The collegial oligarchy that emerged from the Venice Forum in the first decade of the 21<sup>st</sup> century evolved from an informal network of technocrats, lawyers and judges into a formal enterprise of UPC institutional building as they were selected to join multiple expert teams<sup>39</sup> of the UPC Preparatory Committee

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39 Drafting Committee, Advisory Panel, Expert Panel, Advisory Committee.

(UPC PC). When political and legal crisis arose—Brexit, Spanish legal challenge before the CJEU, German complaint before the Karlsruhe Court—in addition to the Venice Forum, the EPLAW-EPO-UPC-PC leadership began organising convergence events to keep corporate, legal, and governmental actors in the know and manage uncertainties.<sup>40</sup> The core of the collegial oligarchy of judges was part of this network. More recently, on February 22, 2022, the UPC Administrative Committee appointed its Advisory Committee whose main task was the selection of the UPC judges.<sup>41</sup> A former EPLAW president was named president of that committee. Does it mean that the VF judges will monopolise the first generation of empaneled UPC judges' seats? Not necessarily. The temporality of the UPC institutionalisation process over two generations is such that by the time the bottom up collegial oligarchy of ex-ante leaders was ready to be enthroned as the substantive regulator, *i.e.* as members of Court of Appeal crafting a jurisprudence, exogenous events (such as the Brexit and Karlsruhe challenges) slowed down the process. The judges who were previously ready to start had to wait and, with the passing of the years, many retired. Sociological knowledge of succession and replacements in the labor market<sup>42</sup> suggest that successors will have relational characteristics relatively similar to the persons exiting the system, which stabilises the institutionalisation process. Creating the right multilevel combinations of bureaucracy and collegiality can take several generations and be quite fragile and unpredictable at any point in time. But in the long run, it can reach the final organisational ratchet effect that any institutionalisation process needs. As much as it may sound trivial to reassert this, governing by relationships and relational infrastructures is both a technically legal and managerial issue as it is a social and political one.

Witnessing legal practitioners and national sitting judges securing such prominent seats at the UPC table prompted critic Ingve Bjorn Stjerna to declare that “there have probably rarely been legislative proceedings of such technocrat-

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40 Between 2013 and 2018, EPO and Premier Circle—an event planner group—organised the Annual Conference Unitary Patent & Unified Patent Court. Since 2018, members of the collegial oligarchy act as UPC instructors at the Center for International Intellectual Property Studies (CEIPI) Annual Diploma on Patent Litigation in Europe. In addition, we found around half a dozen convergence events between 2009 and 2022 that these key actors attended as keynote speakers (Lazega n 3).

41 Mathieu Klos, 'Advisory Committee for selecting UPC judges now complete' (2022) Juve Patent Website. Retrieved on April 14, 2022: <https://www.juve-patent.com/news-and-stories/people-and-business/advisory-committee-for-selecting-upc-judges-now-complete/>.

42 Harrison C. White, *Chains of Opportunity: System Models of Mobility in Organization* (Harvard University Press 1970).



ic nature as those on the European ‘patent package’<sup>43</sup>. Without ‘conspiracy’, organised and superposed levels of collective action neutralise public debate of democratic institutionalisation mechanisms based on electoral politics by promoting small networks of institutional entrepreneurs using boundary work, personalised social relationships and social alignments in lobbying to impose selective and narrow choices of weak culture<sup>44</sup>, thus framing normative judgments epistemically.<sup>45</sup> In turn, this weak culture is taken for granted and gives individuals the opportunity to develop pragmatic decision making that, under specific conditions, is equivalent to procedural norms bringing joint regulation of markets closer to institutional capture. This institutional capture has often been defined as “the efforts of firms to shape the laws, policies, and regulation of the State to their own advantage by providing illicit private gains to public officials.”<sup>46</sup> We suggest that this definition is too quickly focused on individuals. The definition of the process of institutional capture should be broadened to involve collective mechanisms and corporatist efforts to design or redesign institutions themselves, to frame issues and set premises for decision making in rule enforcement and to obtain systematic collective gains for interest groups in these institutions. These elements add to the capacity of collective actors to gather invisible advantages. A court can thus be captured inasmuch as interest groups are successful in using their influence to drive such collective mechanisms and benefit systematically from its decisions.

For business, building a specialised and separate court and ensuring that this multilevel collegial oligarchy of judicial entrepreneurs creates these common

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43 Invgе Bjorn Stjerna, ‘the European Patent Reform – The “expert teams of the Preparatory Committee”’ (2016) [www.stjerna.de](http://www.stjerna.de).

44 Jennifer Schultz and Ronald L Breiger, ‘The Strength of Weak Culture’ (2010) 38 *Poetics* 610.

45 Dan L Burk, ‘On the Sociology of Patenting’ (2016) 101 *Minn. L. Rev.* 421; Benjamin Coriat, *Le Retour Des Communs: La Crise de l’idéologie Propriétaire* (Editions Les liens qui libèrent 2015); Séverine Dusollier, ‘Pruning the European Intellectual Property Tree: In Search of Common Principles and Roots’ [2013]; C. Geiger, *Constructing European Intellectual Property—Achievements and New Perspectives*. Cheltenham: Edward Edgar Publishing; Alfredo Iardi, *The New European Patent* (Bloomsbury Publishing 2015); Eda Kranakis, ‘Patents and Power: European Patent-System Integration in the Context of Globalisation’ (2007) 48 *Technology and Culture* 689; Fabienne Orsi and Benjamin Coriat, ‘The New Role and Status of Intellectual Property Rights in Contemporary Capitalism’ (2006) 10 *Competition & Change* 162; Michel Vivant, ‘Building a Common Culture of IP?’, *IIC-International Review of Intellectual Property and Competition Law*, 2016, vol. 47, no 3, p. 259-261.

46 Joel S Hellman, Geraint Jones and Daniel Kaufmann, ‘Far from Home: Do Foreign Investors Import Higher Standards of Governance in Transition Economies?’ [2002] Available at SSRN 386900.

judgments is a way of building, framing, and ultimately capturing a public/private, transnational institution<sup>47</sup>. This process facilitates the creation of a self-contained normative space where challenges are reduced to “safe criticism” and exogenous control becomes very costly, perhaps next to impossible. The elitist nature of institution-building has long been an issue for observers of a European democratic deficit, given that formal European political institutions failed to reach a “European Compromise” in their definition of the European patent and patent regime, triggering the processes examined in the above empirical observations, but also creating a challenge for the principles of division of powers in European democracies. This leads to a new type of European institution that moves away from the Hague model requiring that a country entering the EU adopt all the institutions of the EU without any exception. This would no longer be the case with institutions such as the UPC – a hyper-specialised public/private institution that took forty years to build without a founding political charter. This institution, which is supposed to be financially self-supporting after seven years, would give Europe rules that have not been negotiated by governments and that are potentially in conflict with the judicial architecture controlled by the ECJ. To come back to the five steps identified above in the general pattern of European institutionalisation, this discretion, if not secrecy, in the networking between institutional entrepreneurs and in the negotiations of new norms, have largely characterised the construction of post-WWII Europe. The cost of these institutionalisation processes in terms of democratic deficit and legitimacy remains to be measured, especially if persons whose networks involve greater political disagreements are less likely to participate in politics because of cross-pressures.<sup>48</sup>

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47 Daniel Carpenter and David A Moss, *Preventing Regulatory Capture: Special Interest Influence and How to Limit It* (Cambridge University Press 2013).

48 Diana C Mutz, ‘The Consequences of Cross-Cutting Networks for Political Participation’ [2002] *American Journal of Political Science* 838.

# 4. EUROPEAN PATENT SYSTEM: FAILURES IN CONSTITUTIONAL DESIGN CRIPPLING ESSENTIAL SAFEGUARDS AGAINST ADVERSE ECONOMIC EFFECTS

*Dimitris Xenos*

## **1. Introduction**

The key constitutional issue surrounding the unitary patent system is the complete loss of national and the EU's sovereignty in the context of industrial property and hence, use of technology – that is unprecedented. This context concerns the entire range of technological sectors including those essential for state systems and actual economic activity of individuals, such as medicines, renewable energy, software, cybersecurity, and military defence. The complete loss of sovereignty means total lack of control or direct democratic influence on the obligations and monopolistic rights that unitary patent law will determine. More seriously, the loss of sovereignty means that there will be no national or EU institution that can protect EU-based businesses and citizens against predatory litigation and any undesirable development and consequences of the law that alien unitary institutions may impose on them.

The EU has procured Member States to adopt an international, unitary patent system causing a substantial loss of democratic control that is surrendered to alien bodies, the (new) Unified Patent Court (UPC) and the European Patent Office (EPO). Citizens and state-based businesses will be dragged into trials abroad in a foreign language and be subjected to restrictions and financial penalties in one of the most expensive litigating areas that exist – for the benefit mainly of few states, mostly from outside Europe.

In these terms, if the state lets its economic actors be subjected to forced trials in a foreign territory, and in a foreign language they do not understand,<sup>1</sup>

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\* I would like to thank Benjamin Henrion for useful information and comments on the previous draft. Thanks are due to Ellen 't Hoen and Professors Rochelle Dreyfuss, Caroline Ncube and Matthew Rimmer for bibliographical suggestions or clarifications, as well as to my colleagues, Fernand de Visscher and Luc Desaunettes.

1 For the language discrimination issue of the unitary patent system, see, UPCA Articles

a sense of statelessness will unavoidably grow inside them that will be overwhelming and intolerable – as the strict binding effect of law is inextricably linked to the indispensable democratic ability and opportunity of free men to influence the content of law and its applicable standards that confer obligations and rights on them. To be dragged into a (prohibitively expensive) foreign trial and be subjected to legal obligations, standards and punishment imposed by alien institutional bodies that we cannot influence, amounts to actual occupation that destroys not only the national state but also the self-realisation of the individual as a political being (within the meaning of the Aristotelian description of human being), the citizen (*politês*) who acts, lives and develops his/her personality in close relationship to the state (*polis*), which collectively emerges as both a sovereign body and cultural phenomenon – transgressing time.<sup>2</sup>

There are two main aspects that are looked at in this contribution. The first regards the problems surrounding the constitutional design of the unitary patent system and, in particular, the carefully advertised misconception of a new ‘EU’ system which has falsely relied on the known political-economic objective of ‘European integration’ (no much discussion, mostly this two-word slogan),<sup>3</sup> including pseudo-federalisation commentaries in the academic bubble.<sup>4</sup> The second aspect is economic due to the nature of the subject matter. This has rested on uniformed economic development promises that have included a communicative and legislative focus on SMEs but without the economic stud-

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49(1), (6), 50; UPC Rules of Procedure (as adopted by the Administrative Committee on 8 July 2022), Rule 13(1) in conjunction with Rule 14(2). See also the reply of the EU Commissioner to the relevant question raised by MEP Chountis, n 37, below.

- 2 See also the philosophical analysis of Catherine Colliot-Thélène, ‘What Europe does to citizenship’ in Damian Chalmers et al (eds) *The End of the Eurocrats’ Dream: Adjusting to European Diversity* (CUP, 2016), 128: ‘The modern political subject is a citizen who no longer is, or no longer considers himself to be, a subject (*subditus*), but who understands himself to be a rightful political actor’.
- 3 In commenting on the issue of using EU institutions to create institutional agreements placing themselves outside the EU, covering inter alia the unitary patent system, EU law professor Steven Peers heralded them as a ‘new form of EU law’ that ‘can actually bolster supranational integration’. Steve Peers, ‘Towards a New Form of EU Law?: The Use of EU Institutions outside the EU Legal Framework’ (2013) 9 *European Constitutional Law Review* 37–72, 39, 72.
- 4 There is a plethora of academic papers advocating or portraying European federalism, e.g., Katalin Gombos and Endre Orban, ‘The Hungarian and German constitutional courts refused the ratification of the agreement on a Unified Patent Court. What’s next?’ (2022) 17(1) *Journal of Intellectual Property Law & Practice* 35–44, who, from the very start (second sentence), place the UPC within an imaginative ‘cooperative federalism’, citing an old (pre-Euro crisis) book by Robert Schütze, *From Dual to Cooperative Federalism* (OUP, 2009).

ies to check and evaluate adverse negative consequences. A brief background information and clarification should be included at this introductory stage.

It should first be said that the unitary patent system has officially been sponsored by the European Commission that pushed two EU Regulations on the Unitary Patent in December 2012 with the express aim of creating a unitary (federal) effect for patents, regulated and delivered by an international organisation, the EPO that will be dealt with and enforced by a new international court, the UPC, whose creation was pushed at the same time under the Council's coordination.<sup>5</sup> There is no institutional connection between the EU and the international patent office, the EPO and no institutional connection with the UPC, and no institutional connection between the EPO and the UPC. I have explained these serious institutional asymmetries and deficiencies in previous studies.<sup>6</sup> In this contribution, it should be clarified that the unitary patent system is largely not part of the EU or EU law. This is a point of great confusion, as the new system passed through various EU institutional mechanisms, at which point, the participation of certain Member States was prompted under a misguided belief for a 'EU' system, even during their domestic institutional debates for ratification purposes. As there are now two authoritative decisions in national constitutional courts, a legal comparison will show how the unitary patent system has been interpreted or exploited at the highest national judicial fora. A relevant section below deals with these constitutional issues and reasonably expands to evaluate national democratic reflexes, as observed in the relevant period.

A relevant clarification at this introductory stage regards the deliberate effort of advertising the UPC system, an international system, as part of the EU or somehow closely connected to it. This point has also been dealt with in the national constitutional actions, discussed in the main body below, but some critical details should be pointed out here. Under its founding intergovernmental agreement, the UPC is required to refer questions to the CJEU for matters relevant to EU law, while including some limited aspects of patent law. But simply addressing a judicial question to the CJEU does not establish or guarantee in and by itself the democratic control of the patent system and it is known

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5 Regulation No 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJEU L361/1; Regulation (EU) 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361; Agreement on a Unified Patent Court, (Council of the EU, 11.01.2013, Doc. no. 16351/12.

6 See, e.g., Dimitris Xenos, 'Unconstitutional Supranational Arrangements for Patent Law: Leaving Out the Elected Legislators and the People's Participatory Rights' (2019) 28(2) Information & Communications Technology Law 131-160.

that the EU engages in various trade agreements with other states and similar safeguards exist (e.g. the EU's data protection law that has a much wider scope of application). Importantly, the referral mechanism of legal questions involving an alien court, the UPC, is largely treated as a formality, rather than a matter of substance. When a national judge refers a question to the CJEU under Article 267, TFEU, the matter usually involves a holistic reflection of national law and policies, including relevant parliamentary debates and reports that relate to a real living experience and appreciation of things at the domestic level. In contrast, the indifferent and unconcerned foreign, technical judges of the UPC may not make such questions or determine and define the underlying policies,<sup>7</sup> and it would be even more alarming if they could do so,<sup>8</sup> as, unlike national courts, UPC judges are not subjected to any kind of control or institutional interoperability (e.g. legislative amendments rejecting judicial interpretations).

What is more, there is no much EU patent law to which a referral question can ever relate.<sup>9</sup> It only exists for some peripheral issues, such as the supplementary protection certificates for pharmaceutical products and some basic bioethics.<sup>10</sup> Even in these limited instances, the practical issue of infringement and exceptions are not dealt with by the CJEU. As the UPC was created in order to deal with the EPO patent and its new unitary effect and that patent is essen-

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7 Dieter Grimm, 'Europe's legitimacy problem and the courts' in Damian Chalmers et al (eds) *The End of the Eurocrats' Dream* (CUP, 2016), 241-265, 258: 'The legal and social context keeps courts in touch with the society for which they administer justice. ... The more international a court is, the weaker the contextual constraints.' See, also, Aida Torres Pérez, *Conflicts of Rights in the European Union: A Theory of Supranational Adjudication* (OUP 2009), part III: Judicial Dialogue.

8 Cf. Clement Salung Petersen and Jens Schovsbo, 'Decision-making in the Unified Patent Court: Ensuring a balanced approach' in Christophe Geiger et al (eds), *Intellectual Property and the Judiciary* (Edward Edgar, 2018), 231-254. The authors put forward a naïve suggestion (to the point of being dangerous) that the UPC judges should develop 'patent law policies on the basis of democratic principles' that expand to 'competition law, fundamental rights and ethics'. Apart from the obvious that such competences are nowhere to be found in the UPCA, the authors do not seem to understand that the UPC is set to operate largely outside democratic control. How, then, is it ever possible for an alien body to develop policies when it is not accountable? Their additional suggestion for an *amici curiae* mechanism would make the participant academic opinion complicit in this undemocratic regime.

9 *Ibid*, 'most matters of substantive patent law are ... outside of the (direct) involvement of the CJEU'.

10 Directive 98/44/EC on the legal protection of biotechnological inventions, OJ L 213, 30.7.1998, p. 13-21, it excludes *inter alia* patentability of inventions requiring destruction of human embryos/cells. Of course, the final product can still be marketed without disclosing its method but does not get a patent.

tially subject to the non-EU, international treaty, the European Patent Convention, the occasional and rather peripheral or incidental relevance of EU law is of an extremely limited consequence.

In the remote instance where EU law may be relevant, and the UPC may (or may not) decide to refer a question to the CJEU, the CJEU's decision will only have an ad hoc, isolated application, as the EPO is not institutionally connected to the UPC so as to be obliged to follow its judicial direction. The rules of examination of the EPC recognise the CJEU judgments on bioethics (only) as being merely persuasive but not binding.<sup>11</sup> There may have been rare instances in the pre-Brexit period (things now are different) where the EPO may somehow have accepted (temporarily) a CJEU standard, but this has come after a long political marathon of diplomatic pressure by many institutions and states for quite a significant length of time.<sup>12</sup> These remote and minor issues are readily placed in the foreground of various communicative narratives and convenient academic commentary to frame the debate within a narrow scope, portraying the unitary patent as being somehow part of the EU. In that way, undue and unfounded pressure has been exercised on Member States, for ratification and compliance.

Turning to the second aspect of the examination about adverse economic effects of the unitary patent system, the relevant section in the main body that deals with national responses and reactions expands beyond constitutional law actions to also cover the findings of the most known impact assessment studies on certain national economies. In most cases, the negative picture shown by a national economic study has stopped any attempt for national ratification of the UPC, while constitutional problems have also been highlighted as an essential issue that has additionally to be examined thoroughly. On one occasion, the negative picture portrayed in the national economic study has led to

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11 EPO Guidelines for Examination (March 2022), Part G, II-35 '5.2 Patentable biotechnological inventions' relating to EPC Rules 26 and 29.

12 This is less likely to be repeated, as the UK is no longer member of the EU. As for the diplomatic marathon to influence the EPO, if, and when, the matter of some basic bioethics may be of interest to the Commission, see, Council conclusions on the Commission Notice on certain Articles of Directive 98/44/EC (2017/C 65/02) OJ C65/2 (01.03.2017), available at: [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52017XG0301\(01\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52017XG0301(01)&from=EN); 'EPO's Approach to the Patentability of Plant-Related Inventions' Cooley LLP Alert Blog (19.03. 2019), available at: <https://www.cooley.com/news/insight/2019/2019-03-19-epo-approach-to-patentability-of-plant-related-inventions>. These long delays for a rather remote possibility to influence the EPO in relation to EU bioethics exist in no patent system in the world, in view of the fast-changing landscape of technology, the high stakes in litigation pressures, the evaluation of companies' business assets, etc.

the political decision to bring the matter before the Constitutional Court of the state. A decision at that judicial level can seal the non-ratification of the UPC and bind new governments in the future, a relevant consideration as public scrutiny usually weakens with the passage of time.

## ***2. Manipulating the Treaties to serve corporate interests***

Starting with the constitutional examination of the issue at EU level, a close look needs to be taken at the pre-defined agenda that masterminded an external, non-EU, patent system in Europe, and who pushed it.

The legal base of the unitary patent system (i.e. the partnership of two international organisations, EPO-UPC) as seen in the official texts and numerous academic publications, is given with reference to Article 118, TFEU.<sup>13</sup> Article 118 which has introduced (codified mostly) the shared competence of the EU in the domain of IP, reads as follows:

In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.

The Council, acting in accordance with a special legislative procedure, shall by means of regulations establish language arrangements for the European intellectual property rights. The Council shall act unanimously after consulting the European Parliament.

A literal reading can easily confirm that Article 118 does not suggest or allow any connection to any international body or the creation of a judicial body (let alone an international one) in the area of IP rights. It provides only for the creation of ‘European intellectual property rights’ with the term ‘European’ meaning EU law rights (as per the whole text of the Treaty) and their arrangements. These arrangements portray the function of the ‘Union-wide’ agency, the EUIPO or a new EU-agency on industrial property, for the purpose of ‘authorisation, coordination and supervision.’ To suggest a different interpretation (i.e.

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<sup>13</sup> See, e.g., Regulation No 1257/2012, n 5, opening statement and recitals 2 and 23; Bundesverfassungsgericht (German Constitutional Court) BVerfG.32 Judgment (13.02.2020), para. 146: ‘the Agreement [UPCA] is very closely enmeshed with secondary law enacted on the basis of Art. 118 TFEU.’, available at: [https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2020/02/rs20200213\\_2b-vr073917en.html](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2020/02/rs20200213_2b-vr073917en.html).



for the external, international system of the EPO-UPC partnership), means that the representatives of the people across all national states, members of the EU, who were called to examine the TFEU's new Articles for debate and ratification purposes, were misled into approving an unprecedented institutional change which had not clearly and expressly been stated. That there might have been some background documents in the vaults of the Commission's archives, from previous years, previous political elections, previous generations, written in German or French or English language only<sup>14</sup> mentioning some plan, cannot possibly count for Treaty extensions, amendments and their scrutiny and ratifications by national parliaments. Democratic power in the event of Treaty amendments and ratifications lies exclusively with the people of the national state who are represented in their parliament of the day, and not that of previous years or generations and, certainly, with no concern of the Commission's back catalogue of documents and plans that have no say in the national parliamentary debate and democratic process. Indeed, the more substantial the institutional change and loss of national sovereignty is, considering also the economic significance of patents, the more express, detailed and clearer Treaty provisions must be. The same principle reasonably applies to their judicial interpretation and use.

In an open lecture at the University College London some years ago, the American Professor Lawrence Lessig talked about institutional corruption and suggested that the best method to detect it is to follow the money, that is to search who benefits most. A simple evaluation of the patent system in Europe based on objective evidence points to an exclusivity system that is mainly dominated by large companies and corporations<sup>15</sup> mostly from US, Japan, China, Germany and South Korea.<sup>16</sup> The main agenda that these five, most

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14 Regulation No 1 determining the languages to be used by the European Economic Community OJ 17, 6.10.1958, esp. Article 1 of Regulation No. 1. See, also, Dimitris Xenos, 'Language Discrimination in the European Union' (2014) 3 *Gazzetta Amministrativa della Repubblica Italiana* 44-59, available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2567811](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2567811).

15 In a previous study, I have shown that the large companies and corporations are the main beneficiaries of the technological exclusivity of patents in Europe, while SMEs' patenting activity is firmly below 10%, Dimitris Xenos, 'The impact of the European patent system on SMEs and national states' (2020) 36(1) *Prometheus* 51-68, section 'SME share in European patents'.

16 With reference to EPO patent statistics of 2012 and the latest ones (showing the year before, i.e., 2021), the patent activity landscape in Europe has long been swept by just five countries, that is US, Japan, Germany, South Korea and China. This Club 5 accounts for 2/3 of the total number of patents granted by the EPO, reflecting an impressively dominating share of 66.17% in 2021 (similar to their 66.15% in 2012). In any given year,

technologically advanced countries uninhibitedly pursue, is to penetrate each other's markets on the basis of reciprocity, i.e. I get to your market, you get to mine. Such a mutual access to their respective national markets seems to have required such a larger market for Germany that they could secure by pushing the unitary patent to the other EU Member States, thereby enlarging the relatively smaller market (viewed from US and Chinese perspective) of Germany to the size of all Member States of the EU, as initially planned. And, the patent system is just one of the deals of their much wider expansionist agenda that has been revealed by a simultaneous push of the notorious ACTA (Anti-Counterfeiting Trade Agreement), UPCA (UPC Agreement), and TTIP (Trans-Pacific Partnership), all ending up being procured by the EU at the expense of the great majority of the national states in Europe.<sup>17</sup>

In representing a group of known mega corporations, the Intellectual Property Owners Association, abbreviated as IPO (instead of IPOA),<sup>18</sup> their president, Mr Douglas K. Norman (from Eli Lilly and Co.) informed the EU organs<sup>19</sup> on 7 October 2010 that their members, were concerned about the 'continued

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US and Japan acquire together 40% of all European patents, compared to the percentage for EU27 (excluding UK) that has fallen from 41.94% in 2012 when the unitary patent EU Regulations were introduced to just 36.44% in 2021.

17 The TTIP collapsed within few days since the previous US president took his office. Imagine a situation when an international trade agreement involved high risks for the US what it would do to small-size European national states of which the EU mostly consists. See, also, Geoff Dyer et al, 'Obama and Merkel unite over trade deal' *Financial Times* (24.04.2016); Shawn Donnan, 'Trump's top trade adviser accuses Germany of currency exploitation' *Financial Times* (31.01.2017); 'Mr Trump called the EU a vehicle for Germany'; Reuters press release: 'Germany calls for new talks on transatlantic trade deal' (20.03.2022); For relevant studies on the estimated negative effects of such agreements and civil society reactions, see, e.g. Ferdi De Ville, Gabriel Siles-Brügge, *TTIP: The Truth about the Transatlantic Trade and Investment Partnership* (Polity, 2015); Pedro Roffe and Xavier Seuba (eds), *The ACTA and the Plurilateral Enforcement Agenda: Genesis and Aftermath* (CUP, 2014); James Losey, 'The Anti-Counterfeiting Trade Agreement and European Civil Society: A Case Study on Networked Advocacy' (2014) 4 *Journal of Information Policy* 205–227.

18 Cf. IPO is a known term for intellectual property office, such as the UK's IPO, EUIPO, etc.

19 One of key recipients of this letter was Ms. Margot Fröhlinger, the then Commission's IP director. For her role, see Benjamin Henrion, 'Manipulation and Recycling of the Unified Patent Court (UPC)'s Impact Assessment' FFII (30.10.2021), available at: <https://ffii.org/manipulation-and-recycling-of-the-unified-patent-court-upcs-impact-assessment/>; Park Ga-young "Europe's unitary patent system will bring benefits to Korean firms" *The Korea Herald* (07.04.2017), available at: <http://www.koreaherald.com/view.php?ud=20170407000524> (the article's title is a quotation from Fröhlinger's statements).

high cost of acquiring patents in the EU'.<sup>20</sup> They went as far as to explain how exactly the EU Treaties should be interpreted to achieve their preferred institutional design that suited their expansion plans. A key passage of their legal suggestions reads as follows:

Article 118 TFEU requires establishing centralized EU-wide authorization, coordination and supervision arrangements. It may appear necessary, in a system based on Article 118 TFEU, to replace the EPC with an EU patent grant system applicable only to the 27 EU Member States, which is less preferable than the current EPC that also covers 11 European states that are not EU Member States. Article 114 TFEU does not require a replacement of the EPC by a system that only applies to the EU.<sup>21</sup>

In various parts of the corporations' letter, it was stressed and suggested that the EU legislators must avoid Article 118, TFEU as the legal basis for the creation of the unitary patent system and find another way to convince member states and push the new system outside the EU, by using Article 114 instead. It was unthinkable even for the top lawyers of the most powerful corporations in the world who provided the legal advice for their association's letter to see any other scope for the application of Article 118 than for a new EU Patent Convention and a new EU Patent Office, as it is clearly highlighted in the quoted passage above. For these corporations, an EU-agency would be undesirable as an EU-based patent system would cover a more reduced territory than the existing EPC (European Patent Convention).

To comply with their directions, while having a clear difficulty in bypassing the *lex specialis* (i.e. Article 118), the Commission just planted an international patent office, the EPO, in this Treaty provision. However, Member States had accepted Article 118 only because its express wording refers solely to a 'centralised Union-wide' arrangement for EU IP rights in the performance of relevant administrative functions, i.e. 'authorisation, coordination and supervision'.

Admittedly, an EU-based system would seem more difficult to be subjected to regulatory capture and external lobbying influence because of the direct institutional interoperability with the EU's legislative and administrative institutions and the corresponding national oversight. Also, looked at from a broader perspective, it is widely observed that new social-political debates have emerged around technological dominance and the patent system. These debates are linked to critical challenges that humanity faces in environmental

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20 Intellectual Property Owners Association's letter of 7 October 2010 to EU organs, available at: <https://ipo.org/wp-content/uploads/2013/03/EPCLetteronEUPatent.pdf>, at p.1.

21 Ibid, p.2.

protection,<sup>22</sup> access to renewable energy, access to medicines<sup>23</sup> and security (including cybersecurity), while certain sectors, such as computer programs (i.e. software), attract additional attention due to their indispensability across many other sectors.<sup>24</sup> These global concerns have generated an ever-growing multitude of global debates and social movements bringing patents to mainstream public fora, civil society groups and academic research that advocate reforms of the patent system.<sup>25</sup> It can reasonably be argued that an efficient way to keep things under the control of existing market players and big corporations (till the end of history) and bypass the long-awaited reforms, is to high-jack the institutional democratic framework that could challenge their dominance.<sup>26</sup> And here comes the unitary patent system.

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- 22 Matthew Rimmer, *Intellectual property and climate change: inventing clean technologies* (Edward Elgar, 2011); Estelle Derclaye, 'Should Patent Law Help Cool the Planet? An Inquiry from the Point of View of Environmental Law: Part 2' (2009) 31(5) *European Intellectual Property Review* 227-235; Carlos Correa, 'Innovation and Technology Transfer of Environmentally Sound Technologies: The Need to Engage in a Substantive Debate' (2013) 22(1) *Review of European, Comparative and International Environmental Law* 54-61.
- 23 Carlos Correa and Germain Velasquez (eds), *Innovation pharmaceutique et santé publique* (L' Harmattan, 2010); Arne Ruckert et al, 'Policy coherence, health and the sustainable development goals: a health impact assessment of the Trans-Pacific Partnership' (2017) 27(1) *Critical Public Health* 86-96; Ellen 't Hoen, *Private Patents and Public Health* (Health Action International, 2016); Lawrence Gostin et al, 'The legal determinants of health: Harnessing the power of law for global health and sustainable development.' (04.05.2019) *The Lancet Commissions* 393(10183), 1857–1910.
- 24 Gary Becker, 'On reforming the patent system' *Becker-Posner Blog* (21. 07. 2013), available at: <https://www.becker-posner-blog.com/2013/07/on-reforming-the-patent-system-becker.html>; James Bessen, *The New Goliaths: How Corporations Use Software to Dominate Industries, Kill Innovation, and Undermine Regulation* (Yale UP, 2022).
- 25 Keith Maskus and Jerome Reichman, *International Public Goods and Transfer of Technology under a Globalized Intellectual Property Regime* (CUP, 2005); Thomas Pogge, 'Human rights and global health: a research program' (2005) 36(1/2) *Metaphilosophy* 182–209; Rochelle Dreyfuss, 'The Role of India, China, Brazil and Other Emerging Economies in Establishing Access Norms for Intellectual Property and Intellectual Property Lawmaking' IILJ Working Paper 2009/5, available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1442785](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1442785); Jessica Silbey, *Intellectual Property and Fundamental Values in the Internet Age* (Stanford UP, 2022).
- 26 Peter Drahos, 'Patents, practical ethics and scientists' (2011) 29(3) *Prometheus* 345-352: 'Patent monopolies in the hands of multinationals create incentives to extend those monopolies, to change the rules of the patent system to entrench their advantages and obtain more rents.'; Peter Drahos et al, 'Pharmaceuticals, intellectual property and free trade: the case of the US–Australia free trade agreement' (2004) 22(3) *Prometheus* 243-257: 'during Australia's free trade negotiations with the US in 2004, it was made clear by the US pharmaceutical industry that it wanted the Australian government to

### 3. *Democratic and Constitutional Resistance at national level*

In such a twisted institutional reality, the EU organs used EU federal law on the frontline (i.e. the EU Regulations on unitary patent), the same institutional buildings and the same process of Commission-sponsored, impact assessment studies, while overplaying the remote and minimal referrals to CJEU to give an impression that the unitary patent system is somehow part of the EU,<sup>27</sup> and hence, it requires compliance. False facts and impressions and official disinformation have so far undermined an effective democratic scrutiny of the unitary patent system. As the matter of complete surrender of state powers is serious, it pays to see also how certain states managed to react and see things without blinkers.

This section covers some judicial decisions that constitutional courts have taken when the ratification of the unitary patent system reached the national level. Although this can be a usual academic approach, it is not, however, a normal starting point for a democratic state. The democratic debate certainly does not start with constitutional actions and, when such actions are pursued first, it is usually a sign that societal and democratic reflexes are rather weak. If serious issues are not intensively debated and closely scrutinised, the consequences will not merely be perceived around possible market failures but around state failures, and states do fail with varying speeds of decline.<sup>28</sup> In this section, various national responses (both economic studies and judicial actions) are briefly discussed to show national democratic reflexes in various degrees of efficiency or hypnosis.

As policy and decision-making involves a prior impact assessment study, the Commission's study on the UPC is a reasonable point to start. In particular, the then-Director of the IP division of the Commission, Ms Margot Frohlinger,<sup>29</sup> handed over the task of the impact assessment study on the UPC to Prof Dietmar Harhoff. His report entitled 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System'<sup>30</sup> served as the Commis-

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make significant reforms to its pharmaceutical benefits scheme'.

27 Peers, n 3, who identifies the EPO patents with unitary effect as 'EU unitary patents', fn. 98.

28 M. Olson, *The Rise and Decline of Nations* (Yale University Press, 1982); Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Crown, 2011): 'Inequality in the modern world largely results from the uneven dissemination and adoption of technologies', p. 53.

29 See also n 19, above.

30 Tender MARKT/2008/06/D, Ludwig-Maximilians University, (26.02.2009). This study is no longer displayed on the EU's websites but is available on a US website: <https://cite-seerx.ist.psu.edu/viewdoc/download?doi=10.1.1.180.5997&rep=rep1&type=pdf>. See,

sion's official 'economic' impact assessment study, although it could hardly be characterised as such. It basically tells Europeans that they have a duplication litigation problem, which is an untrue statement even by using his own erroneous data.<sup>31</sup> In addition, a study that focused on such a peripheral matter is not a study, let alone an 'economic' one. What was needed was a thorough study and evaluation of the most known problems surrounding the economic and social costs of the patent system and its anticompetitive effects.<sup>32</sup> Thus, if the courts in Germany are not interested in these debates, should the courts in Greece not duplicate the patent trial if they, from their part, do care<sup>33</sup> – a consideration that is influenced by domestic, social and economic dynamics and global concerns (e.g. access to medicines, clean energy, etc.)?<sup>34</sup>

It is not only the Harhoff report but a great body of academic commentary from Max Planck Institute and other academics, in general, that have usually engaged in a comfortably neutral, legal discussion, as if the issue is merely technical, while for the wider issues they simply rely on the overused, trademark slogans of 'European integration' and 'internal market'.<sup>35</sup>

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also, the Max Planck Institute's website: [https://pure.mpg.de/pubman/faces/ViewItemOverviewPage.jsp?itemId=item\\_2034885](https://pure.mpg.de/pubman/faces/ViewItemOverviewPage.jsp?itemId=item_2034885); Prof Harhoff is a managing Director at Max Planck Institute for Innovation and Competition.

- 31 Dimitris Xenos, 'The European Unified Patent Court: Assessment and Implications of the Federalisation of the Patent System in Europe' (2013) 10(2) *SCRIPTed - Journal of Law, Technology & Society* 2013, 246-277, section 4.1.3, and relevant references therein.
- 32 Dean Baker, *Rigged: How Globalization and the Rules of the Modern Economy Were Structured to Make the Rich Richer* (Center for Economic and Policy Research, 2016); Xenos (2020), n 15.
- 33 There are often different views and approaches about how to adjust the patent system vis-à-vis various issues of global concern, see, recently, Julian Borger, 'US declares support for patent waiver on Covid-19 vaccines' *The Guardian* (05.05.2021); cf. Max Planck Institute's diametrically opposing view, e.g., Michaela Hutterer's interview with Reto Hilty, Director at Max Planck Institute for Innovation and Competition (15.03.2021), available at: <https://www.mpg.de/16579491/patent-protection-vaccines-covid-10-reto-hilty>; Reto Hilty et al, 'Covid-19 and the Role of Intellectual Property Position Statement of the Max Planck Institute for Innovation and Competition' (07.05.2021), available at: [www.ip.mpg.de/fileadmin/ipmpg/content/stellungnahmen/2021\\_05\\_25\\_Position\\_statement\\_Covid\\_IP\\_waiver.pdf](http://www.ip.mpg.de/fileadmin/ipmpg/content/stellungnahmen/2021_05_25_Position_statement_Covid_IP_waiver.pdf).
- 34 Miranda Forsyth, 'Making Room for Magic in Intellectual Property Policy' in Peter Drahos et al. (eds.) *Kritika: Essays on Intellectual Property, vol. 1* (Edward Elgar, 2015) 84-113. See more bibliography in notes 22-25 above.
- 35 Xenos (2013), n 31, pp. 259-264, 270-271; and in this section below, in the part covering the German Constitutional Courts' decision.

It is against this background within which the European mind is constantly framed that national democratic and constitutional reflexes are looked at below.

*A. Poland, Hungary and Czechia (the Deloitte and PwC reports)*

In the EU's legislative run-up to the unitary patent system, the most comprehensive national study on the unitary patent system was conducted by the accounting firm, Deloitte, as an economic impact assessment for Poland. I have summarised and explained its main findings elsewhere<sup>36</sup> and it can briefly be said here that the report showed a very substantial increase in patent imports, measured in hundreds of thousands of new patents flowing into the national space, as a result of the new, extended coverage of the EPO patents with unitary effect. The estimated loss was calculated in many billions of Euros, as a net transfer of wealth from Poland to other more technologically advanced countries. This was mainly considered in relation to the actual losses and resulting negative effects on SMEs, that is the main economic actors on which the Polish economy and state depends. Being one of the few countries, or the only one, having its own comprehensive study, Poland ditched the UPCA when other Member States rushed to sign without adequate preparation in February 2013. This was democratic scrutiny at its best, a solid, real impact assessment study that was much broader and far superior in its scope and thoroughness than the official 'economic' study of the European Commission, referred to above. The only disappointment was their lack of solidarity in keeping the Deloitte report largely unpublished and not sharing it or bringing it for debate in the European Parliament to counter the official Harhoff report that the European Commission was feeding MEPs and member states in the crucial pre-legislative period at EU level. It should also be pointed out that the Commission had been aware of the Polish study, in the relevant pre-legislative period, but chose to bury it.<sup>37</sup>

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36 Xenos (2013), n 31, section 4.2.2 (The Deloitte report for the Polish Economy) with relevant references therein. The updated URL from the online archive of Slovenia's IPO containing Deloitte's report is: <http://uil.arhiv-spletisc.gov.si/uploads/media/UPP-Analiza-PL.pdf> (opens with Microsoft Edge browser).

37 See, Answer by the then European Commissioner and Commission's Vice-President in charge of Internal Market and Services, Mr. Michel Barnier (21.02.2013): 'The Commission is aware of a recent study carried out in Poland but has not systematically reviewed impact assessments/studies in the different Member States.', available at: [https://www.europarl.europa.eu/doceo/document/E-7-2012-011245-ASW\\_EN.html?redirect](https://www.europarl.europa.eu/doceo/document/E-7-2012-011245-ASW_EN.html?redirect), in responding to a MPE's Question for written answer E-011245-12 to the Commission, Rule 117, Nikolaos Chountis (GUE/NGL) (10.12.2012), available at: <https://www>.

In Hungary, the Hungarian IPO (Szellemi Tulajdon Nemzeti Hivatala) commissioned PricewaterhouseCoopers to undertake an impact assessment study on the unitary patent system in 2014. Their 113-page study found mainly negative economic effects showing a tenfold increase in the number of patent lawsuits, due the extended territorial coverage of the unitary EPO patent, which were estimated to be mostly adverse to Hungarian companies, in circumstances where UPC litigation was highlighted as prohibitively expensive.<sup>38</sup> This finding is of wider application that has also been stressed as a serious negative consequence of the unitary patent system in various European official studies and legal commentary.<sup>39</sup> In addition, the study for Hungary raised serious concerns about constitutional implications prompting the then-Minister of Justice (a former law academic, and now MEP since 2019) to refer the matter to the Constitutional Court (see discussion of the court's judgment below).

In Czechia, a similar approach was taken at a later stage, as with Hungary, as both countries had already signed the UPCA in Brussels in February 2013. In considering a national ratification of the UPC, the national Industrial Property Office in co-operation with the Ministry of Industry and Trade commissioned an impact assessment study from PricewaterhouseCoopers that showed higher costs, significant losses for SMEs and serious constitutional problems that would require an additional legal study. Based on this report, the ratification of the UPCA closed for the foreseeable future.<sup>40</sup> The human rights dimension

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[europarl.europa.eu/doceo/document/E-7-2012-011245\\_EN.html](http://europarl.europa.eu/doceo/document/E-7-2012-011245_EN.html).

- 38 György Pintz, 'Váratlan fordulat az egységes EU szabadalom kapcsán' (02.07.2018), with references therein, available at: <https://www.jogiforum.hu/blog-ip-it-vedjegy-domain-internet-jogi-blog-2/2018/07/02/varatlan-fordulat-az-egyseges-eu-szabadalom-kapcsan/>.
- 39 For the general discussion on the increased cost of litigation, see also the contribution of François Wéry in this book. It should be noted that the European Commission admitted *ex post* that under the new unitary patent system, the cost of 'patent litigation is significant, hits SMEs disproportionately hard and acts as a serious deterrent for SMEs to engage in patenting in the first place.', in 'A Single Market Strategy for Europe – Analysis and Evidence', Staff Working Document (SWD/2015/0202 final) (28.10.2015), p. 71, available at: <https://eur-lex.europa.eu/legal-content/PL/ALL/?uri=CELEX:52015SC0202>. This should be evaluated against the background that patent litigation is also used as a predatory strategy to exhaust competitors, see, e.g., the Commission's Executive Summary of the Pharmaceutical Sector Inquiry Report', COM (2009) 351 final, available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2009:0351:FIN:EN:PDF>, at 3.2.2: 'In certain instances originator companies [i.e. patentees] may consider litigation not so much on its merits, but rather as a signal to deter generic entrants.'
- 40 PricewaterhouseCoopers's Impact Study on the Introduction of the Patent Package on the Czech Republic (25.09.2017), available in the Czech language at: <https://www>.



is also relevant. This has been pointed out by Karel Sindelka in relation to the findings of PwC's report for Czechia, '[t]he creation of financial barriers for an effective defence is seen by many in our country as a violation of the constitutional right of a fair trial and a denial of [the] right of access to justice.'<sup>41</sup>

### *B. Spain*

The country that stayed out of harm's way from the very beginning was and still is Spain and its democratic reflexes have remained on alert even during the Euro crisis when they were under considerable political-economic pressure to secure bail out agreements with their creditors. The Spanish government did try to fight the unitary patent EU Regulations through an action before the CJEU.<sup>42</sup> As it may be known, this action was highjacked by the intervention of an academic/lawyer, whose article disclosed the confidential submissions of the Spanish government and responded to them with suggestions.<sup>43</sup> This article was subsequently used by the Research Department of the CJEU as the only bibliographical material that accompanied the case in the CJEU's portal (it was subsequently removed following complaints).<sup>44</sup>

The fact that Spain chose a constitutional action to fight against the unitary patent system should first be seen as a desperate act showing the practical inability or despair of Member States to pursue a most serious matter as a normal political debate within the EU institutions. That Europe would be run by judges to move things forward and fast is a common theme in academic

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patzastupci.cz/create\_file.php?id=117; For a summary, see Industrial Property Office of the Czech Republic, 'Annual Report 2017', p. 23, available at: <https://docplayer.cz/105656527-Vyrocní-zpráva-annual-report-2017.html>. See, also, the interview with the Czech IP expert, Karel Sindelka for Kluwer Patent Blog (13.09.2019), available at: <http://patentblog.kluweriplaw.com/2019/09/13/legal-and-financial-concerns-czech-republic-will-not-ratify-upca-any-time-soon/>.

41 Sindelka, *ibid*.

42 C-146/13 *Spain v Parliament and Council* (ECLI:EU:C:2015:298). See, also, Aurora Plomer, 'A Unitary Patent for a (Dis)United Europe: The Long Shadow of History' (2015) 46 IIC 508–533.

43 Winfried Tilmann, 'Spain's Action against the EU Patent Package: Arguments and Counter-Arguments in Case C-146/13', *European Intellectual Property Review*, 2014, 36(1), 4-8. This article has been removed from the periodical's online database.

44 Dimitris Xenos, 'Unitary patent and the pending Spanish cases (C-146/13; C-147/13): An open letter to the judges of the European Union' Working Paper (27.04.2015), see, text corresponding to footnotes 18-23, available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2599897](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2599897).

research and a known judicial conspiracy.<sup>45</sup> For policy and legislative debate, whom to contact and how? To raise a question during a session of the European Parliament that will be answered by the Commission after many months, by which time the momentum and focus is already lost? Even when a reply is given, it does not mean much, as the European Parliament has no power to initiate any legislative reform or command any action.

### C. Constitutional challenges

From those countries where UPC ratification had to be decided by involving the constitutional courts, the cases of Hungary and Germany can be used. The German judicial decision will be dealt with first, as it is only used here as a comparison vis-à-vis the far more important judgement of the Hungarian court.

#### 1. German Constitutional Court

The constitutional challenge<sup>46</sup> against the ratification of the UPC Agreement in Germany was mainly treated by the German judges as an issue for a reinforced parliamentary majority voting, rather than a simple majority that the government could secure in parliament, as it usually happens and did happen in the UK.<sup>47</sup> The considerable delay in examining the constitutional complaint

45 See, e.g., William Phelan, *Great Judgments of the European Court of Justice* (CUP, 2019) where the author provides a celebrated account of some judges' activism focusing on Judge Robert Lecourt, who was a former French politician with a masterplan to manage or control Germany's decisions and policies. Although there are some insights in Lecourt's book, *L'Europe des juges* (E. Bruylant, 1976), his personal archive and memoirs were not saved as he ordered their destruction. It should be noted that the plan of this French politician-turned judge "for the "submission" of "all people" to a "supranational authority, which is to say a limitation of sovereignty for each state", predated WWII, at p. 240, with references therein. Cf. Grimm, n 7, p. 252: 'On the one hand, [judicial] stealth was a precondition of successful integration in the past ... But the same stealth is responsible for the low acceptance of the European project now.'

46 It was initiated by the activist, patent attorney, Dr. Ingve Björn Stjerna, who published relevant information on his website, see, 'First constitutional complaint against UPCA ratification in Germany (Published on 14/06/2017, latest update on 01/02/2022)', available at: <https://www.stjerna.de/cc/?lang=en>. Stjerna's subsequent demonization by the German establishment was expected, as the unitary patent is a German project, see, e.g., Mathieu Klos, 'Lone warrior: who is Ingve Stjerna?' JUVE Patent (06.04.2018, updated on 09.03.2020), available at: <https://www.juve-patent.com/news-and-stories/people-and-business/lone-warrior-who-is-ingve-stjerna/>.

47 In the UK, approval for the UPC passed easily, since the UPC was deliberately buried in a long list of unrelated IP issues of the Intellectual Property Act 2014, as if it were a minor issue that would not require its own parliamentary attention and debate.

in Germany had been interpreted as a negotiation card in the Brexit arrangements,<sup>48</sup> and after a 3-year delay, the German Constitutional Court finally issued its decision calling the German MPs to form a greater majority because the matter involved something ‘equivalent to an amendment of the Treaties’.<sup>49</sup> As the unitary patent system had mostly been pushed by German actors to serve primarily the interests of German industrial corporations in the global political deals for mutual market expansion, the German legislators greenlighted it with an impressive 90% acceptance vote. The most interesting point is that the UPC Agreement was treated under the same buzz words of ‘European integration’ and as an institutional change that is largely part of the EU – that is, the same approach and description that is mostly pushed by German academia. If one had to rely only on the judgment of the German Constitutional Court, it would be impossible to dispel the carefully crafted impression of the EU organs that have long been promoting the unitary patent system as an EU project in pursuit of the known buzz words so as to force Member States’ compliance. In particular, the German judges characterised the UPCA as ‘supplementing or is otherwise closely tied to the EU’s integration agenda (Integrationsprogramm)’.<sup>50</sup>

It is worth noting that the German Constitutional Court saw that the non-use of Article 262, TFEU, which reasonably calls for the jurisdiction of the CJEU in IP matters, was ‘equivalent to an amendment of the Treaties’, despite the fact there is a special procedure for Treaty amendments under Article 48, TEU. In commenting on this judicial reasoning, Graf von Luckner maintained that circumventing the express Treaty provisions, such as those of Article 262, ‘is all the more true when other factors—such as the involvement of EU institutions or the interaction of the agreement with EU law—brings the project in greater proximity to EU policies.’<sup>51</sup> I have dealt with this misleading and remote connection of the unitary system to the EU on various occasions elsewhere and in this contribution, above.<sup>52</sup> In the end, the messenger is the message. It is not actually what is said but who says it. It is the European Commission, the German

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48 In denying such a political motive, the Constitutional Federal Justice Peter Huber characterised the argument as ‘bullshit’, in his interview with Managing IP editor, Patrick Wingrove (20.11.2019), available at: <https://www.managingip.com/article/2a5bsn5lrt-tfsw4mput4w/breaking-upc-case-to-be-decided-in-early-2020>.

49 BVerfG.32, n 13, para. 153.

50 Ibid, the phrase is repeated many times in the judgment, see, e.g., paras 2 and 3 of the opening headnotes, para. 118 of the judgment.

51 Johannes Graf von Luckner, ‘The End of Satellite Treaty Law as We Know It? The German Federal Constitutional Court, European Integration by International Law and Treaties “Supplementing or Being Otherwise Closely Tied to the EU” (2022) 23 German Law Journal (2022) 157–172, 165, references omitted.

52 See the last two pages of the introductory section above and, Xenos (2019), n 6.

Constitutional Court and most of their academia, all aligned to the same tune constantly advertising the unitary patent system as part of ‘EU policies’ and ‘EU institutions’. However, a closer look at the German commentator’s article reveals the Commission’s original masterplan, as ‘from the very beginning, a solution outside the EU legal system on the level of international law was propagated and expected by large parts of the patent law community.’<sup>53</sup> It is quite uncommon to see such contradictions within the same scholarly commentary. Thus, in one part, ‘the involvement of EU institutions’ is misleadingly stressed and, later on, within the same text, it is admitted that ‘a solution outside the EU legal system’ had been pushed from the start.

## 2. Hungarian Constitutional Court

The judgement of the Hungarian Constitutional Court (HCC) was actually the first constitutional decision on the matter, delivered before any other constitutional court. Whereas the German Constitutional Court mainly asked the German MPs, show us how much you want it, the HCC aimed at liberating the European mind and defending the country’s constitutional and democratic identity, as a free and independent state. Unlike the misleading statements of others, the Hungarian judicial decision makes categorically clear that the unitary patent system is an international system operating outside the EU and as such, it runs counter to European integration and EU’s autonomy, with both autonomy and integration being mutually inclusive as interdependent components. Unlike the German court’s portrayal of the UPC as part of the Integrationsprogramm (European integration programme), their Hungarian counterpart identifies this as a starting point in order to invalidate and dismiss it on the ground that ‘a distinction should be made...when the international agreement to be ratified aims to set up an institutional framework which is not part of the Union’s institutional structure ... [and] make decisions binding the member states’.<sup>54</sup> As the UPC is not part of the EU, the Hungarian court found that EU law did not impose any obligation on the government to ratify the UPC Agreement as a consequence of the binding effect of the EU treaties. This finding may be basic from a constitutional law point of view but has not been so for

53 Luckner, n 51, p. 159, citing Stéphanie Carre, ‘Art. 262’, in Hermann-Josef Blanke and Stelio Mangiameli (eds), *TFEU: A commentary* (forthcoming), para. 14.

54 Decision 9/2018. (VII. 9.) CC (DecCC) (26.06.2018), para. 32. The link to the English translation leads also to the original Hungarian decision containing the untranslated separate opinions, available at: [http://www.codices.coe.int/NXT/gateway.dll/CODICES/full/eur/hun/eng/hun-2018-2-003?f=templates\\$fn=document-frame-set.htm\\$q=%5Bbrank%3A%5Bsum%3A%5Bstem%3A9%2F2018%5D%5D%5D\\$x=server\\$3.0#LPHit2](http://www.codices.coe.int/NXT/gateway.dll/CODICES/full/eur/hun/eng/hun-2018-2-003?f=templates$fn=document-frame-set.htm$q=%5Bbrank%3A%5Bsum%3A%5Bstem%3A9%2F2018%5D%5D%5D$x=server$3.0#LPHit2).

the non-experts and politicians, hence the rush of Member States (Hungary included) in the initial period to sign the UPCA in February 2013.

A key highlight of the judgment is its treatment of Article 118 TFEU that the EU Commission used as the legal basis for the unitary patent system. As mentioned earlier, only a blind person would not see that this Article's provision does not allow any involvement of, or any connection to, international institutions, an obvious assessment that even the world's mega corporations had pointed out in their letter to EU organs, as discussed above. The same point was picked up in the HCC's judgment<sup>55</sup> to show lack of legal basis in the EU Treaties for non-EU, international institutions, be they administrative or judicial, as far as 'European Intellectual Property Rights' are concerned.

However, the main focus of the HCC was to clarify the values (as red lines) of the constitutional and democratic identity of the country and, therefore, the relevant provisions of the national constitution were examined in detail. The main preoccupation and key matter of the judicial examination centred on the serious issue of losing complete control, i.e. complete loss of national sovereignty, in such a crucial area.

In particular, these points concern:

1. Article 25 paragraph (2) item a) of the Fundamental Law does not allow any exception to the categorical requirement that the national courts shall decide on all domestic legal disputes of private law.<sup>56</sup>
2. In this connection, starting from the point that *delivering judgements in direct actions between private individuals is of primary importance*, an international agreement, which transfers to an international institution the jurisdiction of adjudicating a group of private law disputes, thereby taking the adjudication of such legal disputes, including also their constitutional review (under Article 24 paragraph (2) (c) and (d) of the Fundamental Law) off the jurisdiction of the State of Hungary cannot be promulgated on the basis of Article Q) paragraph (3) of the Fundamental Law as it violates the constitutional identity of Hungary.<sup>57</sup>

Based on this reasoning, the HCC held that a potential ratification of UPCA would violate absolute provisions of the national constitution and fundamental principles of the constitutional identity of the state.

There is also the concurring opinion of Judge Béla Pokol (a law professor in Hungary) who has rightfully elaborated more on his court's legal reasoning, considering the magnitude of the issue at hand and for future reference. Departing from the HCC's conclusion that the UPCA is an international agree-

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55 Ibid., para. 12.

56 Ibid., para. 52.

57 Ibid., para. 53 (emphasis added).

ment that has nothing to do with EU law, he has highlighted that the sovereignty-transfer arrangement with the EU (and hence, EU law) that the country accepted as part of international law, is based on the categorical condition of the continuous participation of the Hungarian state in the institutional mechanism of the EU. This means that the rights and obligations of EU law that are imposed on national citizens can potentially be influenced by them through the various institutions in which national representatives participate, including as the judge put it, a state veto in appropriate circumstances. However, such democratic fundamentals were absent in the institutional arrangement of the UPC.<sup>58</sup> This explains the emphasis of the HCC's judgment in highlighting that the absolutely necessary involvement of national courts in directly 'delivering judgements in direct actions between private individuals is of primary importance'.<sup>59</sup> As the unitary patent system largely operates outside the EU, the complete surrender of national sovereignty, which a UPC ratification involves, could not be accepted.

#### **4. Conclusion: Failing the most important parameter: $A \times (B + C - D + E (+ \text{ or } -) \dots n)$**

The opinions and commentaries on the unitary patent system extend to various points and approaches. It is important to have a holistic appreciation of things since patents very much affect, positively or negatively, technological and economic development and essential state systems in the most important areas that exist (e.g. environmental protection, health care, defence and security, software, etc.). The usual, strictly legal, technical discussion that is mostly encountered, apart from being very narrow (and incomprehensible for public intellectuals, politicians and economic actors) assumes various starting points of acceptance of the unitary patent project. Given the high stakes involved, the political aspect of what the unitary patent does to democracy, to the EU, to the

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58 Ibid, para. 58 of the separate opinions pointing also to the difference between the provisions of Article E (2) and Article Q (1) of the national constitution. Cf. For a rather distant appreciation of the judgment, see the article of Hungarian commentators (the first author is also a Supreme Court judge, not involved in that case), Gombos and Orb'an, n 4. They went as far as to make a uniformed parallelism of the UPC system with international arbitration, as to the involvement of alien institutions in private disputes, despite the fact that arbitration cannot possibly deal with the emergence of substantive rights, as such – let alone with technological exclusivity that affects entire sectors and state systems.

59 Decision 9/2018. (VII. 9.), n 54, para. 53 (as quoted in the text corresponding to n 57, above).

middle-class, to the European politics, to global issues and problems and, to the minds of individuals, has not sufficiently been debated and explored – this contribution included. In this respect, my concluding part will only highlight the most important points, in anticipation also of other, ‘balanced’ approaches. However, it is not always enough to compare and contrast some costs and benefits and, then, shrug, as it is common in academic commentary. Due to the high political and economic stakes involved, a linear appreciation and discussion does not seem appropriate.

There are certain problems that are of such preliminary importance due to high risks and consequences involved that a holistic appreciation of the unitary patent issue should reasonably start with them. This can be reflected as parameter A, which is of such weight that if it cannot be fixed ( $A = 0$ ), then all other aspects, variables or parameters that can amount to benefits ( $B + C$ ) or costs ( $- D$ ) cannot be balanced or even considered, as all these variables collapse when the preliminary parameter fails.

From its opening sentences, this contribution identifies, discusses and elaborates around one central point which is of such preliminary importance that all other points do not actually matter. In particular, it is unthinkable and hence, impossible to abolish national courts from the adjudication of disputes between private parties. Judicial power or any kind of power is accepted because the litigant party has had a reasonable opportunity to democratically influence the law that the court applies to his/her trial. Even if that person loses the case, the prospect of influencing and changing the law in the future is constantly renewed. As the context of technology to which patents are connected is of crucial social-economic and security importance, it means that a variety of patent rules and adjustments can be taken to address market failures or, simply, aim directly at improving certain conditions in key technological sectors. In these terms, the democratic prerequisite of the individuals’ participation in the shaping of patent law, which affects them and/or the society that all individuals are responsible to maintain and improve, is almost tautological. The same applies to EU law, where private disputes can only take place before the national judge who, on one hand, applies EU law that the national state and their representatives have a chance to influence at EU level, and who, on the other hand, can engage in a judicial dialogue with the CJEU suggesting national approaches and practices influenced by relevant first-hand experience and close appreciation of societal needs and dynamics.

As this democratic prerequisite is not possible under the unitary patent system, the preliminary parameter for any approach to the subject cannot be established and, as a result, discussing other points, such as the false claims of the European Commission about economic benefits for SMEs (as they are

also highlighted in the relevant legislative documents) are not only minor in comparison, but their discussion bypasses, deliberately, the preliminary issue, whereby framing the debate from a convenient point of view. Another serious problem is with the European Commission, being the sole institution that initiates legislative proposals, which is completely detached from the people. The trend of using former CEOs of corporations as EU Commissioners, has downgraded democratic policy and decision-making to the style of commercial campaign practices of large companies and corporations. As has clearly been shown with the EU's UPC narratives, few (false) benefits and cheap adjustments (e.g. judicial referrals from an international court in relatively rare or remote areas) have been picked up to build their advertising campaign. As no real democratic dialogue exists and rigorous economic studies are not carried out or are buried, the whole thing becomes a sales pitch with MEPs as consumers who buy or not what they feed them.

The fact, however, remains that economic actors, state officials and concerned individuals do aim at changes and at improving economic conditions, social welfare and security systems. To address economic failures or the observed market imbalances or simply try a specific development and sustainability strategy, requires appropriate democratic control. As various sectors and state systems depend on technology and its use and development is to a large extent affected by patents which, in Europe, are mostly owned by large companies and corporations, mostly from outside the EU and European continent, the reasonable solution in a debate is not, of course, the destruction of democratic institutions that the UPC-EPO partnership requires but, instead, a reinforcement of the existing democratic control. There is an ever-growing global debate around issues affected by patents relating to environment, global health and economic sustainability (for political stability and respect of human rights) that has inspired a new generation of researchers, informed individuals, public intellectuals, journalists, civil society groups and politicians who consciously pursue now a reform of the anachronistic arrangements of the patent system.

It is also relevant to align these growing social and political movements with contemporary intellectual debates trending around an elaboration of Aristotle's virtue ethics, a philosophical position that celebrates freedom of one's mind and personality. This position suggests an adherence to actions and way of life that is based on virtues but, importantly, these virtues are for the individual to determine for a good life. This point goes beyond a strict, costs-benefits evaluation of patent reform, allowing the individual to become a global citizen. In that way, his democratic influence on law (and crucially on patent law) draws on a much wider perspective in which he consciously believes. Both the ability to exercise democratic control and the individual pursuit of virtues are essential



and fundamental ingredients for the healthy development of one's personality. Conversely, to believe in certain virtues that will shape one's actions in environmental protection and social welfare when, at the same time, his actions are curtailed by the absence or deterioration of democratic participation and control, not only does it undermine the effort of improving things, but it confines also the development of one's personality to a self-realisation of incapacity and helplessness that is detrimental to his free spirit.

At the very moment, where the human mind is being mobilised and liberated in various parts of the free world, prompting an intellectual renaissance that revisits the old arrangements of the patent system in order to align it with social-economic values and global concerns, the mind of European citizens is being restricted by the removal of democratic control in these most important areas. To close with a positive note, democratic reflexes are still observed in some parts of Europe, and reactions and challenges, in which some of us are active participants, against the corporate takeover of Europe and their UPC-EPO masterplan, will continue.



**PART II.**  
**EU LAW AND INTEGRATION**  
**ISSUES WITH THE UNITARY**  
**PATENT PACKAGE**



## 5. SOME SHORTCOMINGS OF THE UPC SYSTEM

*Jean-Christophe Galloux*

According to its promoters, the UPC Agreement<sup>1</sup> offers a response to the “shortcomings” of the patent judicial system by creating a specialised patent court with exclusive jurisdiction for litigation relating to the “unitary” and European patents and by harmonising the scope and limitations of the rights conferred by a patent and the remedies available beyond the EU Directive 2004/48/EC (Enforcement Directive). It may be questioned whether the term «shortcomings» is appropriate in relation to the current judicial system for patents, given that it has been working for many years. This contribution (and this collection of essays) is however about the UPC shortcomings, so let us focus on those, but we should be reminded that sometimes cures are worse than the disease...<sup>2</sup>

The subject is delicate on several counts. All the shortcomings of a legal text or an institutional system do not appear immediately but may reveal themselves later during the implementation.<sup>3</sup> Furthermore, as the adopted Rules of procedure have not been put into practice<sup>4</sup> to date, I will not address the procedural aspects. In addition, I will not consider the issues of applicable law

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1 For ex. : the EPO website presentation of the Unitary Patent and UP Court: « Currently, national courts and authorities decide on the infringement and validity of European patents. In practice, this can lead to difficulties when a patent proprietor wishes to enforce a European patent in several countries or when a third party seeks the revocation of a European patent. Litigation in multiple countries is expensive and there is a risk of diverging decisions and a lack of legal certainty. Forum shopping is often inevitable, as parties seek to take advantage of differences between national courts and their procedures » (<https://www.epo.org/applying/european/unitary/upc.html>; last visit 23 September 2022).

2 Mathieu Dhenne et Anne-Catherine Chiariny La juridiction unifiée du brevet : le mirage du droit des brevets ? Dalloz IP IT, 2021, n° 9, p. 446-449 ; Lauren Leblond, La future juridiction unifiée du brevet : une nature hybride et des avantages limités, Chronique de «Droit de l’Union européenne, Annuaire Français de Droit International (AFDI), 2018, n° 64, p. 509-521.

3 Reto M. Hilty, Comments of the Max-Planck-Institute for Intellectual Property and Competition Law on the Preliminary Set of Provisions for the Rules of Procedure of the Unified Patent Court 2013 (together with Thomas Jaeger et al.).

4 Rules of procedure have been adopted on 8 July 2022 : [https://www.unified-patent-court.org/sites/default/files/consolidated\\_rop\\_fr\\_updated\\_cover\\_page\\_for\\_website\\_publication\\_0.pdf](https://www.unified-patent-court.org/sites/default/files/consolidated_rop_fr_updated_cover_page_for_website_publication_0.pdf).

and jurisdiction<sup>5</sup>, neither discuss the insufficient exceptions and limitations laid down in the EPUE Regulation 1257/2012 on European Patents with Unitary Effect (contrary to Belgian law or the reformed Swiss Patent Act, the EPUE Regulation does address issues such as a general research exception or compulsory licenses for biotechnological research tools).<sup>6</sup>

To summarise, I will focus on (1) the shortcomings regarding the jurisdiction of the UPC, (2) the lack of consistency between the UPCA and the applicable EU laws and (3) the shortcomings in terms of controls: lack of control over the EPO decisions on EPUEs revocation; lack of control on judges; insufficient control on the interpretation of EU Law.

### ***1. Shortcomings Regarding the Jurisdiction of the UPC***

The scope of the UPC jurisdiction was not much discussed during the drafting of the UPC Agreement: it was immediately accepted to limit it to cases concerning the validity and infringement of patents, i.e. the EPUEs, and more surprisingly, the “standard” European patents (a heritage from the EPLA project). Is the scope of jurisdiction so obvious and, above all, effective from a practical point of view (A)? Furthermore, has one patent title been omitted from the list of titles subject to the jurisdiction of the UPC (B)? Surprisingly, some territorial questions have not been addressed (C).

#### ***A. Excluded Actions***

The decision to narrow the scope of jurisdiction leaves several actions related to patent litigation out of the reach of the UPC. This approach has more to do with legal sociology than legal tradition or even common sense. It is the product of a very autonomous vision of patent law in relation to the legal system, which is not new, and to which the technical origin of the practitioners is not alien indeed. Such a limitation of jurisdiction has more significant consequences for EPUEs than for unitary titles like trademarks, designs and models and plant variety certificates, since the UPC constitutes a court system totally disconnected from the court systems of the Member States.

This affirmed character of the UPC exclusive jurisdiction should lead to a restrictive interpretation of the UPCA provisions.

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5 About the international aspects of jurisdiction, see the contribution of Philippe Campolini in this book.

6 See in this respect the contribution of Olivier Mignolet *et alii* in this book.

### 1. Actions related to patent licences

Licenses formed on the basis of Article 8 of the EPUE Regulation, i.e. licences of right, which are the only licenses regulated for the EPUE, fall under the jurisdiction of the UPC regarding the compensation. In addition, according to article 32 of the UPCA, the Court shall have exclusive jurisdiction in respect of « (a) actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences (...) ».

The EPUE Regulation does not contain rules on prior user rights and on compulsory licenses for enabling the use of dependent improvement inventions or in the public interest. This perpetuates and entrenches some anti-innovative effects of patent protection. Compulsory licenses are assumed to be available under national law only, if at all. However, the application of twenty-five Member States' divergent standards jeopardises the unitary effect. In addition, the unavailability of EU-wide compulsory licenses and uniform conditions places third parties seeking access to patented technology at a significant disadvantage compared to the improved possibility of the EPUE holder to enforce his patent monopoly before one single court.

To understand Article 32 one has to consider that the UPC has also jurisdiction to hear the arguments that a defendant makes against a claim for infringement (such arguments are not a counterclaim) and that are based on the existence of a license. But why to limit this to the license only?

The question whether the UPC will have jurisdiction to decide on the FRAND (fair, reasonable and non-discriminatory) terms of licenses in a standalone action (e.g. in an action for a declaratory judgment for FRAND compliant behaviour of the Standard Essential Patents (SEP) owners/implementers) is still open. Nonetheless, the UPC will have jurisdiction to decide on FRAND licences when brought forward as a defence in infringement proceedings.<sup>7</sup> Bearing in mind that a standard essential EPUE gives protection not only in a single country but across all participating Member States, the question whether a SEP owner can successfully obtain an injunction and the circumstances under which this will be possible becomes even more important for the implementers of a certain standard.<sup>8</sup>

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7 Art. 32 (1) (a) UPCA.

8 Jan Bösing, Germany: New Guidelines For The FRAND Defence In Patent Infringement Proceedings By The Munich District Court, 4 March 2020, Bardehle Pagenberg; Chrysoula Pentheroudakis, Justus A. Baron, Licensing Terms of Standard Essential Patents: A Comprehensive Analysis of Cases, JRC/European Commission, 2017; Edouard Treppoz. La judiciarisation des licences FRAND. *RTDeur. Revue trimestrielle de droit européen*, Dalloz, 2015, p. 856.

Concerning the setting of FRAND royalty rates, none of the national courts of the UPC Member States has so far exercised its jurisdiction. Although the Dutch and German courts have ruled on the question whether the royalty offered by the SEP owner or the implementer can be considered fair, reasonable and non-discriminatory, none of the courts has so far proposed how to calculate such royalty. While, in the Netherlands, royalty setting by the courts is theoretically possible, no party has so far requested the courts to do so; the German courts, on the other hand, have expressly refused to set a royalty rate. The Federal Court of Justice, in one of its two “FRAND defence” decisions<sup>9</sup>, stated that the royalty could not be objectively determined by the court but must be subject to negotiation between the parties.

Whether the UPC can or must set the FRAND royalty rate will have practical relevance if the courts accept not only to determine when the implementer is an unwilling licensee (bearing in mind the rather high threshold that might be required), but also take into account the royalty rate that has been discussed between the parties.

Article 32 does not define the term « licence »: what about other types of contracts or agreements like a patent coexistence agreement or a non-opposition agreement that are not licences? The EU legislation does not help in this regard: even Regulation 816/2006 of 17 May 2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems remains silent. The Regulation 316/2014 of 21 March 2014 on the application of Article 101(3) of the Treaty on the Functioning of the European Union to categories of technology transfer agreements does not deal with this point either. However, its fourth recital states: «Technology transfer agreements concern the licensing of technology rights», thereby drawing an equivalence between licences and a vast range of agreements.

Is it just a matter of interpretation? To the extent that the term « licence » has a specific meaning under EU law and needs a harmonised definition, the CJEU has the exclusivity of interpretation of this term, but it has no competence to interpret UPCA, as the European Union is not a party to it. However, the UPC would be well inspired to adopt an interpretation of this term on line with the CJEU one.

## 2. Excluded Actions

The narrow definition of the UPC jurisdiction requires to exclude from its jurisdiction all litigious matters that are traditionally linked to a patent action:

- Actions for unfair competition, on a principal, counterclaim or auxiliary basis,

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9 CJEU, 5 May 2020, C-36/17.



- All actions relating to the ownership of rights, i.e., claim actions and actions relating to employees' inventions,
  - Actions of a contractual nature as long as they do not involve questions of nullity or infringement,
  - Actions based on customs law and all the security measures taken with regard to the titles themselves, such as the taking of collateral, for example.
- Leaving these later actions outside the UPC jurisdiction may limitate or even hamper the efficiency of probationary and conservatory measures.

All these actions staying outside the jurisdiction of the UPC remain under the jurisdiction of the courts currently designated by the national legislations. Consequently, the UPC would preferably revert all these questions to national courts, which should multiply the court cases and delight the litigators. However, no provision imposes this solution: the UPC may just declare itself incompetent.

The question of competing actions is even more embarrassing. The exclusive jurisdiction of the UPC leaves, within the same perimeter, two types of concurrent jurisdictions:

- criminal jurisdiction and
- arbitration jurisdiction.

While the draft Anti-Counterfeiting Trade Agreement (ACTA) did not provide for criminal sanctions for patent infringement, the European Commission did float that idea as part of an early draft of its own second Intellectual Property Rights Enforcement Directive Proposal ("IPRED2"), which proposed criminal sanctions for infringements of *all* forms of IP.<sup>10</sup> Even parties that normally oppose each other on issues of patent rights expansion — large companies and patent holders— came together to oppose the criminal sanctions in the IPRED2 draft. The Commission saw it as a matter of protecting innovators and wanted to send a clear message to infringers that their behaviour is unacceptable enough to warrant criminal sanctions. IPRED2 has been abandoned due to the Directive's questionable legal basis.

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10 European Union, Comparative Report on Criminal Sanctions for IPR Infringements, [http://www.ipr-policy.eu/media/pts/l/IP\\_counterfeiting\\_criminal\\_sanctions\\_report.pdf](http://www.ipr-policy.eu/media/pts/l/IP_counterfeiting_criminal_sanctions_report.pdf); Reto Hilty, Annette Kur and Alexander Peukert, Statement of the Max Planck Institute for Intellectual Property, Competition and Tax Law on the Proposal for a Directive of the European Parliament and of the Council on Criminal Measures Aimed at Ensuring the Enforcement of Intellectual Property, <http://www.ip.mpg.de/shared/data/pdf>; Irina D. Manta, The puzzle of criminal sanctions for intellectual property infringement, *Harvard Journal of Law & Technology*, Volume 24, Number 2, Spring 2011; Irina D. Manta, Explaining Criminal Sanctions in Intellectual Property Law, 1 *J.L. & INNOVATION* 16, 2019. Available at: [https://scholarlycommons.law.hofstra.edu/faculty\\_scholarship/1258](https://scholarlycommons.law.hofstra.edu/faculty_scholarship/1258).

Criminal actions for patent infringement under certain circumstances are possible as long as the national texts so provide, which is the case in France, for example. Even if these criminal procedures are exceptional<sup>11</sup>, patent holders may find some interest in initiating criminal proceedings in order to avoid the UPC exclusive competence: indeed, the possibility to have criminal proceedings concerns European patents, even those non-opted-out or opted-in, as well as the EPUEs. The possible abolition of criminal charges for patent infringement would not be contrary to Article 61 of the TRIPS Agreement. To what extent could national criminal courts still remain competent to pronounce the revocation of the patents at stake? Questions concerning related matters and *litis pendens* involving criminal courts are not considered by the UPC Agreement and are obviously more complex than those involving national civil courts, for which Regulation n° 1215/2012 (as amended) provides solutions.

According to article 35 UPCA, a Patent Mediation and Arbitration Centre (PMAC) is established and has its seats in Ljubljana and Lisbon. The Centre shall provide facilities for mediation and arbitration of patent disputes falling within the scope of the Agreement. Article 82 shall apply *mutatis mutandis* to any settlement reached through the use of the facilities of the Centre, including through mediation. However, a patent may not be revoked or limited in mediation or arbitration proceedings.

The creation of a new form of institutional arbitration alongside other forms of institutional arbitration existing at the international level, some of which are based on international conventions,<sup>12</sup> does not result in the exclusive attribution of disputes to the PMAC, given the text's silence on this point. Disputes which previously were arbitrable according to national laws are still arbitrable according to international law (indeed, the participating States could not transfer to the UPC more sovereignty than they had themselves).

This new arbitration institution does not have exclusive jurisdiction for disputes which fall within the jurisdiction of the UPC. Consequently, disputes that are within the jurisdiction of the UPC, except for revocation (nullity) under Article 35 UPCA, are arbitrable before this new arbitration body as well as before other arbitral institutions or even before an *ad hoc* arbitration tribunal.

An arbitration tribunal in charge of a dispute relating to a European patent or a EPUE may therefore examine all questions of infringement but also the question of their validity and find them null, this finding having no *erga omnes* effect but only *inter partes*. This means that the acknowledgement of the nullity of the title does not appear in the operative part of the award and therefore no

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11 In France, patent cases before criminal courts represent less than 10 % of all the patent cases.

12 Geneva Protocol of 1923, Geneva Convention of 1927, New York of 1958 etc.

transcription is entered in the registers for the concerned patents; the finding of nullity is only valid insofar as it allows to resolve the main dispute.

### *B. Forgotten Right*

According to article 3 UPCA (see also art. 2 for definition), Supplementary Protection Certificates (SPCs)<sup>13</sup> are among the IP rights falling under the UPC jurisdiction when they are based on a European patent or a EPUE (reference should be made to Article 83 UPCA to confirm the exclusion of SPCs based on national credentials). SPCs are those issued pursuant to Regulation 469/2009 of May 6, 2009 for medicinal products, and those issued pursuant to Regulation 1610/96 of July 23, 1996 for plant protection products. Such a connection is surprising because SPCs are purely national titles, issued by national Offices and not by the EPO, unlike European patents (the SPCs take over when the related patents expire).

A regrettable omission by the legislator is the pediatric extensions issued under Regulation 1901/2006 of December 12, 2006, which extends the protection of an SPC for medicinal products for pediatric use that meet certain requirements. A pediatric extension is an IP right distinct from the patent and the SPC on which it relies. The principle of a narrow interpretation of the UPC jurisdiction rules prohibits any extension of its jurisdiction to this separate IPR. This omission will oblige parties to split a lawsuit based on the invalidity of a pediatric extension among the UPC (if the ground for invalidity comes from the SPC or patent that serves as its basis) and the different national courts. Logically, infringement cases based on these specific rights do not fall under the UPC jurisdiction either.

### *C. Geographical Holes*

The territory of the UPC covers the sole territories of the Contracting States, it does not correspond to the whole territory of the European Union: even if the EPUE Regulations 1257/2012 and 1260/2012 may not apply in some EU Member States, the UPC may remain competent for “overseas countries and territories” (OCTs) according to the applicable national legislations.

The status of OCTs concerns thirteen countries and territories constitutionally linked to a Member State of the EU but not forming part of the EU terri-

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13 See also in this respect the contribution of Christophe Ronse and Kirian Claeys in this book.

tory. In this respect, the OCTs are not subject to European law. The OCTs are thus “associated” with the EU in the name of the special relations they maintain with an EU Member State. This association, defined by Articles 198 to 204 of the Treaty on the Functioning of the European Union (TFEU), results in the Overseas Association Decision (OAD). Council Decision 2021/1764 of 5 October 2021 (on the association of the Overseas Countries and Territories with the EU including relations between the EU on the one hand and Greenland and the Kingdom of Denmark on the other) does not address the question of patents specifically. Article 61 (« Protection of intellectual property rights ») only contains general statements such as: « In the framework of the association, cooperation in this field may concern the preparation of laws and regulations for the protection and enforcement of intellectual property rights ».

For France, these territories are New Caledonia, French Polynesia, Saint-Pierre-et-Miquelon, French Southern and Antarctic Lands, Wallis-et-Futuna, and, since 2012, Saint-Bartholomew. For Denmark, it is Greenland. For the Netherlands, these are Aruba and the Netherlands Antilles (Bonaire, Curaçao, Saba, Sint Eustatius and Sint-Maarten, the Dutch part of the island of Saint Martin). Even if exotic, these tiny territories host more than 1 million inhabitants (more than Cyprus, Malta or Luxemburg) and cover a vaster territory than the EU itself.

An overall reflection on the complete applicability of the legislation relating to the EPUE deserves to be carried out for these territories whose geographical importance could increase in the future in order to prevent these territories from being used by traffickers in counterfeit goods.

## ***2. Shortcomings or Lack of Coherence with the Applicable EU Laws?***

Many provisions in the UPC referring to EU laws do not reproduce the latter faithfully or completely: this is an additional cause of legal uncertainty. It is questionable to affirm that the Rules of procedure could repair these shortcomings. An example may be taken from the Enforcement Directive 2004/48 of 29 April 2004.

Article 60 UPCA provides that, in order to preserve evidence, an inspection of premises may be decided by the Court, even before the commencement of proceedings on the merits of the case, upon a request by the applicant who has to present evidence to support the claim that the patent has been infringed or is about to be infringed. Such inspection of premises shall be conducted by a person appointed by the Court in accordance with the Rules of procedure. During the inspection of the premises, the applicant shall not be present but

may be represented by an independent professional practitioner whose name has to be specified in the Court's order.

Such a proceeding has been introduced in some national laws, based on Articles 7 and 8 of the European Enforcement Directive: Article 140c PatG introduced in 2008 in the German Patent Act is a good example. Article 140c gives the patent owner a right to inspect an allegedly infringing product and to request from the alleged infringer relevant documents to prove the infringement, including bank, financial and commercial documents. In a preliminary *ex parte* procedure (for its surprise effect) it is possible to obtain an order allowing the patent owner to have the business premises of the alleged infringer visited and inspected by bailiffs, experts and legal and patent attorneys without prior notice. The advantage is that the patent owner can check and secure the evidence needed for his claim already at a preliminary stage of the patent infringement dispute. This German provision goes far beyond the classical « *saisie-contrefaçon* » contemplated by Article 7 of the Enforcement Directive.

In addition, article 61 UPCA introduces freezing orders, which are not part of the precautionary measures listed in Articles 7 or 8 of the Enforcement Directive: « At the request of the applicant who has presented reasonably available evidence to support the claim that the patent has been infringed or is about to be infringed the Court may, even before the commencement of proceedings, on the merits of the case, order a party not to remove from its jurisdiction any assets located therein, or not to deal in any assets, whether located within its jurisdiction or not ».

Unknown in such rigour in most national laws, the execution of freezing orders could be in conflict with national (police) laws in some Contracting States (e.g., seizure of property of a public person in France). These laws are always upheld by States, notwithstanding the primacy of treaties.<sup>14</sup>

Freezing orders are recognised under EU law through Regulation 2018/1805 of 14 November 2018 on the mutual recognition of freezing orders and confiscation orders, and came into effect across all EU States - except Denmark - on 19 December 2020. This Regulation lays down the rules under which a Member State recognises and executes in its territory freezing orders and confiscation orders issued by another Member State within the framework of proceedings in criminal matters (article 1.1). This legislation is applicable to counterfeiting and piracy of products (article 3.1. n° 22), but only if those acts are qualified as criminal offences, are punishable in the issuing State by a custodial sentence of a maximum of at least three years, and give rise to criminal order.

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14 International Court of Justice, 28 November 1958, Boll.

Directive 2004/48 allows national legislators to adopt measures that are more favourable to rightsholders than those provided for in said directive; this has already been admitted by national case law when the transposition laws have adopted an extensive interpretation of the European text. However, one could question the possibility of introducing new procedural measures in relation to those provided for by the Enforcement Directive, which goes well beyond an *in favorem* interpretation.

### **3. Shortcomings in Controls**

#### **A. EPO**

According to 66 UPCA, the powers of the Court concerning decisions of the European Patent Office concern actions brought under Article 32(1)(i), the exercise of any power entrusted on the EPO in accordance with Article 9 of Regulation 1257/2012, including the rectification of the Register for unitary patent protection; in actions brought under Article 32(1)(i) the parties shall, by way of derogation from Article 69, bear their own costs.

From a legal point of view, the EPO becomes a body in charge of the implementation of EU rules. Such a mechanism raises several questions. How can companies challenge an implementation decision of the EPO in that framework? And how can the Court of Justice review the EPO's interpretation of EU law?<sup>15</sup> Let's imagine, for example, that a company intends to challenge the conformity of the decision establishing the fees to the parameters defined by Regulation 1257/2012<sup>16</sup> or a revocation of a patent based on the original interpretation of the Biotech Directive. In our opinion, the refusal of granting may be different as it concerns a European application, fully submitted to the EPC and not an EPEU. The EPO which claims its sovereignty the European Patent Organisation, gives the following description of its boards of appeal system: "the boards of appeal, though integrated in the organisational structure of the EPO, are independent from the Office in their decisions and are bound only by the European Patent Convention".<sup>17</sup>

In addition, the Agreement does not grant the UPC any control over the revocation of a EPUE by the EPO as a consequence of an opposition.

15 F. Dehousse, The Unified court for patent: the new oxymoron of European Law, Egmont Paper n° 60, 2013.

16 This situation has been already examined by the CJEU in its decision C-143/13, § 69 and sq.

17 <http://www.epo.org/about-us/boards-of-appeal.html>.

tion must be filed within nine months of the publication of the mention that the patent has been granted. The EPUE must be requested by the proprietor of the European patent within one month of the date on which the mention of the grant of the European patent was published in the European Patent Bulletin provided for in Article 129 EPC. The unitary effect must be registered in a special register, created for the purposes of the case: the “register for unitary patent protection” (article 9 b). As a consequence, a EPUE (an EU IP right) may be revoked by the EPO without any control by EU bodies, contrary to all other unitary IP rights: Trade marks, Designs, Plant Variety Rights and Geographical Indications.

Is it really acceptable that an applicant for an EPUE, which is an EU IPR, who submits it by designating all the Member States participating to the system in order to be able to benefit from a full judicial protection by the legal order of the Union and later, cannot defend himself against the revocation of his patent – then unitary! – during an opposition before the EPO’s quasi-judicial boards of appeal? The legal argument based on the fact that the grant of the European patent by the EPO and the registration of the unitary effect constitute consecutive and independent acts does not convince. On the one hand, the registration of the unitary effect makes it retroactive to the day of the publication of the mention of grant (Art. 4(1) Reg. 1257/2012), so that this European patent becomes a unitary patent, including its entry into force (Art. 64(1) EPC). On the other hand, the very purpose of Reg. 1257/2012 (based on Art. 118(1) TFEU) is to provide access to unitary patent protection for inventions (in the single market covered by the enhanced cooperation). Could the EPO therefore refuse it without judicial review by an appropriate EU body?

This situation may hurt the principles reaffirmed by the ECJ in its Opinion 01/09 of 8 March 2011.<sup>18</sup> The Court emphasised the essential characteristics of the legal order and the judicial system of the European Union (§§ 67 to 70). “It is for the Court to ensure respect for the autonomy of the European Union legal order thus created by the Treaties”. The major innovation brought by Opinion 1/09 (compared to Opinion 1/91<sup>19</sup>) is the emphasis put on the central role of

18 M.C.A. Kant, *A specialized Patent Court for Europe? An analysis of Opinion 1/09 of the Court of Justice of the European Union from 8 March 2011 concerning the establishment of a European and Community Patents Court and a proposal for an alternative solution*, *Nederlands Internationaal Privaatrecht*, Editie 2012.2, p. 193-201; Jean-François Guillot et Charles de Haas, *La malediction s’acharne sur le projet de brevet européen à effet unitaire*, *Contratto e impresa / Europa*, N° 2, 2012, p. 543-556.

19 Opinion 1/91 of 14 December 1991 delivered pursuant to the second subparagraph of Article 228 (1) of the Treaty – Draft agreement between the Community, on the one hand, and the countries of the European Free Trade Association, on the other, relating to the creation of the European Economic Area ; Denys Simon and Anne Rigaux:

national courts in the implementation of EU law (§§ 68 to 70 of the Opinion). Therefore, “the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law” (§ 89). In the case of a EPUE revocation, national courts are not deprived of powers which they never had; however, the Opposition divisions, which are outside the EU judicial system, hold the power to apply EU law without any control.<sup>20</sup>

### *B. Judges*

According to Article 17 UPCA, judicial independence and impartiality of the judges, members of the Court, are proclaimed. The Court, its judges and the Registrar shall enjoy judicial independence. In the performance of their duties, the judges shall not be bound by any instructions. Now the question is: which body is in charge of preserving this independence or sanctioning a judge’s improper behaviour (this might apply to current but also former judges)?

The Members and former Members of the Court of Justice are subject to the ethical standards laid down by the Treaties, Articles 2, 4, 6, 8, 18 and 47 of the Statute of the Court of Justice of the European Union, and Articles 4 to 6 of the Rules of Procedure of the Court of Justice and to Articles 5 to 7 of the Rules of Procedure of the General Court.

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L’avis de la Cour de justice sur le projet d’accord CEE/AELE portant création de l’Espace économique européen (EEE), Europe, février 1992, n° 2, p.1-4; Marc-André Gaudissart: La portée des avis 1/91 et 1/92 de la Cour de justice des Communautés européennes relatifs à la création de l’Espace Economique Européen. Entre autonomie et homogénéité: l’ordre juridique communautaire en péril..., Revue du marché unique européen 1992, n° 2, p.121-136; H.G. Schermers.: Opinion 1/91 of the Court of Justice, 14 December 1991; Opinion 1/92 of the Court of Justice, 10 April 1992, Common Market Law Review 1992, n° 5, p.991-1009.

20 Hanns Ullrich, Le futur système de protection des inventions par brevets dans l’Union européenne : un exemple d’intégration (re-) poussée ? Position Paper n° 1, Max Planck Institute, 2014, p. 79.



They are also governed by a Code of Conduct for Members and former Members of the Court of Justice of the European Union, adopted jointly by the Court of Justice and the General Court<sup>21</sup> which is intended to clarify certain obligations arising from those standards. In accordance with the transparency requirements of the Code of Conduct, the external activities of the Members are published annually after the activity has taken place.

Upholding this deontology is a key question with regard to UPC judges. Besides legally qualified judges, most, but not all, being professional judges, and as such generally used to stringent deontological obligations in their countries of origin, there will be technically qualified judges who have not the same deontological background. In addition, some of them shall be part-time judges of the Court. Article 17(4) UPCA states that the exercise of the office of technically qualified judges “shall not exclude the exercise of other functions provided there is no conflict of interest “. In case of a conflict of interest, the judge concerned shall not take part in the proceedings. The rules on the UPC contain some provisions but they are largely incomplete.

A declaration of interest before entering office is not compulsory (Article 6 to 7 of the Statute) which is surprising as such declarations exist in most European judicial systems.

According to article 10 of the Statute, a judge may be deprived of his or her office or of other benefits only if the Presidium (UPC judges will elect the two Presidents of the Court and form a Presidium)<sup>22</sup> decides that that judge no longer fulfils the requisite conditions or no longer meets the obligations arising from his or her office. The judge concerned shall be heard but shall not take part in the deliberations. Thus, the Presidium, which represents the hierarchy of the UPC, is the *ad hoc* decision body. In addition, decisions in disciplinary, suspension or removal proceedings should be subject to an independent review<sup>23</sup> : such independent review is lacking in the UPC system: according to art. 50 of the Regulations Governing the Conditions of Service of Judges, the Registrar and the Deputy-Registrar of the Unified Patent Court (“Service Regulations”)<sup>24</sup>, appeal against a disciplinary decision issued by the Presidium may be appealed to the Administrative Committee. This later, composed of one

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21 Last version entered into force the 1st of January 2017, doc. 2016/C 483/01.

22 See art. 15 for a complete description of the status.

23 ECtHR, Grand Chamber, 6 November 2018, *Ramos Nunes de Carvalho e Sá c. Portugal*; requ. no 55391/13, 57728/13 et 74041/13.

24 Consolidated version containing amendments adopted by decision of the Administrative Committee on 8 July 2022.

representative of each Contracting Member State is not independent from the authorities which designed them.<sup>25</sup>

Questions related to the judges' liability are left open. Member States are not liable as UPC judges are not acting as national civil servants. The UPC may be liable according to Article 5 UPCA: "The non-contractual liability of the Court in respect of any damage caused by it or its staff in the performance of their duties, to the extent that it is not a civil and commercial matter within the meaning of Regulation (EC) No. 864/2007 (Rome II), shall be governed by the law of the Contracting Member State in which the damage occurred". This raises the following questions: to what extent are the judges' members of the UPC's « staff »? What kind of liability is concerned: are they liable for misinterpreting the UPC's rules, for example?

### *C. Limited control by the CJUE*

Many patent practitioners and lobbyists appear to have desired the harmonisation of the effects of patents in the single market, but without the constraints of EU law and review by a court, and without any interference from the Court of Justice. The wish for specialised judges is quite understandable, however the refusal to give the Court of Justice any jurisdiction is much less so. One sometimes gets the feeling that what is being claimed is in fact a real single market with an "opt-out" from all EU judicial reviews. Although patents are important, free circulation, competition, and fundamental rights are also important, and a balance must be found among these different objectives. This is the essential mission of the Court of Justice.

Some UPCA recitals are clear : « CONSIDERING that, as any national court, the Unified Patent Court must respect and apply Union law and, in collaboration with the Court of Justice of the European Union as guardian of Union law, ensure its correct application and uniform interpretation; the Unified Patent Court must in particular cooperate with the Court of Justice of the European Union in properly interpreting Union law by relying on the latter's case law and by requesting preliminary rulings in accordance with Article 267 TFEU » « RECALLING the primacy of Union law, which includes the TEU, the TFEU, the Charter of Fundamental Rights of the European Union, the general principles of Union law as developed by the Court of Justice of the European Union, and in particular the right to an effective remedy before a tribunal and a fair and public hearing within a reasonable time by an independent and impartial tribu-

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25 See also in this respect the contribution of Mathieu Leloup and Sébastien Van Drooghenbroeck in this book.

nal, the case law of the Court of Justice of the European Union and secondary Union law ».

When such a question is raised at first instance under the UPC system, the local, regional or central division, if it considers that a decision on a point is necessary to render its judgment, may ask the Court of Justice of the EU to rule on this question. When such a question is raised in a case pending before the Court of Appeal of the EPC, which judges in last resort, it will be required to submit the matter to the Court of Justice. In all cases, the decisions of the Court of Justice of the European Union are binding on the UPC. Let us think, for example, of the delicate and very topical issue of the articulation of patent law and competition law.<sup>26</sup> It should probably be considered that the parties to the dispute could have this power. The same problem of interpretation may occur when the following texts are at stake:

- the Enforcement Directive,
- the Trade Secrets Directive (2016/943 of 8 June 2016),
- the Directive on biotechnological inventions (98/44 of 6 July 1998),
- EU international private law,
- SPCs regulations,
- Regulation 608/2013 of 12 June 2013 concerning customs enforcement of intellectual property rights, which have close ties with the UPC's scope of jurisdiction.

Article 38 of the Statute of the UPC addresses the problem of questions referred to the Court of Justice of the European Union. Firstly, the procedures established by the Court of Justice of the European Union for referrals for preliminary rulings within the European Union shall apply. Secondly, whenever the Court of First Instance or the Court of Appeal has decided to refer to the Court of Justice of the European Union a question of interpretation of the Treaty on European Union or of the Treaty on the Functioning of the European Union or a question on the validity or interpretation of acts of the institutions of the European Union, it shall stay its proceedings. Is it enough to ensure the primacy of EU law? The CJEU has recently reinforced the obligation to refer to it, in its judgment (Grand Chamber) of 6 October 2021.<sup>27</sup> According to the Court, article 267 TFEU must be interpreted as meaning that a national court or tribunal against whose decisions there is no judicial remedy under national law, must comply with its obligation to bring before the Court of Justice a question concerning the interpretation of EU law that has been raised before it, unless (i) it finds that the question is irrelevant or (ii) that the provision of

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<sup>26</sup> See also in this respect the contribution of Bojan Pretnar in this book.

<sup>27</sup> Case C-561/19.

EU law in question has already been interpreted by the Court, or (ii) that the correct application of EU law is so obvious as to leave no scope for any reasonable doubt. The existence of such a possibility must be assessed in the light of the characteristic features of EU law, the particular difficulties to which the interpretation of the latter gives rise and the risk of divergences in judicial decisions within the European Union. Such a court or tribunal cannot be relieved of that obligation merely because it has already made a reference to the Court for a preliminary ruling in the same national proceedings (which is not the case for the UPC, obviously). However, it may refrain from referring to the Court a question for a preliminary ruling on the grounds of inadmissibility specific to the procedure before that court or tribunal, subject to compliance with the principles of equivalence and effectiveness. To what extent will the UPC cooperate with the CJEU? As a matter of principle, failure by the UPC to respect the principle of the primacy of Union law will engage the responsibility of the States participating in it, according to EU law.

The UPC ensures both uniformity in the application of patent law and other related rules and, by its very function, the development of case law in this matter while the CJEU's function is relegated to the sole determination of preliminary questions relating to general EU law or principles common to patent law and other intellectual property rights.<sup>28</sup> The CJEU would then be excluded from the interpretation and the development of patent law which at the same time has been recognised as an essential piece of a dynamic competition operating in and for the Internal market.<sup>29</sup>

Some have been advocating to entrust a power of to the CJEU First Advocate General to submit some patent law questions to the CJEU. This solution would perhaps be sufficient to allow the Court of Justice to exercise, as it does for all other industrial property rights, a unifying role and even more so to integrate patent law into the overall set of unitary IP titles for the whole of community.

The UPC becomes part of an increasingly complicated European patent system, which consists of layers of EU law, international law and national laws, and which has been controlled by well-established institutions: the European Patent Organisation (including the Boards of Appeal), the national patent offices, the European Court of Justice (CJEU), and the national courts. The UPC shortcomings add to this complexity.<sup>30</sup> The UPC will have to find a working rela-

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28 Hanns Ullrich, *Propriété intellectuelle, concurrence et régulation – limites de protection et limites de contrôle*, RIDE, 2009, p. 407 ff. (p. 410).

29 Hanns Ullrich, *Le futur système de protection des inventions par brevets dans l'Union européenne : un exemple d'intégration (re-) poussée ?* Position Paper n° 1, Max Planck Institute, 2014, p. 45.

30 Jens Schovsbo, Thomas Riis and Clement Salung Petersen, *The Unified Patent Court: Pros*

tionship with all these institutions, and this relationship should recognise and reflect the existing order at the same time. The UPC will also have to promote an innovative interpretation of the texts in order mitigate their shortcomings, most of which would need a revision of the Agreement in order to be fixed. Such exercise is the only possible one for providing room for the UPC to establish itself as the master in its own house. This will no doubt be a complicated exercise, which will take many years to develop fully.



## 6. ISSUES OF EU LAW COMPATIBILITY OF THE PATENT PACKAGE

*Thomas Jaeger*

The Unitary Patent (UP) package's entry into force did not resolve all of the qualms and doubts of legality that continue to overshadow it. This contribution provides a concise summary of the major concerns regarding both the Unitary Patent Regulation (UP Regulation) and the Unified Patent Court (UPC). It intends to serve as a reminder of issues that are more deeply developed and reasoned in pre-existing literature. Accordingly, brevity is of the issue here and where appropriate, readers are directed to further literature regarding more details.

### **1. Of Compromise and Complexity**

The legal issues surrounding the EU's patent plans are as ancient as these plans themselves: Since the mid-1950s, the idea of one single patent right for the internal market and of an accompanying system for the cross-border enforcement of patents engaged politics and stakeholders.<sup>1</sup> Every few years, fresh, ever differently devised plans were tabled and subsequently discarded.<sup>2</sup> None of them came to fly for reasons that were, in part, political and stakeholder-driven (early protectionism, mistrust in the CJEU) but also partly owing to legal constraints (stemming from both national constitutional and EU primary law).

Alongside these issues, the 1973 setup of the EPO outside of the EU legal framework and its vast success in terms of facilitating and unifying patent applications and registration procedures also posed an ever-looming threat to the EU's own aspirations in the patent field.<sup>3</sup> With the EPO's 2003 proposal, to supplement and complete the EPO system by including the post-grant phase and a cross-border enforcement mechanism, in particular via the propos-

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1 For more details, see *Jaeger*, The EU Patent: Cui bono et quo vadit?, CML Rev. 2010, 63, 63 et seq.; *Tilmann*, Das europäische Patentpaket vor dem Start, GRUR 2022, 1099, 1100 et seq.

2 For an overview *Jaeger*, CML Rev. 2010 (fn. 1) 63 et seq.

3 Cf. *Jaeger*, CML Rev. 2010 (fn. 1) 65 et seq.; *Pagenberg*, Neue Überlegungen zur europäischen Patentgerichtsbarkeit – Ist Deutschland noch zu retten?, GRUR Int. 2010, 195, 195 et seq.

al for a European Patent Litigation Agreement (EPLA), pressure to succeed or else abandon the patent plans altogether weighed heavily on the EU and the Commission in particular. That pressure was felt all the more against the background of increasing global competition for the EU's industry from the US, China and emerging economies since the mid-1990s and the concern to remedy long-standing, perceived competitive disadvantage for patent holders due to the unavailability of one single patent right throughout the EU market.<sup>4</sup>

These features, a history of failure, systemic competition and globalisation explain why the UP Package<sup>5</sup> looks the way it does today: It is a complex patchwork ridden by compromise. Some may describe the political and legislative approach used as novel, unorthodox or even revolutionary,<sup>6</sup> while others see it less passionately<sup>7</sup> or even compare it to demonic figures like the ones painted by *Hieronymus Bosch*, composed of alien body-parts taken from other creatures, and consider it equally repulsive and inept.<sup>8</sup>

Whatever the point of view, the novelty and complexity of the regulatory method chosen for the UP Package comes at the cost of legal uncertainties: We just don't know yet whether the substantive and enforcement limbs of the Package are compatible with higher ranking norms in all respects, i.e., both constitutional law guarantees and restraints in all of the participating Member States as well as, importantly, EU primary law.

As regards the former aspect of compatibility with national law, a number of constitutional courts have dealt with this issue, most prominently the German Bundesverfassungsgericht. While after several years of delay,<sup>9</sup> the Bundesverfassungsgericht eventually gave its go-ahead for the package in 2021,<sup>10</sup> tough constitutional law obstacles or, at least, serious doubts remain in a number of other potentially participating Member States, namely Hungary,<sup>11</sup> Poland,<sup>12</sup>

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4 Cf. *Schade*, Is the Community (EU) Patent Behind the Times? – Globalisation Urges Multilateral Cooperation, IIC 2010, 806, 806 et seq.

5 Unitary Patent Regulation (EU) 1257/2012; Patent Translation Regulation (EU) 1260/2012; Unified Patent Court Agreement [2013] OJ C175/1.

6 Cf. *Tochtermann*, Das UPC hat endlich Momentum!, GRUR 2022, 1097, 1098.

7 Cf. *de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, GRUR Int. 2012, 214, *passim*.

8 Cf. *Jaeger*, Hieronymus Bosch am Werk beim EU-Patent?, EuZW 2013, 15, 17.

9 Cf. *Jaeger*, Delayed Again? The Benelux Alternative to the UPC, GRUR Int. 2021, 1133, 1136 et seq.

10 Cf. German Constitutional Court of 23 June 2021, Cases Nos. 2 BvR 2216/20; 2 BvR 2217/20.

11 Cf. Hungarian Constitutional Court of 26 June 2018, Case No. 9/2018.

12 Cf. *Wszolek*, Still Unifying? The Future of the Unified Patent Court, IIC 2021, 1143, 1150 et seq.



Ireland<sup>13</sup> and the Czech Republic.<sup>14</sup> Spain and Croatia by contrast, who neither participate in the UP Regulation nor the UPC to date, apparently do so for essentially political reasons.

In terms of EU law compatibility, the number of issues of legal concern is vast.<sup>15</sup> The legal issues can be divided into three groups, namely the legality 1) of the enhanced cooperation mechanism and of its Authorisation Decision,<sup>16</sup> 2) of the implementation of unitary patent protection under the substantive UP Regulation and 3) of the Unified Patent Court system as established by an *inter se*-agreement of some EU Member States (UPCA). Each of the groups contains a plethora of sub-problems.

Some of these concerns were cleared by the CJEU in the context of two rounds of actions for annulment brought successively against the Authorisation Decision<sup>17</sup> and the two Regulations implementing it (the UP Regulation and the Translation Regulation, hereinafter ‘the two UP Regulations’).<sup>18</sup> The CJEU confirmed the legality of all three legal acts. Insofar as the Court specifically dismissed the pleas of illegality raised in support of these actions, the issue is settled. Convincing or not, those EU law concerns no longer bite, as the CJEU explicitly dismissed them. However, insofar as certain aspects of EU law compatibility were not dealt with by the CJEU yet, those issues can still be raised against the acts in question in spite of the outcome of those older cases.

The action for annulment directed against the Authorisation Decision alleged lack of competence, misuse of powers and infringement of the conditions laid down in Art. 20 TEU and Arts. 326 and 327 TFEU. More specifically, the arguments brought up therein concerned the exclusivity of competence, the nature of enhanced cooperation as a last resort and possible damage to the interests

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13 Cf. Kluwer Patent Law Blog of 29 June 2022, Irish referendum on Unitary Patent system in 2023 or 2024, available at <http://patentblog.kluweriplaw.com/2022/06/29/irish-referendum-on-unitary-patent-system-in-2023-or-2024/> (17 January 2023).

14 Kluwer Patent Law Blog of 13 September 2019, Legal and financial concerns: Czech Republic will not ratify UPCA any time soon, <http://patentblog.kluweriplaw.com/2019/09/13/legal-and-financial-concerns-czech-republic-will-not-ratify-upca-any-time-soon/> (17 January 2023).

15 Cf. already *Hilty/Jaeger/Lamping/Ullrich*, Statement of the Max Planck Institute for Intellectual Property and Competition Law, The Unitary Patent Package: Twelve Reasons for Concern (17 October 2012).

16 Council Decision 2011/167/EU Authorising Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection.

17 Cf. Joined Cases C-274/11 and C-295/11, *Spain and Italy / Council (UP enhanced cooperation)*, ECLI:EU:C:2013:240.

18 Cf. Case C-146/13, *Spain / Parliament and Council (UP)*, ECLI:EU:C:2015:298; Case C-147/13, *Spain / Council (UP translation)*, ECLI:EU:C:2015:299.

of the Union due to the enhanced cooperation (e.g., market fragmentation). Some of these concerns were definitively dismissed by the CJEU, e.g., the questions of exclusive competence or last resort. Other questions, however, were reserved for review at a later stage, when the enhanced cooperation was set up and running, namely in particular the actual effects of the cooperation and its potential damage to EU interests such as non-discrimination and free movement.<sup>19</sup> Those issues can still be raised again vis-à-vis the acts implementing enhanced cooperation in the area of patent law.

The actions for annulment of the substantive UP Regulation and the Translation Regulation respectively dealt with the suitability and limits of Art. 118 TFEU as the appropriate legal basis, the delegation of powers to the EPO and its limits as well as its effects on the principles of autonomy and uniform application of EU law and possible discrimination through the exclusion of certain languages.

What is more, the legality of the UPCA has not yet been reviewed by the CJEU at all: Since the EU is not a party to that Agreement, a request for an opinion pursuant to Art. 218 (11) TFEU is unavailable for a preliminary review of its EU law compatibility. Unlike for the predecessor model, the EEUPC, which had been reviewed and declared incompatible with EU law in CJEU Opinion 1/09,<sup>20</sup> there will thus be no certainty regarding its legality until the CJEU has been given an opportunity to specifically assess the issues in question. Such an opportunity will very likely arise once the UPC is up and running and might take the form of a preliminary reference under Art. 267 TFEU from a national court whose competence to hear patent cases was taken away and transferred to the UPC. It is to be assumed that some litigants will have an interest to bring such test cases before national courts to protract or otherwise torpedo cases at the UPC until the issue of its EU law compatibility is settled.

This contribution will, in the following, briefly discuss the major issues of EU law compatibility of the Authorisation Decision, the two UP Regulations and, most importantly, the UPCA. The discussion will be brief and intends to serve as a reminder and summary of the relevant issues. For the underlying in-depth reasoning and arguments, readers are directed to reference materials cited in the footnotes.

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19 Cf. *UP enhanced cooperation* (fn. 18) paras. 76 et seq. and 92.

20 Opinion 1/09, *EEUPC*, ECLI:EU:C:2011:123, paras. 58 et seq.

## 2. Legality of Enhanced Cooperation for the UP

Enhanced cooperation in the area of patent law was authorised in 2011 and subsequently cleared by the CJEU. The Court took a markedly generous approach in terms of both the recourse to the enhanced cooperation mechanism in principle and the limits of its effects on non-participating Member States. Its approach was criticised for failing to apply more contoured standards, e.g., a *de minimis* test for initial prejudice to non-participating Member States' interests.<sup>21</sup> Nonetheless, today, the legality of the enhanced cooperation as such is decided and settled.

### A. Type of Competence

Areas that fall under exclusive EU competences are not open to enhanced cooperation according to Art. 20 (1) TEU. One of the applicant's pleas in the action for annulment of the Authorisation Decision was, accordingly, that the establishment of the UP was naturally such an exclusive EU competence. However, the CJEU confirmed the Council's view that the UP involved a shared, and not an exclusive competence.<sup>22</sup> Following this clear categorisation of the competence type of Art. 118 TFEU by the CJEU, the issue is now settled and thus no longer haunts the legality of the enhanced cooperation.

That being said, the Court's approach is, of course, hardly convincing:<sup>23</sup> One determining characteristic of shared competence is that the Member States themselves may legislate as long as the Union has not exercised its competence.<sup>24</sup> Classic examples are harmonisation measures based on Art. 114 (1) TFEU, where divergent rules pre-exist in national law until they are superseded by uniform Union law. This is so, in particular, as regards national IP law, which thus falls within the area of shared competences.<sup>25</sup>

Art. 118 TFEU, however, concerns "measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements". For such

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21 Cf. *Jaeger*, The End to a Never-Ending Story? The Unitary Patent Regime, 269, 279 et seq., in: Giegerich/Schmitt/Zeitzmann (eds.), *Flexibility in the EU and Beyond* (2017).

22 Cf. *UP enhanced cooperation* (fn. 18) paras. 16 et seq.

23 Cf. *Jaeger*, Einheitspatent – Zulässigkeit der Verstärkten Zusammenarbeit ohne Spanien und Italien, NJW 2013, 1998, 1999 et seq.

24 Cf. Art. 2 (2) TFEU.

25 Cf. Opinion 1/94, *TRIPS Agreement*, ECLI:EU:C:1994:384, paras. 102 et seq.

measures, the logic that Member States are free to legislate until the EU enacts legislation obviously fails. Logically, uniform protection and procedures can only be created at the EU level. Any measures on the part of Member States are excluded *per se* and *ex ante*. Functionally, therefore, Art. 118 TFEU cannot involve anything but an exclusive competence of the Union.<sup>26</sup>

The CJEU, of course, took a policy-wide approach that does not differentiate between the various legislative bases within a given chapter of the Treaty. That approach seems at odds with the declaratory character of the TFEU's competence catalogue as underlined by Art. 2 (6) TFEU, according to which "[t]he scope of and arrangements for exercising the Union's competences shall be determined by the provisions of the Treaties relating to each area". The insertion of Art. 118 TFEU by the Treaty of Lisbon served precisely the purpose of providing a legal basis beyond harmonisation measures falling under shared competences based on Art. 114 TFEU in order to allow for the creation of EU IP rights *sui generis*. Until then, a legal basis outside the internal market context was used accordingly, namely the flexibility clause of what is Art. 352 TFEU today. The CJEU was, however, not bothered by this. It narrowed the range of its methods of interpretation down to a single one, namely a systematic interpretation based on the position of Art. 118 TFEU in the Treaty. Accordingly, it concluded that that provision forms part of the Internal Market Chapter, which in turn is designated as falling under a shared competence under Art. 4 (2) (a) TFEU.

Be that as it may: Following this clear statement of the CJEU, the argument of illegality of the UP enhanced cooperation as going beyond the confines of Art. 20 TEU in terms of exclusive EU competences no longer bites. The issue is settled.

### *B. Circumvention of Unanimity under Art. 118 TFEU*

The second issue settled following the CJEU's clearance of the Authorisation Decision was the argument put forward by Spain and Italy that the shift to enhanced cooperation circumvented the unanimity requirement under Art. 118 (2) TFEU as regards the language regime.<sup>27</sup> Under which conditions may the Council leave the general negotiating track and turn to enhanced cooperation as a means of "last resort"?

<sup>26</sup> Equally Jaeger, Art. 2 AEUV, para. 15, in: Jaeger/Stöger, EUV/AEUV-Kommentar, 233th suppl. 2019 (loose-leaf).

<sup>27</sup> Cf. Jaeger, NJW 2013 (fn. 23) 1999 et seq.

In this respect, the Court emphasised the Council's freedom of political appreciation as regards the prospect of reaching compromise:<sup>28</sup> Art. 20 (2) TEU states that enhanced cooperation constitutes "a last resort" if the Council determines that an envisaged measure cannot otherwise be realised within a reasonable period of time. The CJEU clarified in that regard that it would only subject the Council's assessment to a rough check for intentional misuse of decision-making powers.<sup>29</sup> However, a measure is "vitiating by misuse of powers only if it appears, on the basis of objective, relevant and consistent evidence to have been taken solely, or at the very least chiefly, for ends other than those for which the power in question was conferred or with the aim of evading a procedure specifically prescribed by the Treaty for dealing with the circumstances of the case".<sup>30</sup> Clearly, this level of proof is demanding and applicants will only rarely succeed in this matter. As long as it seems "impossible to adopt ... legislation in the foreseeable future",<sup>31</sup> the Council is entitled to resort to enhanced cooperation to exclude dissenters.

Problematically, of course, such a generous understanding of the concept of "last resort" may lend itself to abuse. At the very least, it is a valuable bargaining chip at the hands of the Council majority to bring dissenters into line. In the present context of assessing the legality of the Authorisation Decision however, suffice it to observe that a circumvention of the unanimity requirement for languages is no longer an issue which vitiates the legality of the enhanced cooperation.

### *C. Discriminatory and other Effects of the Enhanced Cooperation*

The Court's generous understanding of the criterion of "last resort" means that the actual effects of the enhanced cooperation cannot or will not be checked in the context of review of the Council's Authorisation Decision, but only much later, when the cooperation is underway and actually implemented.<sup>32</sup> Any detrimental effects of the cooperation, as prohibited by Art. 20 TEU and Arts. 326 and 328 TFEU in particular, are thus to be assessed in relation to the implementing legislation actually passed. Among those conditions are non-discrimination, support for cohesion, integration and other Union interests as well as the non-distortion of competition. Furthermore, the enhanced cooperation

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28 Cf. *UP enhanced cooperation* (fn. 18) paras. 33 et seq. and 47 et seq.

29 Cf. *UP enhanced cooperation* (fn. 18) para. 33.

30 *UP enhanced cooperation* (fn. 18) para. 33.

31 *UP enhanced cooperation* (fn. 18) para. 50.

32 Cf. *UP enhanced cooperation* (fn. 18) para. 37.

must not have the effect of precluding non-participating Member States from joining at a later stage.

This postponement of the judicial review of the effects of the enhanced cooperation to the actual implementation stage appears sensible in general. However, it does not make sense in relation to effects which are already manifest from the objective or the foundations of the cooperation itself.<sup>33</sup> Such fundamental effects can and should be assessed already at the time of the authorisation and, where appropriate, should lead to a declaration of its incompatibility with EU law.

One such fundamental effect, which was already visible at the stage of authorisation of the UP enhanced cooperation and is still present to date, is the preclusive effect as prohibited by Art. 20 (1) TEU and Art. 328 (1) TFEU, according to which enhanced cooperation shall be and remain open to participation by other Member States at any time. In the case of the UP, however, the reason for the shift to enhanced cooperation was the controversial language issue and the objective to overcome Spanish and Italian opposition. Those Member States cannot join the cooperation at a later stage without having to agree to the restrictive language regime applicable therein. This precludes their participation at a later stage on equal terms: If a Member State joins at a later stage, as notably Italy did in 2016, it is forced to do so on terms that discriminate against its national interests, because the language issue is no longer negotiable and the exclusion of one's own official language has to be accepted as a precondition for joining. If, as was the case for the UP, enhanced cooperation is resorted to precisely with the aim of excluding the Spanish and Italian languages, those States cannot join later without giving up their cultural interests.<sup>34</sup> This is all the more so given that linguistic diversity also enjoys special protection in EU law.<sup>35</sup> The unanimity requirement in Art. 118 TFEU therefore has a special significance also when examining the effects of cooperation at the time of authorisation. Likewise, the criterion of preserving openness is an expression of the primary legislator's concern that there may also be forms of cooperation that are *de facto* not open to all Member States. The language issue is a prime example of such a case. Failing to recognise this already at the stage of reviewing the authorisation deprives the criterion of non-preclusion of its very essence.

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33 Cf. Jaeger, NJW 2013 (fn. 23) 2000.

34 Unconvincing thus *UP enhanced cooperation* (fn. 18) para. 83.

35 Cf. Art. 22 CFR; Art. 3 (3) TEU; Art. 342 TFEU; also Case C-202/11, *Anton Las*, ECLI:EU:C:2013:239, para. 26; Case C-391/09, *Runevič-Vardyn*, ECLI:EU:C:2011:291, para. 85.

Even if the question of whether the exclusion of certain key languages of the EU is discriminatory was answered in the negative, the effects of such a narrow language regime should already have been reviewed and cleared by the CJEU with regard to the Authorisation Decision. There is neither a need nor a justification to await the establishment of the enhanced cooperation and/or any implementing acts in relation to fundamental preclusive effects such as the ones at issue in the UP example.

Beyond the language issue, the UP enhanced cooperation may arguably have negative and discriminatory effects in terms of fragmentation of the internal market and affecting cohesion.<sup>36</sup> Even if the Court's argument was to be followed that such effects should only be measured against the actual implementing measures of the enhanced cooperation, this raises the question as to the appropriate standard of such review.<sup>37</sup> The Treaty formulates the non-impairment of interests of the Union (acquis, integration, internal market, cohesion, etc.) and of non-participating States (non-preclusion) in absolute terms: the cooperation "shall" respect Union law, it "shall" not impair the internal market, etc.<sup>38</sup> These are not mere options. The Court's judgment in assessing the Authorisation Decision makes clear, however, that the non-participating States must accept a certain degree of impairment of their interests, such as the adoption of cooperation measures with which they do not agree.<sup>39</sup> The exact standard of review and the question, which degree of prejudice to national interest exceeds what States must tolerate, were both left open in the judgment. Likewise, we do not know whether a minimum-maximum approach or a balancing of advantages and disadvantages also vis-à-vis Union interests apply.

#### *D. In Sum: Confirmed Legality, but many Leftovers*

In terms of the legality issues that the Court refused to deal with in the context of assessing the legality of the Authorisation Decision, and in particular insofar as the Court postponed such review to the stage of actual implementation, i.e., the enactment of implementing measures, the aforementioned concerns (in particular language discrimination, market fragmentation, economic cohesion) may still be raised against the UP Regulation and its respective implementing

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36 Cf. *Ullrich*, Select from Within the System, MPI for IP and Competition Law Research Paper No. 12-11, 29 et seq.; *Ullrich*, Enhanced cooperation in the area of unitary patent protection and European integration, ERA Forum 2013, 589, 604 et seq.; *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) 1.

37 Cf. *Jaeger*, NJW 2013 (fn. 23) 2000.

38 Both citations from Art. 326 TFEU.

39 Cf. *UP enhanced cooperation* (fn. 18) para. 82.

measures (i.e. UPs actually granted based on the UP Regulation as well as EPO administrative decisions relating to such UPs post-grant, e.g., regarding fees).

While, therefore, the Authorisation Decision can hardly form the subject of a second legality review before the CJEU, the UP Regulation certainly can, with regard to aspects not yet dealt with in the first review. This is particularly so, as the CJEU explicitly declared certain effects as being relevant in the context of reviewing the implementation of the enhanced cooperation, but has not yet dealt with those issues when reviewing the UP regulation. There is, in other words, no preclusive effect of the first review of legality of the UP Regulation in relation to novel concerns (see below).

### **3. Legality of the UP Regulation**

Both of the two UP Regulations have been subject to the CJEU's review in 2015,<sup>40</sup> but all of the pleas put forward by Spain as the applicant at the time were rejected. Those pleas were, as regards the substantive UP Regulation, first, an alleged infringement of the principle of the rule of law due to a lack of judicial reviewability of the EPO procedure, second, a claimed infringement of the legal basis of Art. 118 TFEU due to the Regulation's failure to determine key aspects of uniform protection, third, an alleged misuse of powers, as the Regulation was deliberately designed to be an empty shell, fourth, a claimed infringement of the limits of delegation due to existing EPO discretion in the administration of the UP and fifth, an alleged infringement of the principle of autonomy of EU law by the UPCA. For the UP Translation Regulation, the pleas were rather similar, consisting of, first, a claimed infringement of non-discrimination on the ground of language, second, an alleged infringement of the limits of delegation of translation-related tasks assigned to the EPO, third, a claimed incorrect choice of legal basis with Art. 118 TFEU, fourth, an alleged infringement of the principle of legal certainty due to the limitation of languages and fifth, a claimed infringement of the principle of autonomy of EU law by the UPCA.

#### *A. Reminder of the UP Regulation's Novel Regulatory Technique*

As is well-known,<sup>41</sup> the UP Regulation 1257/2012 incorporates a unique regu-

<sup>40</sup> Cf. the judgments *UP* and *UP translation*, both cited in fn. 18.

<sup>41</sup> Cf. *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) 1 et seq.; *Jaeger*, Reset and Go: The Unitary Patent System Post-Brexit, IIC 2017, 254, 261 et seq.; *Jaeger*, EuZW 2013 (fn. 8) 16 et seq.



latory method hitherto unprecedented in EU law. The UP Regulation defines the UP as a regular EPC patent with the same set of claims for the participating states for which, in addition, unitary protection was requested at the time of grant. Therefore, the UP system relies on the EPC and the EPO (i.e., on public international law and the acts of an extra-EU international organisation) as regards all aspects and decisions in relation to the registration procedure and, consequently, does also not include any own stipulations in terms of requirements for protection or exceptions. Likewise, the UP Regulation does not in any way determine the scope of protection, but instead relies on the UPCA, i.e., in turn (like the EPC), an act of international law. The UPCA indirectly determines the substantive scope of the UP in the form of rights and remedies of the patent holder before the UPC. Finally, any property aspects of the patent (e.g., transfer, mortgaging and use as security, etc.) follow the various Member States' laws where the patent applicant was domiciled at the time of the application for the EPC patent or (subsidiarily) German law (cf. Art. 7 UP Regulation).

For these reasons, the UP is essentially a "stub patent": Not even the minima for determining of the type of right are laid down therein. The requirements of protection, definitions of the scope of protection or property rules are all imported from third legal regimes, namely public international law and/or national law. It is this extensive reliance on third legal sources that the second and third Spanish pleas for illegality related to under the headings of infringement of the objective of Art. 118 TFEU and a deliberate misuse of powers.

Because of these unique features, the UP is characterised by a high degree of legal complexity and fragmentation.<sup>42</sup> Both legal complexity and fragmentation are increased by the fact that also as regards the territorial scope of protection, the UP system is inherently fragmented: Many States remain outside of the system, in part already due to its implementation in the form of enhanced cooperation or the conditionality of the territorial applicability of the UP Regulation upon the ratification of the UPCA as a separate international agreement by the respective state (to date, inter alia, Spain, Poland, Croatia, Hungary, Ireland), but also due to a shift to exclude all non-EU Member States of the EPO after the CJEU's first negative review of the patent court system in 2011<sup>43</sup> (notably Switzerland, all EEA member States, etc.) and, finally, the UK, following its post-Brexit withdrawal from the UPCA.<sup>44</sup>

What this novel method, i.e., its legal complexity, its reliance on non-EU law for constituent features of the EU law-based right, reliance on the activities of a non-EU legal body (the EPO) for grant and administration and the issues of

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42 Cf. *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) 1 et seq.

43 Cf. *EEUPC* (fn. 20).

44 Cf. *Jaeger*, IIC 2017 (fn. 41) 266 et seq.

territorial truncation and fragmentation, finally implies for the effectiveness and functioning of the UP and its actual attractiveness to companies and stakeholders yet remains to be seen. In legal terms, the novel regulatory method certainly poses a challenge on several levels, of which only some were dealt with and cleared at the occasion of the CJEU's review of the two UP Regulations. Some aspects still remain unclear and hamper legal certainty for those stakeholders that rely on the system. Legal security is impaired both in a fundamental manner (i.e. the system's overall lawfulness) as well as in terms of its detailed scope and effects: how will the CJEU fill the blanks deliberately left open in the UP Regulation and in how far will it feel bound by the stipulations contained in non-EU legal texts such as the EPC and the UPCA in particular? It is unlikely for the CJEU to accept that national or international law could make binding stipulations for its own understanding of the UP Regulation, as anything else would invert the principle of primacy.

### *B. CJEU Assessment and Legality Issues Cleared*

As was pointed out before, the CJEU dismissed all of the applicant's pleas. Regarding the alleged empty shell character, lack of regulatory substance and an accordingly limited judicial reviewability by the CJEU, the Court held that the implementation of the enhanced cooperation did not infringe the autonomy of EU law or Art. 118 TFEU respectively.<sup>45</sup>

#### **1. Transformation Fiction**

A crucial aspect of the Court's assessment of the UP system in the judgment is its embracement of the so-called transformation fiction right at the outset of the reasoning: "[T]he contested Regulation is in no way intended to delimit ... the conditions for granting European patents – which are exclusively governed by the EPC and not by EU law – and ... it does not 'incorporate' the procedure for granting European patents ... into EU law. ... [I]t necessarily follows from the characterisation of the contested Regulation as 'a special agreement within the meaning of Article 142 of the EPC' ... 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. [T]he ... plea ... to contest the legality ... of the administrative procedure preceding the grant of a European patent ... must therefore be rejected."<sup>46</sup>

<sup>45</sup> Cf. *Jaeger*, IIC 2017 (fn. 41) 263 et seq.

<sup>46</sup> *UP* (fn. 18) paras. 30 to 32.

The Court thus sees the UP Regulation as a form of cooperation within the EPC, namely as a regional patent integration system under Art. 142 EPC. This is, of course, hard to subscribe to: The EU is not a party to the agreement and the UP Regulation, adopted by the EU Parliament and the Council, is an act of the EU. The EU and its institutions are legally different, i.e., they hold different powers and competences from the Member States and their representatives – even where those representatives are reunited in the Council.<sup>47</sup> The EU cannot in a legally binding manner act for the Member States and vice versa. There is, therefore, no conceivable way that the Council could pass an implementing act for the Member States in the scope of application of the EPC. How and why the CJEU is convinced otherwise is neither addressed nor elucidated in the judgment.

Nonetheless, adopting this point of view conveniently allows the Court to overcome a number of legal problems and obstacles of the UP system all at once: First, the UP Regulation does not require any substance, because it is a mere implementing act to the EPC. As such, it is able to rely on the EPC as regards the key features of the patent (e.g., requirements of protection, exceptions). Second, the EU does not require its own patent office and is able to rely on the EPO for grant and administration. Third, the EU does not need to join the EPC, because it is allegedly the participating EU Member States that create the regional patent cooperation *inter se* in the sense of Art. 142 EPC. Thus, there would be no necessity for the EU to jump in at the pre-registration stage. Fourth, and also very importantly, because the EU will not (and is not required to) become a party to the EPC, the EU does also not expressly delegate administrative tasks to the EPO. Thereby, the rather strict limits for delegation (exclusion of independent discretion) of EU powers to agencies and other bodies under the long-standing *Meroni* line of case law are overcome.<sup>48</sup>

If, therefore, the UP is essentially a creature of the EPC, where and when does EU law with all of its principles, requirements and ample protection of individual rights actually come into play? The answer is simple: Only upon grant by the EPO, when the patent enters the ‘national’ (here thus: EU law) stage. Equally, as is generally the rule in the relationship between EPC law and national law, EU law only kicks in upon national validation: Art. 3 (1) UP Regulation states that the EU law-based right comes into existence at the time (through the act) of grant by the EPO and subsequent entry into the EPO’s patent register (albeit with retroactive effect). In other words, the hybrid national/international law mix that characterises the EPC-based centralised registration proce-

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47 Cf. Case C-685/20 P, *Sharpston*, ECLI:EU:C:2021:485, para. 46.

48 Cf. Case 9/56, *Meroni*, ECLI:EU:C:1958:7.

ture is automatically transformed into an EU law-based right upon registration of the patent by virtue of the effects of the UP Regulation.

This transformation fiction (also known as the theory of transformation, as opposed to the theory of delegation)<sup>49</sup> was already advanced and discussed in the context of the (failed) *EEUPC* model.<sup>50</sup> According to this model, the EPO would not act on behalf of the EU (i.e., is not entrusted with delegated powers) as it actually only grants a patent pursuant to the EPC. This patent is only migrated into the Union's legal system, to become a UP automatically, solely by virtue of the effects of the UP Regulation.

As the Advocates General had already pointed out when assessing the *EEUPC* model, the transformation fiction cannot have the effect of overcoming or side-stepping the EU law guarantees of effectiveness and completeness of the system of remedies or (therefore) the limits of delegation of powers to an international body: "For the purpose of this opinion, it is neither necessary nor advisable to determine which of these two theories carries conviction. ... In fact, the decisions of the EPO concerning patents can only currently be reviewed by the internal chambers of appeal created within the EPO, excluding any judicial appeal before an external court. There is no possibility of the European Court of Justice ensuring the correct and uniform application of Union law to proceedings taking place before the chambers of appeal of the EPO. ... The European Union should not either delegate powers to an international body or transform into its legal system acts issued by an international body without ensuring that effective judicial control exists, exercised by an independent court that is required to observe Union law and is authorised to refer a preliminary question to the Court of Justice for a ruling, where appropriate."<sup>51</sup>

In other words, the absence of judicial control over the EPO's actions is and remains a problem irrespective of the underlying theory to explain such a result.<sup>52</sup> In particular, transformation cannot remedy that problem: The EU must not "delegate [n]or transform into its legal system"<sup>53</sup> EPO acts without ensuring that effective judicial control, and in particular CJEU control of last resort, over the EPO is in place. The transformation fiction does not alter this requirement or remedy the illegality of the missing remedy vis-à-vis Art. 19 (1) TEU.

49 Cf. Statement of Position by the Advocates General at the CJEU of 2 July 2010 for Opinion 1/09, *EEUPC*, not published in ECR or ECLI, para. 69.

50 Cf. *EEUPC* Statement of Position (fn. 49) paras. 68 et seq.

51 *EEUPC* Statement of Position (fn. 49) paras. 70 to 72.

52 Cf. Jaeger, Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, IIC 2012, 286, 293 et seq.

53 *EEUPC* Statement of Position (fn. 49) para. 72

The Advocates General also offered a solution to overcome the EU law incompatibility. Transformation is not that kind of remedy. But “[t]hese requirements can certainly be satisfied in different ways. A possible extension of the competences of the future [Patent Court] to include administrative proceedings against decisions of the EPO is just one of the options that may be contemplated. Another option that may be contemplated is the creation of an administrative patent court which should be authorised, unequivocally, to refer to the European Court of Justice for a ruling on a preliminary question. Under the principle of institutional balance, it is not up to the Court to indicate which of these different options should be given preference, within the scope of this opinion.”<sup>54</sup>

Given the clarity of this rejection of the transformation fiction by the Advocates General already in 2010, one may wonder how it managed to persist and make its way into the follow-up model of the current UP system of 2012. The answer is as simple as it is sobering: pure need. Transformation is a creative legal stunt (devised by the Commission) to overcome the limits of delegation set out by constant jurisprudence as well as the many political, legal and practical problems connected with an EU accession to the EPO. The Commission was in a lose-lose situation: On the one hand, there was no realistic way forward for an EU patent system fully detached from the EPO (and the trust of users vested in it). On the other hand, CJEU control over the EPO seemed not just legally complex to establish, but politically completely unviable. Arguably, the EPO’s Boards of Appeal fail to fulfill the fair trial guarantee standard of Art. 6 ECHR and Art. 47 EU Charter of the Fundamental Rights and cannot be seen as tribunals affording adequate protection of individual rights.<sup>55</sup> From a purely legal point of view, it is accordingly imperative to subject their decisions to full review by a court. Nonetheless, some national systems (e.g., Germany) also struggle with the doubtful quality of legal protection within the EPC/EPO system vis-à-vis fair trial guarantees, but hitherto chose to look the other way in the absence of a manageable way out of the stalemate.<sup>56</sup>

At first glance, the transformation fiction may seem convincing in that it is similar to, and seems only to mirror and build upon, the current relationship between the EPO’s tasks and national law and existing practice. Before registration and validation of a classic European patent, there is no national right.

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54 *EEUPC* Statement of Position (fn. 49) para. 73.

55 Cf. *Jaeger*, GRUR Int. 2021 (fn. 9) 1134; *Jaeger*, IIC 2012 (fn. 52) 293 et seq.

56 Cf. the recent rejection of complaints as inadmissible in Bundesverfassungsgericht of 8 November 2022, 2 BvR 2480/10, 2 BvR 561/18, 2 BvR 786/15, 2 BvR 756/16, 2 BvR 421/13 – *EPO Appeals System*; Bundesverfassungsgericht Press Release No. 4/2023 of 12 January 2023.

National law and legal protection only arise afterwards. The transformation fiction and the UP Regulation essentially take that same approach and extend it to the relationship between the EPO and the EU.

As was just pointed out,<sup>57</sup> the transformation of EPO acts into national law and the absence of national legal remedies are not at all undisputed at the national level. But when taken to the EU level, the problems multiply. After all, EU law is generally rather strict and inflexible as regards the need for respect of its core principles, namely effectiveness and completeness of the system of remedies, fundamental rights guarantees, uniform application and, ultimately, the autonomy of the EU legal order as safeguarded by the CJEU as the court of last resort to adjudicate any questions concerning the interpretation and application of EU law.

Nonetheless, the Court implicitly endorsed the transformation fiction, albeit without addressing the issue of legal protection in the absence of direct judicial reviewability of the EPO's decisions. When Spain, as the applicant in the annulment action directed against the UP Regulation, raised this issue by highlighting the fact that this is also not remedied by the UPCA, the Court simply stated that the Agreement was not of the issue and could not be checked in the proceedings at hand.<sup>58</sup> So the issue of judicial control over the EPO's decisions and, therefore, the ultimate word on the aptitude of the transformation fiction to deliver on the promise of overcoming the Commission's lose-lose dilemma and resolve the EU law problems of delegation, accession, etc. was essentially postponed to the time of a possible review of the UPCA.

## 2. Legal Basis and Empty Shell Character

Just like the issues with transformation, the CJEU's assessment of the other pleas raised by the Kingdom of Spain was also predicated upon the aforementioned basic presumption that the UP Regulation is a regional patent cooperation under the EPC. Accordingly, the issue of whether the UP Regulation is actually a mere act of harmonisation of national patent law (in the sense of Art. 114 TFEU) or whether it actually creates a *sui generis* right (as is envisaged by Art. 118 TFEU), and whether thus the choice of Art. 118 TFEU as legal basis was correct, was resolved by the Court along the same lines and with similar argumentative generosity.<sup>59</sup> The CJEU held that Art. 118 TFEU was flexible in that regard and allowed the EU legislator to rely on the pre-harmonised regime of the EPC. Accordingly, the CJEU highlighted the UP Regulation's objective to

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57 See fn. 56.

58 Cf. *UP* (fn. 18) paras. 100 et seq.

59 Cf. *UP* (fn. 18) paras. 39 et seq.

establish uniform protection, and that Art. 118 TFEU supported such an objective irrespective of the method chosen to achieve that result.<sup>60</sup>

One may criticise this view for blurring the differences and respective scope of application between Art. 114 and Art. 118 TFEU. Nonetheless, as a result, the question of choice of legal basis is finally settled and can no longer be advanced to call the legality of the UP Regulation into doubt.

In a similar vein, the applicant attacked the empty shell character of the UP Regulation as a misuse of powers and circumvention of the EU system of legal protection and, in particular, the jurisdiction of the CJEU. The CJEU however did not see a problem in coupling the UP Regulation's entry into force with that of the UPCA.<sup>61</sup> Just like the existence of *de facto* harmonised national legislation via the EPC regime sufficed for the CJEU to uphold the choice of legal basis, it found, likewise, that uniformity in terms of scope would be established via harmonisation of national laws upon ratification of the UPCA. This was enough for the CJEU to assume that the EU legislator had acted within the discretion accorded to it and had not manifestly misused its powers "solely, or at the very least chiefly, for ends other than those for which the power in question was conferred"<sup>62</sup> (here: to circumvent the EU's system of legal review and remedies).

In its brief reasoning on this point, the Court failed to address the underlying problem of an alleged inversion of the principle of primacy and an infringement of the autonomy of EU law through the UP Regulation's empty shell technique: Can the EPC and the UPCA influence the interpretation and application of the UP Regulation in any binding manner? Clearly, this was the underlying rationale and hope behind the empty shell technique of the EU legislator. If so, this would invert the principle of primacy of EU law over any third sources of law (national or international). However, if that was not the case, how is the CJEU then to fill the gaps when called upon to adjudicate upon details of the existence and scope of the EU law-based UP?

The issue of a potential incompatibility of the UP Regulation with the principles of autonomy and primacy is, therefore, still on the agenda. It might serve as a renewed and more carefully elaborated basis for review of the legality of the UP Regulation. However, a scenario, where the CJEU would not declare the UP Regulation as invalid because of the empty shell technique but would fill in the gaps in a more or less hands-free fashion, according to its own convictions, seems more likely. Therefore, it is quite possible that it would not consider itself bound by those third sources of law. In that case, it could draw upon them

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60 Cf. *UP* (fn. 18) para. 51.

61 Cf. *UP* (fn. 18) paras. 56 et seq.

62 *UP* (fn. 18) para. 56.

as inspiration where convenient, but would be free and ready to deviate from them wherever appropriate.

### *C. In Sum: No Illegality for the Reasons Examined, but Significant Leftovers*

Overall, the legality of the two UP Regulations was, of course, confirmed by the CJEU. Some issues were settled for good, in particular the choice of legal basis and the issue of deliberate misuse of powers of the EU legislator to escape the limits of EU law and its system of legal protection in particular.

Nonetheless, the UP Regulation is not unambiguously cleared as being fully compatible with EU law: Some, indeed still fundamental, legality qualms remain that could be raised once the system is operative and running. These issues were not resolved in the 2015 judgments. In particular, while the transformation fiction was indirectly embraced and upheld by the CJEU, its actual effects on the complete system of remedies (or rather: its deficits) and the autonomy and primacy of EU law were neither addressed nor resolved.

In short, while the UP Regulation declares a unitary character for the patent, it does not also expressly stipulate the autonomous (*sui generis*) character of the UP in terms of its independence from those third legal sources.<sup>63</sup> In the 2015 judgements, the CJEU exclusively dealt with and reiterated the unitary character of UPs (as an issue of choice of legal basis) but did not yet address or scrutinise the lack of autonomy of the UP. The most pressing issue in this respect is the complete absence of judicial reviewability of EPO acts relating to the UP and its translations, fees etc. This was essentially deferred by the CJEU to be reviewed at a later stage, together with the UPC Agreement.

It seems likely that the persisting legality issues resurface once the UPCA is under review by the CJEU, given that the UP Regulation's regulatory technique (transformation and empty shell approaches) and the UPCA are closely intertwined. The CJEU expressly excluded issues of legality and effects of the UPCA from the scope of the action for annulment of the UP Regulation, thereby postponing them to that later stage.

It is difficult to predict how the CJEU will deal with the lack of judicial review over the EPO in particular. The issue of transformation and the persisting EU law dilemma involved are fittingly pointed out and discussed, along with possible remedies, by the Advocates General in their Joint Statement for the EEUPC model.<sup>64</sup> As was laid out above, some national courts (prominently the German Bundesverfassungsgericht) have until now opted to look the other

63 Cf. *Jaeger*, IIC 2012 (fn. 52) 293 et seq.; *Jaeger*, IIC 2017 (fn. 41) 261 et seq.

64 Cf. fn. 49.



way.<sup>65</sup> Perhaps the CJEU will do the same, thereby continuing its rather lenient approach to scrutinising the UP system in the past.<sup>66</sup>

Should the Court take a stricter approach, however, that might still not involve a full annulment of the UP Regulation or unconditional EU law incompatibility of the UP System altogether, since the CJEU may also keep it in force until deficits are remedied.<sup>67</sup> This would, of course, necessitate the introduction of judicial review over EPO decisions and/or the integration of its Boards of Appeal into a judicial body, be that the UPC or some other judicial tribunal (e.g. the national courts) that is able or, where applicable, obliged to file references for a preliminary ruling with the CJEU.

As regards the other remaining issues of legality of the UP Regulation, namely the conflicts with primacy and autonomy due to the transfer of all substantive rules to third legal sources, those issues will probably not cause the CJEU to annul the UP Regulation when seized to review the UP Regulation again. Instead, the prospect of the CJEU seizing the opportunity offered by the UP Regulation's empty shell regulatory technique to create a tailor-made patent law, composed of those bits and pieces of the EPC and the UPCA that appear convenient, but devoid of those bits that seem inconvenient, seems very likely indeed.<sup>68</sup>

#### **4. Legality of the Unitary Patent Court**

Unlike for the Authorisation Decision and the two UP Regulations, the CJEU did not scrutinise the UPCA yet. One of the reasons for this is that, unlike what was the case with the preceding drafts for a patent court, the EU is no longer involved in its setup: The UPC is neither a court of the EU proper (i.e., an EU body) in the sense of Art. 19 TEU and Art. 257 TFEU (as, e.g., the 2004 proposals had envisaged), nor is the EU a party to the international agreement for the establishment of the UPC (as, e.g., it still was the case regarding the 2009 proposal for the EEUPC).<sup>69</sup> The preliminary review procedure of Art. 218 (11) TFEU is only available for international agreements concluded by the EU.

The reason why the applicability of Art. 218 (11) TFEU is reserved to international agreements where the EU is a party is, of course, a simple one: Inter-

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65 Cf. fn. 56.

66 Cf. *Jaeger*, IIC 2017 (fn. 41) 265 et seq.

67 Cf. Art. 264 TFEU.

68 Cf., in this regard, the contribution of Luc Desautettes-Barbero and Alain Strowel in this book.

69 For the historic models, cf. *Jaeger*, CML Rev. 2010 (fn. 1) 79 et seq.

national agreements concluded by the Member States (both *inter se* or with third parties) without EU involvement belong to the sphere of national law alone. As a result, the supranational characteristics of EU law apply to them in their entirety, in particular the primacy rule: Features of such international agreements and any national implementing norms that are incompatible with any provision of EU law are automatically inapplicable *ex tunc*.

Therefore, insofar as the UPCA is vitiated by EU law incompatibilities, national courts must not give any effect to that Agreement, any implementing norms or any claims based on them. Because of these classic as well as drastic effects of primacy as a tool to resolve conflicts between national law (including non-EU international agreements) and EU law, there is no need for additional preliminary review of such agreements by the CJEU both from a systemic perspective as well as from the point of view of individual rights protection. Instead, allegedly incompatible agreements of the EU Member States, like the UPCA, will eventually reach the CJEU through the regular preliminary reference procedure of Art. 267 TFEU, thereby affording sufficient opportunity to prevent their application vis-à-vis individuals.

#### *A. Nature of the UPC: A Truncated Copy/Paste of the Model of Opinion 1/09*

In essence, i.e., as regards its main idea, setup and procedures, the UPC is essentially a copy/paste prolongation of the EEUPC model, which had been reviewed and declared incompatible with EU law by CJEU Opinion 1/09:<sup>70</sup> The minor material differences that do exist are by no means due to any effort of a major overhaul of the EEUPC model: They are predominantly owed to further compromise introduced in the course of its remodelling, e.g. a predominantly national composition of the bench in decentralised divisions, the tripartite partition of the central division and the like.<sup>71</sup>

Essentially just two material changes were indeed introduced in reaction to the CJEU's negative Opinion, i.e., to reinforce the compatibility of the UPC with EU law. Those were the introduction of a *Francovich*-type liability of state parties for breaches of EU law and a more generous wording and scope for the obligation of the UPC to request preliminary rulings in all matters of EU law.

The overall setup of the UPC is, however, exactly the same as the one of the EEUPC. It is also mainly<sup>72</sup> that overall setup, not the details of procedure

<sup>70</sup> Cf. *EEUPC* (fn. 20).

<sup>71</sup> Cf. *Jaeger*, IIC 2017 (fn. 41) 262; *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) 1 et seq.

<sup>72</sup> With the exception of the missing *Francovich*-type liability of states for infringements,

or organisation, which the CJEU scrutinised and criticised in the *EEUPC* Opinion.<sup>73</sup> In this respect, the UPC has the same scope of jurisdiction as the *EEUPC*, namely to decide upon infringement as well as invalidity claims for both the EPC's European patents and the EU's UPs. Like the *EEUPC*, the UPC is a two-instance, international law-based, decentralised court. It thus has local and regional divisions as well as one central division of first instance and a single central appeals instance. Like the *EEUPC*, the UPC is subject to an obligation built into the Agreement to refer any questions of EU law to the CJEU under the Art. 267 TFEU procedure (albeit with a more inclusive wording). Like the *EEUPC*, the UPC is fully detached from the national judicial framework in that it does not cooperate with national patent courts, but fully replaces them. Lastly, the UPCA includes the same possibility (optional for first-instance, decentralised chambers) of splitting infringement and invalidity procedures (so-called bifurcation compromise).

From a territorial perspective, by contrast, the UPC is a significantly different court from what the *EEUPC* would have been: With its (currently) just 24 participating States, the UPC appears like a midget twin of the *EEUPC*. The *EEUPC* would have had all EU Member States and all EPO States on board, i.e., 39 States and thus almost double the territorial weight.

The UPC's loss of territorial or global heft as compared to the *EEUPC* is also not just a quantitative one, i.e., not just a matter of head count, but also a qualitative one: Key European patent jurisdictions are now out of the system, most importantly the UK, but also Switzerland or Norway. So the UPC is not just a smaller club, but it is also not, as had initially been the aspiration, the only boss in town: patent jurisdictions in Europe will continue to compete and national courts will continue to pursue and develop their own understandings of patentability, limitations, injunctions and more. The UPC does not achieve a significant consolidation of European jurisdiction, neither vis-à-vis (EU and non-EU) national patent courts nor vis-à-vis the CJEU (to whose preliminary rulings it is subject as regards UPs only).<sup>74</sup>

The territorial truncation of the UPC as compared to the *EEUPC* is, in part, of course due to the UP's enhanced cooperation background. Brexit happened along the way too, i.e., between the setup of the system and its entry into force. If the EPO's state parties were still fully included, of course, Brexit would

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cf. *EEUPC* (fn. 20) para. 88.

73 Cf. *EEUPC* (fn. 20) paras. 60 et seq.

74 For more details, cf. *Ullrich*, EuGH und EPG im Europäischen Patentschutzsystem: Wer hat was zu sagen? Versuch einer Standortbestimmung, 229, 230 et seq., in: Metzger (ed.), *Methodenfragen des Patentrechts: Theo Bodewig zum 70. Geburtstag* (2018); *Hilty/Jaeger/Lamping/Ullrich*, *Twelve Reasons* (fn. 15) 2.

not have made that much of a difference, as the UK would still be inside of the litigation system by virtue of its continued EPO membership.

Ultimately however, neither enhanced cooperation nor Brexit are the most significant reason behind the shrinking of size and weight of the UPC. Instead, the Commission made that sacrifice in an attempt to get the deal done in spite of Opinion 1/09. Therein, the CJEU had compared the (incompatible) EEUPC with the (compatible)<sup>75</sup> Benelux IP court and emphasised “that the situation of the [EEU]PC ... would differ from that of the Benelux Court of Justice ... Since the Benelux Court is a court common to a number of Member States, situated, consequently, within the judicial system of the European Union, its decisions are subject to mechanisms capable of ensuring the full effectiveness of the rules of the European Union. ... The system set up by Article 267 TFEU ... establishes between the Court of Justice and the national courts direct cooperation as part of which the latter are closely involved in the correct application and uniform interpretation of European Union law and also in the protection of individual rights conferred by that legal order. [Those] tasks attributed to the national courts and to the Court of Justice respectively are indispensable to the preservation of the very nature of the law established by the Treaties.”<sup>76</sup>

What the CJEU meant there was that, in line with a long-standing line of case law (see in more detail below), EU law must only be adjudicated by those courts that form part of the EU’s system of judicial protection which is established by Art. 19 TEU.<sup>77</sup> There is, as that provision as well as Arts. 267 and 344 TFEU make clear, no room for a third type of courts or tribunals within the autonomous EU legal order.<sup>78</sup> There was, thus, no room for the EEUPC in spite of its self-assumed obligation to refer questions of EU law to the CJEU. Art. 19 TEU and the other mentioned provisions of EU law establish a closed judicial system by exclusively designating the courts that can form part of it and of the dialogue it comprises to further develop the body of EU law. It is not up to the EEUPC or the parties drafting an international agreement to opt into that closed system, even where those parties include the EU legislator.<sup>79</sup>

The Commission heeded this message of the CJEU in the *EEUPC* opinion, but unfortunately in a misconceived manner. This is where today’s problems of legality of the follow-up UPC model start. The Commission saw and dealt with the matter from a purely formal perspective: If Art. 19 TEU comprises only courts of the Member States, all states that are not EU members must be

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75 Cf. Case C-337/95, *Dior*, ECLI:EU:C:1997:517, paras. 21 et seq.

76 *EEUPC* (fn. 20) paras. 82, 84 and 85.

77 Cf. *Jaeger*, IIC 2017 (fn. 41) 276.

78 Cf. *EEUPC* (fn. 20) paras. 62 and 66.

79 Cf. Art. 216 (2) TFEU.

removed from the agreement. As a precautionary measure, it also removed itself (i.e., the EU) as a party to the UPCA, in the hope that this purely formal change, i.e., a change in the nature of the parties, would do the trick to turn the agreement-based international court into a genuine Member State court. To make the system absolutely watertight, it even had the Brussels Regulation (EU) 1215/2012 changed to expressly state that the UPC was a court of the Member States – full stop and end of story.

It is hard to believe that the Commission, before anyone else, did not already see the fundamental flaw of that approach at the time: As a general rule, EU law never embraces a formalistic approach and is never satisfied with purely formal explanations or solutions. Much rather, it generally takes a substantive approach by looking at the functioning and effects of a provision or a problem when assessing its compatibility with EU law.

The standard of Art. 19 TEU is, of course, a substantive one: Whether a legal body is or is not a court of the Member States within the meaning of that provision and for the purpose of the EU judicial system is not a matter of its formal denomination. Recognising this would, however, have involved fundamental changes to the EEUPC system in order for it to become a new, EU law compatible UPC. Because those changes were not undertaken and instead, the Commission took a gamble by simply changing the name at the patent court's doorplate, we are where we are at today, facing the same problems that marred the EEUPC (see immediately below).

Why did the Commission essentially not propose any substantive changes to the design of the patent court's structure? The answer is that politically, this would have very likely been impossible at the time and would have dealt the death blow to the highly prestigious plans for an EU patent. It would, in fact, have meant a final win for the non-EU EPC model and probably would have led to that model's reinforcement and completion by an EPLA-type litigation system.<sup>80</sup> After that, there would no longer have been any need nor justification to parallel or integrate such a system into the EU.

### *B. Why the UPC is not a Court of the Member States (and Therefore Incompatible with EU Law)*

The limits that the EU legal system imposes upon the Member States' freedom to setup court systems, to define their jurisdiction and competences and to organise their procedures are defined in many ways. Those limits are essentially a consequence of the principle of decentralised enforcement of EU law

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<sup>80</sup> Cf. *Jaeger*, GRUR Int. 2021 (fn. 9) 1139.

and the safeguards that are in place to ensure that enforcement conforms to certain qualitative standards of effectiveness and full legal protection.<sup>81</sup> The names, by which these limits are designated, are manifold, ranging from the principle of autonomy (perhaps the backbone and foundation of all the other requirements) to the principle *ubi ius* (or completeness of the system of remedies, as the CJEU denominates it), the CJEU's monopoly to decide upon all matters of interpretation and application of EU law at last instance, the principle of sincere cooperation and loyalty (with its sub-principles of equivalence and effectiveness), the principle of uniform application of EU law and many more. Their names are not important. What is important is the fact that they interact and mutually complement each other to ensure that every EU law-based claim can be brought before a court that is competent to hear that claim as well as competent to give full effect to that claim in a uniform manner and according to the same scope and standard throughout the EU. In order to ensure that uniformity, the CJEU is the instance of last resort, meaning that any procedure involving EU law must at least potentially be capable of eventually being taken to the CJEU. No EU law-based claim must be removed from the complete system of legal protection laid down in primary law in this way, the backbone of which are formed by Art. 19 TEU in conjunction with Art. 267 TFEU, either because there is no Member State court designated to adjudicate it in full or because it is transferred to a tribunal that is not a functional part of the system, even if it is formally designated as a court of the Member States.

Which bodies qualify as courts of a Member State and which do not is defined autonomously and exclusively by the CJEU.<sup>82</sup> On the one hand, the criteria involved are of a structural and organisational nature, as is familiar from the fair trial principle under Art. 6 ECHR and Art. 47 EU Charter of Fundamental Rights.<sup>83</sup> This is what haunts the legality of the UP system as regards the absence of jurisdiction over the EPO and its Boards.<sup>84</sup>

On the other hand, and this is decisive for the UPC in terms of its own setup, goals and functioning and constitutes a feature which can indeed not be changed without a fundamental makeover of the UPCA, the CJEU also explicitly requires an effective and real link between the judicial body in question and the judicial system of a Member State. Such a link is present where, as is for

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81 Cf. *Jaeger*, Introduction to European Union Law (2021), 82 et seq. and 145 et seq.

82 Cf. *Lenaerts/Maselis/Gutman*, EU Procedural Law (2014), paras. 3.08 et seq.; *Jaeger*, Introduction (fn. 81) 90 et seq.; *Jaeger*, Gerichtsorganisation und EU-Recht, EuR 2018, 611, 631 et seq.; *Jaeger*, GRUR Int. 2021 (fn. 9) 1134.

83 Cf. *Jaeger*, EuR 2018 (fn. 82) 631 et seq.

84 See at fn. 55 et seq.

example the case with the Benelux Court of Justice,<sup>85</sup> the tribunal in question continues or covers a part of procedures originating from the national courts proper. By contrast, tribunals and other bodies based on public international law which, like the UPC, are fully detached from the judicial system of the Member States, do not qualify as part of the EU judicial system within the meaning of Art. 19 TEU. They must not be entrusted with tasks that involve the application or interpretation of EU law, even if they are otherwise ready or even obliged to cooperate with the CJEU in that respect.

The CJEU has arguably made these principles sufficiently clear already in the *EEUPC* Opinion<sup>86</sup> and the consistent older case law<sup>87</sup> its reasoning was based on therein.<sup>88</sup> However, even more importantly, it has repeatedly confirmed these principles and the underlying logic in a number of cases since then.<sup>89</sup> Those case also become increasingly specific as regards the Court's concerns over the legality of the UPC.

The *Miles* judgment, delivered shortly after *EEUPC*, is particularly well-known in that regard. Therein, the Court explained that a "Complaints Board is not such a court common to a number of Member States, comparable to the Benelux Court of Justice. Whereas the Benelux Court has the task of ensuring that the legal rules common to the three Benelux States are applied uniformly and, moreover, the procedure before it is a step in the proceedings before the national courts leading to definitive interpretations of common Benelux legal rules ..., the Complaints Board does not have any such links with the judicial systems of the Member States."<sup>90</sup> Therefore, "although the Complaints Board was created by all the Member States and by the Union, the fact remains that it is a body of an international organisation which, despite the functional links which it has with the Union, remains formally distinct from it and from those

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85 Cf., in particular, Art. 6 Benelux Treaty (last modified in 2016, *Moniteur belge* C-2016/15121).

86 Cf. *EEUPC* (fn. 20) paras. 71 and 74 et seq.

87 Cf., in particular, Opinion 1/76, *European laying-up fund for inland waterway vessels*, ECLI:EU:C:1977:63, paras. 17 et seq.; Opinion 1/91, *EEA Agreement I*, ECLI:EU:C:1991:490, paras. 30 et seq.; Opinion 1/92, *EEA Agreement II*, ECLI:EU:C:1992:189, paras. 13 et seq.; Opinion 1/00, *ECAA Agreement*, ECLI:EU:C:2002:231, paras. 6 et seq.

88 Cf. *Jaeger*, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (2021), 603 et seq., 611 et seq., 713 et seq. and 739 et seq.

89 Cf. Case C-109/20, *PL Holdings*, ECLI:EU:C:2021:875, paras. 44 et seq.; Case C-741/19, *Komstroy*, ECLI:EU:C:2021:655, paras. 45 et seq. and 62 et seq.; Opinion 2/13, *ECHR II*, ECLI:EU:C:2014:2454, paras. 74 et seq.; Case C-377/13, *Ascendi Beiras Litoral e Alta*, ECLI:EU:C:2014:1754, paras. 25 et seq.

90 Case C-196/09, *Miles*, ECLI:EU:C:2011:388, paras. 37 et seq.

Member States.”<sup>91</sup> “In those circumstances, the mere fact that the Complaints Board is required to apply the general principles of EU law when it has a dispute before it is not sufficient to make the Board fall within the definition of ‘court or tribunal of a Member State’ and thus within the scope of Article 267 TFEU.”<sup>92</sup> The features of the entity scrutinised by the CJEU in the *Miles* case, and the reasons why it did not qualify as a common court of the Member States, sound all too familiar when compared with the UPC.

The *Miles* judgment and its logic of genuine functional links was reconfirmed, and its requirements reiterated in the 2015 judgment in *Oberto* (again concerning the European Schools).<sup>93</sup> Again, the CJEU highlighted the character of the European Schools as “a sui generis system”<sup>94</sup> that is distinct from both the EU and national systems in that decision. In 2018, the *Achmea* judgment brought another reconfirmation of the logic and requirements for the inclusion of a body in the notion of the judiciary of the Member States and, consequently, its inclusion in the mechanism of Art. 267 TFEU.<sup>95</sup> The CJEU highlighted that the agreement-based investment tribunal at issue in *Achmea* was “not part of the judicial system of the Netherlands or Slovakia [and that it was of an] exceptional nature ... compared with that of the courts of those two Member States”.<sup>96</sup> “That characteristic of the arbitral tribunal at issue in the main proceedings means that it cannot in any event be classified as a court or tribunal ‘of a Member State’ within the meaning of Article 267 TFEU.”<sup>97</sup>

The most recent and yet most specific statement of the CJEU can be derived from a very telling *obiter dictum* contained in its *CETA* Opinion of 2019. Therein, the Court explicitly stated that the dispute settlement body envisaged under CETA “must be distinguished ... from the draft agreement on the creation of a unified patent litigation system [i.e. the EEUPC], declared to be incompatible with EU law in Opinion 1/09[.] The ‘applicable law’ in the context of that draft agreement ... included, inter alia, ‘directly applicable Community law, in particular [the Community Patent] Regulation ... and national law of the Contracting States implementing Community law’. The Court concluded ... that the patent court ... would be called upon to interpret and apply not only the provisions of the agreement in question, but also the future regulation on the Community patent and other instruments of European Union law, in particular regulations

91 *Miles* (fn. 90) para. 42.

92 *Miles* (fn. 90) para. 43.

93 Cf. Joined Cases C-464/13 and C-465/13, *Oberto and O’Leary*, ECLI:EU:C:2015:163, para 33.

94 *Oberto* (fn. 93) para. 32.

95 Cf. Case C-284/16, *Achmea*, ECLI:EU:C:2018:158, paras. 35 et seq.

96 *Achmea* (fn. 95) para. 45.

97 *Achmea* (fn. 95) para. 46.



and directives in conjunction with which that regulation would, when necessary, have to be read. The Court also stated ... that that court might be called upon to determine a dispute pending before it in the light of the fundamental rights and general principles of European Union law, or even to examine the validity of an act of the European Union. Those considerations led to the Court's finding that the conclusion of that draft agreement would have altered the essential character of the powers that the Treaties confer on the EU institutions and on the Member States and that are indispensable to the preservation of the very nature of EU law".<sup>98</sup>

In *CETA*, the CJEU thus summarised and reiterated the points of concern that led it to find the EEUPC to be incompatible with EU law. Those features relate to functional, not formal, characteristics of the EEUPC, none of which were changed for the follow-up model of the UPC: the UPC still is not a court that is functionally linked to the Member States' judiciaries in the sense described extensively in the *Miles*, *Oberto* and *Achmea* judgments. For this reason, *CETA* can be read as a one-to-one description of the points of EU law concern pertaining to the UPC. In fact, it provides a dummy assessment and synopsis of the UPC's persisting incompatibilities under EU law.

It was pointed out before that the substance of the UPC was essentially copied and pasted from the EEUPC model and that, in particular, the lack of functional integration or links to the national judiciaries was not remedied.<sup>99</sup> While the narrative was invented that the UPC is a court common to the Member States and while that narrative was even written into the Brussels Regulation (EU) 1215/2012, it remains pure fiction as the functioning and jurisdiction of the UPC remains the same as was envisaged for the EEUPC. Both the EEUPC and the UPC are jurisdictional islands in a void between national law and EU law: Like the EEUPC, the UPC is entirely detached from the national jurisdiction and fully replaces national courts. At the same time, the UPC, like the EEUPC before it, directly applies EU law. This design of the UPC continues to raise red flags in terms of jeopardising the autonomy of EU law and of the system of remedies established under the Treaties.

It is thus highly likely that, if given the chance, the CJEU would declare the UPC incompatible with EU law for essentially the same reasons for which the EEUPC was declared incompatible therewith. The opportunity for CJEU review will arise once the UPC becomes operative: Applicants could raise the issue of the competent forum before a Member State patent court whose competenc-

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<sup>98</sup> Opinion 1/17, *CETA*, ECLI:EU:C:2019:341, paras. 123-125.

<sup>99</sup> Cf. *Jaeger*, GRUR Int. 2021 (fn. 9) 1136; *Leistner/Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, GRUR Int. 2017, 825, 827 et seq.; *Jaeger*, Zukunft der Investitionsschiedsgerichtsbarkeit, *ecolx* 2019, 645, 648 et seq.

es were transferred to the UPC, which might in turn refer the question to the CJEU.<sup>100</sup>

### C. Other Issues

Ridden with compromise, the UP system is legally flawed and intrinsically dysfunctional, both as regards the substantive UP and the UPC.<sup>101</sup> As regards the UP-system's dysfunctionality, the elaborate criticism voiced elsewhere<sup>102</sup> shall not be reproduced here in full. Suffice it to say that the system remains complex and fragmented and fails to fully consolidate the body of patent law in Europe, leading to all the negative side effects associated with this for businesses in terms of costs, legal and economic certainty and access to protected knowledge. Fragmentation is present at all levels: Territorial scope, substantive patent law and, notably in particular, patent jurisdiction.<sup>103</sup> There is still no apex court to adjudicate upon issues of patent validity and infringement across Europe. In particular, the UPC is not such an apex court. Moreover, the setup and organisation of the UPC is riddled with intrinsic ineffectiveness.<sup>104</sup> Issues such as persisting bifurcation or the predominantly national composition of the bench in large local divisions (divisions in Member States with more than 50 cases over three years, e.g. Germany) are but a few examples.

#### 1. National Compulsory Licenses for the EU Law-Based UP?

One of these compromise-induced points of procedural ineffectiveness translates into an issue of EU law incompatibility: Notably, the UPC's jurisdiction does not include the power to impose compulsory licenses for UPs. As a consequence, one may consider that such licenses would not be available at all for the UP. This scenario seems almost unthinkable, from a regular patent law and an innovation/competition perspective<sup>105</sup> as well as from the specific

100 Cf. *Jaeger*, GRUR Int. 2021 (fn. 9) 1136.

101 Cf. *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) *passim*; *Leistner/Simon*, GRUR Int. 2017 (fn. 99) 827 et seq.; *Jaeger*, IIC 2017 (fn. 41) 282 et seq.; *Jaeger*, GRUR Int. 2021 (fn. 9) 1137 et seq.

102 Notably *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) *passim*.

103 Cf. *Jaeger*, GRUR Int. 2021 (fn. 9) 1137 et seq.

104 *Hilty/Jaeger/Lamping/Ullrich*, Twelve Reasons (fn. 15) 1 et seq.; *Jaeger*, GRUR Int. 2021 (fn. 9) 1137 et seq.

105 Cf. *Ullrich*, Mandatory Licensing Under Patent Law: European Concepts, 399, 399 et seq., in: Kaal/Schmidt/Schwartz (eds.), *Festschrift zu Ehren von Christian Kirchner: Recht im ökonomischen Kontext* (2014); *Ullrich*, Mandatory Licensing Under Patent Law and Competition Law: Different Concerns, Complementary Roles, 333, *passim*, in:

perspective of post-COVID 19 hindsight and the need to ensure public access to certain patented key knowledge.

If, therefore, one does not take the view that no patent law-based compulsory licenses are available for the UP at all in spite of both the UP Regulation and the UPCA remaining silent on the issue, the question of jurisdiction arises. If one was to assume that the national courts might be the appropriate forum to litigate and grant such licenses for the EU law-based UP, this would immediately raise the concern of running counter to the autonomy of EU law and the principle of primacy. Under the *Foto Frost* line of case law,<sup>106</sup> national courts are categorically barred from invalidating any act of EU law in full or in part.<sup>107</sup> This is a prerogative of the CJEU. National courts must therefore not diminish the scope or value of a UP by way of allowing compulsory licenses over such patents. Unlike for EU trademark and design rights, where the respective regulations explicitly confer the power upon national courts to invalidate EU law-based IP rights, the UP Regulation fails to accommodate any such national court competences.

As regards possible compulsory licenses, therefore, the UP system is at odds with EU law insofar as it appears to rely on national courts for the grant of compulsory licenses. In the alternative, the UP system would not include compulsory licenses for the UP at all, a reading that would gravely unbalance the UP system.<sup>108</sup>

## 2. Lack of a Member State Competence to Conclude the UPCA

The draft European Patent Litigation Agreement (EPLA), the predecessor of the marred EEUPC model, had been blocked by the Commission based on the argument that EU Member States wishing to participate in that non-EU international agreement for the setup of an international patent litigation body no longer held the competence to do so.<sup>109</sup> The Commission had (correctly) argued that the legislative competence for the areas covered by the agreement had been transferred to the EU level via the adoption of internal legislation. In

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Hilty/Liu (eds.), *Compulsory Licensing: Practical Experiences and Ways Forward* (2014).  
106 Case 314/85, *Foto Frost*, ECLI:EU:C:1987:452, paras. 12 et seq.

107 Cf. *Jaeger*, Introduction (fn. 81) 96.

108 Cf. *Hilty/Jaeger/Lamping/Ullrich*, *Twelve Reasons* (fn. 15) 3; for more details, see *Jaeger/Lukan*, *A System Fit for Innovation? Part II: (Dis-)advantages for follow-on inventors in the UP legal framework*, para 2.4.6., in: *Matthews/Torremans* (eds.), *Research Handbook on European Patent Law* (forthcoming 2023).

109 Cf. *Jaeger*, CML Rev. 2010 (fn. 1) 103 et seq.; *Jaeger/Hilty/Drexler/Ullrich*, *Comments of the MPI on the 2009 Commission Proposal for the Establishment of a Unified European Patent Judiciary*, IIC 2009, 817, 817 et seq.; *Jaeger*, IIC 2012 (fn. 52) 297 et seq.; *Jaeger*, *EuZW* 2013 (fn. 8) 19 et seq.

the case of an international patent litigation agreement like the EPLA or, for that matter, the UPCA, this particularly concerns common rules on jurisdiction, recognition of judgments and on procedural remedies for IP, i.e., the Brussels Regulation (EU) 1215/2012 and the IP Enforcement Directive 2004/48/EC. Beyond these key pieces of legislation, however, there are many more overlaps between such an agreement and other pre-existing EU law.<sup>110</sup>

The transfer of exclusive competence for external action in areas covered by pre-existing EU legislation is foreseen in Art. 3 (2) TFEU, which codifies the co-called *AETR*<sup>111</sup> doctrine: If a given regulatory field has been occupied by EU legislation internally, this entails a pre-emptive effect also in relation to the competence for the conclusion of international agreements in the area concerned. The *AETR* doctrine seeks to ensure consistency between the internal and external obligations of the EU and its Member States and to avoid situations of conflict between Member States' obligations flowing from internal EU legislation and their obligations entered into under international agreements. As a consequence of the pre-existing legislation in several of the areas covered by the draft EPLA, that agreement would have required participation by the EU and thus the Commission's consent (which was withheld at the time).

As regards the UPCA, there is no officially binding statement available from the EU institutions that deals with the issue of external EU competence for the UPCA. Accordingly, there is, in particular, no explicit waiver or any statement of repatriation of these competences. Implicitly, the Commission appears to assume<sup>112</sup> that the changes made to the Brussels Regulation (EU) 1215/2012 to accommodate the UPC would constitute sufficient EU authorisation for the Member States to act.<sup>113</sup>

It is uncertain whether the inclusion of the UPC in the Brussels Regulation can really have any exculpatory bearing on the notion of exclusive EU competence and its infringement by Member States engaging in international agreements covering areas of pre-existing EU legislation. At the very least, it seems far from self-evident that the EU's external powers in a given field could simply be waived by way of specific authorisations weaved into secondary legislation.

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110 Cf. Commission non-paper on the compatibility of the draft agreement on the Unified Patent Court with the Union *acquis*, reproduced in Council Document No. 14191/11.

111 Cf. Case 22/70, *AETR*, ECLI:EU:C:1971:32, paras. 27 et seq.; also Opinion 1/03, *Revised Lugano Convention*, ECLI:EU:C:2006:81, paras. 123 and 151; Opinion 2/92, *Third Revised Decision of the OECD on national treatment*, ECLI:EU:C:1995:83, para. 31; Opinion 2/91, *ILO Convention No. 170*, ECLI:EU:C:1993:106, para. 8; *ECAA Agreement* (fn. 87) paras. 5, 11 and 21; *EEA Agreement I* (fn. 87) para. 71.

112 Cf. Commission non-paper (fn. 110) 11.

113 Cf. *Jaeger*, *EuZW* 2013 (fn. 8) 20.

Much rather, such an understanding seems to incorporate a misconception of the *AETR* doctrine.<sup>114</sup> That doctrine is based on the need to forestall factual conflicts between external and internal obligations as well as potential negative effects for the application and interpretation of EU law in the Member States where two similar bodies of law co-exist in a Member State.

The potentially negative repercussions of internal and external rules existing in parallel cannot convincingly be addressed by a purely formalistic waiver of the external competences of the EU: Much rather, a mechanism would have to be devised to safely forestall any possibility of divergence of the provisions of the international agreement from the EU *acquis* and preserve the coherence of that *acquis*.<sup>115</sup> Whatever the solution, the issue of competence for the UPCA, and, consequently, the legality of that agreement from this fundamental perspective, is not settled yet.

### **3. Issues of International Law: Brexit and EU Accession to the EPC**

Further unresolved issues concern the UP-system's viability and status under public international law. They are just to be mentioned here for the sake of completeness: Unlike EU law, which yields hard bounds, remedies and sanctions in cases of infringement, public international law is a more flexible system. Unlike under EU law, any sufficiently strong and concurrent will of State parties can realise almost any plans under public international law.

Nonetheless, from a formal perspective, international agreements, in particular, are subject to the rules and bounds of interpretation under the Vienna Convention on the Law of Treaties. Its rules and bounds become relevant in practice whenever there is a discrepancy in views between state parties to an agreement.

The UP system shows a number of open issues regarding its interpretation and validity from a public international law perspective. However, there is no discrepancy in views between the state parties involved. As a consequence, unlike the EU law issues, the public international law issues seem to be of a largely theoretical or academic nature.

One such issue is Brexit. After all, the UK was one of the key parties to the UPCA and ratification in the UK appeared mandatory for the system to enter into force. The UPCA does not provide for the possibility of withdrawal, but nonetheless the UK withdrew from the agreement. More importantly, the UPCA makes a number of implicit references to the UK as a party to the trea-

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<sup>114</sup> Cf. *Jaeger*, IIC 2012 (fn. 52) 298.

<sup>115</sup> Cf. *Jaeger*, IIC 2012 (fn. 52) 298 et seq.; *Jaeger/Hilty/Drexler/Ullrich*, IIC 2009 (fn. 109) 837.

ty.<sup>116</sup> It was disputed in literature,<sup>117</sup> whether all of these references could be re-interpreted so as to exclude the UK from the system without any requirement of change to the text of the Agreement. The issue has never really been settled, but the majority view today seems to be that the respective re-interpretation of the UPCA is viable.<sup>118</sup>

Another issue is the question of EPC accession by the EU as a prerequisite to rely on the EPO as the authority for granting and administering the UP. EPC accession would, of course, be a tricky exercise: For one thing, the EPC is currently not open for accession by international organisations such as the EU. Perhaps even more importantly, accession by the EU would most likely raise some serious concerns of the system's compatibility with EU law, particularly as regards the fundamental rights standard in the EU Charter of Fundamental Rights, but it would also have implications for the autonomy of EU law, and thus require some substantive changes to the EPC as it is. Even though the CJEU confirmed the view that the UP Regulation was a special regional cooperation agreement in the sense of Art. 142 EPC and even though it embraced the transformation fiction in that context,<sup>119</sup> the issue of accession is still unresolved from the EPC's point of view.

In addition, several more unresolved issues of EPC law remain in spite of the CJEU's endorsement of the transformation approach. For example, what is the legal basis for tasks performed by the EPO in relation to UPs post-grant, such as translation or the setting and collection of fees? To give another example, what is the legal basis for the underlying financial arrangement between the EU and the EPO? How is it possible to bring the UP Regulation as the act of a non-party to the EPC within the notion of Art. 142 EPC, i.e., the notion of an agreement between the parties to the EPC? How can rules for all of these arrangements be read into the current text of the EPC? The answer is that they probably cannot at all. But as long as there is consensus among the state players involved and the EU, the issue remains of theoretical importance only.

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116 E.g., Arts. 2 (c) and 89 (1) UPC Agreement.

117 Cf., e.g., *Jaeger*, IIC 2017 (fn. 41) 266 et seq.; *Lamping/Ullrich*, The Impact of Brexit on Unitary Patent Protection and its Court, MPI Research Papers No. 18–20 (2018), *passim*; *Ubertazzi*, Brexit and the EU Patent, GRUR Int. 2017, 301, 305 et seq.

118 For many, cf. *Ann*, Patentrecht, 8<sup>th</sup> ed. (2022), § 30a: Europäisches Patent mit einheitlicher Wirkung und Einheitliches Patentgericht, paras. 10 et seq.; *Tilmann*, The Future of the UPC after Brexit, GRUR 2016, 753, *passim*; *Stieper*, Art. 118 AEUV, para. 36, in: Streinz (ed.), Das Recht der Europäischen Union, 77. EL 2022; *Ohly/Streinz*, Can the UK stay in the UPC system after Brexit?, GRUR-Int 2017, 1, *passim*; *Leistner/Simon*, GRUR Int. 2017 (fn. 99) *passim*.

119 *UP* (fn. 18) paras. 30 to 32.

*D. In Sum: Plethora of Issues Overshadowing the UPC Yet to Be Clarified*

The summary of the issues of legality may be kept short: In essence, everything is uncertain. The UPCA has not yet been reviewed or cleared by the CJEU. Prior case law on the UP system (regarding the enhanced cooperation or the two UP Regulations) does not address nor clear the issues overshadowing the compatibility of the UPCA with EU law. On the contrary, there is a sizeable, growing and increasingly patent-specific body of case law that hints to the incompatibility of key functional features of the UPC model with EU law. The CJEU will have reason as well as opportunity to clarify these issues once the UPC becomes operative and the national courts it replaces raise the issue of their continued jurisdiction vis-à-vis the UPC.

In addition to these fundamental doubts of EU law compatibility, other issues haunt the UP system as well, although they appear to be of minor importance only as compared to the fundamental elephant of legality in the UPC courtroom. Those issues relate to the availability of compulsory licenses, EU competences and issues of public international law, including, in particular, the EU's position as a third party vis-à-vis the EPC.

**5. The Briefest Possible Conclusion: Wait and See**

The UP system has had a long history. For all of that time, it had been surrounded and haunted by issues of legality. All of those matters were side-lined by a strong political will driving the project forward at virtually any cost. Nonetheless, or perhaps precisely for this reason, the legislative consensus behind the UP system is fragile. Every time the package had to be reopened after one of the many bumps it hit along the way, more compromises had to be written into the text. There is a real chance that the UP system would not survive another round of reopening negotiations to change or clarify its wording and straighten out doubts or remove manifest incompatibilities with EU law.

In any case, the UP saga has not yet come to an end: it can be regarded as certain that the CJEU will have another say regarding the compatibility of the UPC with EU law, raised through a preliminary ruling procedure. In such proceedings, on top of the UPCA, some issues of EU law relating to the UP Regulation and the role of the EPO that are still unresolved might also resurface. There will be no legal certainty for users of the system until after such a ruling or (depending on the breadth of the issues dealt with) a series of such rulings from the CJEU.

Even if the legality of the system was upheld by the CJEU, users will have to deal with another wild card in the system, namely the persisting presence of the CJEU. Although it was the clear wish of the authors of the UP Regulation and the UPCA to keep the CJEU out of patent litigation to the farthest extent possible, that exercise might likely backfire: The UPCA designates the CJEU as the instance of last resort for all issues of EU law, thereby handing it jurisdiction over all aspects of the UP Regulation and, therefore, over all aspects of patent law, patentability, exceptions, limitations and property aspects of the EU law-based right. The UP Regulation's brevity grants the CJEU all the more interpretative leeway. It is not very likely that the CJEU will feel slavishly bound by the limits or prescriptions of third legal sources (the EPC, EPO practice or the UPCA) when interpreting and applying the UP Regulation. On the one hand, this observation and this expectation draw from past experience with the jurisdiction of the CJEU. On the other hand, however, they also draw from the simple observation that the Court may actually have no other option than to venture into patent law more profoundly than anyone had hoped for: If the CJEU considered itself to be bound by sources of non-EU law, this would amount to an inversion of primacy and thereby damage the autonomy of EU law.

These numerous legal issues come on top of functional doubts surrounding the UP system. The vast amount of compromise contained in the UP system cripples its functionality on all levels. Most visible for users of the system are its complexity and fragmentation, including its failure to achieve a consolidation of jurisdiction by establishing one apex court in charge of developing and adjudicating the European body of patent law.

Be that as it may, the predominant view in academia and practice seems to be that this system of limited consolidation and ridden with compromise is better than nothing. Whether that will really be the case, remains to be seen. Moreover, it may take us a while to find out.



# 7. THE LACK OF HARMONIZATION AND CONSEQUENTLY FRAGMENTATION IN THE PATENT FIELD

*Heinz Goddar & Konstantin Werner*

## **1. Introduction<sup>1</sup>**

If you explain the UPC System<sup>2</sup> to an excellently educated European lawyer, who is however not an expert in the field of intellectual property rights in general and patent law in particular, you will for sure receive astonishment as a reaction.

There is no other field of law in which such a *massive* regulatory effort is being made at the European level, in which new legal territory is being entered in a comparable way in terms of its legal construction.<sup>3</sup> This is why - one would assume - there must be obvious and convincing reasons to do so. And, if these reasons however do not exist, the requirements to justify such an approach are to be considered as high.

If one takes a closer look at the initial goals of the UPC System, they were threefold: It was basically intended to create a (1) *cost-effective and legally certain*<sup>4</sup> (2) *European patent regime* that would (3) *keep CJEU's influence off limits*.<sup>5</sup>

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1 The contribution corresponds in large parts to our presentation script for the UPC conference on January 28, 2022 in Brussels. With its pointed wording, the authors intend to encourage the reader to reflect and, if necessary, to rethink his or her positions.

2 The "UPC-System" or "European Patent Package" in the sense of this contribution consists of the Regulations (EU) 1257/2012 and 1260/2012 as well as the Agreement on a Unified Patent Court (UPCA).

3 E.g. *Jaeger*, <http://patentblog.kluweriplaw.com/2021/12/09/unitary-patent-system-is-an-arbitrary-and-ailing-hybrid-monster-mix/>, 9 December 2021, who describes the UPC-System as "a complex, arbitrary and ailing hybrid monster mix" as well as a "Hieronymus Bosch-type creature consisting of odd body parts and features".

4 Recital No. 4 of Regulation (EU) 1257/2012.

5 Instead of many see *Jaeger*, *Kluwer Patent Blog*, 'Unitary Patent system is an arbitrary and ailing hybrid monster mix', 9 December 2021; *Haedicke*, *GRUR Int.* 2013, 609.

However, the current status of the UPC System turns out to be the opposite: The legal construction is de facto *Semi-European*, it will produce additional costs, it will create legal uncertainty and it opens the door for the CJEU to step in. It is the main goal of this contribution to substantiate this finding and to extract issues that will lead to fragmentation in the patent field in light of the new UPC-System.

## **2. The Semi-European Project**

By saying the UPCA is *Semi-European*, one can first refer to the decisive legal sources, which are fragmented on three different levels: EU acquis law (Regulations 1257/2012 and 1260/2012), international law (UPCA, EPC) and the respective national laws. Secondly, *Semi-European* refers to the territorial fragmentation – important states are not part of the UPC-System.

### *A. State Fragmentation*

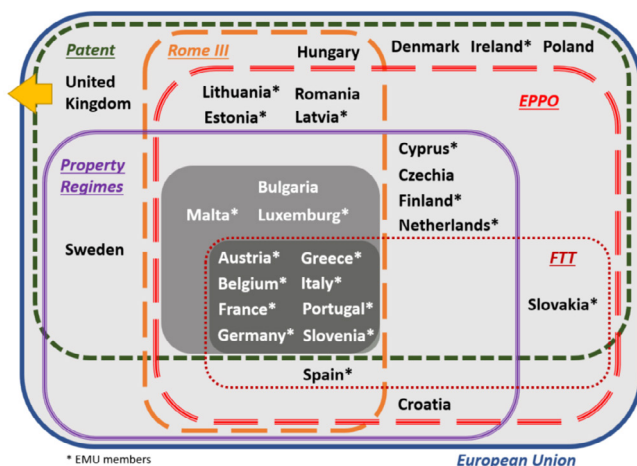
The value of the European patent with unitary effect depends largely on its territorial scope: It would have been tempting if all EU or EPC - Member states were part of the UPC-System. The greater the scope, the more powerful the unified enforcement effect is, and the more cost-effective the system will be.<sup>6</sup> The founders of the UPC-System chose the tool of the enhanced cooperation (Art. 20 TEU, Art. 326-334 TFEU) for the EU acquis law part of the UPC-System because Spain<sup>7</sup> and Italy<sup>8</sup> did not want to participate.

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6 In detail on strategic cost considerations Hüttermann, *Einheitspatent und Europäisches Patentgericht*, 1. Auflage 2016, pp. 48 et seq.

7 *Götting*, ZEuP 2014, 349, 357 et seq.

8 Italy joined later (in 2015): Decision EU/2015/1753, 30.09.2015.



Abbreviations

- EMU = Economic and Monetary Union
- Patent = European Patent with Unitary Effect
- Rome-III = Rome III Regulation
- EPPO = European Public Prosecutor’s Office
- FTT = Financial Transaction Tax
- Property Regimes (=) of international couples (Council Decision (EU) 2016/954)

The above showed graphic<sup>9</sup> appears like the metro-map of Berlin. Instead, it is an overview of several projects of enhanced cooperation (Art. 329 TFEU) in the past and the respective participating countries. The green-dashed line is the one describing the UPC-System (“Patent”). It reveals the *Janus-headedness* of a system of enhanced cooperation: it is meant to be a form of the “Europe of the different speeds”.<sup>10</sup> But at least for the UPC-System, it just adds more layers of various relationships, leading to more complexity.

9 The implementation of enhanced cooperation in the EU: Study of the European Parliament, 2018, p. 26, [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/604987/IPOL\\_STU\(2018\)604987\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/604987/IPOL_STU(2018)604987_EN.pdf).

10 See the worth-reading counter-speech against the integrative effect of the enhanced cooperation of *Thomale*, ZEuP 2015, 517 et seq.; for a more general review on the concept of enhanced cooperation, see *Ruffert* in *Callies/Ruffert*, EUV/AEUV 6. Auflage 2022, Art. 20 EUV, Rn. 25 et seq.

In fact, there will be 17 states being members of both - the enhanced cooperation and the group that ratified the UPCA (e.g., Germany, France).<sup>11</sup> On the other side, there are (i) states that are just members of enhanced cooperation and did not ratify the UPCA (e.g., Poland) and (ii) EU member states that are not part of either (Spain and Croatia) and (iii) finally, non-EU member states but members of the EPC which are not part of the UPC-System (United Kingdom, Switzerland, Norway).

The open questions regarding the Brexit and the United Kingdom's withdrawal are well known.<sup>12</sup> Is the UPC without the United Kingdom reasonable? Can the UPCA enter into force at all against the background of Art. 89(1) UPCA? And can Non-EU Member States be part of the UPC System, and if so, how would that be possible?

*It is highly questionable whether the wider territory of the unitary patent outweighs the importance of the missing States – especially regarding the UK.*

### *B. Role of the CJEU*

Art. 20 and 21 UPCA regulate the relationship of the UPCA with EU law. Whilst Art. 20 UPCA rules that the UPC shall apply EU law in its entirety and shall respect its primacy,

Art. 21 UPCA states that the UPC *must* submit to the CJEU like a “court or tribunal of a Member State” under Art. 267 TFEU. Despite the supposed clarity of Art. 21 UPCA, the opinions in the literature on whether the UPC has actually the *right* to submit to the CJEU diverge.

There are voices which do not acknowledge such a right. Instead, they argue that the UPC is not actually a “court or tribunal of a Member State” in the sense of Art. 267 TFEU.<sup>13</sup> If there would be such a right, then Art. 21(2) UPCA (CJEU decisions are binding) would be a “no-brainer” – the mere fact they declared the UPC to be a court in the sense of Art. 267 TFEU is a sign of uncertainty about it. Furthermore, it would be questionable if the parties to an international treaty can decide on their own about the right of submission in the sense of Art. 267 TFEU. It would be the CJEU that sets the conditions. Art. 21 UPCA

11 <https://www.taylorwessing.com/de/insights-and-events/insights/2022/03/unified-patent-court-and-unitary-patent-finally-to-become-reality>.

12 For an overview see e.g. *Leistner/Simon*, GRUR Int. 2017, pp. 825 et seq.; *Jaeger*, IIC 2017, pp. 254 et seq.

13 *Gruber*, IWRZ 2017, 266, 267 et seq.; *Gruber*, GRUR Int. 2015, 323, 324 et seq.; *Amort*, EuR 2017, 56, 72 et seq. This result would be highly questionable regarding the lesson we have learned in the CJEU-Opinion 1/09 about the requirement of a submission mechanism, CJEU - Opinion 1/09, para 89.

would have at most an indicative effect. In the end, they refer to the *Miles*-Decision of the CJEU<sup>14</sup> regarding the European Schools, which dealt with the interpretation of “court of a member state”. There, the CJEU requires a link to the judicial system of a Member State.<sup>15</sup> Because such a link would be missing in the UPCA, the authors supporting this line of argumentation are of the opinion that the UPC is not a court in the sense of Art. 267 TFEU and has, therefore, no right to submit questions to the CJEU. A problem that could be solved by creating an extension of Art. 267 TFEU that includes the UPC.<sup>16</sup>

However, most authors acknowledge a right of submission, also referring to *Miles*.<sup>17</sup> The application of rules of law is a criterion when deciding about the right to submit.<sup>18</sup> Though the mere fact that the complaints board in *Miles* is required to apply the general principles of EU law is not sufficient to make it a “court” in the sense of Art. 267 TFEU.<sup>19</sup> The difference between the UPC and the complaints board of the European Schools in *Miles* is that the UPC must apply and interpret EU *acquis* law (Regulations 1257/2012 and 1260 of 2012) and not just general principles like in *Miles*. Unitary application and interpretation are a fundamental goal of the UPC-System whilst such a connection with material EU law regarding the European Schools in *Miles* is missing.<sup>20</sup>

Anyhow, in the end, it will be the CJEU itself which will determine if there is a right of submission. And it is more likely that it affirms such a right than that it will deny it.

If the UPC has the right to submit questions to the CJEU under Art. 20, 21 UPCA, it is to be clarified how far the jurisdiction of the CJEU will extend in material patent law questions. Maybe the mere fact that the European patent with unitary effect is built on Regulation 1257/2012 is enough to make the CJEU *the* supreme authority. However, in the academic literature, opinions diverge.<sup>21</sup>

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14 CJEU, C-196/09, 14 June 2011.

15 CJEU, C-196/09, 14 June 2011, paras 39-41.

16 *Amort*, EuR 2017, 56, 75 et seq.

17 E.g. *Yan*, *Das materielle Recht im Einheitlichen Europäischen Patentsystem und dessen Anwendung durch das Einheitliche Patentgericht*, Nomos 2016, p. 135 et seq.

18 CJEU, C-196/09, 14 June 2011, para 37.

19 CJEU, C-196/09, 14 June 2011, para 43.

20 *Yan*, *Das materielle Recht im Einheitlichen Europäischen Patentsystem und dessen Anwendung durch das Einheitliche Patentgericht*, Nomos 2016, p. 136.

21 *Hüttermann*, *Einheitspatent und Europäisches Patentgericht*, 1. Auflage 2016, p. 106 et seq., who shares his opinion that CJEU won't have much of an impact.; *Jaeger*, *Kluwer Patent Blog*, 'Unitary Patent system is an arbitrary and ailing hybrid monster mix', 9 December 2021 who says: "The Regulation indirectly brings the core of the EPC within the scope of EU law and thus under the jurisdiction of the CJEU".

If the CJEU affirms a right of submission of the UPC – it will in the end be the CJEU itself again, which will determine the scope of its material influence. In the past, the CJEU was not known to be particularly restrained about questions of its competence.<sup>22</sup>

*The unsettled role of the CJEU in the UPC-System is hanging over the system like the “Sword of Damocles” and is a good reason for legal uncertainty as to the way the system will function.*

### **3. Dysfunctional Parallel Structures: UPC-System and National Patents**

As it is often written, the success of the UPC System is to be determined by the level of legal certainty it provides. While we have already focussed on the state fragmentation and the unsettled role of the CJEU, the relationship between national authorities and the UPCA needs to be discussed as well.

#### *A. Invitation for Tactical Exploitation*

Examining the provisions of the UPCA on the institutions deciding in patent disputes, it is obvious that there are many options. As it is often said and criticized, the UPC adds *one more layer of patent jurisprudence*.<sup>23</sup> A patentee can choose between the following options:

1. Classic national patents in one or more countries,
2. “New” and existing European bundle patents (Attention: there is a double protection prohibition in many countries regarding European bundle patents, e.g. Germany),
3. European patent with unitary effect,
4. European patent with unitary effect and a national patent(s) when double protection is possible (e.g., in Germany, see subpart C hereinafter).

Especially the existing European bundle patent will be a matter of strategic patenting due to the transition period provided in Art. 83.1 UPCA.

If a patentee does not opt-out (and thereby exclude the UPC), both – national courts and UPC – will be conjointly competent during at least the first transitional period of seven years regarding infringement and revocation actions (Art.

22 See in general e.g. CJEU C-527/15 – “Filmspeler” with CJEU’s extensive understanding of Art. 3 Directive (EU) 2001/29 (reproduction and liability of the perpetrator) or C-617/10 – “Åkerberg Fransson” para 21 regarding CJEU’s extensive interpretation of Art. 51 Charter of Fundamental rights of the EU.

23 See *Jaeger*, Kluwer Patent Blog, ‘Unitary Patent system is an arbitrary and ailing hybrid monster mix’, 9 December 2021.

83(1) and 83(3) UPCA). Clarification is needed about which types of action are covered by “infringement actions” in the sense of Art. 83(1) UPCA compared to the list in Art. 32(1) UPCA (are also actions for damages and remedies covered, Art. 32(1), *sub f* ?).<sup>24</sup>

Especially problematic is the missing binding effect of the actions. It means that successive infringement actions will be possible in the transitional period (one action in front of national courts, another one in front of UPC) – within the limits of Art. 29(3), Art. 71*quater* (2) Brussel-*Ibis*-Regulation). There is also a chance to respond to a national infringement action with a revocation action at the UPC and *vice versa*.

“Torpedo litigation” will be possible: because of Art. 29(3) and Art. 71*quater* (2) of the Brussels-*Ibis*-Regulation: an action for declaration of non-infringement at the UPC can block a national infringement action and potentially *vice versa*.<sup>25</sup>

*One can thus foresee that at least the transitional period will be influenced by strategic exploitation and forum shopping.* These uncertainties will most likely result in higher costs for legal consulting and litigation and longer proceedings.

The circumstance that the national courts have already decided many fundamental patents law issues under the EPC is valuable in itself (less dogmatic problems lead to more predictability of proceedings). However, questions will now probably be reopened in parts in the UPC and even in the CJEU. It will therefore be also interesting to observe to what extent the judges of the local and regional divisions of the UPC will be independent of their national background and experiences.

### *B. The Role of the European Patent Office (EPO)*

The link between the European Patent Office (EPO) and the coming UPC is not concretely defined. The EPO retains its role in the UPC-System regarding examination, registration, revocation and appeal. Because the CJEU has so far had a very limited field of jurisdiction in patent law, there is almost no judicial control over the EPO’s decisions. It would be desirable for the UPC to assume a kind of “watchdog” role.<sup>26</sup>

<sup>24</sup> Schröder, GRUR Int. 2013, 1102, 1104 et seq. who supports this opinion.

<sup>25</sup> The opposite case - an action for declaration of non-infringement at national courts (e.g. Italy) that blocks a UPC-infringement-action - depends on whether actions for declarations of non-infringement are covered by Art. 83(1) UPCA.

<sup>26</sup> *De Lange*, EU patent harmonization policy: reconsidering the consequences of the UPCA, Journal of Intellectual Property Law & Practice, 2021, Vol. 16, No. 10, p. 1078 (1081 and 1088).

Because decisions made by the EPO usually take a very long time, it is possible that the EPO declares a patent invalid after years, while it was already confirmed in the (national) infringement proceedings.<sup>27</sup> According to Art. 33(8) UPCA an invalidity action can be filed before an opposition at the EPO - this consequently leads to the possibility of contradictory decisions. Art. 33(10) 2<sup>nd</sup> sentence UPCA only states the basic possibility of the EPC to suspend if a fast decision of the EPO is to be expected. It is not yet clear what would happen in the case of contradictory decisions. One could read Art. 33(10) 2<sup>nd</sup> sentence UPCA as a hint in favour of the EPO. In the light of a desirable “watchdog role” of the UPC over the EPO, a reverse clarification could be a more favourable approach: that the EPO suspends if an invalidity action is pending before the UPC.

Another very fundamental question is whether the “department” responsible for the UPC-System and the Unitary Patent in the EPO should not better be moved into EUIPO, i.e., a fully EU-controlled patent office, or even into a still-to-be-created real EU-Patent-Office (“EUPATO”), as already proposed e.g., by *Bojan Pretnar* at the UPCA Conference at Brussels on 28 January 2022, and reflected in his remarkable contribution in this book, actually in continuation of his article in *GRUR Int.* 12/2018.<sup>28</sup> Both ways, i.e., integration of the handling of the UPC-System into EUIPO or creating a separate EUPATO would bring the UPC-System into an institutional decision mechanism which would be under control by the legitimated EU organs.

### C. Example Germany: Option for Double Protection

A prohibition of double protection has been very common under the EPC countries *de lege lata*.<sup>29</sup> Because a classical European patent has the same territorial scope as a national patent, the existing prohibition is *per se* convincing.

On 30 August 2021, amendments to the national patent law made by the German legislator were announced.<sup>30</sup> They are a reaction to the changes coming with the UPC System and will enter into force together with the UPCA. The adoptions mainly affect the *IntPatÜbkG*, a national law regulating at the national level the consequences of international agreements.

27 As in 64 England and Wales Court of Appeal (Civil Division), *Unilin Beheer BV v Berry Floor NV & Ors* [2007] EWCA Civ 364.

28 *Pretnar*, *GRUR Int.* 2018, 1158 et seq.

29 *Makoski*, *Die Einrede der doppelten Inanspruchnahme*, Berlin 2021, A. II. 1. and 2; Overview in the Brochure „National law relating to the EPC”, [https://documents.epo.org/projects/babylon/eponet.nsf/0/32A79B8E16750D76C12584D5005ABF91/\\$File/national\\_law\\_relating\\_to\\_the\\_epc\\_20th\\_edition\\_en.pdf](https://documents.epo.org/projects/babylon/eponet.nsf/0/32A79B8E16750D76C12584D5005ABF91/$File/national_law_relating_to_the_epc_20th_edition_en.pdf), p. 344 ff.

30 An overview of the legislative process: <https://dip.bundestag.de/vorgang/.../74552>.



In that regard, Germany<sup>31</sup> - one of the most important Member States in terms of the number of patent applications<sup>32</sup> and proceedings<sup>33</sup> - fulfils a paradigm shift: it allowed the option of double protection in that context.<sup>34</sup> Its legal foundation results from a reading *a contrario* of Recitals 26 and Art. 4(2) of Regulation 1257/2012 and Art. 139(3) EPC.<sup>35</sup>

The prohibition *de lege ferenda* will be limited to classical European bundle patents, which are opted-out of the new UPC System (new version of Art. II, § 8 (1) IntPatÜbkG). If a patentee opts-out of the UPC System, he cannot apply for a national patent. Such prohibition basically repeats and confirms the situation *de lege lata*. The paradigm shift will stem from the fact that it will be possible in the future to have both a national patent, on the one hand, and a European patent with unitary effect or a classical but not-opted-out European patent, on the other hand.

Some say the option to double-protect stimulates the competition between the systems (national patent protection vs UPC System) and will lead to more flexibility for the right holders and the innovators.<sup>36</sup> In fact, the first point is not convincing: the so-called “competition between the systems” is completely artificial because solely due to the introduction of the UPCA. There would not be any (needed) competition without it.

What is true, is that the new option makes it easier to be open-minded to the UPC System (and therefore not to opt-out) or to simply apply for a European patent with unitary effect.<sup>37</sup> However, a patent with the same claim can be protected on two different and independent levels in the future. Consequently, parallel structures are likely to occur.

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31 Moreover, France and Austria want to implement such an option, *Makoski*, Die Einrede der doppelten Inanspruchnahme, Berlin 2021, A. II. 1. und 2.

32 <https://de.statista.com/statistik/daten/studie/684123/umfrage/anzahl-der-patentanmeldungen-beim-europaeischen-patentamt-nach-laendern/>.

33 Germany is said to attract anywhere between 50 and 70% of all patent litigation activity in Europe in *Harhoff*, Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System (LMU 2009), p. 13; *Hüttermann*, Einheitspatent und Europäisches Patentgericht, 1. Auflage 2016, p.84 et seq.

34 [https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger\\_BGBL&start=//%5B@attr\\_id=%27bgbl121s3914.pdf%27%5D#\\_\\_bgbl\\_\\_%2F%2F\\*%5B%40attr\\_id%3D%27bgbl121s3914.pdf%27%5D\\_\\_1641824633415](https://www.bgbl.de/xaver/bgbl/start.xav?startbk=Bundesanzeiger_BGBL&start=//%5B@attr_id=%27bgbl121s3914.pdf%27%5D#__bgbl__%2F%2F*%5B%40attr_id%3D%27bgbl121s3914.pdf%27%5D__1641824633415)

35 *Makoski*, Die Einrede der doppelten Inanspruchnahme, Berlin 2021, p. 95 et seq.

36 *Makoski*, Die Einrede der doppelten Inanspruchnahme, p. 110, 122 (also with further sources) supports this opinion.

37 The well-known German patent boutique “Preu Bohlig” comes to this conclusion: <https://preubohlig.de/aenderungen-am-intpatuebk-g-mit-blick-auf-das-inkrafttreten-des-epgue/>.

In view of all the existing uncertainties, a lawyer will most likely advise in favour of a double patent protection. A decision that *will* lead to higher costs, probably more litigation and less predictability in a significant number of cases.

Thereby and even before the UPCA enters into force, Germany, one of the most important Member States, has decided, in some way, to perpetuate the transitional period with the option for double protection – a sign of distrust.

#### *D. Cost Considerations*

Cost considerations will naturally play a central role in the adoption of the UPC System.

As observed hereabove regarding the role of the CJEU, the various options provided in the transitional period, and the possibility of double protection, the competence questions are complex. As already shown, UPCA's promise to be cost-effective will (probably) be broken in that regard due to more and less predictable litigation.

When deciding whether to apply for multiple national validations or to take the Unitary protection, a potential patentee will consider transaction costs such as costs for translation and annual fees besides the (potential) litigation costs.

A reasonable decision will therefore take into account the following considerations:<sup>38</sup>

- National validations are more favourable if
  - the validation is to be done in less than five countries. From approximately five countries, the costs of the Unitary Patent are lower, and the benefit of its territorial extension will be higher.
  - a European patent is validated just in the three key countries: a lot of European patents are validated in Germany, France and the United Kingdom only. Their combined annual costs are around 30% lower than a UPC application. If this appears to be enough protection for the applicant, it is a valid option.
  - if the translation costs are low (e.g., in case of a short application or if full translations are not required) or if the validation should be withdrawn in some countries after a few years (the costs will then decrease; an option that is not possible in UPC System because of the unitary territorial scope).
  
- A Patent with unitary effect is more favourable,
  - if the validation is to be done in at least five countries or more,

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<sup>38</sup> These following, convincing cost considerations are laid down in *Hüttermann*, *Einheitspatent und Europäisches Patentgericht*, 1. Auflage 2016, pp. 48 et seq.; see also the contribution of François Wéry in this book.

- if the United Kingdom and Spain are of no interest,
- if the validation is to be done in countries that require a full translation or/ and a national representative, e.g., Italy,
- if the application is very extensive (high translation costs).

Cost considerations will decide the adoption of the UPC System in practice. However, there is reasonable doubt whether the UPC System will be more favourable.

#### **4. Summarizing Theses**

1. The initial objectives of the UPC System were threefold: It was intended to create a (1) *cost-effective, legally certain* (2) *European patent regime* that would (3) *keep CJEU's influence off limits*.
2. However, the current status of the UPC System turns out to be the opposite: The legal construction is de facto *semi-European* due to the fragmentation of participating and non-participating States, *it will produce additional costs and legal uncertainty* due to complicated coordination of parallel proceedings, and it *opens the door for the CJEU to step in*. In detail:
  - The wider territory of the patent with unitary effect cannot outweigh the importance of the missing States (fragmentation) – in particular, the UK.
  - There is a realistic chance that the CJEU will interfere in questions of material patent interpretation.
  - There will be dysfunctional parallel structures in the transitional period between the UPC and the national courts and this will incite strategic exploitation.
  - The transitional period and its *negative impacts* will be in a way perpetuated due to the possibility of double protection, e.g., in Germany.
  - These inevitable competence struggles and separation difficulties will lead to legal uncertainty in general and consequently more, longer and less predictable proceedings and higher costs in particular.
3. It looks like the benefits associated with the territorial effect of the patents have been exchanged against significantly increased legal uncertainty regarding the enforcement of the patents.
4. The burdens for inventions out of Europe will be increased. And this affects not only the inventors/the patent holders, but also the alleged patent infringers: potential innovations will need more 'freedom-to-operate search' (higher number of patents, increased territorial scope) and are therefore riskier. The UPC System will consequently weaken Europe as a driver for technical innovation.



## 8. IS THE UNITARY PATENT A TRULY HARMONIZED RIGHT?

*Rafal Sikorski*

### **1. Introduction**

The possibility to obtain EU-wide intellectual property protection by means of EU unitary IP rights is not new to EC and EU Law. Right holders have for many years now enjoyed such protection for trademarks<sup>1</sup>, designs<sup>2</sup>, and plant varieties.<sup>3</sup> Though generally EU-wide unitary IP rights have proved to be a success<sup>4</sup>, they do not replace national rights, rather they add yet another layer of IP protection to the protection that can be obtained at Member States' level. Unlike national rights which are limited to the territories of respective Member States, EU unitary rights are granted for the whole territory of the EU. The EU regulations establishing unitary rights provide a comprehensive regulatory framework for these rights. They define the protectable subject matter and requirements for granting protection, the scope of protection including the exclusive rights, the limitations and exceptions, rules regulating these rights as objects of property as well as rules on enforcement. Once granted, the unitary

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1 Community trademarks were introduced by the Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark, OJ L 011, 14.01.1994, 1–36 (later: Regulation 40/94).

2 Community designs were introduced by the Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, 1–24 (later: Regulation 6/2002).

3 Community plant variety rights were introduced by the Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJ L 227, 1.9.1994, 1–30 (later: Regulation 2100/94).

4 For more detailed information on the number of applications and registrations of EU trade marks and designs, see the following two EUIPO reports: EUIPO Design Focus. Evolution 2010-2019, available at: [https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/news/EUIPO\\_DS\\_Focus\\_Report\\_2010-2019\\_Evolution\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/news/EUIPO_DS_Focus_Report_2010-2019_Evolution_en.pdf); EUIPO Trademark Focus. 2010-2017 Evolution, available at: [https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/about\\_euipo/transparency\\_portal/EUIPO\\_TM\\_Focus\\_Report\\_2010-2017\\_Evolution\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_euipo/transparency_portal/EUIPO_TM_Focus_Report_2010-2017_Evolution_en.pdf).

rights produce equal effects throughout the whole area of the EU.<sup>5</sup>

The idea of having EU-wide unitary IP rights is closely linked with the creation of the common market.<sup>6</sup> It is assumed that those operating in the common market should be able to obtain IP protection for the whole territory of the European Union rather than be required to obtain such protection in each Member State separately. IP protection alongside national borders is also seen as a possible barrier to free flow of goods and more generally as an obstacle to market integration. Finally, the necessity of obtaining protection through national rights often generates excessively high costs for the right holders, both at the pre-grant as well as post-grant stages.<sup>7</sup> Enforcement of such national IP rights often requires proceedings in multiple courts and numerous jurisdictions, leading to high costs frequently making it impossible for the right holders to fully appropriate the value of their IP portfolios.

The idea of harmonizing European patent laws and creating unitary patent protection dates from the very early days of the European integration in post-war Europe.<sup>8</sup> One of earliest achievements was the Strasbourg Patent Conven-

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5 Art. 1(2) Regulation 40/94; art. 1(3) Regulation 6/2002); art. 2 Regulation 2100/94.

6 Recitals to Regulation 6/2002 state that a unified system for obtaining Community designs furthers the objectives of the Treaty establishing the European Community. It is also assumed that substantial differences in protection between Member States distort and prevent competition. Rights limited to the territories of particular Member States are also seen as possible obstacles to free movement of goods. Recitals to Regulation 40/94 state that in order to create a single market legal conditions that would allow market participants to adapt their activities to the scale of the Community must be created. Territoriality of national rights is seen as a barrier to economic activity of the undertakings. Therefore, it is believed that a tool like a unitary Community trademark should be placed at the disposal of undertakings operating on the common market. Recitals to Regulation 2100/94 also point to the need to have, alongside the national rights, a unitary industrial property right valid across the whole territory of the Community.

7 Recitals to Regulation 6/2002 explicitly refers to administrative expenses and high costs and fees associated with obtaining nationally circumscribed exclusive rights. The high costs of obtaining protection nationally are an issue even with centralized granting procedures such as the Madrid and Hague systems administered by WIPO.

8 For thorough analysis of attempts to harmonize European patent law and introduce unitary patent protection see among others: Pila, J. (2013). The european patent: an old and vexing problem. *International and Comparative Law Quarterly*, 62(4), 917-940; J. Pila, An Historical Perspective I: The Unitary Patent Package, in: J. Pila, Ch. Wadlow (ed.) *The Unitary Patent Package*, Hart Publishing 2015, 9-31; Thomas I. Vanaskie, *The European Patent Conventions: State Sovereignty Surrendered to Establish a Supranational Patent*, 1 *ASILS INT'L L.J.* (1977), 73-94; Muller-Borner, R. (1977). *The European Community Patent Convention*. *International Business Lawyer*, 5(3), 298-308; Machek, Nina; *How 'Unitary' is the Unitary Patent?* MIPLC Master Thesis (2012/13) <http://www>.

tion, a multilateral treaty signed in 1963, the purpose of which was to harmonize substantive patent laws in Europe. The Strasbourg Patent Convention had an impact on national laws as well as the European Patent Convention signed in Munich in 1973,<sup>9</sup> which envisaged a single granting procedure for the so-called European patents. Later, proposals for establishing a unitary Community-wide patent protection were presented in 1975<sup>10</sup> and 1989,<sup>11</sup> in 2000 the proposal for Community Patent Regulation was put forward.<sup>12</sup> For various reasons, though primarily due to disputes over costs and translations, the attempts aimed at creating unitary patent protection failed.<sup>13</sup>

Finally, in 2011, the EU Member States, with the exception of Italy and Spain, agreed to move forward by way of enhanced cooperation.<sup>14</sup> This enabled the adoption of the regulation on European patent with unitary effect (the "unitary patent").<sup>15</sup> The Member States participating in the enhanced cooperation also concluded an international agreement on Unified Patent Court (UPCA).<sup>16</sup> Since some of the Member States decided to stay out of the enhanced cooperation, the unitary patent is not an EU-wide IP right like the EU trademark or EU design.

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mipplc.de/research/ (available at SSRN: <http://ssrn.com/abstract=2407357>).

- 9 Convention on the Grant of European Patents (European Patent Convention) done at Munich on 5 October 1973 (later: European Patent Convention or EPC).
- 10 76/76/EEC: Convention for the European Patent for the Common Market (Community Patent Convention) of 15 December 1975, OJ L 017, 26.01.1976, 1-28 (later CPC or Community Patent Convention).
- 11 89/695/EEC: Agreement relating to Community Patents - done at Luxembourg on 15 December 1989, OJ L 401, 30.12.1989, p. 1-27 (CPA or Community Patents Agreement). The CPA in art. 1 declares that the amended Community Patent Convention shall be annexed to the CPA. Below whenever reference to the amended CPC is made, the following abbreviation will be used: APC (CPC).
- 12 Proposal for a Council Regulation on the Community patent (Text with EEA relevance) COM(2000) 412 final 2000/0177(CNS), (2000/C 337 E/45) (later: Regulation 2000).
- 13 Jaeger, T. (2014). What's in the unitary patent package. *Social Perspectives Journal for Legal Theory and Practice*, 1(2), 194-218, 194.
- 14 Council Decision (2011/167/EU) of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, OJEU 2011 L 76, 53. Generally, on the legal constraints of enhanced cooperation in EU law and how these constraints affect integration in the field of patent law, see: M. Lamping, *Enhanced Cooperation. A Proper Approach to Market Integration in the Field of Unitary Patent Protection*, Max Planck Institute for innovation and competition, available at: <https://ssrn.com/abstract=1946875>.
- 15 Regulation (EU) No. 1257/2012 of the European Parliament and the Council of 17 September 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ 2012 L 361, 1 (later: Regulation 1257/2012).
- 16 Agreement on a Unified Patent Court of 19 February 2013, OJEU 2013 C 175, 1 (later: UPC Agreement).

In many respects, the rules on the European patent with unitary effect are different from those establishing other EU unitary IP rights. First, unlike the EU trademark or design regulations, Regulation 1257/2012 does not define the protectable subject matter nor the requirements of protection. In this regard, it refers to the European Patent Convention. Second, the Regulation 1257/2012 does not define the scope of exclusive rights. Generally, apart from the issue of exhaustion, it also does not deal with limitations on the exclusive right. The scope of exclusivity and limitations are dealt with in the UPCA, an instrument of international law remaining outside of the EU legal order.<sup>17</sup> Third, unlike other EU instruments establishing unitary IP rights, Regulation 1257/2012 does not contain any rules that would deal with patents as objects of property. In this respect it completely relies on the laws of the Member States connected with the applicant.<sup>18</sup> Fourth, the rules on enforcement covering procedure and patent remedies are also left out of the scope of Regulation 1257/2012. Again, they can be found in the UPCA.<sup>19</sup>

It is often said that the new European patent with unitary effect adds to the complexity of the patent landscape in the EU.<sup>20</sup> This is basically for two reasons. First, the complexity results from the fact that the rules on unitary patents are to be found in different sources of law, namely, in the proper EU law (Regulation 1257/2012), in international agreements (EPC and UPCA) and finally in national laws. This distribution of rules among various sources of rules governing the new unitary patent is problematic. Well-functioning patent law is a result of

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17 The UPCA defines the scope of exclusivity in art. 25-26 and limitations in art. 27 (limitations of the effect of a unitary patent), art. 28 (prior user rights) and art. 29 (exhaustion). This legislative approach is also of concern as to its legality. The TFUE in art. 118 provides that the EU may introduce unitary IP rights. Even leaving aside the issue of introducing unitary rights in enhanced cooperation, also the legislative technique of creating unitary rights within the EU legal order, the contents of which are defined virtually completely outside of the EU legal system, is also very problematic. The clear reasons behind this legislative approach, namely, to limit the jurisdiction of the CJEU, reveal quite significant distrust of the patent community towards the CJEU.

18 Art. 7 Regulation 1257/2012.

19 Chapter IV of the UPCA regulates procedural issues as well substantive matters such as remedies (art. 63, 64 and 68).

20 R. Hilty, T. Jaeger, M. Lamping, H. Ullrich, *The Unitary Patent Package, Twelve Reasons for Concern*, Max-Planck Institute do Competition and Innovation Law Research Paper No. 12-12, available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2169254#](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2169254#), 1. The authors point to: fragmentation of patent protection as a result of territorial fragmentation (enhanced cooperation leaves some Member States outside unitary patent protection) and substantive fragmentation (patent protection will be available at four overlapping levels), fragmentation of rules applicable to unitary patents and also fragmentation of jurisprudence.



balancing of various interests which usually takes place at all levels of patent regulation – namely at the level of defining subject-matter and exclusions, patentability criteria, claims construction and interpretation, scope of exclusive rights and limitations as well as remedies.<sup>21</sup> Here, various aspects of the unitary patent are regulated independently in national, international and EU law. Obviously, this is a cause for concern as to the coherence of this legislative approach as well as proper balancing of competing interests within a patent system.<sup>22</sup> Additionally, with the application of Member States' laws to property aspects of the new patents, there will be as many types of unitary rights in this respect as there are Member States that participate in the enhanced cooperation.<sup>23</sup> This will result in a bundle of unitary European patents, rather than a single unitary patent. Second, the complexity will also result from the numerous layers of patent protection in the EU. The European patent with unitary effect will coexist with national patents granted by national patent authorities and the disputes over these patents will continue to be adjudicated by the national courts. It will also coexist with classical European patents granted by the EPO as bundles of national rights.<sup>24</sup> To complicate the patent landscape even further, disputes related to such classical European patents will be decided by the UPC and particularly in case of opt-out – by national courts.<sup>25</sup>

The question in the title of this contribution seems to be an easy one at first sight. Undoubtedly, as stated in art. 5 Regulation 1257/2012, the European patent with unitary effect will be a unitary right as it will produce equal effects in all Member States that participated in the enhanced cooperation. In this respect, it is not different from EU trademark, design, or a plant variety right, though it is limited geographically. However, there is a more provocative aspect to the question posed namely whether the European patent with unitary effect, due to its regulatory complexity, resulting among others from the multiple sources that define it, be capable of delivering the benefits that are expected to result from the introduction of unitary patent protection into the EU law.

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21 H. Ullrich, *Select from Within the System: The European Patent with Unitary Effect*, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-11, available at: <https://ssrn.com/abstract=2159672>, 5-10.

22 *Ibid.*, 9.

23 H. Ullrich, *The Property Aspects of a European Patent with Unitary Effects: A National Perspective for a European Prospect*, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 13-17, available at: <https://ssrn.com/abstract=2347921>, 16.

24 R. Hilty et al., *The Unitary Patent Package*, 2.

25 R. Hilty et al., *The Unitary Patent Package*, p. 2.

To address this concern, we will first look at the most important justifications for introducing unitary patent protection into EU law. Then the various aspects of the unitary patent's regulatory framework will be analyzed with the focus on how the new rules might affect the chances of reaching the goals behind the introduction of the unitary patent. In particular, the regulatory framework applicable to patents as objects of property will be analyzed. Additionally, a closer look will also be taken at other aspects of the unitary patent and the adopted legislative technique of having various aspects of the unitary right regulated at different levels (national, EU and international). Finally, the possible consequences of having multiple forms of protection and its effect on the attractiveness of the new patent, will be analyzed more closely.

## ***2. The Rationale and the Promise of the Unitary Patent Protection in the EU***

It is crucial to realize why the EU needs a patent that would transcend its Member States' borders, what is the rationale behind introducing unitary protection and what problems the introduction of the unitary patent is supposed to address. Once we are clear about the rationale and the goals for introducing unitary patent protection, it will be possible to assess the chances of realizing these aims by the European patent with unitary effect as designed by the EU Member States participating in the enhanced cooperation. Interestingly, the rationale behind introducing unitary patent protection in the European Community (then in the EU) has not changed significantly over the years<sup>26</sup>, rather some of the justifications for introducing the unitary patent protection have only become more apparent and compelling.

First, probably the most important reason for the push towards establishing unitary patent protection in the EU was the excessively high costs of obtaining patent protection for the whole territory of the EU.<sup>27</sup> Even with the EPC single granting procedure the costs of obtaining patent protection in the EU are signif-

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26 See in this respect also the contribution of Tamar Khuchua in this book.

27 Commission Staff Working Paper, Impact Assessment accompanying document to the Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent protection and 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, (COM(2011) 215 final, (COM(2011) 216 final, (SEC(2011) 483 final (later: Impact Assessment), 13 et seq. See also: B. van Pottelsberghe, *Lost property: The European patent system and why it does not work*, Bruegel 2009. The Author points to the fact that fragmentation of patent protection leads to duplicative administrative costs which add no value to the patents granted.

icant. Patents, once granted by the EPO, have to be validated, the claims and patent description have to be translated into the official languages of the EPC Member States designated by the patentee. Patentees incur the costs of translations, publications, renewals of protection as well as costs of maintaining professional representatives in designated States.<sup>28</sup> Similarly, the need to enter patent licenses and transfers in all designated States' patent registers only adds to the overall financial burden for the patentees.<sup>29</sup> These costs, if multiplied by the number of designated States, can be prohibitive, especially for small or medium enterprises, including innovative start-ups.<sup>30</sup>

Second, the often-prohibitive costs of patent protection might prevent the innovators from seeking protection for the whole territory of the EU and instead limit the number of designated States to a smaller number of selected countries.<sup>31</sup> This often has far-reaching consequences. Those who cannot afford protection in all Member States, will not be able to fully benefit from the value added by their innovation.<sup>32</sup> This, in turn, leads to losses of business opportunities.<sup>33</sup> As a result, innovative companies are placed at a competitive disadvantage having to compete with other undertakings that are free to use unpatented inventions even though they have not incurred the costs associated with the necessary R&D.<sup>34</sup> This also frequently results in the innovators not being capable of fully realizing the licensing potential of the technologies they develop.<sup>35</sup>

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28 Impact Assessment, 14-20. The Commission rightly observes that the London Agreement limits the costs of translations – in some Member States it eliminates them completely (Germany, France, Luxembourg), in some only translations of claims are required (Latvia, Lithuania, Slovenia), still others require translation of claims to the official language and description only to English (Denmark, Netherlands, Sweden, Hungary). The remaining sixteen members of the EU still require translations of both claims and description to the official language. The London Agreement however does not lower other costs that result from fragmentation of patent protection.

29 Impact Assessment, 20-21.

30 Impact Assessment, 22. Unsurprisingly, it is far less common in the EU to have start-ups being formed on the basis of their patents, thus creating less job opportunities and possibly also affecting economic growth.

31 Impact Assessment, 22-23. The fact that patentees decide to limit the number of countries where they seek protection or decide not to validate patents in all Member States also restricts businesses in their ability to fully exploit the potential of the single market, since the patent holders are also more likely to focus manufacturing and distribution in the countries where they can afford patent protection.

32 Impact Assessment, 23.

33 Impact Assessment, 23.

34 Impact Assessment, 24.

35 Impact Assessment, 24.

Third, the territorially fragmented patent landscape resulting in high costs of obtaining protection for the whole territory of the EU, leads to the EU being less friendly towards innovative companies than other major players on the innovation and technology markets, especially the US, China, Japan, and South Korea.<sup>36</sup> It is especially intriguing that the costs of patent protection are much higher in the EU when compared with the US or China, even though the US or China are comparable or larger markets, yet they offer unitary patent protection for their whole respective territories.<sup>37</sup>

Fourth, when the costs are high, and patent protection is not easily affordable by innovators they might instead of disclosing their inventions protect them by maintaining secrecy.<sup>38</sup> This, in turn, results in less dissemination of knowledge, possibly less R&D spending and makes follow-on innovation more difficult. Eventually, it might also negatively affect technology and innovation markets leading to less technology transfer.<sup>39</sup>

Finally, in a fragmented patent landscape, where protection is confined to borders of Member States, enforcement is usually extremely costly. A patentee is often left with no choice but to initiate numerous infringement proceedings. With a unitary patent, the patentee will no longer be required to enforce its rights in parallel in various jurisdictions. Patentees will be able to obtain injunctions for the whole territory covered by the unitary patent protection in single proceedings. Unitary patent protection would also allow the patentee to make use of the EU customs regulation and thus protect the whole of the protected territory from influx of infringing products.<sup>40</sup>

As can be seen from the above, high costs of obtaining and maintaining patent protection in the whole territory of the EU as well as the fragmentation of that protection post-grant, are seen as the greatest problems of patent law in the EU. They result in innovators not being able to fully benefit from

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36 B. van Pottelsberghe, *Lost property*, 11-13. This author shows that the combination of various costs results in a situation when obtaining patent protection in the EU is four times more expensive than obtaining protection in the US, Japan, South Korea, or China. The contribution also underlines that the procedural costs of obtaining protection in the EU are five times higher than in the US, even if protection in the EU is sought only for 6 countries. When protection is claimed for 13 countries the costs of obtaining protection in the EU are eight to nine times higher, and if the patentee seeks protection for the whole EU territory, the costs are even 15 times higher than those in the US. It is thus not surprising that inventors on average limit the number of designated countries to 5-6.

37 B. van Pottelsberghe, 12.

38 Impact Assessment, 23.

39 Impact Assessment, 24.

40 Impact Assessment, 24.

the value of their inventions. The unitary patent protection as designed in the unitary patent package seems to address many of the concerns surrounding patent protection in the EU.

The most obvious benefits of the new regime of unitary patent protection lie with the significant cost reductions of both obtaining and maintaining such protection. The new regime no longer requires validating patents in designated Member States. Thus, the patentees will no longer be required to incur significant validation costs, which have included costs of translations, publications and maintaining professional representatives in the designated countries.<sup>41</sup> The renewal fees have also been set at an attractive, patentee-friendly level.<sup>42</sup> Additionally, the new regime envisages lower fees for SMEs, natural persons, non-profit organizations, universities, and public research institutions.<sup>43</sup> Special beneficial cost arrangements are also provided for those who offer to grant licenses of right.<sup>44</sup>

The cost structure of the unitary patent is generally attractive for the patent holders and provides a strong incentive to file for unitary patent protection. However, lower cumulative costs of protection will not always be the decisive factor for patent holders. Unitary patent protection means that invalidation of a patent results in the loss of protection for the whole territory where the unitary right is in force.<sup>45</sup> Patentees will certainly take the risks of invalidation into consideration when deciding on the mode of protection and for particularly valuable patents, they might decide to incur greater costs of protection, rather than risk the invalidation of the unitary patent. Thus, for larger undertakings, the current regime with the bundle of patents might remain the prima-

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41 European Patent Office, *Unitary Patent Guide*. Obtaining, maintaining, and managing Unitary Patents. 2<sup>nd</sup> ed. 2022 (later: *Unitary Patent Guide*), 12.

42 *European Patent Guide*, 13. The renewal fees are set at the level equivalent to renewal fees in four countries where the classic European patents were most often validated. Therefore, the fees have been set in such a way that the unitary patent protection becomes the more cost-efficient mode of protection, the more countries the patentee intended to designate.

43 *European Patent Guide*, 13. For SMEs the unitary patent protection is a chance to obtain protection that is not only cost effective but is also broad regarding the covered territory.

44 *European Patent Guide*, 13. In case the patentee files a statement with the EPO offering the grant of licenses of right, the renewal fees will be reduced by 15%.

45 This aspect was already raised as one the risks associated with the introduction of unitary patent protection when prior attempts to supplement national protection with EEC-wide protection were discussed in the 1970s. See: J. Pila, *European Patent: An Old and Vexing Problem*, *International and Comparative Law Quarterly*, 62(4), 933.

ry mode of protection, whereas for SMEs the new model's lower costs might be a decisive factor when deciding how to protect their inventions.

Though the unitary right does offer significantly beneficial cost arrangements for the patent holders, the degree to which the new regime will be capable of supplementing or replacing the current regimes of patent protection will also depend on other aspects of the new regime. Here especially a closer look should be taken at the fragmentation or complexity of the new regime itself and the patent landscape in the EU more generally and how those aspects might affect the attractiveness of the new regime and its ability to stimulate innovation and competitiveness of the EU as a whole.

### ***3. Unitary Patents as Objects of Property***

#### *A. Introduction*

The unitary patent package contains rules defining the scope of the unitary patent, it defines the scope of patent exclusivity and contains rules on exceptions and limitations. The unitary patent package also defines remedies available to patentees in case of infringement. As a result of a controversial legislative decision, though clear as to its intentions, all these aspects have been moved from the EU regulation dealing with European patents with unitary effect to the UPCA. At least however, the unitary patent package contains the relevant rules. Regarding the proprietary aspects of the unitary protection, the EU legislator decided to get rid of virtually all rules regulating unitary patents as objects of property. In this respect, reference is made to national laws of the participating Member States. These laws are designated with the help of a set of connecting factors. It thus seems that the competence of the CJEU with respect to unitary patent rights will further be limited.

As a result of the legislative approach adopted, there will be as many types of unitary patents as there are Member States participating in the enhanced cooperation.<sup>46</sup> By multiplying the sources of law applicable to unitary patents as objects of property, the EU legislator only added to the regulatory complexity. We analyze below how that regulatory complexity might affect technology markets, particularly we question whether it translates into higher transaction costs which in turn might hinder licensing and patent transfers. We first take a closer look at how the property aspects of the other unitary EU IP rights

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46 A. Nowicka, Patent europejski o jednolitym skutku – konstrukcja prawna i treść, RPEiS 4/2013, 28-29.

have been regulated as well at the regulatory approach taken in the previous proposals aimed at introducing unitary patent protection in the EEC and EU.

### *B. Unitary Patents as Objects of Property in Regulation 1257/2012*

Chapter 3 of the Regulation 1257/2012 deals with unitary patents as objects of property. One would expect to find at least basic provisions on transfers, licenses, whether contractual or compulsory, rules on enforcement proceedings and bankruptcy, or the possibility of patents being used as collateral for loans or credit. Regulation 1257/2012 however is silent on all these issues.<sup>47</sup> It only contains a provision dealing with licenses of right<sup>48</sup> and for all other issues it refers to one of the laws of the Member States participating in the enhanced cooperation.

To establish the law applicable for property related aspects of the unitary patent, Regulation 1257/2012 refers to a cascade of connecting factors which designate laws of respective participating Member States. First, reference is made to the law of the Member State where the applicant has his residence or principal place of business at the time of filing the application for the European patent<sup>49</sup>. Second, if the above-mentioned criteria are not applicable, the law of the participating Member State where the applicant had his place of business at the time of filing, will apply<sup>50</sup>. Finally, if neither of these connecting factors applies, the law of the seat of the EPO – namely German law – would be applicable<sup>51</sup>.

As a consequence, there may be as many laws applicable to the unitary patents as there are Member States participating in the enhanced cooperation. These unitary rights will produce equal effects throughout the territory of all Member States participating in the enhanced cooperation, though these equal effects will be defined – at least with respect to the proprietary aspects of the unitary rights – by different legal systems. In practice, a same rightsholder might end up with a bundle of unitary patents to which multiple laws would

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47 The initial Proposal of the Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of creation of unitary patent protection, COM(2011) 215 final, 2011/0093 (COD), Brussels 13.04.2011 did not envisage detailed rules on unitary patents as objects of property. All matters were also supposed to be assessed on the basis of the law of the Member State to which the various connecting factors found in art. 10 refer (later: Initial Proposal for Regulation 2011).

48 Art. 8 Regulation 1257/2012.

49 Art. 7(1)(a) Regulation 1257/2012.

50 Art. 7(1)(b) Regulation 1257/2012.

51 Art. 7(3) Regulation 1257/2012.

apply. This results in fragmentation rather than the required harmonization and unification of patent law in the EU.

It is submitted that the adopted solutions in fact lead to discrimination as the applicants from non-participating EU Member States will find themselves in a less favorable position because they will not be able to apply their laws to the unitary patents. They will have no choice but to apply German law. Similarly, applicants with their residence and place of business outside of the EU will be bound to accept German law.

### *C. Unitary Patents as Objects of Property in Previous Proposals*

All of the proposals for establishing unitary patent protection in the EC and then the EU had much more extensive rules for unitary patents as objects of property and all proposed instruments, for matters unresolved in those proposals, relied on national laws of the Member States willing to implement a unitary patent.

As far as patent transfers are concerned, all previous proposals – namely the Community Patent Convention, the 1989 Agreement on Community Patents, the 2000 Regulation Proposal – required that the transfer be in writing and all stipulated that patent transfers do not affect rights of third parties.<sup>52</sup> Therefore, licensing agreements concluded prior to the transfer of the unitary patent would remain unaffected by that transfer. All proposals also envisaged that transfers would be effective *vis-à-vis* third parties once entered into the patent register, and prior to entry into register with respect to parties who acquired rights after transfer and who had knowledge of that transfer.<sup>53</sup>

Similarly for patent licenses, all proposals envisaged the possibility to grant licenses, both exclusive and non-exclusive, for the whole territory where unitary protection was supposed to operate as well as licenses territorially limited.<sup>54</sup> There was also consensus that licenses could be granted in whole or in part, thus allowing for various limitations such as captive use or field-of-use restrictions.<sup>55</sup> Finally, it was assumed that granting a license did not affect the rights of third parties, therefore if other licenses had already been granted, they would not be affected.<sup>56</sup> With respect to future licenses, the license could have effect

52 Art. 38(1) and (2) ACP(CPC), art. 40(1) and (2) CPC, art. 15(3) and (4) 2000 Regulation Proposal.

53 Art. 39(3) ACP(CPC), art. 40(3) CPC, art. 15(5) 2000 Regulation Proposal.

54 Art. 42(1) ACP(CPC), art. 43(1) CPC, art. 19(1) 2000 Regulation Proposal.

55 Art. 42(1) ACP(CPC), art. 43(1) CPC, art. 19(1) 2000 Regulation Proposal.

56 Art. 42(3) ACP(CPC), art. 43(3) CPC, art. 19(3) 2000 Regulation Proposal.



against third party future licensees if the license was entered into the register or if the future licensees, prior to entry, knew of the earlier license grant.<sup>57</sup>

The 2000 Regulation Proposal, unlike the previous proposals, however, explicitly dealt with rights *in rem* and provided that unitary patents could be given as security and be subject of rights *in rem*.<sup>58</sup> It also explicitly stated that unitary patents could be levied in execution.<sup>59</sup>

#### *D. Comparison With Other EU Unitary IP Rights*

In contrast with Regulation 1257/2012, Regulations dealing with EU trademarks, designs and plant variety rights all contain quite an extensive set of property rules. All of them also leave more detailed issues to EU Member State laws that are connected with the applicant in ways defined by those regulations, largely similar to that envisaged by the Regulation 1257/2012.

The Trademark Regulation provides special rules for transfer, licenses, rights *in rem*, execution, and bankruptcy proceedings. It deals with transfers in quite a detailed manner and provides rules that are specifically tailored for trademarks. For example, it explicitly states that trademarks may be transferred with or without an undertaking, in respect of all or some of the goods and services for which the mark was registered.<sup>60</sup> It also specifies that when the transferee wants to invoke the trademark rights against third parties, it must first enter the transfer into the trademark register<sup>61</sup>.

The Trademark Regulation also deals with licensing of EU trademarks. Apart from recognizing the right to grant licenses exclusive or non-exclusive, for the whole or part of the EU, for all or part of the goods and services for which the mark was registered, the Regulation also defines the conditions for the exclusive and non-exclusive licensees to have standing in infringement proceedings as well as for the right to intervene in infringement proceedings in case the licensee suffered damage as a result of the trademark infringement.<sup>62</sup>

The provisions of the Trademark Regulation also specify that the EU trademark might be levied in execution<sup>63</sup> and that it may also be the subject of rights *in rem* explicitly providing that trademarks might also be given as security.<sup>64</sup>

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57 Art. 42(3) ACP(CPC), art. 43(3) CPC, art. 19(3) 2000 Regulation Proposal.

58 Art. 16 (1) 2000 Regulation Proposal.

59 Art. 17 (1) 2000 Regulation Proposal.

60 Art. 20(1) Trademark Regulation.

61 Art. 20(11) Trademark Regulation.

62 Art. 25 Trademark Regulation.

63 Art. 23 Trademark Regulation.

64 Art. 22 Trademark Regulation.

The Regulation contains specific rules for making entries into the register,<sup>65</sup> legal effects of such entries<sup>66</sup> as well as conditions for cancelling and modifying these entries.<sup>67</sup> Finally, the rules on property aspects of EU trademarks are applicable to trademark applications.<sup>68</sup>

The Design Regulation deals with designs as objects of property in a very similar manner as the Trademark Regulation.<sup>69</sup> It provides property related rules covering similar aspects as the Trademark Regulation and more importantly it deals with those issues in a very similar manner. Not surprisingly, similar provisions may also be found in the Plant Variety Regulation.<sup>70</sup>

All this leads to a conclusion that when it comes to regulating EU-wide IP rights as objects of property, the EU legislator developed a substantial body of EU rules. Although these have been developed with respect to other IP rights, these rules, with minor modifications, can easily be applied to patent law. References to Member State laws have also become a standard legislative practice. These references are made *via* similar connecting factors. Finally, it is also worth adding that clearly, it is the Member States' IP laws that have been the source of inspiration for the EU legislator when regulating EU-wide IP rights as objects of property.

### *E. The Impact of Regulatory Fragmentation Regarding Unitary Patents as Objects of Property on the Benefits Resulting from a Unitary Protection*

#### **1. Licensing Patents**

By making (in principle) patent protection more affordable, unitary patent protection creates opportunities for the patentees to appreciate the value of their innovation more fully, also through licensing. With geographically wider protection comes the wider market for transfer of patent-protected technologies. The question remains however whether this potential will be stifled by the regulatory complexity and fragmentation of rules applicable particularly to transfers and licenses. Generally, such fragmentation adds to the overall complexity of the regulatory framework which in turn usually results in the rise of transaction costs. One could ask whether the fact that the EU legislator

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65 Art. 26 Trademark Regulation.

66 Art. 27 Trademark Regulation.

67 Art. 29 Trademark Regulation.

68 Art. 28 Trademark Regulation.

69 The Design Regulation deals with designs as objects of property in Title III (art. 27-34).

70 The Plant Variety Regulation also has a special part devoted to property matters (Chapter V, art. 22-29).

deferred on matters of transfer and licensing completely to the laws of the Member States, only magnifies the problem of potential transaction costs to the extent that such costs could have negative impact on transactions involving the technology protected by unitary patents.

In case of a transaction involving a single unitary patent or several unitary patents to which one national law applies there is no reason to believe that the regulatory design of the unitary patent could negatively impact the willingness of the patentee to license or the willingness of the potential licensee to take such a license. The transaction costs, when a single national law governs various proprietary aspects of the relevant unitary patents, are unlikely to affect transactions on the technology market. The mere fact that the Regulation 1257/2012 defers entirely to the laws of the Member States rather than provides its own rules for patent transactions at the EU level arguably will not result in higher transaction costs.

The fragmented regulatory framework might have an impact on the costs in the case of transactions involving larger patent portfolios of unitary patents, when different Member States' laws would apply to the unitary patents gathered in such a portfolio.<sup>71</sup> That could be the case when the patent aggregator licenses patents originating from different patent holders, having for instance their principal place of business located in different Member States participating in the enhanced cooperation or outside the territory of these Member States.<sup>72</sup> Thus, one could ask whether the fact that various Member States' laws would apply to the bundle of patents gathered in a patent portfolio could negatively impact the ability of a patent holder to commercialize these patents as a result of prohibitively high transaction costs. This might for example be the case of patent pools<sup>73</sup> or the case of a patent holder who builds a patent portfolio and is willing to license it out in a licensing or cross-licensing agreement.

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71 Such concerns are unlikely to be raised with respect to EU trademarks or designs. Portfolio licensing is hardly a common practice with respect to trademarks or designs. Even if portfolios of trademarks are licensed, which is for example the case in franchising agreements, the likelihood that many laws would be applicable to a bundle of trademarks licensed to a franchisee is rather small.

72 Clearly, it would be impossible to choose one law as applicable to such a bundle of unitary patents. The choice is possible for contractual matters. The proprietary aspects, among others the transferability or the types of licenses, that might be granted are governed by the *lex loci protectionis* – in this case the Regulation and the provisions of national law to which the Regulation refers.

73 MPEG LA is a good example. MPEG LA is an association that manages a number of patents pools and grants world-wide licenses. The patent portfolios which are licensed by MPEG LA comprise multiple patent families coming from multiple owners. One of the technologies licensed by MPEG LA is the digital video coding technology AVC/H.264.

Interestingly, studies on patent licensing markets do not identify the multiplicity of legal systems applicable to the bundle of patents gathered in a portfolio as an obstacle to licensing. In case of global licenses, such as many licensing agreements concluded by patent pools or global licenses offered by holders of standard essential patents, the application of multiple legal systems to portfolio licensing is unavoidable. In such licensing agreements the licensors grant licenses of patent portfolios that are typically made of numerous patent families. Though usually, the parties choose the law for the licensing agreement, issues such as the types of licenses that may be granted, the right to grant sublicenses and the effects of the license *vis-à-vis* third parties are governed by the *lex loci protectionis* and are not covered by the law applicable to the contract.

General studies on the licensing market concentrate on numerous hinderances that patentees experience on technology markets while trying to commercialize their inventions. Patent holders point to the difficulties they face finding the right partners.<sup>74</sup> They also point to the transaction costs associated with negotiating and drafting licensing agreements, disagreements over licensing conditions such as exclusivity, licensing restrictions and royalty payments.<sup>75</sup> On the other hand, the licensees underline that technologies are not sufficiently developed and that prototypes are lacking.<sup>76</sup> Generally, it seems that when parties to the licensing contract discuss legal impediments, they have in mind purely contractual issues rather than legal issues resulting from the law applicable to the proprietary aspects, or the impediments resulting from the multiplicity of applicable laws.

Even though in portfolio licensing cases there might be many national laws of the Member States applicable to patents as objects of property, that might not pose that many difficulties because the differences between the various applicable laws might not be that substantial. There is a convergence of the national laws in many respects that are vital when licensing the use of inventions.<sup>77</sup> Patent laws generally allow for both exclusive or non-exclusive licenses,

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The patent portfolio licensed by MPEG LA comprises over 6000 patents, owned by over 40 licensors. It is licensed by over 1600 licensees. It is not hard to imagine that the property aspects of the patents in the portfolio will be governed by multiple laws. Yet the numbers cited confirm that the world-wide licensing programme has been extremely successful. For more information on other portfolios see: [www.mpegla.com](http://www.mpegla.com).

74 Kamiyama, S., J. Sheehan, and C. Martinez (2006), "Valuation and Exploitation of Intellectual Property", *OECD Science, Technology, and Industry Working Papers*, 2006/05, 18.

75 *Idem*, 18.

76 *Idem*, 21.

77 See: § 15 German Patent law; Art. 53 Dutch Patent Law; Art. L613-8 French Intellectual Property Code.

they also allow licensors to license in full or in part as well as to limit the license territorially. Generally, the position of an exclusive licensee against the infringers is stronger than that of a non-exclusive licensee. Similarly, it is also common that patent laws provide that patent transfer does not affect the rights of the licensee to use the invention as provided in the licensing agreement concluded prior to the transfer.

Certainly, it would be beneficial to have a set of rules defining the unitary patents as objects of property. There is no reason why unitary patents should be treated differently from other unitary IP rights, for which such rules were adopted. Most probably these rules would not be – due to the substantial degree of convergence of national laws – a matter for controversy. Thus, because of the convergence of national laws, the lack of rules on unitary patents as objects of property should not be a hinderance to licensing inventions protected with unitary patents. Thus, it seems that patent holders will be capable of fully exploiting the licensing potential of the new unitary patent rights.

## **2. Patents as Security or Subject of Rights *in rem***

It is also interesting to see how the legislative decision to leave the regulation of unitary patents as objects of property to the laws of Member States may influence the potential to use the newly created rights as security or as subjects of rights *in rem* such as pledge. Interestingly neither the Community Patent Convention nor the Agreement on Community Patents addressed this matter. The 2000 Regulation Proposal only recognized very briefly that unitary patents may be given as security or that they may be subject of the rights *in rem* without providing any substantive rules.<sup>78</sup> Similar provisions may be found in case of other regulations dealing with EU unitary IP rights.<sup>79</sup> This effectively means that again one has to look to the laws of the Member States for finding the relevant rules. Member State laws regulate issues such as creation of the security right in a unitary patent, effectiveness *vis-à-vis* third parties, priority, and enforcement.<sup>80</sup>

With the constantly growing role of IP, and patents in particular, the ability to encumber patents with the purpose of securing obligations arising under credit or loan agreements appears to be an important way of exploiting patents<sup>81</sup>.

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78 Art. 16 2000 Regulation Proposal.

79 Art. 29 Design Regulation; art. 22 Trademark Regulation.

80 United Nations Committee on International Trade Law, The UNCITRAL Legislative Guide on Secured Transactions: Supplement on Security Rights in Intellectual Property, New York 2011, 3.

81 See: Kamiyama, S., J. Sheehan, and C. Martinez (2006), *op. cit.* The authors of the report point to the growing importance of IP as a means of attracting venture capital

Here, the question is whether the complex and fragmented regulatory framework for the unitary patent can hamper patentees from fully utilizing the value of their patents. Again, the fact that different laws regulate unitary patents as objects of property might be especially problematic for those willing to encumber larger patent portfolios containing numerous patents subject to different laws. Here, differences among national laws might be greater than those related to patent transfers and licenses. Whereas in the field of IP and patents there has been a significant convergence of national laws, rights *in rem* and the use of various assets as security are typically regulated within the property regimes of national laws.

Interestingly, however, studies related to the use of IP as security for loan or credit agreements show that it is not the regulatory framework that hinders the rise in the use of patents (and also other IP rights) as security. Rather it is the difficulty of conducting IP valuations that hampers the development of the use of IP as security.<sup>82</sup> Valuations are perceived as a primary obstacle to treating IP as an asset that could be encumbered to provide security for credit or loans.

#### ***4. Complexity and Fragmentation of Substantive Rules on Unitary Patents and Impact on the Goals of a Unitary Protection***

One would normally expect that an EU regulation establishing unitary patent protection should comprehensively regulate all aspects defining the scope of patent protection, namely: (a) patentability criteria and granting procedure, protected subject matter and exclusions from patentability; (b) scope of exclusivity and limitations and exceptions; (c) rules on patents as object of property, and finally (d) remedies. This was the EU legislator's approach when regulating

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investment or as a means to obtain more traditional financing from banks in the form of loans and credit. IP is also used as a means of developing IP-backed securities that can also be used to obtain financing.

82 See: Kamiyama, S., J. Sheehan, and C. Martinez (2006), *op. cit.* The authors discuss various valuation methods, including the cost approach, market approach and income approach. All these methods however have both advantages and disadvantages. The cost approach allows to objectively assess the costs of acquiring an IP asset, but it does not allow to establish the current value of such an asset. The market approach allows to assess the value of an asset based on actual comparable transactions on the market. However, as there may be no comparable intellectual goods, because of the uniqueness of many of the intellectual assets, the method might be difficult to apply in practice. And even if comparable licensing agreements may be found, it is not always clear whether the licensing fees were set by a licensor with a dominant position enabling him to demand higher prices.

other EU unitary IP rights. Indeed, there would be a strong justification for such an approach in patent law. As rightly noted by H. Ullrich, patent law requires careful balancing of often competing interests which can be achieved at various levels of patent regulation.<sup>83</sup> Such balancing is possible, or at least much easier, when all rules at various regulatory levels come from one source. This, however, is not the case for the European patent with unitary effect.

European patent law has grown incrementally over the years and the development of European patent law has been inspired from different sources. One of them is the European Patent Convention. The EPC defines the protected subject-matter, the exclusions from protection and the patentability criteria. It also established a single granting procedure which results in the applicant obtaining a bundle of national patents. Not surprisingly, all previous attempts at creating unitary patent protection in the EC, namely the Community Patent Convention,<sup>84</sup> the Agreement on Community Patent<sup>85</sup> and the 2000 Regulation Proposal,<sup>86</sup> were built on the foundations of the EPC. The Regulation 1257/2012 is not different in this respect. A European patent with unitary effect is a European patent granted according to the provisions of the EPC, which upon the post-grant request of the patent holder, will benefit from the unitary effect. The

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83 H. Ullrich, *The Property Aspects of a European Patent with Unitary Effects: A National Perspective for a European Prospect*, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 13-17 (2013), available at ssrn: <https://ssrn.com/abstract=2347921>, 16.

84 Art.2(3) CPC states that Community Patents shall be subject to the provisions of CPC and the provisions of the EPC binding upon every European Patent. The wording of the CPC is interesting however in that it states that provisions of the EPC "(...) shall consequently be deemed to be provisions of this Convention". The wording suggests that this is not just a reference to the provisions of the EPC regulating the grant of European patents, but a step forward resulting in the incorporation of the EPC provisions into the CPC. Thus, the explicitly expressed intention of the parties to the CPC was for the EPC provisions to become an integral part of the CPC. This had far-reaching consequences for the role of the Court of Justice of the European Communities. As a consequence of this explicit incorporation of the EPC provisions in the CPC, the Court of Justice of the European Communities would have had jurisdiction, as clearly provided for in art. 73(2) CPC, to give preliminary rulings on the interpretation of the provisions of the CPC and the EPC incorporated to the CPC in accordance with art. 3(2) CPC.

85 The APC which amended the CPC and supplemented it with additional protocols did not change art. 3(2) of the initial version of the CPC. Thus, provisions of the EPC, as incorporated by the CPC, became provisions of the CPC itself.

86 The Regulation Proposal envisaged participation of the European Community in the Munich Convention; this would have allowed the EC to be treated as a single territory which could be designated by the applicant. The Regulation Proposal thus dealt with the unitary patents only post-grant, leaving issues pre-grant to the Munich Convention.

EPO will register the unitary effect with the Register for the European patent with unitary effect.

Whereas the subject-matter of protection and the patentability criteria of the European patent with unitary effect are regulated within one international agreement, namely the EPC, the scope of exclusivity, together with the limitations and exceptions, have been moved to yet another international agreement, namely the UPCA. The UPCA, though its title rather suggests that it deals with the structure of the UPC, its jurisdiction and procedure, quite surprisingly contains a number of crucial substantive rules. First, the UPCA defines the scope of patent exclusivity.<sup>87</sup> Second, the UPCA defines the limitations of patents.<sup>88</sup> It also protects the interests of prior users of an invention, however not by directly defining their rights but by reference to the national law of the Member State which would be applicable if a national patent was granted in that Member State.<sup>89</sup> Additionally, the UPC Agreement also contains a comprehensive regulation of remedies.<sup>90</sup>

Whereas reference to the EPC is not so surprising given the obvious success of the EPC and the experience gained by the EPO, the decision to move the provisions regulating the very essence of the unitary patent, namely the rules defining patent exclusivity and its limitations is highly controversial. The decision to move rules defining the scope of the exclusive right to an international agreement which itself is not part of the EU legal order, does not affect the unitary nature of the new patent. Art. 5(2) of Regulation 1257/2012 clearly provides that the scope of the exclusive right and its limitations shall be uniform in all Member States where the patent has unitary effect. Art. 5(3) of Regulation 1257/2012 provides that the scope of both the patentee's rights and the limitations are to be defined by the law of the Member State which is applicable to the European patent with unitary effect as provided for by art. 7 of the Regulation 1257/2012. Since the unitary patent can only be effective in a Member State which ratified the UPC Agreement, that Agreement shall necessarily form part of the law of the Member State which is applicable to the unitary patent as an object of property. Thus, in the end it will be the UPCA – via the law of one of the Member States – which will define the scope of rights and limitations of the unitary patent.

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87 Art. 25 and 26 UPCA provide for the right to prevent direct and indirect use of an invention by a third party not having the proprietor's consent.

88 Art. 27 UPCA contains a list of limitations of the effect of the unitary patent.

89 Art. 28 UPCA.

90 Art. 62 UPCA deals with provisional measures (including preliminary injunctions), art. 63 and 64 UPCA with permanent injunctions and corrective measures, and art. 68 UPCA with damages.



One might ask why the route to the law defining the scope of the rights and limitations is so complicated. In principle, the rules defining the scope of the right and the limitations should be located in Regulation 1257/2012, as was initially proposed in 2011.<sup>91</sup> Placing the rules on rights and limitations in an international agreement, located outside of the EU legal order, was supposed to limit the jurisdiction of the CJEU over that particular portion of the rules applicable to a unitary patent, even though the unitary patent originates in EU law. Depriving the CJEU of its jurisdiction to interpret the provisions regulating the scope of the rights and limitations in the course of the preliminary ruling procedure does not have to automatically lead to divergent interpretations of those provisions. It would only mean that instead of the CJEU, uniformity of interpretation will be ensured by the Unified Patent Court.<sup>92</sup>

The goal of the Member States participating in the enhanced cooperation was clear. Patent matters were supposed to be dealt with by a specialized patent court, not a general court like the CJEU. Indeed, this was in line with the views of the patent community in the EU, namely that patent law was a highly specialized area of law and as such it required specialized courts and judges. Whether the attempt to limit CJEU jurisdiction was successful is however not certain. One might claim that the EU legislator by referring to Member States' laws in fact incorporated these laws into Regulation 1257/2012. In other words, instead of just copying portions of the Member States' laws (including the UPCA which forms part of those Member States' laws) to the text of the Regulation, the EU legislator incorporated these rules by reference. As a result, the relevant portions of Member States' laws became an integral part of the EU legal order. Such an interpretation would aim at restoring the jurisdiction of the CJEU. This approach is understandable; however, the wording of the relevant provisions and the legislative history do not justify it. First, it is not unusual for the EU legislator, while choosing a regulation, to leave certain matters to the Member States. Whether leaving so many rules regulating the effect of a unitary right introduced by a given regulation outside of the scope of that regulation was in conformity with art. 118 TFEU is another issue. Second, if indeed the EU legislator intended to incorporate into EU law some portions of the UPCA via the laws of the Member States, it could have done so by using a wording similar to that used in the CPC. The parties to that last agreement have expressly stated that they intended for the EPC to be incorporated and become an integral part of the CPC. This language was not used for a good reason in

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91 Art. 6-8 of the Initial Proposal for Regulation 2011 defined the scope of exclusivity as well as limitations and exceptions of the exclusive rights.

92 A. Nowicka, *Patent europejski o jednolitym skutku*, 30.

the unitary patent package, because that was not the intention of the Member States participating in the enhanced cooperation.<sup>93</sup>

The legislative approach adopted in the unitary patent package is certainly highly problematic. First, the Regulation 1257/2012 is largely devoid of normative content. When art. 118 TFEU granted the EU the competence to create European IP rights providing for unitary protection throughout the EU, one would expect that the unitary effect would be defined within the EU law, not outside as it is now, namely through the national laws of the Member States and international law instruments. Still, that the unitary patent will produce equal effects in the participating Member States cannot be questioned. Thus, though legal challenges based on art. 118 TFEU might be brought before the CJEU, there are arguments that can be raised in defense of the approach adopted. Second, as some authors claim, the unitary patent package is a missed opportunity for the modernization of patent law, especially with respect to exceptions and limitations.<sup>94</sup> Third, certainly relying on different sources for various aspects of the unitary patent might come at the expense of cohesion and ability to rely on the newly created right as an instrument of the EU innovation policy.

Though it is hard to underestimate the failures of the adopted regulatory approach, this does not mean that the primary objectives of the new unitary protection cannot be reached. Even though rules applicable to the new right would come from different sources, the unitary patent protection would allow patentees to obtain a geographically wide protection at (arguably) lower and more affordable costs, thus enabling especially small and medium enterprises to have the value of their inventions appreciated more fully.

### ***5. Complexity and Fragmentation of Patent Protection Resulting from the Coexistence of Unitary Patents, European Patents and National Patents***

Regulation 1257/2012 adds yet another layer of patent protection in Europe, making patent protection in the EU still more complex. It will be possible now to seek protection for inventions: (1) at the Member State level by obtaining national patents granted by national patent offices; (2) at the EPO by applying for classic European patents, and (3) at the EPO by applying for European patents with unitary effect in all EU Member States participating in the enhanced cooperation and which ratified the UPCA. Moreover, the Unified Patent Court, a specialized patent court created by the UPCA, will have to

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93 A. Nowicka, Patent europejski o jednolitym skutku, 26.

94 R. Hilty et al., The Unitary Patent Package, 2.

share competence with national courts, as the latter will retain jurisdiction: (1) in respect of national patents granted nationally; (2) in respect of European patents – when a Member State is not participating in the enhanced cooperation or has not ratified the UPCA; (3) in respect of European patents during a transitional period of seven years which may be further prolonged by an additional period of seven years (art. 83(1) and (5) UPCA) and (4) in respect of European patents during the transitional period in case of opt-out by the proprietor of a European patent (art. 83(3) UPCA).

It remains to be seen how the various layers of protection will coexist and whether the unitary patent protection will be a viable option for innovative companies. Various factors might influence the choice of the form of patent. It is likely that the case law of the national courts and the Unified Patent Court will be one of such factors. Competition between the courts for the most patent friendly *forum* might lead to adoption of patentee friendly procedural or substantive rules as well as patentee friendly interpretation of patent law. However, even if the interpretations of patent laws by national courts and the UPC lead to divergences, this is likely to affect certain aspects of the respective patent laws and consequently affect the choices of form of protection in selected sectors of the industry.

Patentees will almost certainly consider that invalidation of a unitary patent will have effect in all Member States where the unitary patent is effective. With national patents and the classic European patents, invalidation of one national patent will have no effect on the protection in other Member States where the patentee sought patent protection. This of course comes at a high price, but for patentees who can afford it and who have a lot to lose with patent invalidation, unitary patent protection might pose an unacceptable economic risk. The experience with other unitary IP rights shows that though both trademarks and designs also offer multiple forms of protection and procedures for obtaining protection, the advantages of unitary protection often are decisive when deciding on the form of protection. All this leads to a conclusion that the availability of other forms of protection is thus unlikely to undermine the contemplated cost attractiveness<sup>95</sup> of the unitary patent protection.

## **6. Conclusions**

The introduction of unitary patent protection in the EU has been long awaited. The EU, with its fragmented and costly patent system, has for long been lagging behind other major world players such as the US, Japan, South Korea as well

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95 See in this respect the contribution of François Wéry in this book.

as China and India. The European patent with unitary effect provides for an affordable patent protection to the benefit of particularly small and medium companies as well as European start-ups. The unitary character of the new patent, like of other EU unitary IP rights, will produce equal legal effects in all Member States participating in the enhanced cooperation. This is so even though these legal effects are defined in national, EU and international instruments. Additionally, the unitary nature of the patent will remain unaffected even though both national courts and the UPC will interpret laws defining the unitary effect of the new right. The promise of a cost-effective patent protection in the EU is likely to be fulfilled. However, it is to be seen how its inherent flaws – such as the lack of cohesion or fragmentation resulting from rules originating in various sources – will affect the attractiveness of the new regime of patent protection.

## 9. INCORPORATING MATERIAL PATENT LAW IN THE UPCA ONLY - OR IN EU LAW?

*Nicolas Binctin*

Patent law is torn between procedure and substance, a tug-of-war which can be explained by the very important place given to procedure in the field: grant procedure, opposition procedure and, of course, infringement procedure accompanied by pre-legal measures which strongly influence the procedural dimension of litigation. These sensitive procedural issues are often on the borderline of the substance of the law, its scope and its effectiveness. This procedural dimension is even more sensitive as foreign elements are common in patent litigation, particularly in the European case where similar facts may be found on the territory of several States of the Union. Thus, thinking of the patent through a procedural solution is a strong temptation and offers a singular approach to the matter. The only issue at stake in the patent would be its purely technical object, the legal prerogatives of which would be little discussed outside the rules of procedure for granting. The technical analysis of the invention would then take precedence over the legal issues, even though the patent is a property enforceable *erga omnes*. The legal debate on the substance would be secondary. The patent, monopolised by engineers and industrial property offices, would present a singular position in the legal world. Yet, like other intellectual property rights, the patent is undeniably a property right, strictly a property right, and cannot be detached from this nature when viewed through the prism of law. It is not an administrative authorisation to exploit, it is not a temporary monopoly, nor it is a reward or incentive for research. The patent is private or public property (depending on its owner's qualities), and, as a property, it is part of a legal framework where the substance of the right is very much at stake. Private property is protected as a fundamental right within the European Union, particularly under Article 17 of the EU- Charter of Fundamental Rights.

A property right is characterised by its substance, the legal prerogatives over the appropriate object, enforceable against third parties and the capacity recognized to its owner to start a legal proceeding to benefit from the support of the State in defending that interest. Substantive law covers all the legal rules that define rights and obligations in a given legal system. It is opposed to procedural law, which specifies how people can assert their rights. Thus, in the context of the European patent with unitary effect, although the reflection

carried out and the setting up of the institution leave an important place for procedural law, it seems to pay little attention to the question of substantive law. We thus find two opposing visions of the patent: a technical tool for occupying a market versus a property right. The first approach isolates the patent from the legal world to make it an autonomous legal object outside common legal references. It is the business of a few specialists and is imposed on all. In the second case, the patent is part of a more global, common legal framework, and the qualification of ownership takes precedence over the technical issues of its subject matter.

The construction of the UPC seems to follow the first approach and is naturally supported by the interested microcosm, including the national industrial property offices, which remain fully preserved by the establishment of the UPC. The solution relies on the expertise of a technical body, the EPO, and then has a procedure that is itself technical, uncoupled from many substantial legal contingencies. This movement is not isolated within intellectual property: the partial diversion of trademark invalidity litigation under the Trademark Package is also part of this logic. However, this movement is taking place within a legal framework the substance of which has not changed. A patent remains a property right within the meaning of Article 17 of the Charter and must be treated as such for all citizens of the European Union, under the control of the Court of Justice of the European Union.

Thus, the patent is not a technical solution to a technical problem but a property right whose substance is enforceable *erga omnes*, a substance which must be established in a framework identical to any other property right. Property cannot, and must not, escape the legal system of the European Union, as the Member States have agreed. Article 118 TFEU provides that “In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements. The Council, acting in accordance with a special legislative procedure, shall by means of regulations establish language arrangements for the European intellectual property rights. The Council shall act unanimously after consulting the European Parliament”. However, the 2012 enhanced cooperation for the patent tends to move very significantly away from this principle of a European substantive law. Indeed, the 2012 regulation contains only a piecemeal substantive solution.

Outside EU law, international cooperation also offers a piecemeal approach to substantive patent law, whether it be the Munich Convention or the UPC

Agreement. Substantive patent law is relegated to a subsidiary issue once the criteria for patentability and the principle of enforceability are agreed upon. However, these two fundamental aspects are not sufficient to have a substantive property regime. The establishment of the UPC results in giving it the power to decide disputes based on private property rights without having a coherent and comprehensive framework governing that private property.

It seems difficult in a democratic framework such as that which has guided the construction of Europe since 1957 to entrust to an international jurisdiction, which escapes both national judicial mechanisms and that of the European Union, the power to construct substantive law through its case law. It is obvious that the combination of the autonomy of the EPO and that of the UPC renders the European Union and its Member States incompetent to govern a private property, the patent, which is nevertheless enforceable on their territories and falls within their fundamental rights<sup>1</sup>. The *ratio legis* of such an organisation can only be the subject of debates and the legitimacy of patent law will not be enhanced. The approach makes the patent a separate item which will necessarily be looked upon with suspicion by the social body. It will be something from elsewhere, representing interests other than those of the Union and its citizens.

The issue of substantive law is thus essential because it makes it possible to determine the nature and substance of the rights in question, but it cannot be detached from its particular framework of interpretation; the person who issues the norm must also organize the process of interpreting it, its implementation (1). Substantive law also requires a profound coherence in its implementation, not only an intrinsic coherence but also an extrinsic coherence with the whole normative environment (2). Finally, substantive law is a tool for international cooperation, and Article 118 must therefore be read in the light of the European Union's competences for international negotiations (3).

### ***1. The substance and interpretation of Patent Law***

In 1973, the aim of the Munich Convention was to mutualise the procedure for granting patents to reduce the cost, given the purely technical nature of the examination carried out by the Office. At the end of this procedure, the patent granted is an autonomous national patent. In 2013, the UPCA was concluded. Neither of these conventions deals comprehensively with substantive patent

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1 A. Wszolek, Still Unifying? The Future of the Unified Patent Court, *IIC - International Review of Intellectual Property and Competition Law*, 2021, volume 52, pages 1143-1160.

law, as this is not their vocation. However, the combination of these two conventions leads to isolating patent law from the internal legal mechanisms of the EU Member States or from those specific to the EU because, on the one hand, the EPO is not an organ of the Union and, on the other hand, the UPC is not either. If cooperation is possible, it remains based on the goodwill of these institutions and in no case within the framework of a hierarchy of norms and powers.

### A. *What substantive standards?*

Defining the perimeter of the substantive right to be included in the scope of European Union law is a delicate operation. The simplest way to do this is to draw inspiration from the elements of other intellectual property in the European Union. For this contribution, it is not necessary to describe the substance of prerogative recognised but only to identify the elements of substantive law that need to be considered.

Firstly, it is necessary to define the capacity to act in the image of the solution adopted in trademark law. Secondly, and this touches directly on a central question, it is imperative to specify the conditions of appropriation and patentability. In the context of the construction analysed, these conditions are not placed in an instrument of European Union law but in the EPC. Thus, the concepts of invention, field of technology, novelty, inventive step and obviousness<sup>2</sup>, clarity and precision of the description or claims, but also the elements excluded from patent law, are not covered by EU law.

How can a European Union patent be conceived, even simply in the context of enhanced cooperation, without European Union law defining the conditions of patentability and controlling the interpretation of these? There needs to be a transfer, a duplication, of the conditions laid down in the EPC into a European regulation so that their interpretation is then ultimately controlled by the CJEU. For example, at a time when the link between patents and artificial intelligence is being discussed every day and the EPO is taking a position on these issues<sup>3</sup>, the European Union cannot remain a spectator and not take up the substantive conditions of patentability. This is not a technical but a political question which is part of a long-term vision of patent law and of the position of the European Union on the international scene. The example of Australia is telling in this

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2 P. England, "Inventive step in Europe and the UPC Get access", *Journal of Intellectual Property Law & Practice*, Volume 13, Issue 7, July 2018, Pages 534-541, <https://doi.org/10.1093/jiplp/jpx228>.

3 [https://www.epo.org/law-practice/legal-texts/html/guidelines/f/g\\_ii\\_3\\_3\\_1.htm](https://www.epo.org/law-practice/legal-texts/html/guidelines/f/g_ii_3_3_1.htm).



respect, with the Federal Court of Australia, in a decision of 30 July 2021<sup>4</sup> overturning the refusal decision of the Australian Patent Office and explaining why, within the meaning of the *Australian Patents Act 1990*, an AI system - which is a non-human entity and lacks legal personality - can be an inventor<sup>5</sup>. This analysis has been overturned on 13 April 2022. The *FCAFC* ruled unanimously in favour of the Commissioner, allowing the appeal<sup>6</sup>. This decision confirms that, for the purposes of the *Australian Patents Act 1990*, the inventor named in a patent application must be a natural person. If the judge ultimately adopts the analysis of the Office, this is done in the context of a judicial debate. Such an analytical approach is typical of a judge who goes beyond technical issues to place the standard in a complex, living whole, integrating external factors. Without the power to interpret the patentability criteria, the European Union deprives itself of such power and remains on the sidelines.

Substantive law also includes the question of identifying the owner of the invention i.e.: the person who can legitimately apply for the patent. In this respect, one must also consider the question of inventors' rights (right to a name, right to rewards) and probably also provide an answer for employee inventors. The latter, although forming by far the largest cohort of inventors in the European Union, do not benefit from any attention from the EPC or the UPCA. Their fate remains purely subject to national treatment.

While prior personal possession is covered by the 2012 Regulation and could allow for a European construction of this concept, the provisions on the enforceability of ownership and the related exceptions, which are also present in the Regulation, are far from sufficient to allow for such a process. The UPCA is building its own solution, which has been integrated into the domestic law of the States party to the cooperation and which could be subject to a conformity check. However, these issues are not covered by EU law.

Finally, substantive patent law must lay down the conditions for the circulation of property, (which is done by the 2012 Regulation), but also for the rights in rem that can be constituted over patents, for the enforcement, insolvency proceedings, or even licenses. For all these subjects, no provisions are included in the 2012 Regulation, nor in the EPCA. Not only are these issues outside the

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4 *Thaler v Commissioner of Patents* [2021] FCA 879.

5 The Australian judge states that refusing to grant a patent on the grounds that the inventor is not a legal entity would be contrary to the spirit of the law, which is to encourage technological innovation and its dissemination to the public. The protection offered by the patent must therefore be adapted to the new challenges represented by AI and the development of "non-human" creativity. The notion of inventiveness must therefore, according to the Court, take precedence over that of the inventor.

6 *Commissioner of Patents v Thaler* [2022] FCAFC 62.

scope of EU law, but they are also outside the scope of harmonization. Far from ensuring a unity of the patent, there is a movement towards a fragmentation of patent law with at least three autonomous sources of law having to apply: the EPC, the UPCA and the law of the State of attachment of the unitary effect patent. This lack of normative unity for substantive patent law hardly suggests the establishment of an integrated, efficient system ensuring a high degree of legal certainty.

### *B. Interpretation of substantive standards in patent law*

While the 2013 Agreement attempts to establish such a hierarchy through its Articles 20 and 21, thus responding to the CJEU's Opinion 1/09, Article 21 speaks of cooperation with the CJEU. It is known that the latter does not have, in the light of Article 267 TFEU, the competence to interpret the Munich Convention in a binding manner, and it is doubtful whether it could have such a power to interpret the UPCA in a manner binding on the UPC. The CJEU only has jurisdiction over Union law. In patent law, Union law is particularly limited: the 1998 Directive and the Enforcement Directive. It is regrettable that there is no regulation dealing exhaustively with patent law, in the light of those that exist for trade mark law, design law, plant variety law and the Supplementary Protection Certificate (SPC). The two texts relating to patents, important as they are, are not enough to enable the CJEU to construct, through the long and tedious game of preliminary questions, as copyright is a proof, a European patent law.

However, the CJEU has jurisdiction to interpret Regulation 1257/2012 implementing enhanced cooperation in the field of the creation of unitary patent protection. From the point of view of substantive law, this Regulation provides some interesting elements. Its Recital 2 recalls the competence of the Union, on the basis of Article 118 TFEU, for *"the creation of uniform patent protection throughout the Union and the establishment of centralised Union-wide authorisation, coordination and supervision arrangements."* The Court, thanks to its power of interpretation of secondary EU law, could take advantage of this provision to adopt a very broad reading of this Regulation, incorporating the UPC Agreement into its jurisdiction, on the basis of the law applicable to the unitary patent and the UPCA (Article 24 and Article 21 of the latter), in order to interpret it as a last resort, by means of the preliminary questions that the Court would have to ask. Patent law would then be under the control of EU law, but the Court of Justice would not have a complete patent regulation to interpret. It would be in a similar situation to that of copyright law in having to construct the concepts necessary for its interpretation work...

A comparison of the existing partial substantive provisions in the two texts is necessary. Thus, it is possible to rely on the notion of unitary effect proposed by the two sources, and to read Article 5 of the Regulation in combination with Articles 25, 26 and 27 UPCA, which seem to be a practical application of it, in the manner of an implementing regulation. Given the framework of this contribution, the comparison exercise is limited to Article 6 of the Regulation with Article 29 UPCA on the exhaustion of the patent right, a question eminently linked to the construction of the Union. It can be seen that Article 29 derogates very significantly from the provisions of Article 6 of the Regulation. On the one hand, it refers to the European patent, which it defines as a patent granted in accordance with the provisions of the EPC on which no unitary effect is conferred under Regulation (EU) No 1257/2012, whereas Article 6 of the Regulation refers only to the UPCA. The 2013 Agreement extends jurisdiction beyond the Regulation, as with the Supplementary Protection Certificate. Most importantly, Article 6 imposes two conditions for the exhaustion of the right, but the second condition, “ unless there are legitimate grounds for the patent proprietor to oppose further commercialisation of the product”, is not included in Article 29 UPCA. In the absence of a general and binding interpretation of the UPCA by the CJEU, the few elements of substantive law included in the Agreement may not be applied in accordance with EU law. The same applies to the definition of the legal prerogatives attached to the patent and the exceptions to its application. These substantive provisions cannot be interpreted outside the general control of EU law by the CJEU. It will be for the CJEU to extend its jurisdiction and have all its case law applied by the UPC. As a national court, the UPC must behave like all the courts of the EU Member States. However, such a move can only have limited effects on substantive patent law as the conditions for patentability are not included in the UPCA and remain in the EPC.

The numerous cases on the patentability of inventions resulting from essentially biological processes and their products perfectly illustrate the EU law's difficult grip on the EPC. The aim of these cases was to obtain an interpretation of Article 53(c) of the EPC in line with Directive 98/44. In decisions G1/08 and G2/07 (Tomato and Broccoli I), then G2/12 and G2/13 (Tomato II and Broccoli II), the Enlarged Board of Appeal held that essentially biological processes were excluded from patentability under the EPC, even if they included a technical step, but that nothing excluded animals and plants obtained by such processes from patentability. The European Commission then published an opinion (2016/C 411/03) stating that the intention of the EU legislator, when adopting Directive 98/44, was to exclude from patentability products (plants/animals and parts of plants/animals) obtained by an essentially biological process. While in July 2017, the EPO Administrative Council amended Rule 28 of the EPC

by adding that “*In accordance with Article 53(b), European patents shall not be granted for plants or animals obtained exclusively by means of an essentially biological process*”, in December 2018, however, a Board of Appeal of the EPO ruled (T1063/18), that the new Rule 28 EPC was not applicable as it conflicted with the previous interpretation of Article 53(b) EPC by the Enlarged Board of Appeal in decisions G 2/12 and G 2/13. The President of the EPO then referred the matter to the Enlarged Board of Appeal, whose decision G3/19 concluded that plants and animals, as the subject matter of a claim, obtained exclusively by an essentially biological process, are not patentable. In order to achieve a better articulation between the two bodies of norms, the Community Plant Variety Office (CPVO) and the EPO concluded in 2016 a bilateral cooperation agreement... As the conditions for patentability remain outside the scope of EU law, only a political approach can be used to seek a consistent interpretation, which is very weak and unsatisfactory in a democratic system. The European Union should not have to rely on the goodwill of an administration to allow the application of its standard. When the US Supreme Court overturned the United States Patent and Trademark Office (USPTO) doctrine in its decisions in *Alice*<sup>7</sup> and *Myriad Genetic*<sup>8</sup>, it did so on the basis of the applicable law, imposing its interpretation, as a judge, on an administrative agency, the USPTO, which had developed its own doctrine, but which cannot take the place of the judge to shape the law. It is impossible to imagine that the European Union could not be in a similar situation and rely on the CJEU for this. Otherwise, patent law would leave the realm of democracy and enter that of technocracy<sup>9</sup>.

The same difficulties could have arisen in relation to other subjects, in the context of the patentability of living matter. The major work of interpretation

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7 USSC, 19 June 2014, *Alice vs CLS Bank*, J. Powles “*Alice v CLS Bank*: US Supreme Court establishes a general test for patentability”, *WIPO Magazine*, August 2014.

8 USSC, 13 June 2013, *Association for molecular pathology et alii v. Myriad Genetics et alii*, 569 US 2013; F. Pollaud-Dulian, «L’adieu au brevet et le retour à la Naure des séquences d’ADN : l’arrêt *Myriad Genetics* de la Cour suprême des États-Unis», *D.* 2013, p. 2594; J.-C. Galloux, *D.* 2013, p. 1888. V. Th. Gisclard, «La brevetabilité des acides nucléiques aux États-Unis et en Australie», *Prop. indust.* 2016, Études 15.

9 D. Xenos, ‘Unconstitutional supranational arrangements for patent law: leaving out the elected legislators and the people’s participatory rights’ (2019) *Information & Communications Technology Law*, <https://doi.org/10.1080.1360834.2019.159285>.

carried out by the CJEU in the *Brüstle*<sup>10</sup> and *International Stem Cell*<sup>11</sup> judgments shows that property in general and the conditions for patentability in particular are not just technical issues. The scope of the patent is not a stand-alone issue and cannot be addressed in isolation. Determination of the patent scope is very much related to the patentability of the inventions in the first place. The issues around the inventions which are closely related to public order and morality are especially delicate<sup>12</sup>. Even though Article 53 of the EPC provides for the exceptions for the patentability of some inventions which might be against '*ordre public*' or morality, the understanding of these concepts differs from one country to another<sup>13</sup>. The UPC will have to interpret and apply EU law whilst being outside of the institutional and judicial framework of the EU's legal order. The CJEU argued that it did not have jurisdiction to rule on an international agreement concluded by Member States<sup>14</sup>. This judgment exemplifies the problems of the interdependency and unclarity regarding the question of supremacy. "It also seems to show that it is highly likely the CJEU still believes there to be problems regarding the EU legal order"<sup>15</sup>. Therefore, for example, the UPC does not have the obligation to refer preliminary rulings to the CJEU. Patent law requires a legal interpretation by a supreme court to allow its full integration into its legal and social environment. This interpretation must cover the substantive law, not only the conditions of access to property, but also the effects of this property against third parties, the limitations and exceptions, the question of legitimate appropriation, including the case of employee inventors

10 CJEU, 18 Oct. 2011, case C-34/10, *Brüstle*, D. 2011.2596, obs. J. Daleau; D. 2012.319, obs. J.-C. Galloux; *AJ fam.* 2011.518, obs. A. Mirkovic; *Prop. indust.* 2012, comm. 2, obs. M.-C. Chemtob-Concé; D. 2012, 520, obs. J. Raynard; *Prop. indust.* 2012, chron. 6, n° 25, obs. H. Gaumont-Prat; *Europe* 2011, comm. 482, obs. S. Roset; *RDC* 2012/2, p. 593, note Fl. Bellivier and Ch. Noiville.

11 CJEU, 18 Dec. 2014, Case C-364/13, *International Stem Cell Corporation*; C. Byk, 'L'exclusion de la brevetabilité de l'embryon humain: acte II', *JCP G* 2015, n° 135, p. 202; *International Review of Intellectual Property and Competition Law* 2015, p. 740, note P. Stazi; *JCP E* 2015, 1209, note A. Mendoza-Caminade

12 T. Khuchua, Different 'Rules of the Game' - Impact of National Court Systems on Patent Litigation in the EU and the Need for New Perspectives, 10 (2019) *JIPITEC* 257.

13 N. Binctin, «Les apports de la propriété intellectuelle à l'analyse d'un ordre public 'transnational' ou 'réellement international'», *Mélanges Bernard Audit*, LGDJ, 2014, p. 89.

14 CJEU case C-147/13 *Kingdom of Spain v Council of the European Union* (n 45) and CJEU case C-146/13 *Kingdom of Spain v European Parliament and Council of the European Union* (n 45).

15 D. de Lange, "EU patent harmonization policy: reconsidering the consequences of the UPCA", *Journal of Intellectual Property Law & Practice*, Volume 16, Issue 10, October 2021, Pages 1078–1090, <https://doi.org/10.1093/jiplp/jpab096>.

or the claim of ownership. Being a property right, the patent cannot be isolated from the whole general proprietary mechanism that irrigates property law within the European Union, as the 2012 Regulation recalls in its Article 7. In any case, the UPCA and the CJEU's judgment in the Spain procedures leaves the CJEU in a far less powerful position to protect the EU principle of sincere cooperation and thereby the Internal Market<sup>16</sup>.

## **2. Consistency of substantive standards**

The definition of substantive patent law is not enough; this substantive law must also be consistent with the legal system in which it is embedded. In this respect, normative coherence is certainly not achieved within the construction framework currently envisaged. Two examples can be given here: the supplementary protection certificate and the principle of proportionality.

### *A. The Supplementary Protection Certificate and the UPC*

The UPCA, going beyond the scope of enhanced cooperation, gives the UPC jurisdiction over disputes relating to supplementary protection certificates, the effects of which are defined in Article 30: “A supplementary protection certificate shall confer the same rights as conferred by the patent and shall be subject to the same limitations and obligations”. While the link between patents and SPCs is strong, it cannot be inferred from a jurisdiction over patents that this jurisdiction extends to SPCs. This jurisdiction is all the stranger as substantive law relating to SPCs is not within the competence of the EPC. In November 2020, the European Commission published an IP Action Plan which rightly highlights the need to address the fragmentation that remains in the EU IP system<sup>17</sup>. The Commission also wants to establish measures to optimise the SPCs regime to make it more transparent and efficient. Three approaches are proposed: maintaining the current model, developing non-legislative instruments to improve the functioning of the system or, finally, amending the current legislation. A European Parliament resolution of 11 November 2021 on an IP action plan (2021/2007(INI)) calls on the Commission to address the fragmentation of SPCs and on Member States to support the creation of a unitary SPC title.

16 D. de Lange, EU patent harmonization policy: reconsidering the consequences of the UPCA, *Journal of Intellectual Property Law & Practice*, Volume 16, Issue 10, October 2021, Pages 1078-1090, <https://doi.org/10.1093/jiplp/jpab096>.

17 N. Binctin, Pour un code communautaire de la propriété intellectuelle, *Mélanges G. Bonet*, LexisNexis 2010, p. 51.

The vocabulary in EU law is changing from EU property to unitary properties, thus coming closer to the vocabulary of patent law with the term patent with unitary effect. We strongly regret this semantic evolution which can only lead to confusion as to the legal nature and the European or non-European regime of these different mechanisms.

The creation of a European SPC therefore seems to be the preferred option. This centralised system could consist of a unitary SPC, which would be, in the words of the Commission, "*complementary to the future unitary patent*". As the SPC is directly linked to the basic patent and the Market Authorization (MA), the emergence of a unitary SPC raises questions regarding the patent and the MA. The MA is already European, since 1998, either through the centralised procedure<sup>18</sup>, or through the mutual recognition procedure<sup>19</sup>, or, since October 2005, through the decentralised procedure<sup>20</sup>. The centralised procedure, which is compulsory for medicinal products derived from biotechnologies and optional for new active substances, makes it possible to issue a marketing authorisation valid for the entire European Union. Regarding the articulation between MA and SPC, the movement toward a europeanisation of procedures should allow for better cohesion between the two elements. However, there is no European MA for plant protection products. The introduction of a unitary SPC could either impose a reform of the plant protection MA system so that it also becomes European. Or there would be a setback in the harmonisation of the medicinal and plant protection SPCs. It is clear, however, that a fairly long transition period should be provided to allow the switch from the current varied national approaches to a European approach to MA and SPCs.

A unitary SPC also implies the establishment of a competent body to issue it. At least three solutions could be envisaged here: the creation of a dedicated office, the extension of the EUIPO's competences or the mutual recognition of decisions by national offices. It could also be proposed that the offices, in the context of the granting of a unitary SPC, should act as a Union body, in the same way as the court decisions handed down for EU properties. It seems to me, however, imperative to exclude that such competence can be attributed to the EPO as long as the EPO is not a body of the European Union. In any case, it is necessary that the granting office applies a unitary right which is interpreted in an identical manner throughout the European Union, a solution which seems perfectly feasible in the light of experience in trade mark law in particular.

The link between SPCs and patents is essential. While the SPC is an autonomous proprietary mechanism, it is intimately linked to the patent that precedes

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18 Regulation n°2309/93/EEC amended by Regulation n°726/2004/EEC.

19 Directive 2001/83/EC as amended by Directive 2004/27/EC.

20 Directive 2004/27/EC.

it. This link is revealed both in the determination of the term of the SPC and in the validity of the SPC. An SPC is invalid if the patent to which it relates is invalid or if the patent to which it relates is invalid for all of those parts of it that correspond to the MA. Finally, the SPC is invalid if it is granted in violation of its own provisions. While the Europeanisation of SPCs and MAs seems to be possible without too much difficulty, it is necessary to investigate the situation regarding patent law. If the MA is necessary, even in the absence of a patent, the SPC cannot exist without a patent. Thus, a MA can cover EU countries where the patent, and then the SPC, will not be granted. On the other hand, it is not possible to envisage a unitary SPC which would cover by its effects territories of the Union not previously covered by patents.

To date, the SPC and patent are only national properties. There is therefore a perfect coherence between the two elements. The introduction of a unitary SPC, as currently suggested, raises questions in relation to EU patent law. As the SPC legislation currently stands, future unitary patents could only be extended by national SPCs in the absence of a European SPC. As a result, unitary protection would not be available during the full period of protection of medicines or plant protection products.

The first solution would be to retain that the specialized SPC approach could only allow an SPC to be obtained for those States for which a patent had previously been granted. Such an approach would still raise difficulties relating to the autonomy of each of the earlier patents... and the impact of their possible cancellation on the fate of the unitary SPC. The SPC presupposes a patent with effects on the territory of the States. Unfortunately, the European ambition of the SPC is not as successful in patent law, whose development outside the scope of EU control marks a new substantial limit.

In terms of substantive law, the December 2012 Regulation does not envisage a unitary SPC; only the February 2013 Agreement, which is not subject to EU law, includes this possibility. In view of the work of the CJEU to give substance to the SPC regime, it is hard to imagine that it will not retain jurisdiction over the European SPC. If the UPC has jurisdiction, it will only be as specialized judge in the EU court system. Is this possible?

While actions relating to SPCs granted based on national patents will continue to be within the exclusive jurisdiction of national courts, those relating to SPCs granted on the basis of a European patent or a European patent with unitary effect could be subject to the exclusive jurisdiction of the UPC, unless the SPC in question has been the subject of an opt-out. However, there is still some doubt here. Article 2 (h) of the 2013 Agreement refers to “a “supplementary protection certificate” issued under Regulation 469/2009 or Regulation 1610/96”. This article can be supplemented by Article 30, which pre-empts the



question of the effects of supplementary protection certificates, by stating that an SPC confers the same rights as those conferred by the patent and is subject to the same limitations and obligations. Any European reform must therefore ensure that it is consistent with this text. Today, this is not the case, as the scope of the SPC is defined in relation to the content of the patent and linked to that of the marketing authorisation. It is not the patent alone that determines this content. It does not appear that the draft reforms go back on this point. There is therefore a first source of potential conflict between these standards. Moreover, a strict interpretation of these provisions means that an SPC which finds its source in another regulation than those covered by the 2013 Agreement would not necessarily fall within the jurisdiction of the UPC. The definition is strict, it falls within the definition of an exclusive exception jurisdiction, necessarily of strict interpretation. While the following articles, in particular Article 3 on the jurisdiction of the court, simply refer to “any supplementary protection certificate issued for a product protected by a patent”, the definition of SPC in the Agreement is restrictive. However, the European Parliament does not seem to be concerned at the moment and “calls on the Member States to support the creation of such a title as a logical extension of unitary patent protection”<sup>21</sup>.

In the same spirit, Article 32 of the UPC Agreement gives the court jurisdiction to assess the invalidity of an SPC. While such a jurisdiction could be understood as regards the relationship of dependence on the patent, it raises questions as regards the relationship of dependence on the MA. The assessment of the latter cannot fall within the jurisdiction of this special court which is not part of the European Union. There remains, of course, the possibility of setting up preliminary questions and referring the interpretation of the MA to a competent judge before the UPC rules on the validity of the SPC.

Territorially, the situation is much more difficult. The introduction of a unitary SPC will have an effect for the whole of the European Union, just as the MA is now fully integrated at the European level. The 27 EU Member States should therefore eventually have the same legal framework for marketing authorisations and SPCs. However, this is not the case for patent law. The European patent with unitary effect is only a mechanism for enhanced cooperation, and several EU countries do not adhere to it or adhere to it partially. Spain, Croatia and Poland, which together represent almost 90 million European citizens, i.e., more than 15% of the population of the Union, reject the unitary patent system and the UPC. Are we to assume that patent law will not be taken into consider-

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21 European Parliament resolution of 11 November 2021 on an intellectual property action plan to support recovery and resilience in the European Union (2021/2007(INI)) [https://www.europarl.europa.eu/doceo/document/TA-9-2021-0453\\_FR.html](https://www.europarl.europa.eu/doceo/document/TA-9-2021-0453_FR.html).

ation for these countries? Should we consider that the unitary SPC will only be partially unitary in order to align with the enhanced patent law cooperation? The question is even more sensitive as UPC decisions naturally only cover the territory of the contracting Member States for which the patent has effect. For example, would a UPC decision annulling a unitary SPC but without effect in Spain, Poland and Croatia be envisaged because these states do not participate in enhanced cooperation?

Ownership is a systemic tool, and by legally and judicially isolating a property from other EU ownership mechanisms, sources of conflict of norms are created, sometimes with serious effects. The SPC is an intellectual property issue, but it is, above all, an underlying issue of very complex public health issues crossing access to care, the collective cost of medicines for Europeans and the financing of R&D in the health sector. The judge who considers the SPC regime must also be a judge who takes these aspects into account and can legitimately interpret the norm in light of these different factors. It is not just a technical issue.

### *B. The principle of proportionality*

While intellectual property is enshrined in Article 17(2) of the Charter, it is by no means clear from this provision or from the case law that such a right is intangible and absolute. Exceptions and limitations must be interpreted in such a way as to safeguard their effectiveness and respect their purpose, which is particularly important where they are intended to guarantee respect for fundamental freedoms. The judge, in balancing the interests, is taking into account all the circumstances of the case and must interpret these provisions in a way that respects their wording and preserves their effectiveness, while being fully consistent with the fundamental rights guaranteed by the Charter<sup>22</sup>. The CJEU articulates respect for property, including intellectual property, with other fundamental rights, including freedom of communication<sup>23</sup>, freedom of research, or freedom of trade.

22 CJEU, 29 July 2019, Case C-516/17, *Spiegel Online*, and Case C-469/17, *Funke Medien*; J.-M. Bruguière, *Prop. intell.* 2019, No 73, p. 32, same author, *JCP G* 2019, p. 1725. See V. Varet, 'Droit d'auteur et liberté d'expression: état des lieux après les arrêts du 29 juillet 2019', *Prop. intell. avr.* 2020, n° 75, p. 68.

23 CJEU, 27 March 2014, *UPC Telekabel Wien*, aff. C-314/12, ; CCE 2014, comm. 43, C. Caron: the prohibition on an internet service provider to allow its customers to access a site broadcasting films without the consent of their author does not constitute an infringement of fundamental rights. See also, CJEU, 29 July 2019, Case C-516/17 and Case C- 469/17, *supra*.

Property is necessarily constructed in terms of a balance of interests between the individual interests of the owner and the public or general interest. For more than a century, it has been accepted that property is not an absolute right of the owner and must be used with respect to the rights of others. The abuse of rights applies fully to all intellectual property<sup>24</sup>, intellectual property is even a model of balanced ownership. Each intellectual property regime is constructed to strive for this complex balance. This is true of the duration of the property right, the obligation to use, and the multiple exceptions incorporated by the legislator. Property is not a single right, it is a complex, nuanced right, driven by this search for balance between interests<sup>25</sup>. Recognised as a general principle of European Union law<sup>26</sup>, then enshrined in Article 5(4) of the Treaty on European Union<sup>27</sup>, the principle of proportionality guarantees the substance of the fundamental economic freedoms<sup>28</sup>. The principle of proportionality is an instrument at the service of judicial power, characteristic of the legal functioning of the rule of law. It combines a principle of legitimacy with a principle of constitutionality and the hierarchy of norms. This principle leads to a redefinition of the jurisdictional function and the judge's office as guarantor of the rule of law. The concept of proportionality is linked to a jurisdictional technique, to reasoning that consists in analysing the very content of the norm and in identifying in its content an objective aimed at by the author of the norm (the legislator) and the means that are implemented in order to achieve this objective. These two elements must then be compared with the degree to which the rights and freedoms concerned are limited. The principle of proportionality requires the judge to check that the infringement of a fundamental right is not disproportional.

24 C. Caron, *Abus de droit et droit d'auteur*, Paris, Litec, 1998, coll. "IRPI", n° 270 s. ; see also, Y. Gaubiac, "Droit d'auteur et intérêt général", *Prop. intell.* 2010, n° 36, p. 814.

25 For example, in trademark law, regarding the arrangement of trademark use for tobacco, CJEU, 30 Jan 2019, aff. C-220/17, *Planta Tabak-Manufaktur*, CCE 2019, comm. 30, C. Caron.

26 ECJ, 17 December 1970, *Internationale Handelsgesellschaft*, case 11/70. The principle of proportionality was first mentioned in ECJ, 29 November 1956, *Fédération Charbonnière de Belgique v. High Authority of the European Coal and Steel Community*, Case 8/55, ECR 304 and ECJ, 13 June 1958, *Hauts Fourneaux de Chasse*, Case 15/57. Outside the cases provided for by the Treaty, the Court of Justice of the Union has generalised the principle, relying in particular on the case law of the European Court of Human Rights (ECJ, 28 October 1975, *Rutili*, case 36/75, pt. 32).

27 Article 5 of the Treaty on European Union: "*In accordance with the principle of proportionality, the content and form of Union action shall not go beyond what is necessary to achieve the objectives of the Treaties. / The Union institutions shall apply the principle of proportionality in accordance with the Protocol on the application of the principles of subsidiarity and proportionality.*"

28 See in particular ECJ, 14 May 1974, *Nold*, Case 4/73, pt. 14.

tionate. He must first check whether it pursues a legitimate aim, then whether it makes it possible to achieve that aim, and finally, whether another measure, less restrictive but just as effective, could not have been taken in its place. It allows conflicts between opposing fundamental rights, such as intellectual property rights and freedom to conduct a business, to be resolved by balancing the interests involved on a case-by-case basis and seeking either to reconcile them or to ensure that one prevails over the other, depending on the circumstances of the case. Seen as a tool for the pointillistic application of the law, the principle of proportionality ensures a fair balance between the objective of the norm and its conditions of application. This necessarily leads to a casuistic approach. This principle of proportionality is also enshrined in the Guidelines on Procedure before the EPO<sup>29</sup>. The principle of proportionality is defined in its case law as the duty of a court or administration to strike a balance between an error made by a party and the legal consequences thereof where there is a margin of appreciation of the role played by the circumstances<sup>30</sup>. The Office applied this principle in the application of procedural time limits<sup>31</sup>, in the presence of an error in the calculation of a deadline by a representative. The Board of Appeal noted that the principle of proportionality applies only in borderline cases, in support of other grounds which already justify to a certain extent the granting of the appeal<sup>32</sup>.

This approach is recalled by the CJEU judgment of 29 July 2019 (C-469/17) in the case *Funke Medien*, concerning exceptions to copyright: the Member States are required to respect the general principles of Union law, among which is the principle of proportionality, from which it follows that the measures adopted must be suitable for achieving the objective pursued and must not go beyond what is necessary to achieve it<sup>33</sup> (para. 49). The CJEU has already ruled that E.U. law requires States, when transposing these directives, to ensure that they rely on an interpretation of the directives, which allows a fair balance to be struck between the various fundamental rights protected by the E.U. legal order. Secondly, when implementing measures transposing those directives, it is incumbent on the authorities and courts of the Member States not only to interpret their national law in a manner consistent with those directives but also not to rely on an interpretation of those directives which would conflict

29 Case Law of the Board of Appeal, III – E – 8; [https://www.epo.org/law-practice/legal-texts/html/caselaw/2019/e/clr\\_iii\\_e\\_8.htm](https://www.epo.org/law-practice/legal-texts/html/caselaw/2019/e/clr_iii_e_8.htm).

30 See decision J 5/97.

31 Case. T 111/92 of 3 August 1992; also, J 22/92, T 869/90 of 15 March 1991, T 635/94 of 25 April 1995, T 804/95, T 27/98 of 7 May 1999.

32 Case. J 44/92 and J 48/92.

33 In the same sense, CJEU, 1 Dec. 2011, Painer, C-145/10, points 105 and 106.

with those fundamental rights or with other general principles of E.U. law, such as the principle of proportionality<sup>34</sup>.

The implementation of the proportionality review *in concreto* requires the judges deciding on the merits to rely on the circumstances of the case, and the role of the judge of cassation is to carry out, in the light of the reasons given, only “the review of the review”. Because of its adaptable nature, this revision can be very effective: ruling that the grounds are insufficient to characterise proportionality is not so different from holding that there has been a manifest error of assessment.

The question of the implementation of the principle of proportionality imposes on the judge a holistic approach of the interests at stake and the legitimacy of the latter to interpret different rights in order to articulate them with a precise and weighted analysis of the substantial provisions of the rights in question. Firstly, by having a partial, insufficient definition of substantive rights in patent law, the UPC, which must apply this principle of proportionality, will find it impossible in practice to conduct such an analysis, except by inventing the applicable substantive law. By proceeding to an interpretation of norms, which does not fall within its field of competence, the UPC also risks finding itself blocked in the implementation of patent law. If one simply takes the case of SPCs, the UPC probably has no jurisdiction to interpret the scope of a MA. If one considers the case of dependency licences or *ex officio* licences, the assessment of the context seems to be outside the technical competence of the UPC. Finally, the articulation between a patent and the internal policy of the European Union seems difficult to be conducted by the UPC. Secondly, the implementation of this proportionality control imposes an extensive judicial review. By depriving EU citizens of a possible appeal to a Court of Cassation, the 2013 Agreement reduces the jurisdictional guarantees in the face of a highly sensitive issue. For all that, it is not possible to envisage the application of patent law without applying the principle of proportionality, just as it is not possible to extend the competences of the UPC to enable it to apprehend more broadly the eco-system in which patents are part. Without a complete substantive law, the implementation of this cardinal principle of the European legal system seems impossible.

### **3. International outreach**

The EU negotiates and concludes international agreements with non-EU states as well as with international organisations such as the WTO or the United

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34 CJEU, 29 Jan 2008, case 0275/06 Promusicae.

Nations. The EU has exclusive competence to conclude international agreements in certain areas, for example where an agreement is likely to affect common EU rules or where it is necessary to help the EU exercise its internal competences. In areas where the EU has adopted particular common rules, for example on customs, Member States can no longer sign agreements with non-EU countries that affect these rules. In this case, the EU also has exclusive competence and acts on behalf of all Member States. The EU has always had exclusive competence over the Union's common commercial policy. The Lisbon Treaty added services and the commercial aspects of intellectual property rights as well as foreign direct investment to the competences of the common commercial policy. This exclusive competence has been confirmed by the CJEU<sup>35</sup>.

### *A. Weakening of the European Union*

By not integrating substantive patent law into a text falling within the competence of the European Union, the European Union loses its voice, and its autonomy, in this matter, without allowing the States to exercise these prerogatives. Little imagination is required here. When discussions are held at the WTO on the development of patent law to allow patents to be "lifted" in the event of a pandemic<sup>36</sup>, the EU, which theoretically has exclusive competence in this area, does not have a voice because EU law has little control over substantive patent law. Similarly, when it is discussed in the WIPO framework to take better account of traditional knowledge in the implementation of patent law<sup>37</sup>, again, the EU's substantive control of the issue is almost non-existent, as EPC law is the main source of assessment of patentability for the UPC.

This weakening of the Union due to a lack of control over substantive law is as strong in these multilateral agreements as it is in bilateral negotiations. The various bilateral agreements concluded by the EU include provisions relating to the respect of intellectual property and, sometimes, to the implementation of certain standards. There are provisions for geographical indications, but not for patents, as this does not fall within the EU's actual competence, despite Article 118. Thus, if tomorrow, in the context of a bilateral trade agreement,

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35 CJEU, 25 Oct. 2017, no C-389/15, *European Commission v Council of the European Union*.

36 See Draft Ministerial Decision on TRIPS, 17 June 2022, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=r:/WT/MIN22/W15R2.pdf&Open=True>

37 Convening of a Diplomatic Conference for the Adoption of a Pact on Intellectual Property and Traditional Knowledge Associated with Genetic Resources, [https://www.wipo.int/pressroom/fr/articles/2022/article\\_0009.html](https://www.wipo.int/pressroom/fr/articles/2022/article_0009.html).

the European Union wished to strengthen the consideration of sustainable development or Corporate Social Responsibility (CSR) in intellectual property, it could not do so for patent law because it does not have the levers to control substantive patent law. To remedy this, it is once again necessary to adopt a European Union patent law.

The Union is undeniably isolated in the face of the other major international powers, which have direct power over their patent law as well as over all their intellectual property mechanisms. One can only remain doubtful when faced with such a political choice at a time of international technological competition and the dangerous return of sovereignty. This lack of European unity for patent law feeds a weakness of the EU market, to the disadvantage of EU operators suffering from this fragmented approach, but to the advantage of non-EU operators.

### *B. Normative competition with the other European institutions*

The weakening of the European Union on the international patent law scene will be all the more pronounced as, at the same time, the Union finds itself competing with the EPO today, and the UPC tomorrow, in the construction of international cooperation in patent law. Thus, structuring agreements, such as agreements on cooperation in the granting of patents, agreements on sharing information on patentability, agreements on standards for assessing patentability are negotiated by the EPO with other offices in the world. The EPO has signed cooperation agreements with 75 offices and regional intellectual property organisations around the world, which the EPO believes are aimed at building long-term strategic partnerships to make the global patent system more efficient and responsive to users' needs. These activities seek to ensure high patent quality, legal certainty and the efficiency and accessibility of the patent system. Among the fruits of this international cooperation is the validation system<sup>38</sup>. Competition is reflected in the tripartite cooperation established since 1983, with the Japan Patent Office (JPO) and the USPTO. This cooperation is intended to study ways of solving common automation problems. The cooperation activities continue at a steady pace and now cover areas such as documentation, data standards and patent information. Since 2007, further cooperation has taken place through the IP5 forum, which brings together the tripartite cooperation offices plus those of China and Korea. This cooperation focuses on work sharing and avoiding duplication of work. However, while

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38 [https://www.epo.org/about-us/services-and-activities/international-european-cooperation/international-bilateral/validation-system\\_fr.html](https://www.epo.org/about-us/services-and-activities/international-european-cooperation/international-bilateral/validation-system_fr.html).

the other offices are controlled by a state, the EPO is not subject to a specific national policy and benefits from the independence attached to its status as an international organisation. Thus, China or the United States conduct a controlled policy of cooperation, whereas this is not the case for the European Union. Moreover, the EPO also states that it is “collaborating” with the EUIPO to raise awareness of IP rights and to improve services for companies using IP systems in Europe. This is not to question the value of such cooperation but simply to note the unique situation of the European Union, excluded from the substance of patent law.

The European Union must take ownership of patent law, and this requires, among other things, control of substantive patent law and its interpretation. This substantive law must then be included in a European regulation and its interpretation reserved to the CJEU.



# 10. WHAT ARE THE MAIN CONCERNS RELATED TO THE ACCESSION TO THE UNITARY PATENT SYSTEM AND ARE THEY STILL JUSTIFIED? (AN OUTLINE OF THE POLISH PERSPECTIVE)

*Tomasz Gawliczek*

## **1. Introduction and problem outline**

The unitary patent system has raised numerous doubts of a political and legal nature from the very outset of work related to its creation<sup>1</sup>. Several questions as to whether the solutions provided by the so-called unitary patent package are compatible with EU law have been answered following judgements of the Court of Justice of the European Union<sup>2</sup>. This does not, however, change the fact that, on the eve of the launch of the Unified Patent Court, questions concerning the legality of both the unitary patent system as such, and its individual elements are still being vigorously debated.

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1 For a more extensive review of attempts to create a European Union unitary patent and the associated political and legal obstacles, see: P. Callens and S. Granata, *The Unitary Patent and the Unified Patent Court* (Kluwer Law International B.V. 2017) 5-18; W. Tilmann and C. Plassmann (ed.) *Unified Patent Protection in Europe* (Oxford University Press 2018) 43-56.

2 This refers to the two judgements of the CJEU in cases C-146/13 *Kingdom of Spain v European Parliament and Council of the European Union* [2015] and C-147/13 *Kingdom of Spain v Council of the European Union* [2015] deciding the question of the compatibility with European Union law of the following legal acts: Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1 (Unitary Patent Regulation) and Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/1 (Translation Regulation). Complaints initiating these proceedings were filed on 22 March 2013 by the Kingdom of Spain and subsequently rejected by the CJEU. It is worth mentioning that the CJEU has also previously ruled on whether Council Decision 2011/167/UE of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection [2011] OJ L76/53 (Enhanced Cooperation Decision) is compatible with the EU law, see joined cases C-274/11 and C-295/11, *Kingdom of Spain and Italian Republic v Council of the European Union* [2013].

The origins of the problems in this case can be traced back to the assumption made that a European patent with unitary effect will not be (in a normative sense) a European Union patent. Article 2(c) of Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 indicates in this respect that a ‘European patent with unitary effect’ means a European patent which benefits from unitary effect in the participating Member States by virtue of this Regulation. Consequently, a European patent with unitary effect will be an exclusive right granted by an international organisation (the European Patent Office), which is not an agency of the European Union, but at the same time, by virtue of the said Regulation, will have unitary effect in the EU Member States participating in enhanced cooperation in the area of the creation of the unitary patent protection system. Thus, it will be in fact a European patent that has been functioning so far, only that it will have a ‘unitary effect’ in some of the European Union countries.

Without entering at this point into a discussion on how to understand the ‘unitary’ protection guaranteed by a European patent granted under this legal regime, it should be pointed out that all Member States of the European Union are at the same time members of the Convention on the Grant of European Patents of 5 October 1973. Any European patent granted by the EPO can take effect in their territory subject to a validation procedure before a national patent office. Therefore, it might seem on the surface that the decision of the Member States to join the unitary patent system and the signing of the Agreement on a Unified Patent Court<sup>3</sup> – from an ideological point of view and from the perspective of the competences transferred to the Union under the provision of Article 118 of the Treaty on the Functioning of the European Union – should not cause any divergence. However, as we already know today, this was not the case.

The doubts of a legal nature that have been mentioned and political considerations led to a situation where the Republic of Poland and the Kingdom of Spain did not sign the UPCA<sup>4</sup>. The situation of Poland is special in this case, as the country joined the enhanced cooperation mechanism for the creation of unitary patent protection, but at the same time, at the very end of the

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3 Agreement on a Unified Patent Court of 19 February 2013 [2013] OJ C175/1 (UPCA).

4 At this point, it should be clarified that the Kingdom of Spain did not, from the outset, participate in the EU’s enhanced cooperation mechanism for the creation of unitary patent protection, which was introduced by the Enhanced Cooperation Decision. The Republic of Croatia, which joined the European Union after the Agreement was signed (1 July 2013) and has not chosen to be bound by its provisions, is also not a party to the UPCA at the moment (2023).

work related to the preparation of the UPCA, it withdrew from signing it<sup>5</sup>. The aim of this paper is to present some of the contributions to the Polish public debate in connection with the discussion on joining the unitary patent system by the Republic of Poland, and then to try to assess whether the arguments that were put forward can now be considered up to date. The answer to the above question will then make it possible to reflect on whether participation in this system – despite all its drawbacks – should be seen as an opportunity or still approached with a degree of caution (especially from the perspective of Non-UPC EU Member States).

## ***2. Arguments put forward in the debate on Poland's accession to the unitary patent system***

Before recalling factual arguments that, in addition to strictly political factors, led to the Republic of Poland's withdrawal from the decision to become a party to the UPCA, it is necessary to note that essentially all of them were presented in 2012-2013. Since then, the national public debate has not seen a major resumption of this discussion, which should be viewed negatively in light of the enormous (technological, economic and political) changes that have taken place in Poland and around the world since the signing of the UPCA<sup>6</sup>. These ten years, viewed from the perspective of the rapidly changing realities in each area of law, make it necessary to reflect on whether and how the legal norms the said area of law provides for are in line with current socio-economic relations.

To begin with, it should also be noted that the decision finally taken by the Polish government in this respect corresponded to the position taken at the

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5 The involvement of the Republic of Poland in the creation of the unitary patent protection system was particularly evident during the period when it held the Presidency of the Council of the European Union (from 1 July to 31 December 2011). Actions in this area were one of the economic priorities adopted by the Polish authorities at the time, see A. Bogucka, 'Unitary Patent Protection – Selected Issues and Notes in Scope of Operation at Polish Presidency of the Council of the European Union' [2012] 2 *Krakowskie Studia Międzynarodowe* 39.

6 The first attempt to return to the discussions in this regard, particularly with regard to the unitary patent system about to enter into force, was the conference 'Ready or not? Polish and European challenges in light of the upcoming Unified Patent Court', which was held on 21 September 2022 in Warsaw. It featured papers presented by the following experts (in order of presentation), who then took part in a panel debate: T. Khuchua, M. Desantes Real, L. Manderieux, L. Desaunettes, A. Strowel, L. Wall, K. Rantasaari, J. Ożęgalska-Trybalska, B. van Wezenbeek, L. McDonagh, P. Callens and T. Gawliczek.

time by Polish academics specialising in patent law and also by the circle of patent attorneys and business organisations. Other arguments against the accession of the Republic of Poland to the UPCA were presented in an expert report by Deloitte Poland, which was prepared in 2012 at the request of the Polish Ministry of Economy<sup>7</sup>. As the positions justifying the negative decision in this regard have been accentuated slightly differently by each of these entities in the public discourse, they will be characterised in the following section of this argument while also being attributed to particular individuals or organisations. This will clearly outline the division of these arguments into those of a legal, political or economic nature.

#### *A. Position of the Polish patent law academics*

The position presented in 2012-2013 by Polish patent law academics with regard to the unitary patent protection system (with a few exceptions) can be considered critical<sup>8</sup>.

The vast majority of the arguments raised in this regard were outlined in the 'Open letter on a unitary patent protection and the Unified Patent Court', which was published in 2012 in various media and on the Internet<sup>9</sup>. It started by underlining that the legality of the adopted enhanced cooperation mechanism for the creation of unitary patent protection is yet to be assessed by the Court of Justice of the European Union. Further on, there were arguments concerning specific elements of the newly designed system, which, in the Authors' opinion, 'discriminate against entities from countries such as Poland' and do not provide

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7 On the date this paper was submitted for publication, the expert report by Deloitte Polska 'Analysis of prospective economic effects related to the implementation of the system of unitary patent protection in Poland' (1 October 2012) is no longer available in the online version referred to in earlier publications, see W. Tilmann and C. Plassmann (ed) *Unified Patent Protection in Europe* (Oxford University Press 2018) 53. In the absence of other publication sources of this report, in the following it will only be quoted with an indication of pages from which the quoted passage is taken.

8 Professor K. Szczepanowska-Kozłowska took a different stance on this issue at the time, pointing out that 'factual discussion about the proposed solutions has been replaced by statements about a significant threat to Polish economic and national interests and the harmfulness of a patent with unitary effect for Polish entrepreneurs' – see K. Szczepanowska-Kozłowska, 'Do we need a unitary patent – a voice in the discussion' [2013] 4 *Europejski Przegląd Sądowy* 4-11.

9 R. Markiewicz, A. Nowiska, R. Skubisz, S. Sołtysiński, A. Szajkowski, J. Szwaja, 'Open letter on a unitary patent protection and the Unified Patent Court' [24 May 2012] <[www.rzecznikpatentowy.org.pl/nie\\_dla\\_pat\\_jed/List\\_otwarty.projekt.24.5.2012.pdf](http://www.rzecznikpatentowy.org.pl/nie_dla_pat_jed/List_otwarty.projekt.24.5.2012.pdf)> accessed 28 August 2022.

them with opportunities for sustainable economic development, which applies in particular to small and medium-sized enterprises, whose activities form the main axis of the Polish economy<sup>10</sup>.

When assessing the impact of the solutions adopted as part of the unitary patent package on the situation of Polish entrepreneurs, the academics first pointed to their unequal treatment in terms of the language regime provided. It was argued that:

The designed solutions undermine one of the basic principles of patent law according to which exclusive rights are granted in exchange for adequate disclosure of inventions in the language of the relevant territory. Publication in a foreign language fails to implement this principle, and the remedies provided for (e.g. automatic translations or the obligation to submit a manual translation only in the event of a patent infringement dispute) should be considered inadequate, even illusory, especially since the said translations will have no legal force and, in particular, will not have the effect provided for in Article 70(3) EPC.<sup>11</sup>

In this context, it is worth noting that scepticism was expressed not only towards the solutions provided by Article 4 of the Translation Regulation, but also towards the planned future use (after the transitional period) of machine translations of patent descriptions. In this case, it was pointed out that they are of poor quality, which makes it impossible to understand the essence of the invention and thus to determine the extent of the relevant patent monopoly<sup>12</sup>. The fact that doubts were voiced in the Polish public debate about the way in which the unitary patent package solved the language problem should not come as a surprise, as the issue was widely discussed throughout the European Union at the same time<sup>13</sup>.

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10 *Ibid*, para 3.

11 *Ibid*, para 1. A similar view was also expressed in later published academic articles, see A. Nowicka, 'Legal expert opinion on a unitary patent protection in the European Union from the Polish perspective' [2013] 38 *Zeszyty Prawnicze* 105-107. On the issue of the use of national languages, it was suggested that a minimum guarantee in this respect would be provided by an arrangement where 'the patent owner should be bound by the content of the patent claims in that language', cf.: R. Skubisz, 'Legal expert opinion on a unitary patent protection in the European Union from the Polish perspective' [2013] 38 *Zeszyty Prawnicze* 81.

12 J. Sieńczyło-Chlabicz and Z. Zawadzka, 'The European patent with unitary effect. Effect of adopting the unitary system of patent protection' [2013] 7 *Przegląd Ustawodawstwa Gospodarczego* 6.

13 E. Gromnicka, 'Systemic aspects of unitary patent protection in the EU' [2013] 4 *Europejski Przegląd Sądowy* 25. Interestingly, during the discussions on the unitary patent package, the Kingdom of Spain proposed that the official language of the unitary patent

Separate concerns were formulated in relation to the anticipated rapid increase in the number of European patents that will be valid in the territory of the Republic of Poland after its joining of the unitary patent protection system. Under the current system, it is the patentee who decides in which countries the granted European patent is to have legal effect, but nothing is automatic in this respect. In this context, it was argued that the formation of patent thickets could lead to the abusive use of patent monopolies, and Polish entities would have to 'keep track of national patents, European patents granted by the EPO in individual countries, the currently drafted European patents with unitary effect and take into account, in addition, the risk of unfair imitation of products protected under unfair competition laws'<sup>14</sup>. The aforementioned open letter argues this point as follows:

Increasingly extensive patent monopolies will significantly worsen the conditions for doing business, especially as Polish entities, unlike those from countries whose official languages are English, French or German, will have to bear the significantly increased costs of providing themselves with relative legal security.<sup>15</sup>

Further concerns were raised by referring to the disproportion in the number of patent applications filed by Polish entities with the EPO and the number of European patents granted to them in relation to countries such as Germany, France, Italy or even the USA. Based on this, it was predicted that Polish entities were more likely to appear before the Unified Patent Court as possible defendants rather than plaintiffs<sup>16</sup>.

Irrespective of the above, doubts were also expressed as to whether disputes in this area – even in the event of a positive decision by the Republic of Poland to become a party to the UPCA – would be brought before the local division, as

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system should be exclusively English, because of its widespread use in the world of science and technology, to which the French- and German-speaking countries did not agree, see S. Sołtysiński, 'On the project for unitary patent protection in the European Union' in K. KłaŃkowska-Waśniowska, M. Mataczyński and R. Sikorski (ed.) *Problems of Polish and European Private Law. A memorial book to Professor Marian Kępiński* (Wolters Kluwer Polska 2012) 388.

14 *Ibid*, para 394.

15 R. Markiewicz, A. Nowiska, R. Skubisz, S. Sołtysiński, A. Szajkowski and J. Szwaja, 'Open letter on a unitary patent protection and the Unified Patent Court' [24 May 2012] <[www.rzecznikpatentowy.org.pl/nie\\_dla\\_pat\\_jed/List\\_otwarty.projekt.24.5.2012.pdf](http://www.rzecznikpatentowy.org.pl/nie_dla_pat_jed/List_otwarty.projekt.24.5.2012.pdf)> accessed 28 August 2022, para 6.

16 A. Nowicka, 'Legal expert opinion on a unitary patent protection in the European Union from the Polish perspective' [2013] 38 *Zeszyty Prawnicze* 102.

it is not yet decided whether it would be created in such a case<sup>17</sup>. Moreover, if the dispute is referred to the court of appeal, it will always be heard abroad (in Luxembourg). The same will be the case, for example, in the event of disputes over the validity of European patents with unitary effect that will be brought before the UPC in Paris or Munich. The criticism in this regard focused primarily on the restriction of the constitutional right to a court of law<sup>18</sup>.

With reference to the financial benefits projected by the authors of the system and expected to be gained by its users, Polish academics estimated in 2013 that, for example, the renewal fees for these exclusive rights 'will be significantly higher than those currently incurred in those of them (typically 3-5 countries) where protection is economically justified'<sup>19</sup>. Alarm was further expressed that 'an increase in the transfer of more licence fee money abroad is also to be reasonably expected'<sup>20</sup>.

Finally, among the most serious objections raised against the unitary patent package, Polish academics argued that joining the new system of unitary patent protection is impossible given the provisions of the current Constitution of the Republic of Poland of 2 April 1997. One of the points made here was that 'UPC does not fit into the structure of the Polish justice system'<sup>21</sup>. In addition, it was indicated that, in accordance with Article 90(1) of the Constitution of the Republic of Poland, it is not possible to delegate, under an international agreement, the competence of state bodies in the entirety of matters in a given field to an international body, and this would be the situation (with regard to patent disputes) if the UPCA was signed and subsequently ratified by the Republic of Poland<sup>22</sup>. For the record, it should be noted at this point that the number of

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17 A. Nowicka and R. Skubisz, 'Patent package (assessment from a Polish perspective)' [2013] 4 *Europejski Przegląd Sądowy* 20. See also Ryszard Skubisz, 'Legal expert opinion on a unitary patent protection in the European Union from the Polish perspective' [2013] 38 *Zeszyty Prawnicze* 78.

18 A. Nowicka, 'Unitary Patent Protection and the Unified Patent Court – threats and adverse consequences in Poland' [2013] <[https://www.rzeczniczypatentowy.org.pl/nie\\_dla\\_pat\\_jed/A.N.\\_Jednolita\\_ochrona\\_patentowa\\_i\\_Jednolity\\_Sad\\_Patentowy\\_zagrozenia\\_i\\_niekorzystne\\_konsekwencje\\_w\\_Polsce\\_15.pdf](https://www.rzeczniczypatentowy.org.pl/nie_dla_pat_jed/A.N._Jednolita_ochrona_patentowa_i_Jednolity_Sad_Patentowy_zagrozenia_i_niekorzystne_konsekwencje_w_Polsce_15.pdf)> accessed 28 August 2022, para III(50).

19 *Ibid*, para II(9).

20 A. Nowicka, Ryszard Skubisz, 'Patent package (assessment from a Polish perspective)' [2013] 4 *Europejski Przegląd Sądowy* 18.

21 S. Sołtysiński, 'On the project for unitary patent protection in the European Union' in K. Klafkowska-Waśniowska, M. Mataczyński and R. Sikorski (ed) *Problems of Polish and European Private Law. A memorial book to Professor Marian Kępiński* (Wolters Kluwer Polska 2012) 401.

22 A. Nowicka, 'The Unified Patent Court – from the perspective of Poland' [2014] 1 *Ruch Prawniczy, Ekonomiczny i Socjologiczny* 25.

issues of a constitutional nature that have been pointed to in the discussions concerning the UPCA is far greater.

Of note, at the end of the 'Open letter...', its signatories also referred to criticisms directed at the unitary patent package in other European countries, giving the United Kingdom as an example<sup>23</sup>. By doing so, they probably tried to stress that there was no general consensus within the European Union as such on the legal nature of the solutions adopted under the unitary patent protection system.

Public discussion on this issue has essentially come to an end since the Republic of Poland took the political decision to refrain from signing the UPCA. In several articles subsequently published after 19 February 2013, Polish academics maintained their critical stance towards the system and at the same time expressed their concern that Poland 'may at any time, change its decision and become a party to this agreement'<sup>24</sup>. In one of the latest statements on the subject, it was emphasised that 'in a world where innovation plays such a significant role, it is vital to build a patent system on rock-solid ground'<sup>25</sup>.

Lastly, it must be pointed out that the criticism of the unitary patent protection system by the Polish academics was not a negation of the system as such. It was largely about criticising particular legal solutions that were provided for in the unitary patent package. In this context, it is worth quoting Professor Stanisław Sołtysiński:

Having drawn attention to the above implications of the agreement on the Unified Patent Court and the European Unitary Patent, I do not at the same time claim that Poland (...) presents convincing arguments for questioning joint patent initiatives. Indeed, the European patent with unitary effect is in the interest of the Union as an economic community. The current state of affairs makes it difficult for innovative companies to obtain protection in a large market comparable to, for example, the United States, China or India. Nor can we ignore the fact that the balance of burdens and benefits of EU membership is very favourable for Poland. EU states cannot be driven solely by their own interests but should seek reasonable compromises.<sup>26</sup>

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23 R. Markiewicz, A. Nowiska, R. Skubisz, S. Sołtysiński, A. Szajkowski and J. Szwaja, 'Open letter on a unitary patent protection and the Unified Patent Court' [24 May 2012] <[www.rzecznikpatentowy.org.pl/nie\\_dla\\_pat\\_jed/List\\_otwarty.projekt.24.5.2012.pdf](http://www.rzecznikpatentowy.org.pl/nie_dla_pat_jed/List_otwarty.projekt.24.5.2012.pdf)> accessed 28 August 2022, para 13.

24 A. Nowicka and R. Skubisz, 'Patent package (assessment from a Polish perspective)' [2013] 4 *Europejski Przegląd Sądowy* 13.

25 A. Wszółek, 'Still unifying? The Future of the Unified Patent Court' [2021] 9 *IIC – International Review of Intellectual Property and Competition Law* 1158.

26 S. Sołtysiński, 'On the project for unitary patent protection in the European Union' in K. Klafkowska-Waśniowska, M. Mataczyński and R. Sikorski (ed) *Problems of Polish and*



### *B. Arguments presented by the Polish Chamber of Patent Attorneys*

The most active party in the public debate on the opportunities and threats associated with joining the unitary patent protection system, alongside representatives of the academic world, was the Polish Chamber of Patent Attorneys (PIRP). The position presented by the national board of patent attorneys was essentially based on the same arguments as those formulated by academics. This emphasised the practical implications that the signing and ratification of the UPCA would have for Polish entrepreneurs, including the costs of conducting future litigation before the Unified Patent Court.

The fact that patent attorneys have proven to be the severest critics of the new patent protection system should not come as a surprise, given the specialisation of this professional group. As part of the “NO for the unitary patent” campaign, a number of actions were taken to inform the public and the Polish government about the concerns regarding the solutions adopted within the unitary patent package<sup>27</sup>. In a published statement, PIRP warned that ‘the planned regulations will tighten the sanctions and procedures to be used in the event of allegations of patent infringement’<sup>28</sup>.

According to PIRP’s estimates from 2012, becoming a party to the UPCA would lead to an annual increase in new patent monopolies in Poland of around 60,000 (instead of the current figure of around two hundred)<sup>29</sup>. The argument about the so-called patent blockade, which would most strongly affect the activities of small and medium-sized Polish enterprises, also appeared most frequently in the positions presented by other organisations participating in this public debate, including Business Centre Club<sup>30</sup>.

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*European Private Law. A memorial book to Professor Marian Kępiński* (Wolters Kluwer Polska 2012) 393.

27 K. Zachariasz, ‘European patent for a quarrel’ [20 August 2012] <<https://wybor-cza.pl/7,75398,12332339,europski-patent-na-klotnie.html>> accessed 28 August 2022.

28 PIRP, ‘NO for the unitary patent’ [2012] <[www.rzecznikpatentowy.org.pl/nie\\_dla\\_pat\\_jed/Oswiadczenie.html](http://www.rzecznikpatentowy.org.pl/nie_dla_pat_jed/Oswiadczenie.html)> accessed 28 August 2022.

29 ‘President of PIRP on the unitary European patent’ <[www.youtube.com/watch?v=CR-JoKtDLi3M](http://www.youtube.com/watch?v=CR-JoKtDLi3M)> accessed 28 August 2022. It appears that the assumption made for these estimates is that each European patent granted by the EPO (after the introduction of the unitary patent protection system) will ultimately have unitary effect in the territory of the Republic of Poland.

30 ‘BCC: Unified Patent Court a problem for Polish entrepreneurs’ [16 May 2012] <<https://prawo.gazetaprawna.pl/artykuly/755565,bcc-jednolity-sad-patentowy-problemem-dla-polskich-przedsiębiorców.html>> accessed 28 August 2022.

### C. Expert report prepared by Deloitte Poland (2012)

The chronologically last voice that was added to the Polish discussion on the unitary patent package was that of Deloitte Poland, which, commissioned by the Ministry of Economy in October 2012, prepared the 'Analysis of prospective economic effects related to the implementation of the system of unitary patent protection in Poland'. In a summary of nearly six pages, included in the introduction, the authors of the study concluded that 'according to the estimations, a more beneficial option is Option 0 (non-implementation of a unitary patent in Poland and non-accession to the Agreement on a Unified Patent Court), irrespective of a temporal perspective or a scenario of the development of innovativeness of Polish businesses'<sup>31</sup>.

The analysis compares the effects of adopting two alternatives. The first of these (option 0) assumed non-implementation of the unitary patent in Poland and non-accession to the Agreement on the Unified Patent Court. In contrast, the second alternative (option 1) was based on the opposite assumption. The authors emphasised that, irrespective of which one is chosen, Polish entrepreneurs would have access to the unitary patent system, i.e. they would be able to request unitary effect for a European patent granted to them and would also be able to use the judicial institutions created for this system. In fact, it seems that this assumption has become a kind of 'unspoken determinant' having influence on the direction of the whole deliberation, irrespective of the strictly economic aspect.

The analysis was done from the perspective of impacts to be expected in 20 and 30 years. As far as the methodological part was concerned, it was pointed out that only those criteria were taken into account which, as a result, showed different benefits or losses compared to those anticipated with the opposing option. It was indicated that 'the figures in the calculation are based on data (specifically obtained from the Central Statistical Office and the European Commission, and from the interviews with businessmen), and they include a number of assumptions made according to the best knowledge of the Performer of the analysis'<sup>32</sup>.

In the end, the calculation of potential profits and losses was limited to the issue of budgetary revenues related to the functioning of the patent system, these revenues proving to be higher with the Republic of Poland becoming a party to the UPCA because of the adopted mechanism for the distribution of

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31 Deloitte Polska 'Analysis of prospective economic effects related to the implementation of the system of unitary patent protection in Poland' (1 October 2012) 6.

32 *Ibid*, para 5.

maintenance fees for European patents with unitary effect (Article 13 of Unitary Patent Regulation). In a 20-year perspective (until 2032), the national budget revenue would amount to PLN 0.7 billion more than in the case of a decision to opt out of the new patent system. By contrast, the opposite was true when comparing estimated costs associated with litigation, licence purchases, patent clearance searches and adjustment costs. In the event of becoming a party to the UPCA, these would turn out to be PLN 53 billion higher (over the same period of time) than those that Polish entities should bear if their home country remained outside the structure of the unitary patent system.

Length limits of this paper do not allow a detailed discussion of all the data presented in the Deloitte Poland analysis and the conclusions drawn from it. In fact, their validity has already been discussed in the literature<sup>33</sup>. It should be noted, however, that the time when the analysis was carried out was no without influence on some of the assumptions made in it. In the text of the analysis, reference was made to the views of representatives of the Polish patent law academia, while in business interviews, the position of PIRP and Business Centre Club was consulted. As a result, the Polish media at the end of 2012 – referring only to the final conclusion of the analysis – reported that the non-implementation of the unitary patent system would save PLN 53 billion<sup>34</sup>.

### ***3. Are concerns about the accession to the Unified Patent Court Agreement (still) valid?***

The Polish government's decision not to sign the UPCA came as quite a surprise to the public, due to the fact that until the very end of the negotiations, it presented a narrative supporting the solutions adopted within the unitary patent package. In retrospect, it can be inferred that the turning away from the previously adopted negotiating direction so suddenly was not only based on factual arguments presented against the new system of unitary patent protection, but also had some political grounds. However, arguments of this kind are

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33 W. Tilmann, 'Possible Impact of the Unitary Patent Regulation and the Unified Patent Court Agreement on Poland's situation' [2015] 2 *Przegląd Prawa Handlowego* 48.

34 'Deloitte report: Why Polish companies do not benefit from a unitary patent system' [8 December 2012] <<https://serwis.gazetaprawna.pl/msp/artykuly/667464,raport-deloitte-dlaczego-polskim-firmom-nie-oplaca-sie-jednolity-sytem-patentowy.html>> accessed 28 August 2022. It should be underlined that identical data subsequently appeared in academic publications analysing the effects of adopting the unitary patent protection system in Poland, see J. Sieńczyło-Chłabicz and Z. Zawadzka, 'The European patent with unitary effect. Effect of adopting the unitary system of patent protection' [2013] 7 *Przegląd Ustawodawstwa Gospodarczego* 7.

difficult to argue with, given their subjectivity and volatility depending on the circumstances present.

Nearly 10 years have now passed since the UPCA was signed by a large number of EU states. Many questions, the substance of which undermined confidence in the unitary patent package, have already been answered. For this reason, the evaluation of the arguments referred to in the previous paragraph in favour of the Republic of Poland remaining on the periphery of the new patent system should not be reduced to negating them in any way but should focus on how up to date they are. After all, it is not only political doubts that change over time; this also applies to legal doubts that simply lose their relevance over time.

An example of such an issue is undoubtedly the one of languages, which has aroused the strongest emotions from the very beginning of the work on the new system. The fact that the Court of Justice of the European Union has meanwhile already assessed its legality makes many of the arguments previously raised against the solutions proposed in this area outdated. In the judgement of 5 May 2015, it was first of all determined that the arrangements applicable to translations provided for by the Translation Regulation are not discriminatory. The Court was right to indicate that 'it was essential that the translation arrangements for the EPUE should be demonstrably cost-effective'<sup>35</sup>. Furthermore, it was emphasised that in this case the principle of proportionality should also be observed<sup>36</sup>.

If the system is to be efficient and not to generate excessive costs, a true compromise is needed there. European patents are granted by the EPO in English, French and German, so it is natural to assume their leading role. Requesting that official translations of European patents be published in all official languages of the EU states that join the unitary patent protection system would lead to a decrease in efficiency of the latter. Apart from that, the Translation Regulation does, after all, provide for mechanisms to counterbalance this solution (Article 4), including additionally for a transitional period (Article 6). It is therefore difficult not to have the impression that the arguments concerning the controversial language issues are (in a broad sense) political in their nature. This may be confirmed by Italy's final decision to become a party to the UPCA.

As for the argument about the poor quality of machine translations, which are intended to enable Polish entities to familiarise themselves with the contents of a European patent, it should be noted that this has practically

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35 CJEU case C-147/13 *Kingdom of Spain v Council of the European Union* [2015] ECLI:EU:C:2015:299, para 42.

36 P. Callens and S. Granata, *The Unitary Patent and the Unified Patent Court* (Kluwer Law International B.V. 2017) 28.

become outdated. Over the past ten years, the effectiveness of programmes enabling automated translation of texts into various foreign languages has increased to such an extent that the output such programmes produce can sometimes be difficult to distinguish from human work<sup>37</sup>. This also applies to texts using professional (technical) nomenclature, which generally require additional linguistic background<sup>38</sup>.

At the same time, it is important to distinguish between the understanding of the contents of a European patent and the understanding of the substance of that patent<sup>39</sup>. Under standard market conditions, entities wishing to verify the risk of infringing a third party's patent are most often assisted for this purpose by patent attorneys, who generally use English in their professional work<sup>40</sup>. Hence, there is little difficulty in providing the service of analysing the similarity of the technical features of a disputed product with the claims of a European patent, which is only available in English. Thus, if a good quality machine translation into Polish of the text of a European patent with unitary effect is eventually available at the same time, the arguments relating to the language issues discussed in 2012-2013 can be considered outdated<sup>41</sup>.

It is important not to lose sight of the fact that Polish citizens already handle some intellectual property cases exclusively in a foreign language, which is not perceived as a procedural impediment<sup>42</sup>. At the same time, it is difficult to argue with the previously expressed concerns about the establishment of

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37 The preamble to the Translation Regulation indicates (point 13) that high quality machine translation will become available in no more than 12 years. This is to be assessed by independent experts six years after the provisions of the regulation began to apply (Article 6(3) Translation Regulation). It can be assumed that this will be the case around 2030. By then, the quality of automated translations will certainly allow them to be used with ease in the area of patent information.

38 'Machine translation now better than ever' [2018] <<https://cordis.europa.eu/article/id/228753-machine-translation-now-better-than-ever/pl>> accessed 28 August 2022.

39 K. Szczepanowska-Kozłowska, 'Do we need a unitary patent – a voice in the discussion' [2013] 4 *Europejski Przegląd Sądowy* 10.

40 As far as holders of European Patent Attorney qualifications are concerned (in Poland there are currently 246 such persons, slightly fewer than in Belgium or Spain, for example), command of one of the three official languages of the EPC is an essential requirement for obtaining these qualifications.

41 At this point, we are leaving aside the issue of general English proficiency among Poles, which is rated collectively as 'High proficiency' according to the EF's 2021 international ranking, see 'EF Education First' [2021] <[www.ef.com/wwen/epi/regions/europe/poland/](http://www.ef.com/wwen/epi/regions/europe/poland/)> accessed 28 August 2022.

42 Here it is referred to selected types of trademark and Community design proceedings pending before the European Union Intellectual Property Office (EUIPO) in Alicante, as well as later stage proceedings in these cases before the General Court in Luxembourg.

a local division of the UPC in Poland in the event of it becoming a party to the UPCA. Given the already known locations of this Court in other countries, there is no rational basis for assuming that another division cannot be established, for example, in Warsaw<sup>43</sup>. In such a case, the Court will, as a rule, proceed in Polish, which will also be the language of any subsequent appeal proceedings (Article 49(1) UPCA). Finally, addressing the concerns about using forum shopping by European patent holders before the UPC seems to be too early at the moment, at least until it has been verified what the practice of applying Article 33 UPCA will actually be like<sup>44</sup>.

If it is accepted that, looking back over the last few years, the problem of the official language of the European patent with unitary effect may have (at least partially) lost its relevance, the second argument used by those opposing to the Republic of Poland becoming a party to the UPCA must also be dealt with. This is about patent thickets, i.e. the problem of a rapid growth of patent monopolies that may take place in the territories of the EU states participating in the new patent system. There are two key points to be made here.

Firstly, on the eve of the launch of the unitary patent system (2022), it is still unclear what percentage of patentees will choose to request unitary effect for their granted European patents. This means that any estimates of the total number of these rights today are not only approximate, but even speculative. Indeed, the strategies for action by right holders in question will depend on the specifics of the industry concerned and the very solution protected by the European patent, including the importance of that solution for the overall business conducted<sup>45</sup>. From the point of view of the so-called essential patents, on the other hand, it can be anticipated that the patentees will not choose to submit these patents (at least at the very beginning) to the jurisdiction of the UPC because of the risk of losing them simultaneously in a larger territory than that covering a single state. With that expectation in mind, concerns can be dampened about, for example, a significant extension of European pharma-

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43 UPC locations [2022] <[www.unified-patent-court.org/locations](http://www.unified-patent-court.org/locations)> accessed 28 August 2022.

44 As a matter of fact, a Polish entrepreneur who infringes a third party's European patent in the territories of other EU Member States may be sued on this account before a national patent court. In this context, the rules on the local competence of the UPC (Article 33 UPCA) do not introduce fundamentally different regulations from those that already apply today in the case of infringement of a third party's exclusive right. This is because in this situation the principle of *actor sequitur forum rei* applies in the first place, see K. Szczepanowska-Kozłowska, 'Do we need a unitary patent – a voice in the discussion' [2013] 4 Europejski Przegląd Sądowy 9.

45 T. Khuchua, 'Different 'Rules of the Game' – Impact of National Court Systems on Patent Litigation in the EU and the Need for New Perspectives' [2019] 10 JIPITEC 266, para 42.

ceutical patents and any associated restrictions on the generic market<sup>46</sup>. Moreover, several different generations of the European patent with unitary effect will exist in parallel and their territorial coverage will depend on the date of becoming a party to and ratifying the UPCA. Taking these factors into account, it should not be assumed in advance today that the number of patent monopolies in force in the country will increase exponentially from year to year after Poland joins the new system (especially if accession to the system occurs after its launch)<sup>47</sup>.

Secondly, a question needs to be asked and also answered already today: does Poland want to have its economic development based on innovative solutions and be a country in which the effects of technological advancement are protected? When considering this issue, it is important to bear in mind that, at present, Polish entities wishing to do business in the territory of other EU Member States must respect the European patents and national patents that are valid there.<sup>48</sup> The patent thickets problem may therefore only affect entities operating on the local market. It appears, however, that from a long-term development perspective, these entities should not build their businesses on solutions that are already protected by a third party's patent in other European countries. This is because such a strategy will preclude the possibility of any later expansion into foreign markets and thus the exercise of the EU freedoms of the internal market. With regard, in turn, to the risk of liability for infringement of European patents with unitary effect and faced by national entities after Poland's becoming a party to the UPCA, it should not be forgotten that the system provides for the recognition of rights based on the prior use of an

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46 R. Markiewicz, A. Nowiska, R. Skubisz, S. Sołtysiński, A. Szajkowski and J. Szwaja, 'Open letter on a unitary patent protection and the Unified Patent Court' [24 May 2012] <[www.rzecznikpatentowy.org.pl/nie\\_dla\\_pat\\_jed/List\\_otwarty.projekt.24.5.2012.pdf](http://www.rzecznikpatentowy.org.pl/nie_dla_pat_jed/List_otwarty.projekt.24.5.2012.pdf)> accessed 28 August 2022, para 11.

47 According to statistics from the Patent Office of the Republic of Poland, a total of 3319 patents were granted in 2021, so the increase will certainly be visible, but it is difficult to predict what the scale of the increase will be in future years, see 'Patent Office of the Republic of Poland. Annual Report' [2021] <<https://uprp.gov.pl/sites/default/files/inline-files/Annual%20Report%202021.pdf>> accessed 23 October 2022.

48 Polish entities are among the top filers (eighth in the world) of EU trademarks, which may confirm their interest in doing business in other EU states, see 'EUIPO Statistics for European Union Trade Marks. 1996-01 to 2022-07 Evolution' [2022] <[https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/contentPdfs/about\\_euipo/the\\_office/statistics-of-european-union-trade-marks\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/contentPdfs/about_euipo/the_office/statistics-of-european-union-trade-marks_en.pdf)> accessed 28 August 2022.

invention (so called prior user rights) to the same extent as it is provided for under national law of the contracting Member State<sup>49</sup>.

In order to look at the highlighted problem from the perspective of the achievable benefits, it is necessary, first of all, to redefine the way of thinking about the entire patent protection system, which by some opponents of the UPCA seems to be perceived solely as a barrier to economic development. Yet, it should be reminded that 'patent protection attracts (...) investment, and investment is necessary for the economy'<sup>50</sup>. It appears that this perception is common to the vast majority of European Union states, and Poland, which, given its geographical area and location in Central and Eastern Europe, should be a natural candidate to become a technological leader in this part of the continent, will not occupy this position without a global change in its approach to the innovation protection system<sup>51</sup>.

When thinking about the profit and loss accounts associated with participation in the unitary patent protection system, it is necessary to also briefly refer to the above-mentioned report by Deloitte Poland. The estimates and assumptions presented in it give rise to some doubts, if only about the projected high costs of litigation before the UPC and the very number of such proceedings. The calculations made to this end were based on the anticipated number of patent monopolies that would cover the territory of Poland once the unitary patent system comes into force. As has already been signalled above, estimating what proportion of European patents granted by the EPO will benefit from unitary effect at all seems virtually impossible at this point. This makes it all the more difficult to answer the question of how many cases of infringement of these rights would actually be brought to court, and what their cost would be, if Poland lined up with the other seventeen countries where this new system will soon be launched<sup>52</sup>.

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49 In accordance with the applicable Polish law anyone using an invention in the Republic of Poland in good faith may, at the time defining priority to obtain a patent, continue to use it free of charge in his enterprise to the extent to which he has previously used it. This right is also vested in anyone who, at this time, has already prepared all the essential equipment needed to use the invention (Article 71(1) of Industrial Property Law Act of 30 June 2000 [2000] Journal of Laws 2021 item 324).

50 W. Tilmann, 'Possible Impact of the Unitary Patent Regulation and the Unified Patent Court Agreement on Poland's situation' [2015] 2 *Przegląd Prawa Handlowego* 47.

51 It cannot be ruled out that the number of validations of European patents in the Republic of Poland, if it does not become a party to the UPCA, may decrease in the following years due to the generally lower interest in markets that will remain outside the mainstream patent protection system.

52 For concerns about the potential number of court cases and the costs involved, which were outlined in the analysis by Deloitte Poland, see W. Tilmann, 'Possible Impact of



Another point is that Poland's economic situation and forecasts about it have changed significantly over the past ten years. Thus, if there is any will to rethink Polish participation in the UPC project, the economic consequences of such a decision also need to be re-examined. It is for experts in the field to answer the question of what data such an analysis should be based on for its conclusions to be as objective and realistic as possible. What is interesting is that other countries on the eastern flank of the European Union, such as Lithuania, Latvia or Bulgaria, which will be among the pioneers of the unitary patent protection system, have not had similar doubts about economic issues so far<sup>53</sup>.

It is definitely not possible to agree with the claims that the UPCA provides for stricter sanctions and procedures in the event of infringement of a European patent. The remedies provided for by this Agreement are not very different from those applicable in the national legal systems of the EU states. It can be inferred at this point that the argument referred to the degree of repressiveness of the provisional and precautionary measures provided for by the UPCA due to their territorial scope of application, which will cover all countries participating in the new system. However, the holder of a European patent can already achieve the same result today by filing preliminary injunction requests with the patent courts of individual EU Member States. As far as damages are concerned, it must of course be expected that the amounts awarded by the UPC here will be higher than those so far decided in the national courts, but this will also be a consequence of the broader territorial jurisdiction provided for this Court. It is worth pointing out that the provisions of the unitary patent package provide for a number of solutions that are a kind of a safety feature that defendants can use in the event of a claim for damages by European patent holders (see Article 68(3-4) UPCA and Article 4(4) Translation Regulation).

Finally, the question arises whether the concerns about the compatibility of the unitary patent system with the Polish constitutional order are actually justified. The arguments in this regard remain valid for obvious reasons, because since the debate in 2012-2013, there has been no change in the legal state of affairs which is the reference point in this case. Addressing all the concerns

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the Unitary Patent Regulation and the Unified Patent Court Agreement on Poland's situation' [2015] 2 Przegląd Prawa Handlowego 48.

53 It is worth emphasising that the number of European patent applications per year from these EU countries is significantly lower than from Poland (in 2021, Bulgaria accounted for 40 applications, Lithuania for 73 applications and Latvia for the fewest of all EU countries, with only 22 applications; in comparison, Polish applicants filed 539 applications with the EPO at the same time), see 'EPO Patent Index 2021' [2022] <[www.epo.org/about-us/annual-reports-statistics/statistics/2021/statistics/patent-applications.html](http://www.epo.org/about-us/annual-reports-statistics/statistics/2021/statistics/patent-applications.html)> accessed 28 August 2022.

that arise on this point would require drafting a separate paper, but briefly, the following counterarguments can be put forward. Firstly, the transfer of jurisdiction over European patents to the UPC should not violate the previously cited Article 90(1) of the Constitution of the Republic of Poland of 1997, as jurisdiction over the same type of cases with respect to national patents will continue to be retained by the District Court in Warsaw. By becoming a party to the UPCA, Poland will therefore not lose all the competences of the state bodies in these matters. Furthermore, the UPC will not issue judgements 'on behalf of the Republic of Poland', as is the case with, for example, the Court of Justice of the European Union. It is a matter of obligation for the signatories to the UPCA to recognise the decisions delivered by an international body with a judicial status. The fact that the provisions of the Polish constitution (Article 27) indicate Polish as the official language, for its part, should not imply that the provisions of the UPCA are incompatible with them, as the Polish division of the UPC would proceed in this language. Any decisions which will, in turn, be reached before other local divisions of this Court may be treated formally as decisions of another court of an EU Member State with automatic validity in the territory of the Republic of Poland.

In conclusion, it is worth emphasising that Poland belongs to the circle of European legal culture. If similar constitutional and legal doubts have been successfully resolved in other EU Member States, a question must be asked as to why, in the case of just one or two countries, the solutions provided for by the unitary patent package should conflict with the fundamental principles of the legal order.<sup>54</sup> However, this question needs to be answered by Polish constitutional scholars and international law experts.

#### ***4. Conclusions and further questions***

The analytical outline presented in this paper permits it to be argued that ten years after the broad public debate on the participation of the Republic of Poland in the creation of a new patent system in Europe, most of the arguments that were raised in that debate have lost their relevance. This is not to say that taking this decision at this stage will be easier, because (as with many other cases of different kinds) it will depend not only on factual grounds, but also on factors of a political nature.

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54 It should be recalled that a negative decision in this regard has so far only been issued by the Hungarian Constitutional Court, see Decision no. 9/2018 [VII. 9.] AB of 26 June 2018 [2018] <[http://public.mkab.hu/dev/dontesek.nsf/0/fd1f9b7e8c54e0d-7c1258162002ecc58/\\$FILE/9\\_2018\\_EN\\_final.pdf](http://public.mkab.hu/dev/dontesek.nsf/0/fd1f9b7e8c54e0d-7c1258162002ecc58/$FILE/9_2018_EN_final.pdf)> accessed 30 October 2022.

What is certain is that until the unitary patent system is launched, we will not have clear answers to the many questions that have so far arisen with the attempts to review it. It is perfectly understandable that any assessments that can be based on factual and actual data still have to be waited for. This time can wisely be used by countries that have so far been undecided, such as the Republic of Poland, to reconsider whether they want to be part of this new system<sup>55</sup>.

In the European Union – due to the diverse nature of this international organisation – it is sometimes impossible to avoid the two speeds attained by its members, especially when it comes to economic matters. An example of this can be seen in the differences that exist between the economies of Member States participating in and outside the Euro zone. It can be predicted on this basis that a similar division will also form informally with regard to the patent protection system. The opportunity to create the direction of European case law in this area will only be available to those who will choose to build it from its inception.

Looking at Poland's stance on the adoption of the UPCA, Professor Winfried Tilmann metaphorically referred to Poland as a *stowaway* who uses public transport without buying a ticket<sup>56</sup>. He explained in this way that Poland wants to enjoy the benefits that the new system provides, while distancing itself from what it (alone) recognises as risks. This approach has some advantages, but in the long term it will not lead to closer alignment with the circle of economies with the highest innovation rates on the Old Continent. With reference to the metaphor above, this is how it can be summed up: when you are waiting at a bus stop, it is good for you to have a ticket. Once you hold it in your hand, every time a bus arrives, it is safe to get on and go forward. Where and which ticket to buy? This is the question that Poland must now answer for itself.

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55 Recently, a return to discussions on participation in the UPC system and ratification of the UPCA was announced by Ireland, see 'Ireland's government commits to UPC referendum' [30 June 2022] <[www.juve-patent.com/news-and-stories/legal-commentary/irelands-government-commits-to-upc-referendum](http://www.juve-patent.com/news-and-stories/legal-commentary/irelands-government-commits-to-upc-referendum)> accessed 28 August 2022.

56 W. Tilmann, 'Possible Impact of the Unitary Patent Regulation and the Unified Patent Court Agreement on Poland's situation' [2015] 2 *Przegląd Prawa Handlowego* 48.



# 11. CONNECTING THE UPC TO NON-UPC-MEMBER STATES IN EUROPE: THE EU MAGNET EFFECT OF THE UPC

*Laurent Manderieux*

Under the Paris Convention for the Protection of Industrial Property, the WIPO-administered Treaties, and other non-IP-specific treaties, the patent systems of most countries and regions in the world are communicating and, as a consequence of their implementation, interacting through the everyday operations of patents granting. Patent protection is highly marked by the way the patent systems are being shaped by the WIPO International Treaties but also during the patent life as patent granting methods and procedures shape the general patent system. This means that, in the interest of its users and its Member States, the UPC must communicate well with other environments.

European patents with unitary effect (EPUes, commonly referred to as “Unitary Patents”) granted under EU Regulation No 1257/2012 (OJ EPO 2013, 111) and EU Regulation No 1260/2012 (OJ EPO 2013, 132) do not and will not derogate from these longstanding legal principles and practical mechanisms. As such, a large proportion of applicants to the current European Patents granted under the European Patent Convention (EPC) and amounting currently to more than half of total patent applicants at the EPO, are nationals or residents of non-EPC countries<sup>1</sup>, coming from all over the world<sup>2</sup>. It can be expected that a large proportion of applicants to the EPUE will, as well, be nationals or residents of countries from all over the world who will, at the same time as they designate the EPUE countries, designate major EPO Member States as well where the Unitary Effect cannot apply (e.g., the United Kingdom and Switzerland).

In addition, since a minority of EU Member States are currently opting to remain outside of the EPUE System and the UPC, and another 11 European States that are members of the EPC, including major States such as the United Kingdom and Switzerland, would not, under the current rule of the game, qual-

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1 Cf. Luke McDonagh, (1991) “Exploring Perspectives of the Unified Patent Court and Unitary Patent within the Business and Legal Communities”, Do EU and Non-EU businesses view the new system differently? page 30, 30 UK Intellectual Property office.

2 EPO, European patent applications in 2021: <https://www.epo.org/about-us/annual-reports-statistics/statistics/2021/statistics/patent-applications.html>

ify for joining the EPUE System, more than a third of the current European Patent Organisation's Member States will not or cannot be part of the EPUE System: these European countries are currently representing, considering as a valid sample the 2021 Statistics of the European Patent Office (EPO), a quarter of all patent applications from the EPC Member States<sup>3</sup>. Also, non-UPC European countries' designations for patent applications, patents granted, and patents litigated will come from these non-UPC European countries but, as well, - from UPC member countries and the rest of the world. This clearly means that, under current statistical projections, it is expected that an extremely important volume of patent granting procedures and patent litigations in the European continent will be outside of the scope of the new Unitary System, although this important volume cannot yet be estimated precisely.

The purpose of this contribution is to determine how, under the existing Intellectual Property treaties and in practice, these non-UPC Member States in Europe will connect to, and be affected by, the system of EPUE, including its Court system, in particular with regard to patent granting by the EPO and patent litigation before the EPO administrative appellate bodies, as well as, to some extent, to jurisdictional competence and recognition of decisions under Regulation (EU) No 1215/2012 or, where applicable, the Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters of 30 October 2007.

In this contribution, the following two aspects are considered successively: the granting phase and the post-grant litigation as these aspects will be after the seven years' transition period established by article 83(1) of the UPC Agreement<sup>4</sup>. Therefore, it is the medium-term perspective that is considered below.

### ***1. The Patent Granting Phase in Non-UPC States in Europe: the EU Magnet Effect of the UPC***

When considering the Patent Granting Phase in Non-UPC Member States in Europe, it is necessary to distinguish between procedures connected to the EPC system and straight national registration procedures in the two categories of Non-UPC States in Europe, i.e., the EU Non-UPC Member States, and the Non-EU Member States in Europe.

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3 EPO, European patent applications in 2021, worldwide applicants: <https://www.epo.org/about-us/annual-reports-statistics/statistics/2021/statistics/patent-applications.html#tab2>

4 UPC Agreement: <https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf>

It may be considered that in the application and granting procedures involving the EPO (i.e., application at the EPO designating said Non-UPC-Member States in Europe), even if both non-EU States in Europe and EU non-UPC Member States will not be bound by the primacy of EU law established by Article 20 of the UPCA, they will progressively be strongly affected *de facto* by EU convergence provisions contained in the UPCA. In this respect, all twelve paragraphs of Article 27 UPCA (with the possible exclusion of art. 27 paragraph (h) as such), one of the UPC articles containing provisions of substantive law, may directly or indirectly be of high relevance, and are highly connected, far beyond the EPC, to the European Union legislation as it self-evidently reads from the following:

**Article 27: Limitations of the effects of a patent**

- a. The rights conferred by a patent shall not extend to any of the following acts done privately and for non-commercial purposes;
- b. acts done for experimental purposes relating to the subject-matter of the patented invention;
- c. the use of biological material for the purpose of breeding, or discovering and developing other plant varieties;
- d. the acts allowed pursuant to Article 13(6) of Directive 2001/82/EC (8) or Article 10(6) of Directive 2001/83/EC (9) in respect of any patent covering the product within the meaning of either of those Directives;
- e. the extemporaneous preparation by a pharmacy, for individual cases, of a medicine in accordance with a medical prescription or acts concerning the medicine so prepared;
- f. the use of the patented invention on board vessels of countries of the International Union for the Protection of Industrial Property (Paris Union) or members of the World Trade Organisation, other than those Contracting Member States in which that patent has effect, in the body of such vessel, in the machinery, tackle, gear and other accessories, when such vessels temporarily or accidentally enter the waters of a Contracting Member State in which that patent has effect, provided that the invention is used there exclusively for the needs of the vessel;
- g. the use of the patented invention in the construction or operation of aircraft or land vehicles or other means of transport of countries of the International Union for the Protection of Industrial Property (Paris Union) or members of the World Trade Organisation, other than those Contracting Member States in which that patent has effect, or of accessories to such aircraft or land vehicles, when these temporarily or accidentally enter the territory of a Contracting Member State in which that patent has effect;

- h. the acts specified in Article 27 of the Convention on International Civil Aviation of 7 December 1944 (10), where these acts concern the aircraft of a country party to that Convention other than a Contracting Member State in which that patent has effect;
- i. the use by a farmer of the product of his harvest for propagation or multiplication by him on his own holding, provided that the plant propagating material was sold or otherwise commercialised to the farmer by or with the consent of the patent proprietor for agricultural use. The extent and the conditions for this use correspond to those under Article 14 of Regulation (EC) No 2100/94 (11);
- j. the use by a farmer of protected livestock for an agricultural purpose, provided that the breeding stock or other animal reproductive material were sold or otherwise commercialised to the farmer by or with the consent of the patent proprietor. Such use includes making the animal or other animal reproductive material available for the purposes of pursuing the farmer's agricultural activity, but not the sale thereof within the framework of, or for the purpose of, a commercial reproductive activity;
- k. the acts and the use of the obtained information as allowed under Articles 5 and 6 of Directive 2009/24/EC (12), in particular, by its provisions on decompilation and interoperability; and
- l. the acts allowed pursuant to Article 10 of Directive 98/44/EC.

In a premonitory article back in 1991,<sup>5</sup> far before the EPUE was established, it was already considered that EU law would permeate the European patent system. Indeed, based on the practice of most current designation States at the EPO, it is expected that, in practice, future patent applications before the EPO would normally designate the UPC States as well as a few Non-UPC States in Europe, and this will be in particular true for non-European applicants before the EPO who will be applying either through the WIPO-administered Patent Cooperation Treaty (PCT) or directly at the EPO.

As a consequence, during the Search and Examination phase of any patent application at the EPO, EPO Patent Examiners will, in practice, certainly grant, as in the past, patents as per the substantive provisions of the EPC and duly consider, as in the current system of the EPC, claims for each designated country. Yet, in interpreting such claims, they would necessarily pay major attention to the UPCA provisions, in particular, its Article 27 on the limitations of the effects of a patent and therefore containing substantive law that is highly connected, far beyond the EPC, to the European Union legislation: although

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5 Joseph HH Weiler, (1991) "The transformation of Europe." *Yale Law Journal* pp. 2403–2483



patent Examiners have a mandate to grant patents *stricto sensu* on the basis of the EPC, any granting consideration, in particular while analyzing the claims, cannot be totally detached from the possible *de facto* effects in using the patented invention: thus, it is logical to consider that the EPO Examiner will be strongly influenced by such Article 27, as it will be necessary for him/her to comply with it in order to avoid challenges of interpretation of his/her decision before the EPO Boards of Appeal for the territory of the Unitary patent, i.e. the largest target market of the patent application. This will be particularly relevant as it is often considered that the EPO Boards of Appeal progressively evolved into a quasi-judicial body in interpreting, limiting or expanding eligibility requirements of patentability<sup>6</sup> at the EPO, pre-supposing to some extent considerations on claims that cannot totally detach from possible use and related effect of the invention. This is often called an EU “magnet effect” on EPO’s work.

Clearly enough, EU Law will therefore permeate the EPO granting procedure far beyond the EPC. This is of particular importance not only for EU Non-UPC Members States but also for Non-EU States in Europe:

1. The EU Non-UPC Member States will therefore face, *de facto*, the common burden of:
  - being bound by the EU context they are part of, and
  - being in a system that their applicants, or those who designate them, can then use only partially in the court litigation phase;
2. Non EU States in Europe will similarly face the common burden of an EU-influenced context they are not part of at granting phase in a system that is subsequently not relevant in the court litigation for their applicants or those who designate them.

In addition, the introduction by the EPO, as of Spring 2023, of a new systematic top-up search for (unpublished) earlier national rights<sup>7</sup> will further reinforce the unification trend aiming at only filing EPO patent claims that are not conflicting with the EPUE system (requiring the identity of claims in all countries concerned).

Indeed, unlike EPO and PCT applications, unpublished national applications usually referred to as “earlier national rights” are not considered prior art for the purpose of the European substantive examination of novelty for patent-

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6 Cf. Aurora Plomer (2019) “The EPO as patent law-maker in Europe.” *European Law Journal* 25(1): 57–74

7 EPO introduces systematic top-up search for earlier national rights, EPO, 25 July 2022: <https://www.epo.org/news-events/news/2022/20220725.html>

bility<sup>8</sup>. These unpublished earlier national rights can only be invoked in national proceedings as grounds for revocation after the European patent has been granted (Article 139(2) EPC). The introduction of the new systematic top-up search for national rights will thus allow applicants to decide to file a separate set of claims for a country of any novelty-destroying earlier national right before the examination is complete at the EPO (Rule 138 EPC) under the current EPC, or even to only file EPO patent applications that would likely not result in clashing with EPUE rules since, as per the EPUE system, applicants in this context must comply with the requirement that only European patents granted with the same set of claims for all participating EU Member States are eligible for Unitary Patent protection (see Article 3(1) of Regulation (EU) No. 1257/2012)<sup>9</sup>.

The situation is quite different for mere national registration procedures in the two categories of Non-UPC States in Europe, i.e., the EU Non-UPC Member States, and the Non-EU Member States in Europe. In this case, it seems that all such States retain full courts' independence under their patent granting legislation. However, in any State using the EPO prior art search facility for all national patent applications progressively established since the last decade by the EPO in favor of its Member States, for the EPO prior art search facility phase, an identical and logical EPO approach focusing on EU convergence is highly likely to develop, since the EPO search report and opinion, given on such national applications, would necessarily be influenced by the above-mentioned Art. 27 of the UPC Agreement. This could again be called an EU "magnet effect" on EPO's work.

## **2. Post granting litigation in Non-UPC States in Europe**

As for patents granted under the current EPC, EPUEs are likely to be litigated in accordance with the jurisdictional competence and recognition of decisions Regulation (EU) No 1215/2012 or, where applicable, under the Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters of 30 October 2007<sup>10</sup>, and in this latter case, in considering in particular Article 22 of said Lugano Convention that reads as follows:

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8 Idem.

9 Id. "The examining division will search for earlier national rights, assess their *prima facie* relevance and communicate the citations of any *prima facie* relevant national rights in an intention-to-grant communication (Rule 71(3) EPC). On that basis, applicants will be able to make an in-depth assessment of any cited earlier national right."

10 Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters of 30 October 2007: [https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22007A1221\(03\)&from=EN](https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:22007A1221(03)&from=EN)

## SECTION 6 - Exclusive jurisdiction

## Article 22

The following courts shall have exclusive jurisdiction, regardless of domicile:  
[....]

4. in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, irrespective of whether the issue is raised by way of an action or as a defence, the courts of the State bound by this Convention in which the deposit or registration has been applied for, has taken place or is, under the terms of a Community instrument or an international convention, deemed to have taken place.

Without prejudice to the jurisdiction of the European Patent Office under the Convention on the grant of European patents, signed at Munich on 5 October 1973, the courts of each State bound by this Convention shall have exclusive jurisdiction, regardless of domicile, in proceedings concerned with the registration or validity of any European patent granted for that State irrespective of whether the issue is raised by way of an action or as a defence.  
[...]

Yet, the Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters of 30 October 2007 may need a revision of the second paragraph of its Article 22. Indeed, as of the setting up of the Unified Patent Court, expected for 2023, a future amendment to Article 22 paragraph 2 would usefully clarify explicitly:

- that there will be one competent Court for proceedings concerned with the registration or validity of any European patent granted for each non-UPC designated State irrespective of whether the issue is raised by way of an action or as a defence;
- competence of the Unified Patent Court for proceedings concerned with the registration or validity of any EPUE granted, so that the dual system (UPC and National Courts) in Europe will be more clearly guaranteed than they are in the first paragraph of Article 22.

This would ensure that the existing national/regional court autonomy mechanisms would be safeguarded. However, it should be noted that in the medium term, it is likely that some forms of EU convergence would also develop between decisions of the Unified Patent Court and national court decisions on European patents granted both for the EPUE area and for other EPC countries, rendering further attractive the Unified Patent Court system to EU countries that have chosen to be out of it. In addition, a parallel evolution would also be foreseen

for national court decisions on national patents granted further to using the EPO prior art search facility<sup>11</sup> during the national application procedure.

### ***3. Summary Conclusions***

Although predictability on the matter leaves space for unavoidable uncertainty, the existence of substantive law provisions in the Unified Patent Court Agreement in its Article 27 leads to conclude that, once the seven years' transition period established by article 83(1) of the UPC Agreement will be over, the UPC is likely to produce an EU Magnet Effect on patent granting criteria and patent litigation in Europe, and that this EU Magnet Effect will expand even in European legal orders not bound by the Unified Patent Court.

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11 Cf. EPO Guidelines for Examination, March 2022: [https://www.epo.org/law-practice/legal-texts/html/guidelines/e/b\\_xi\\_4\\_1.htm](https://www.epo.org/law-practice/legal-texts/html/guidelines/e/b_xi_4_1.htm)

**PART III.**  
**THE UNIFIED PATENT COURT:  
INSTITUTIONAL, JURISDICTIONAL  
AND PROCEDURAL ASPECTS**



## 12. UNIFIED PATENT COURT AND THE RIGHT TO A FAIR TRIAL: SOME CRITICAL REMARKS

*Mathieu Leloup & Sébastien Van Drooghenbroeck*

### **1. Introduction**

The catastrophic democratic regression that is currently affecting certain Member States of the European Union – among other things, in the way they respect the standards of the Rule of law and the independence of their judges – has generated, on the part of the two European courts, a series of principled judgments and welcome reminders as to the lines that must never be crossed.<sup>1</sup> These jurisprudential principles then function as benchmarks which may lead to new questions or criticisms. Either they revive discussions that have been humming along quietly for many years.<sup>2</sup> Or they look towards new targets, which until now have been little considered. This is the case, very largely, for the Unified Patent Court (hereinafter also UPC).

This Unified Patent Court has the appearance of a legal UFO.<sup>3</sup> As recalled by other contributions to this book,<sup>4</sup> its creation is the result of an international treaty – the Agreement of 19 February 2013 on a Unified Patent Court (hereafter UPC Agreement) – and it has its own legal personality. The UPC Agreement

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1 See, among others: M. LELOUP, *The Impact of the Fundamental Rights Case Law of the European Court of Human Rights and the European Court of Justice on the Domestic Separation of Powers*, PhD Dissertation, University of Antwerp, 2021; M. LELOUP, “Who Safeguards the Guardians? A Subjective Right of Judges to their Independence under Article 6(1) ECHR”, *European Constitutional Law Review* 2021, 394-421.

2 See C. RIZACALLAH and S. VAN DROOGHENBROECK, “Nomination des juges et « tribunal établi par la loi » – Confirmation, évolution et révolution en marge de l’arrêt *Guðmundur Andri Ástráðsson* c. Islande de la Cour européenne des droits de l’homme”, *Journal des Tribunaux* 2021, 573-580.

3 See P. CAMPOLINI, “La compétence internationale de la juridiction unifiée du brevet. Examen critique du règlement (UE) n°542/2014”, *R.D.C.* 2016, 22; A. WSZOŁEK, “Still Unifying? The Future of the Unified Patent Court”, *IIC - International Review of Intellectual Property and Competition Law* 2021, 1143-1160; D. DE LANGE, “EU patent harmonization policy: reconsidering the consequences of the UPCA”, *Journal of Intellectual Property Law & Practice* 2021, 1078-1090.

4 See in particular the contribution of Tamar Khuchua.

is part of a comprehensive European patent package, at the core of which lies the introduction of a European patent with unitary effect as a new intellectual property right recognized at EU level. However, as recalled by Advocate General Y. Bot in the Case C-146/13,<sup>5</sup> the UPC Agreement does not fall within any of the categories referred to in the TFEU. It is an intergovernmental agreement negotiated and signed only by certain Member States on the basis of international law. The UPC is therefore not, as such, an institution of the European Union, let say an organ of the CJEU. It is as a court “common” to the Contracting Member States – and thus part of their judicial system – for disputes concerning European patents and European patents with unitary effect. It is a court of a hybrid nature, floating somewhere in legal no man’s land between the national and international dimensions. The Agreement confers upon the UPC exclusive jurisdiction over the types of patent disputes listed in an extensive catalogue – in particular actions concerning patent infringements, disputes on the validity of patents and certain actions concerning decisions of the European Patent Office.

The UPC comprises a Court of First Instance, a Court of Appeal (in Luxembourg), an Arbitration and Mediation Center and a common Registry.<sup>6</sup> The Court of First Instance will consist of a central division in Paris (with a thematic section in Munich and possibly a third city as replacement for London),<sup>7</sup> along with several local and regional divisions. The creation of a local division in Brussels was made possible, for example, in accordance with articles 87 and 88 of the law of 29 June 2016 ‘on various provisions concerning the economy’.<sup>8</sup>

The perfect conformity of the “creature” thus put in place with the standards governing the legality and independence of courts, as they have been reminded and refined in the context of the democratic backsliding referred to above, is certainly not self-evident. We only need to reread the decision rendered on 23 June 2021 by the German Constitutional Court on this subject for an example in this regard.<sup>9</sup> Admittedly, the legal objections put forward by the applicant parties – to which we will return below – did not succeed. But they were no less defensible. The problem, however, is to find the most solid legal basis for them: this is where the legal and institutional hybridity of the “creature” is a source of difficulty. The UPC is certainly, as we have said, an integral part of the judicial systems of the Member States. But its “common” character and the international source of

5 Opinion of 18 November 2014 in case C-146/13, *Spain v Parliament and Council*, §163.

6 Art. 6(1) UPCA.

7 Article 7 UPCA.

8 Wet van 29 juni 2016 houdende diverse bepalingen inzake Economie, *Moniteur belge* 6 juli 2017.

9 *Bundesverfassungsgericht* (2<sup>nd</sup> senate) 23 June 2021, BvR 2216/20 and BvR 2217/20.



its creation remove it in whole or in part from the scope of the *national constitutional standards* of the right to a fair trial (section 2). Consideration can also be given to the applicability to the UPC of article 6 of the *European Convention on Human Rights* and the rules and principles it embodies. Here again, however, there are still some grey areas (section 3). It is then that one will be able to turn with more assurance to the right to a fair trial of the *European Union*, which integrates, in fact, the aforementioned rules and principles (section 4). Having concluded that the EU Charter of Fundamental Rights indeed applies to the UPC, we will take a critical look at the way that Court is supposed to function according to the UPC Agreement and see whether it respects the standards of the right to a fair trial as set out in the European case law (section 5).

## **2. The (Partial) Inoperability of Constitutional Standards of a Fair Trial**

As we have seen, the UPC is supposed to be an integral part of the national judicial systems.<sup>10</sup> It has exclusive jurisdiction over matters within its competence, and its decisions are automatically binding.<sup>11</sup>

Could this “national” aspect of the UPC justify its being fully subject to the constitutional rules and principles of the right to a fair trial? The question is certainly not simple:<sup>12</sup> the “international” facet of the jurisdiction interferes to a greater or lesser extent in the applicability and scope of those rules and principles. Traditional national constitutional rules cannot that easily be applied to an “extra-terrestrial” UFO, like the UPC.

It is beyond the scope of this paper to analyse the constitutional data of the 24 UPC-Agreement states. We will be satisfied with a sample. The interference of the international dimension seems maximum, for example, in the case of Belgium.

According to Article 40 of the Belgian Constitution, judicial power is exercised by the *Cours et Tribunaux*. Article 144 of the same Constitution confers a monopoly to these courts as regards to litigations concerning civil subjective rights, in which the attributions of the UPC are unquestionably included. Constitutionally, the transfer of powers to the UPC can therefore only be admitted through the application of Article 34 of the Constitution, which states that “The exercising of specific powers can be assigned by a treaty or by a law to

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10 Preamble and Articles 1 and 21 UPCA.

11 Articles 32 and 82 UPCA.

12 With regard to the objections of constitutionality raised by the Polish and Hungarian Constitutional Courts, see A. WSZOŁEK, “Still Unifying? The Future of the Unified Patent Court”, *op. cit.*, 1150 ff.

institutions of public international law". As the Constitutional Court recalled in its judgment no. 62/2016, the above-mentioned Article 34 cannot be deemed to "confer a generalized blank check, either on the legislator, when it gives its assent to the treaty, or on the institutions concerned, when they exercise the powers that have been conferred on them. Article 34 of the Constitution does not authorize in any case a discriminatory encroachment on the national identity inherent in the fundamental, political and constitutional structures or on the fundamental values of the protection that the Constitution confers on the subjects of law".<sup>13</sup> However, these reminders have no bearing on the specific problematic at hand, since the "international" dimension – albeit only partial – of the court in question paradoxically *excludes* any applicability of the Belgian constitutional guarantees of a fair trial to it. The rules contained in Chapter 6 of Title III of the Constitution apply only to the courts and tribunals of the Belgian judicial power. The absence of lifetime appointment of the members of the UPC is, from this point of view, no more problematic than that of, for example, judges at the European Court of Human Rights or the CJEU.

More radically, the "minimal" guarantee of the principle of legality, as contained in Article 146 of the Constitution,<sup>14</sup> has always been considered – implicitly but definitely – inapplicable in the presence of an international jurisdiction. As a rule, Article 146 requires that "(...) the essential rules relating to the organization, operation and procedure, insofar as they form part of the 'establishment' of a court within the meaning of Article 146 of the Constitution, must be laid down by (a formal) law (...)". It follows that a delegation to the Executive Power is compatible with the principle of legality only "insofar as the delegation is defined in a sufficiently precise manner and concerns the execution of measures whose essential elements have been determined beforehand by the (formal) legislator".<sup>15</sup> In application of these principles, it would have been necessary, more than likely, to conclude to the unconstitutionality of the delegation made by the aforementioned article 87 of the law of 29 June 2016 "on various provisions concerning the economy". According to this provision indeed, "the ministers having respectively intellectual property or justice in their attributions are entitled to address a request to the president of the administrative committee (of the UPC) with a view to the creation of a local division in Belgium in accordance with Article 7(3) of the Agreement of 19 February 2013 on a Unified Patent Court, ...". Yet, this delegation was not

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13 Constitutional Court (Belgium) 28 April 2016, nr. 62/2016, para. B.8.7.

14 This Article states no court, no body responsible for proper administration of justice can be established except by virtue of a law.

15 Advisory opinions nr. 25.663/2 from 12 March 1997, *Doc. parl. Sénat*, 1997-1998, n°939/1, p. 22

criticized by the Council of State in its advisory opinion no. 59.213/1/2/3 of 2 May 2016,<sup>16</sup> obviously due to the “partially international” nature of the jurisdiction concerned. The same advisory opinion – probably for the same reason – did not criticize the fact that, according to article 88 of the aforementioned law, the procedural languages of this local division are Dutch, French, German and English. The silence observed here with regard to the use of English (an “unofficial” language in Belgian law) in the proceedings before the local division contrasts with the multiple reservations that the same Council of State expressed, a few years later, with regard to the use of English before a purely national court – e.g. the *Brussels International Business Court*.<sup>17</sup>

The decision of the German *Bundesverfassungsgericht* of 23 June 2021,<sup>18</sup> cited above in the introduction, further provides an example of a partial *attenuation* of the constitutional requirements of a fair trial in the presence of a court with an “international dimension”. In this case, one of the applicants claimed that Art. 6 ff. of the UPCA were contrary to Art. 97(1) of the *Grundgesetz*, in conjunction with Art. 6(1) of the European Convention on Human Rights, and violated the principle of the rule of law under Art. 20(3) of the *Grundgesetz* on the grounds that judges at the UPC are appointed for a six-year term, that this term is renewable, and that no adequate remedy is available to challenge a removal from office. The grievance thus formulated was rejected, notably on the basis of the following considerations:

“the complainant failed to sufficiently address what minimum standards derive from constitutional law with regard to the selection, re-appointment and removal from office of judges. While the Second Senate, in its decision on the appointment of temporary judges to German administrative courts, held – albeit with regard to the principle of the rule of law (...) – that the temporary appointment of judges with the possibility of subsequent re-appointment could amount to an unconstitutional restriction of judicial independence in violation of constitutional law (...), the Senate qualified its findings by recognising that different rules might apply in relation to judges appointed to *Land* constitutional courts or to lay judges (...). *This applies all the more with regard to international tribunals, as particular considerations arise in connection with the transfer of judicial powers to an international organisation, which must be taken into account and which may justify deviations from the standards set by the Basic Law for ensuring judicial*

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16 Advisory opinion nr. 59.213/1/2/3 of 2 May 2016, (*Doc. parl. Chambre*, doc 54-1861/1, p. 114).

17 Advisory opinion nr. 62.411/2/AV of 2 March 2018 (*Doc. Parl. Chambre*, doc 54-3226/001, p. 402).

18 *Bundesverfassungsgericht* (2<sup>nd</sup> senate) 23 June 2021, BvR 2216/20 and BvR 2217/20.

*independence*. At international tribunals, judicial appointments for a fixed term are the norm and terms are often renewable (...)" (emphasis added).<sup>19</sup>

### **3. Is Article 6 of the European Convention on Human Rights Applicable to the UPC?**

Since the national constitutions offer little certainty of a strong application – or even application as such – of the standards of the right to a fair trial, one may wonder whether Article 6 of the European Convention on Human Rights provides a more solid basis for any criticism of the organization and operation of the UPC in terms of respect for due process. This, as well, is not an easy question with a straightforward answer.

Of course, there seems to be no doubt that the disputes to be heard by the UPC are disputes “concerning civil rights and obligations” within the meaning of Article 6(1) ECHR.<sup>20</sup> The question arises, however, whether the “international” aspect of the UPC excludes any form of applicability of Article 6(1) ECHR to it, or at least alleviates its implications for the States parties to the Convention.

Admittedly, as reminded by *Mutu & Pechtsein v Switzerland*, the “tribunal” referred to in Article 6(1) ECHR is not limited to a “court of law of the classic kind, integrated within the standard judicial machinery of the country”.<sup>21</sup> However, there was a time – a long time ago – when, notwithstanding the conceptual openness thus manifested, the applicability of Article 6 seemed to be strictly limited to the “borders” of national legal orders. Thus, in a decision *X and Y v. United Kingdom* of 1972, the former European Commission of Human Rights stated that “the provisions of Article 6 (1) of the Convention only apply to proceedings before *national* tribunals charged with the determination of a person’s ‘civil rights and obligations or of any criminal charge against him’ (...).”<sup>22</sup>

To our knowledge, this *dictum* has never been repeated as such. The idea that the creation of an international court for the purpose of adjudicating a series of disputes normally falling within the jurisdiction of national courts

19 *Bundesverfassungsgericht* (2<sup>nd</sup> senate) 23 June 2021, BvR 2216/20 and BvR 2217/20, §60.

20 See for example: ECtHR 2 May 2013, Case No. 25498/08, *Kristiansen and Tyvik AS v Norway*.

21 ECtHR 2 October 2018, Case Nos. 40575/10 and 6747/10, *Mutu and Pechstein v Switzerland*, §94.

22 ECommHR (Plenary) 23 March 1972, Case No. 5459/72, *X and Y v the United Kingdom*. (emphasis added in quote)

would relieve the State of any responsibility under the Convention is, moreover, clearly contrary to the subsequent case law of the ECtHR. As stated in *Waite & Kennedy v. Germany*,

“(...) where States establish international organisations in order to pursue or strengthen their cooperation in certain fields of activities, and where they attribute to these organisations certain competences and accord them immunities, there may be implications as to the protection of fundamental rights. It would be incompatible with the purpose and object of the Convention, however, if the Contracting States were thereby absolved from their responsibility under the Convention in relation to the field of activity covered by such attribution. It should be recalled that the Convention is intended to guarantee not theoretical or illusory rights, but rights that are practical and effective. This is particularly true for the right of access to the courts in view of the prominent place held in a democratic society by the right to a fair trial.”<sup>23</sup>

From this, the European Court of Human Rights deduces, among others in *Konkurrenten.no AS v. Norway* of 5 November 2019 concerning the Court of Justice of the European Free Trade Association States (EFTA-Court):

“Contracting States would engage their responsibility under the Convention should they transfer some of their sovereign powers to an international organisation whose internal litigation mechanisms are manifestly deficient when compared with the Convention requirements.”<sup>24</sup>

« Manifestly deficient »... The terms used indicate that, if state responsibility does indeed survive the “internationalization” of jurisdiction, it is nonetheless, in line with the *Bosphorus* jurisprudence,<sup>25</sup> particularly light, being limited to manifest “structural shortcomings”. The rest of the decision *Konkurrenten.no AS v. Norway* confirms this. According to the Court, the protection of fair trial guarantees offered by the international court “need not be identical to that provided by Article 6 of the Convention”. In the words of the above-mentioned decision, the “test” to be applied consists in asking “whether the (international) procedural regime is manifestly deficient when compared with the Convention requirements”. It can therefore be seen that the bar is not set very high, and that the anchoring that Article 6 of the ECHR may provide for the requirements of a fair trial before the UPC is, as a result, a little floating. It then remains to

23 ECtHR (GC) 18 February 1999, Case No. 26083/94, *Waite and Kennedy v Germany*, §67.

24 ECtHR (dec.) 5 November 2019, Case No. 47341/15, *Konkurrenten.No AS v Norway*, §39.

25 ECtHR (GC) 30 June 2005, Case No. 45036/98, *Bosphorus Hava Yolları Turizm ve Ticaret Anonim Şirketi v Ireland*.

be seen whether these imperatives cannot be brought back in “through the windows” of another source of law, in this case, European Union law.

#### **4. The UPC and the EU Charter of Fundamental Rights**

The above discussion on the application of the ECHR to an international court like the UPC is, all things considered, only of partial practical relevance. This is so because, in any case, the EU Charter of Fundamental Rights must be understood to apply. The UPC must thus respect the right to a fair trial as enshrined in Article 47 of the Charter.

While the Agreement nowhere explicitly mentions that the UPC is bound by the Charter, there can be little doubt on this point. The preamble considers that the UPC must respect and apply Union law. It thereby recalls the primacy of Union law, which includes the TEU, the TFEU and the Charter of Fundamental Rights, in particular the right to an effective remedy before a tribunal and a fair and public hearing within a reasonable time by an independent and impartial tribunal. Article 1 of the UPC Agreement further specifies that the UPC shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of those Member States. Since it is abundantly clear that the UPC will be dealing with questions of the interpretation and application of Union law,<sup>26</sup> Article 47<sup>27</sup> of the Charter and Article 19(1)(2) TEU<sup>28</sup> are applicable to it. Article 17 of the UPCA moreover stipulates that the judges of the UPC will enjoy judicial independence and will not be bound by any instructions. Finally, Article 21 of the UPCA holds that, like any court common to the Member States, the UPC shall cooperate with the Court of Justice of the EU and shall introduce a request for a preliminary reference in accordance with Article 267 TFEU. Yet, according to longstanding case law, only bodies that fulfil certain requirements, among others being independent and established by law, may introduce such requests.<sup>29</sup>

Overall, there can thus be little doubt that the UPC is required to respect the right to a fair trial, enshrined in Article 47 of the Charter. Because of this, the UPC must also respect the standards of the right to a fair trial as protected in Article 6 ECHR, given that Article 52(3) of the Charter states that, in so far as the Charter contains rights which correspond to rights guaranteed by the ECHR,

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26 See also Article 20 UPCA.

27 CJEU 6 October 2020, C-245/19, *État luxembourgeois*, para. 55.

28 CJEU 27 February 2018, C-64/16, *Associação Sindical dos Juizes Portugueses*, para. 37.

29 CJEU 29 March 2022, C-132/20, *Getin Noble Bank*, paras. 61-76; CJEU 21 January 2020, C-274/14, *Banco de Santander*, paras. 51-80.

the meaning and scope of those rights are to be the same as those laid down by the ECHR. Article 47 of the Charter must thus provide a level of protection that does not fall below that of Article 6(1) ECHR.<sup>30</sup> This is where we see the return of Article 6 ECHR “through the windows” of EU law.

All of this means, in conclusion, that the UPC must comply with the right to a fair trial as enshrined in Article 47 of the Charter and Article 6 ECHR, as interpreted by the ECJ and the ECtHR respectively. In the following section we will look at the UPC Agreement and discuss whether any problems arise in this regard.

### ***5. The UPC Agreement and the Right to a Fair Trial***

The Contracting Parties clearly considered the issue of the right to a fair trial while drafting the UPC Agreement. This immediately becomes apparent from the many – at times detailed – provisions on issues such as case allocation, the option of recusal, the assignment of judges, and the proceedings before the Court. Yet, that does not have to mean of course that the UPC Agreement and the Statute annexed to it (the Statute) do not merit a critical look on whether they respect the standards that can be found in the European case law. In the past, some authors have already raised some critical questions in that regard, mainly regarding the alleged unfavourable position of parties using a language different than English, French or German – the three core languages of the UPC system.<sup>31</sup> Yet, in this article, we will focus on issues that have so far not received such attention, mainly related to judicial independence and the right to a tribunal established by law as interpreted in the most recent European case law.

#### ***A. Appointment of Judges at UPC***

The appointment of judges has been a very hot topic in Europe in the last few years. The case law of the ECtHR and the ECJ has developed spectacularly in a very short period of time and has established new principles which are also of relevance for the judges at the UPC.

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30 CJEU 6 October 2021, C-487/19, *W.Ż.*, §123; CJEU 24 March 2020, C-542/18 *RX-II*, *Review Simpson*, §72.

31 See, among others: A. WSZOŁEK, “Still Unifying? The Future of the Unified Patent Court”, *IIC - International Review of Intellectual Property and Competition Law* 2021, 1152; D. XENOS, “The impact of the European patent system on SMEs and national states”, *Prometheus* 2020, 63.

It is important to recall here that the UPC will be composed of both legally qualified judges and technically qualified judges. The idea behind this combination is that the technically qualified judges provide the necessary technical expertise to the panel, while the legally qualified judges have had the necessary legal training to make sure that the judicial procedure goes fairly and is decided on the basis of the relevant legal provisions. The ECtHR does not, in principle, prohibit the presence of such technically qualified judges in a court, as long as those members are sufficiently independent.<sup>32</sup>

Article 15 of the UPC Agreement states that legally qualified judges must possess the qualifications required for appointment to judicial offices in a Contracting Member State. Technically qualified judges must have a university degree and proven expertise in a field of technology. Moreover, both types of judges must ensure the highest standards of competence and shall have proven experience in the field of patent litigation and must have a good command of at least one official language of the European Patent Office.<sup>33</sup> Those provisions are relevant in light of the recent case law of the ECtHR, in which it explicitly stated that it is inherent in the very notion of tribunal, that it is composed of judges that are selected on the basis of merit, meaning judges who fulfil the requirements of technical competence and moral integrity to perform the judicial functions. Moreover, the higher a tribunal is placed in the judicial hierarchy, the more demanding the applicable selection criteria should be.<sup>34</sup>

The appointment of judges at the UPC is regulated by Article 16 of the UPC Agreement and Article 3 of the Statute. The two main actors in the appointment process are the Administrative Committee and the Advisory Committee. The Administrative Committee consists of representatives of the Member States.<sup>35</sup> Even though there is no clear indication of what type of person is meant by this, it can be expected to be highly placed civil servants, connected to the executive branch. The Advisory Body consists of patent judges and practitioners in patent law and patent litigation with the highest recognised competence and enjoying complete independence in the performance of their duties.<sup>36</sup> The Advisory Committee draws up a list of the most suitable candidates and makes sure that this list contains at least twice as many candidates as there are vacancies. It is

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32 ECtHR 22 June 2004, Case No. 47221/99, *Pabla Ky v Finland* ; ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 222.

33 Article 2 Statute.

34 ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 220.

35 Article 12 UPCA.

36 Article 14 UPCA.



then up to the Administrative Committee to appoint the judges on the basis of that list by common accord.

In general, this system resembles the system of judicial appointments in many European countries, where an independent body – such as a judicial council or a selection committee – makes a suggestion of which judges should be appointed, with the final appointment decision being taken by a member of the executive, often the head of state or the minister of justice. Both the ECtHR and the ECJ have held that the participation of a such an independent body may contribute to making the appointment process more objective and may add an additional safeguard against pressure by the political branches of government.<sup>37</sup>

One may, however, wonder whether the system established by the UPC Agreement fully complies with the principle of judicial independence, given the specific powers of both committees. In this respect, it is important to point out that the members of the Advisory Committee are in fact appointed by the Administrative Committee.<sup>38</sup> The members of the neutral body that must independently assist the Administrative Committee during the appointment process are therefore appointed by that very same Committee. The recent case law of both European Courts has given ample evidence of how the objective appointment process of judges may be called into question when doubts arise as to the independence of the advisory body.<sup>39</sup> This is moreover exacerbated by the fact that the Administrative Committee retains quite some leeway in the eventual appointment decision. The UPC Agreement stipulates that the Advisory Committee draws up a list of the most suitable candidates which shall contain twice as many candidates as there are vacancies. In its decision, the Advisory Committee should be guided solely by factual and technical criteria, in order to find the best suited and most eligible candidates. However, while the list as such is binding upon the Administrative Committee, its order of candidates is not. The UPC Agreement expressly grants the Administrative Committee discretion in this regard, since it has to try and ensure the best legal and technical expertise and a balanced composition of the Court on as broad a geographical basis as possible.<sup>40</sup> It is thus perfectly possible that the

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37 ECtHR 21 April 2020, Case No. 36093/13, *Anželika Šimaitienė v Lithuania*, para. 82; CJEU 19 November, C-585/18 a.o., *A.K., CP and DO*, para.137.

38 Article 14(2) UPCA.

39 ECtHR 3 February 2022, Case No. 1469/20, *Advance Pharma Sp.Z O.O. v Poland*; ECtHR 22 July 2021, Case No. 43447/19, *Reczkowicz v Poland*; CJEU 19 November, C-585/18 a.o., *A.K., CP and DO*; CJEU 15 July 2021, C-791/19, *Commission v Poland (Régime disciplinaire des juges)*.

40 Article 3(3) Statute.

Administrative Committee ultimately appoints those members who – while still suitable for the position – were ranked lower than the others. While the CJEU has made clear that the sole fact that the body that ultimately decides on the judicial appointment may retain some power in the appointment process, it stressed that such power should be sufficiently circumscribed and should in principle be used only exceptionally.<sup>41</sup> Otherwise, the chances increase that that body exercises undue discretion that undermines the integrity of the outcome of the appointment process.<sup>42</sup> As has been pointed out in the literature, the fact that the Administrative Committee must take appointment decisions by common accord can certainly be understood as a mitigating factor in this regard.<sup>43</sup> Nevertheless, the conclusion remains that there are not many safeguards that circumscribe the Committee’s power.

One last point in this regard concerns the possibility to appeal against a certain appointment decision. While the European case law on that issue is as of yet not fully crystalized, the most recent judgments – especially those of the ECtHR – seem to require a possibility to appeal when it comes to judicial appointments.<sup>44</sup> The appointment decision must then be amenable for review by an impartial and independent tribunal established by law. As far as the UPC is concerned, Article 52 of the Service Regulations stipulate that where a candidate for a judicial post at the Court considers that the merits of his or her candidacy have not been rightfully assessed, that candidate can file a petition for review to the Administrative Committee. The appointment decision is thus amenable for review before the Administrative Committee, the same body that issued the appointment decision in question. In that light, and given its composition, there can thus be little doubt that the Administrative Committee cannot be seen as an impartial and independent tribunal established by law. Overall, the possibility created by Article 52 of the Service Regulations would thus seem to not be in line with the prevailing standards in the European case law.

### *B. Setting up and Discontinuing Local and Regional Divisions*

Article 7 of the UPC Agreement stipulates that the Court of First Instance comprises a central division as well as local and regional divisions. Upon the

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41 CJEU 20 April 2021, C-896/19, *Repubblika*, para. 71.

42 CJEU 24 March 2020, C-542/18 RX-II, *Review Simpson*, para. 75.

43 T. BÜTTNER, “Article 16 UPCA” in Winfried Tilmann and Clemens Plassmann (eds.), *Unified Patent Protection in Europe: A Commentary*, Oxford, OUP, 2018, 424.

44 ECtHR 7 April 2022, Case No. 18952/18, *Gloveli v Georgia*; CJEU 2 March 2021, C-824/18, *A.B. a.o. (Nomination des juges à la Cour suprême - Recours)*.

request of the Contracting Member States, a local division can be set up in a single Contracting Member State and a regional division for two or more Member States. The Statute specifies that such requests should be lodged with the chairman of the Administrative Committee. The Committee can then decide on whether to set up such a new division and must indicate how much judges will be appointed. In the same Article, the Administrative Committee also gets the power to discontinue a local or regional division at the request of the Contracting Member State.<sup>45</sup>

This power of the Administrative Committee to set up and discontinue courts is exceptional. No other examples of such far-reaching power come to mind. It is also highly doubtful whether it is in accordance with the right to an independent court established by law. According to long-standing case law of the ECtHR, recently also adopted by the ECJ, the term “established” must be taken to mean that the very existence of a tribunal must have a legal basis in a *formal* piece of legislation.<sup>46</sup> The Courts are very clear in this regard. This requirement reflects the principle of the rule of law and makes sure that the judicial organisation in a democratic society does not depend on the discretion of the executive.<sup>47</sup> Yet, that is exactly what happens at the UPC, where the Administrative Committee is the body that decides whether an entirely new court will be established or not. The same concerns arise even stronger regarding the power to discontinue a local or regional division. There are, to the best of our knowledge, no examples of such cases in the European case law, but it seems nearly impossible that the ECtHR or ECJ will accept such a broad power to lie in the hands of a body other than the legislature. Even then, the recent case law of the ECtHR has stressed that judges should have a possibility to challenge such measures,<sup>48</sup> something which does not seem possible in the UPC Agreement.

### *C. Tenure, Discipline and Removal of Judges*

Article 4 of the Statute states that the judges shall be appointed for a term of six years but may be reappointed. This is certainly somewhat of an exception in the judicial system. Most often, judges have a guaranteed tenure until the legally prescribed retirement age, or, exceptionally, until their death. While

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45 Article 18 Statute.

46 CJEU 6 October 2021, C-487/19, *W.Ż.*, para. 129; ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 214.

47 ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 214; CJEU 24 March 2020, C-542/18 RX-II, *Review Simpson*, para. 73.

48 ECtHR (GC) 15 March 2022, Case No. 43572/18, *Grzęda v Poland*; ECtHR 22 July 2021, Case No. 11423/19, *Gumenyuk v Ukraine*.

such a limited mandate is in itself perfectly acceptable under European standards, even when these mandates are renewable,<sup>49</sup> it does raise questions about the pressure that the Administrative Committee – as the likely re-appointing body – exerts on the sitting judges who hope to be appointed for a new term.<sup>50</sup>

The removal of the judges is discussed in Article 10 of the Statute. That provision states that a judge may be deprived of his or her office only if the Presidium decides that that judge no longer satisfies the requisite conditions or meets the obligations arising from this office. According to Article 15 of the Statute, the Presidium is composed of the President of the Court of Appeal, the President of the Court of First Instance, two judges of the Court of Appeal elected from among their number, three full-time judges of the Court of First Instance elected from among their number and the Registrar as a non-voting member.

Generally speaking, that seems to be in line with the European case law. The recent judgments have put a strong focus on the procedural protection during disciplinary proceedings and have stressed the fact that such proceedings should comply with the right to a fair trial.<sup>51</sup> This means that the disciplinary proceedings should be held before a body that can be considered to be a tribunal, or, if that is not the case, that the decision by that body is amenable for judicial review. According to the ECtHR, a tribunal is a body that determines matters within its competence on the basis of rules of law, following proceedings conducted in a prescribed manner, resulting in a binding decision.<sup>52</sup> This body must moreover be sufficiently independent.<sup>53</sup> Since the Presidium is entirely composed of judges – with the exception of the Registrar, who is only a non-voting member – the independence requirement seems to be fulfilled. The fact that Article 10 of the Statute assigns the Presidium as the competent body to decide on the removal of judges would as such thus seem to be in line with European case law.

However, that overall assessment becomes more complicated in light of the subsequent consolidated version of the so-called Service Regulations,<sup>54</sup> drafted

49 CJEU 16 July 2020, C- 658/18, *Governo della Repubblica italiana (Status of Italian Magistrates)*, para. 53; ECtHR 9 February 2021, Case No. 15227/19, *Xhoxhaj v Albania*, para. 297.

50 See on this: CJEU 11 July 2019, C-619/18, *Commission v Poland (Independence of the Supreme Court)*; CJEU 5 November 2019, C-192/18, *Commission v Poland (Independence of ordinary courts)*.

51 CJEU 15 July 2021, C-791/19, *Commission v Poland (Régime disciplinaire des juges)*; ECtHR 5 February 2009, Case No. 22330/05, *Olujic v Croatia*.

52 ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 219.

53 ECtHR (Plenary) 29 April 1988, Case No. 10328/83, *Belilos v Switzerland*, para. 64.

54 Consolidated version of the Regulations Governing the Conditions of Service of Judges,

by the Administrative Committee in July 2022. In Article 49 of those Regulations, it is mentioned that the President of the Court of First Instance, or of the Court of Appeal may formally put a judge of the Court of First Instance, respectively the Court of Appeal on notice of failure to respect the obligations arising from his or her office. If the judge in question continues to not fully respect those obligations, the President of the Court will ask the Presidium to decide on further disciplinary measures. The Presidium can then decide whether to impose any of the four prescribed disciplinary measures: a written warning, a reprimand, a reduction of salary or of pension, or the removal from office. In line with Article 10 of the Statute, it is thus the Presidium that has the primary role in deciding on disciplinary measures, including the removal of judges.

However, somewhat out of the blue Article 50 of those Regulations then mentions that a decision of the Presidium under Article 49 may be appealed in writing to the Administrative Committee. This seems like a very significant addition, if not an overhaul, of what is mentioned in the Statute, since the Service Regulations put the final say over all disciplinary matters, including the potential removal of judges, with the Administrative Committee, rather than the Presidium. It is clear from what is mentioned above that the Administrative Committee does not fulfil the requirement of independence from the above-mentioned case law. This means that the final say in disciplinary proceedings lies with a body that cannot be seen as an independent tribunal, which flatly goes against the standards found in the European case law.<sup>55</sup>

One further, related issue pertains to the proceedings for such removal decisions. The UPC Agreement and the Statute are, all things considered, almost completely silent on this point. Article 10 of the Statute only clarifies that the judge concerned will be heard but may not take part in the deliberations. The Rules of Procedure of the Court also mention nothing on this matter and as of yet, there are also no rules of procedure for the Presidium. This is problematic in light of the case law of the ECtHR. The Strasbourg Court requires disciplinary matters concerning judges to afford sufficient procedural safeguards. In this sense the relevant legislation should contain specific rules on the procedure to be followed, on which safeguards are afforded to the judges, on how evidence can be admitted and assessed, and on how the final decision should be reasoned.<sup>56</sup> The UPC Agreement and the Statute contain no information on any of those issues. In order to comply with the standards set out in the Euro-

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the Registrar and the Deputy-Registrar of the Unified Patent Court, adopted by the Administrative Committee on 8 July 2022.

55 See for example: CJEU 25 July 2018, C-216/18 PPU, *Minister for Justice and Equality (Deficiencies in the system of justice)*, para. 67.

56 ECtHR 9 March 2021, Case No. 76521/12, *Eminaĝaoĝlu v Turkey*, para. 99.

pean case law, it would seem wise to explicitly elaborate the proceedings for the removal of a judge, and to make sure that these proceedings afford sufficient safeguards to the judge concerned.

#### *D. Composition of the Bench and Case Assignment*

In conformity with Article 19 of the Statute, the allocation of judges and the assignment of cases within a division to its panels is governed by Rule 345 of the Rules of Procedure. The latter provision stipulates that the President of the Court of First Instance (or a judge to whom he has delegated that task) shall allocate the judges to the panels in the various divisions and sections. The cases will then be assigned to these panels by the Registrar on the basis of an action-distribution-scheme, established by the presiding judge for the duration of one year, preferably distributing the cases according to the date of receipt of the actions at the division or section.

Such a system would appear to be in conformity with the European case law. The European Courts have made clear that case assignment and the allocation of judges is an important aspect for the right to an independent tribunal established by law. Their case law attests to the need to make sure that no actor, either outside or inside of the judiciary, has too much discretion in this regard.<sup>57</sup> By making sure that the panels are fixed and that the cases are assigned to these panels on the basis of a predetermined scheme – preferably on the basis of something as objective as the date of receipt – the system appears to circumscribe the discretion and to remove the dangers of any undue influence.

#### *E. Budget of the Court and Remuneration of Judges*

It is a common understanding that sufficient funding is a prerequisite for a performant and independent judiciary.<sup>58</sup> The ECJ has recently also made clear that a level of remuneration commensurate with the importance of their function is an essential aspect of the independence of judges.<sup>59</sup> While the ECtHR has so far not made such an explicit link between the level of remuneration of judges and their independence, its case law does show that it believes that

57 ECtHR 12 January 2016, Case No. 57774/13, *Miracle Europe KFT v Hungary*, para. 58; CJEU 15 July 2021, C-791/19, *Commission v Poland (Régime disciplinaire des juges)*, para. 171.

58 V. JACKSON, “Judicial Independence: Structure, Context, Attitude” in A. SEIBERT-FOHR (ed.), *Judicial Independence in Transition*, Springer, 2012, 58.

59 CJEU 27 February 2018, C-64/16, *Associação Sindical dos Juizes Portugueses*, para. 45.

budgetary autonomy of a court is an element that benefits the independence of this court.<sup>60</sup>

In most countries, the primary budgetary competence lies with the political branches, which, sometimes after consultation with judicial actors, decide the budget of the judiciary and set the wage of the various types and classes of judges. The judiciary is seen as a key branch of sovereign state power and must thus be funded by the state budget.<sup>61</sup> This is important also from a point of view of access to a court, especially for those less wealthy.

The system of the UPC, however, deviates from this traditional point of view. Article 36 of the UPC Agreement states that the budget of the Court shall be financed by the Court's own financial revenues and that, as such, the Court shall be self-financing. Moreover, the training framework for judges and the functioning of the patent mediation and arbitration centre must also be covered by the Court's budget.<sup>62</sup> The Court's budget consists mostly of the Court fees. According to Article 36(3) of the UPC Agreement, the Court fees shall be fixed by the Administrative Committee and shall consist of a fixed fee, combined with a value-based fee above a pre-defined ceiling. It is only when the Court cannot balance its budget, that the Member States are expected to remit special contributions to cover the deficit.

The UPC will thus be expected to be financially self-reliant. This predominately economic way of looking at the Court also becomes clear from Article 40(3) of the UPC Agreement, which states that the Statute shall guarantee that the functioning of the Court is organised in the most efficient and cost-effective manner and shall ensure equitable access to justice. There are not that many other examples of courts that are expected to be self-financing.<sup>63</sup> While it does not appear to be *a priori* incompatible with the principle of judicial independence, it is not difficult to see that it might create issues of access to justice, especially given the fact that its jurisdiction is compulsory.

#### *F. The Administrative Committee: an all-powerful actor in the UPC system?*

One final topic that will be addressed in this contribution does not concern a specific substantive topic linked to the right to an independent tribunal estab-

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60 ECtHR 9 February 2021, Case No. 15227/19, *Xhoxhaj v Albania*, para. 302; ECtHR 5 February 2009, Case No. 22330/05, *Olujić v Croatia*, para. 40.

61 The ECtHR has indicated that the fact that courts are financed by the state budget in no way implies that those courts lack independence. ECtHR 2 October 2018, Case Nos. 40575/10 and 6747/10, *Mutu and Pecstein v Switzerland*, para. 151.

62 Articles 38 and 39 UPCA.

63 One example is the contemplated new Brussels International Business Court in Belgium.

lished by law, but rather focuses on a specific actor within the UPC system: the Administrative Committee. Above, it was already highlighted that the Committee has rather far-reaching powers when it comes to the appointment of judges, the discipline of judges, and the setting up and discontinuing of local or regional divisions of the Court.

Yet, those are far from the only areas in which the Administrative Committee can exert its influence. When one reads the UPC Agreement and the Statute, it is readily apparent that the Committee indeed is a central body in nearly all aspects related to the Court. Besides the abovementioned competences, it may also grant exceptions to the rule that judges may not have another occupation,<sup>64</sup> set the Court fees,<sup>65</sup> and decide on the remuneration of judges.<sup>66</sup> Moreover, it decides on the financial regulations and even adopts the Rules of Procedure of the Court.<sup>67</sup> Especially that last power is exceptional and entails a far-reaching interference in the autonomy of the Court.<sup>68</sup>

The Administrative Committee thus has a wide range of powers which is liable to exert pressure on the Court as an institution as well as its individual judges. It is doubtful whether such a state of affairs can really be seen as sufficiently respecting the independence of the UPC, especially since, as was mentioned above, the Committee will most likely be composed of highly placed civil servants. It is difficult to imagine that the European Courts would accept the domestic executive to ever have such a tight grasp on the autonomy of the domestic judiciary and the career of its judges.

## 6. Conclusion

The judgments of the European Courts on issues of fundamental rights often reverberate far beyond the specific cases at hand. This is all the more so when they are ruling on issues of a more structural nature, such as the right to an

64 Article 17(2) UPCA.

65 Article 36(3) UPCA.

66 Article 12 Statute.

67 Article 33 Statute and 44 UPCA respectively.

68 The requirement of « legality » deriving from Art. 6 ECHR aims at protecting the court against “the discretion of the executive” (ECtHR (GC) 1 December 2020, Case No. 26374/18, *Guðmundur Andri Ástráðsson v Iceland*, para. 214). This requirement concerns not only the establishment of the court, its organization and competence, but also the procedure before it (See a. o. C. RIZACALLAH and S. VAN DROOGHENBROECK, “Nomination des juges et « tribunal établi par la loi » – Confirmation, évolution et révolution en marge de l’arrêt *Guðmundur Andri Ástráðsson c. Islande* de la Cour européenne des droits de l’homme”, *op. cit.*, 75)



independent court or the right to a tribunal established by law. It is then not surprising that the recent and (r)evolutionary case law of the European Courts on those topics may force us to reevaluate existing structures or raises new and unexpected questions. This article was an example of the latter option and looked at the UPC Agreement in light of the recent European case law on the right to a fair trial.

To do so, the Article first examined what legal basis, if any, could impose fair trial standards on the UPC, being the legal UFO that it is. While there are quite some reservations and caveats regarding the application of national constitutional standards and Article 6(1) ECHR, there can be little doubt as to the applicability of the EU Charter of Fundamental Rights. Article 52(3) of the Charter then allows to bring the ECHR case law back in “through the windows”.

Having concluded that the UPC is bound by the European fair trial standards, this contribution then examined whether the organisation and functioning of the UPC respects those standards, specifically those of an independent tribunal established by law. While on certain topics there appear to be little problems, for others the UPC system would seem to violate the case law of the European Courts. Especially the powerful position of the Administrative Committee, with broad and far-reaching powers, seems potentially problematic in this regard.

One should of course be mindful of the fact that the UPC has an exceptional institutional position and that it is difficult to simply equate the Court and the Committee with the domestic judicial and executive branches. However, that changes little about the fact that the UPC is, according to the Agreement, a court common to the Member States and that it should thus equally satisfy the criterion of judicial independence as elaborated in European case law. May we predict that sooner or later the European Courts, particularly the European Court of Justice, will be confronted with some particularly difficult cases on such issues.



# 13. UNIFIED PATENT COURT AND THE IMPARTIALITY ISSUE

*Franck Macrez*

## **1. Introduction**

### *A. Independence and impartiality: importance and interdependence of concepts*

Independence and impartiality of courts are universally shared requirements<sup>1</sup>. They define the ability of a judge to treat the parties equally, without preconceived opinions or prejudice. At the national level, impartiality of the courts derives from various sources, in general at the constitutional level. The guarantees of independence and impartiality are closely interrelated<sup>2</sup>. The impartiality of the tribunal is an essential element of the concept of the rule of law: the courts must inspire confidence in citizens in a democratic society<sup>3</sup>: “The most solemn affirmations of principles, the most protective formulas of the freedom and dignity of humankind, are only as effective, and therefore valuable, as the independence and impartiality of the judiciary that ensures their respect.”<sup>4</sup> The

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1 International Covenant on Civil and Political Rights, United Nations, article 14§1; The European Union’s Charter of Fundamental Rights, art. 47; European Convention for the Protection of Human Rights and Fundamental Freedoms, art. 6 § 1

2 ECtHR, 25 February 1997, *Findlay v. The United Kingdom*, no. 22107/93, § 73; ECtHR, 6 May 2003, *Kleyn and Others v. the Netherlands*, no. 39343/98, 39651/98, 43147/98 and 46664/99, §§ 191-192; ECtHR, 6 October 2011, *Agrokompleks v. Ukraine*, no. 23465/03, § 128: “The Court observes that the concepts of independence and objective impartiality are closely linked. They are particularly difficult to dissociate, where – like in the present case – the arguments advanced by the applicant to contest both the independence and impartiality of the court are based on the same factual considerations. The Court will therefore examine both these issues together.”

3 ECtHR, 9 May 2000, *Sander v. the United Kingdom*, no. 34129/96, § 22 “(...) it is of fundamental importance in a democratic society that the courts inspire confidence in the public (...). To that end it has constantly stressed that a tribunal, including a jury, must be impartial from a subjective as well as an objective point of view.”

4 Government Commissioner Odent, French conseil d’État, 1949, quoted by J.-M. Varaut, « Indépendance » in L. Cadet (dir.), *Dictionnaire de la justice*, PUF 2004, p.622: “Les plus

EPO share this concern and applies these principles for the members of the Boards of Appeal and of the Enlarged Board of Appeal<sup>5</sup>, referring explicitly to ECtHR's case law<sup>6</sup>.

But one can see independence as a matter of status, while impartiality is considered as a virtue. In other words, independence is the situation of a body not subordinated to a third party, a prerequisite to impartiality, both being indispensable to the jurisdictional function: a true judge must be impartial<sup>7</sup>.

### *B. Impartiality in the UPCA and the Statute of the UPC*

The UPC Agreement explicitly refers to the impartiality of its judges in Article 17, entitled "Judicial independence and impartiality." After reiterating an obvious rule (17.1: "The judges shall not be bound by any instructions"), the Agreement provides that full-time judges should not have any other occupation (art. 17.2), while part-time judges (technically qualified judges) "shall not exclude the exercise of other functions provided there is no conflict of interest" (art. 17.4).

Moreover, the Statute of the UPC (Annex 1 of UPCA) adds further details at Article 7. In particular, art. 7.2 provides that judges may not take part in the proceedings of a case in which they:

- “(a) have taken part as adviser;
- (b) have been a party or have acted for one of the parties;
- (c) have been called upon to pronounce as a member of a court, tribunal, board of appeal, arbitration or mediation panel, a commission of inquiry or in any other capacity;

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solennelles affirmations de principes, les formules les plus protectrices de la liberté et de la dignité de l'homme n'ont d'efficacité, donc de valeur, que dans la mesure où leur en prêtent l'indépendance et l'impartialité du corps judiciaire qui en assure le respect.”

- 5 Code of Conduct for the Members of the Boards of Appeal and of the Enlarged Board of Appeal, 14 December 2021 (decision CA/D 21/21), Article 3: Members have complete independence in the exercise of their judicial duties, and perform them with integrity, impartiality, loyalty, diligence and discretion. See also article 5.
- 6 G 1/05, Exclusion and objection/XXX, 7 December 2006, n°19 of the reasons; Case Law of the Boards of Appeal, III.J.
- 7 G. Wiederkehr, « Qu'est-ce qu'un juge ? », *Nouveaux juges, nouveaux pouvoirs ? Mélanges en l'honneur de Roger Perrot*, Dalloz - Sirey 1996, p. 575, spéc. p.582 : « On n'est en présence d'un juge véritable que s'il est en situation d'indépendance et d'impartialité, autrement dit s'il n'est en rien impliqué dans l'affaire qu'il va juger. » (“A true judge is only present if he or she is independent and impartial, in other words, if he or she is not involved in the case he or she is going to judge.”)

- (d) have a personal or financial interest in the case or in relation to one of the parties; or  
 (e) are related to one of the parties or the representatives of the parties by family ties.”

The list of the reasons appears to be exhaustive and when one of them occurs, the exclusion of the judge is mandatory. The main issue seems to relate to the scope of art. 7(2)(d): to what extent the “interest” shall be considered “in relation to one of the parties”?

More broadly, the preamble of UPCA recalls :“the primacy of Union law, which includes the TEU, the TFEU, the Charter of Fundamental Rights of the European Union, the general principles of Union law as developed by the Court of Justice of the European Union, and in particular the right to an effective remedy before a tribunal and a fair and public hearing within a reasonable time by an independent and impartial tribunal, the case law of the Court of Justice of the European Union and secondary Union law”: The CJEU case law is, as a consequence, particularly interesting to determine the meaning of the impartiality condition within the context of the functioning of the UPC.

### *C. Importance of the Charter of Fundamental Rights and the European Convention on Human Rights (Relevance of the CJEU and the ECHR case law)*

#### **1. Principle of effective judicial protection**

The principle of effective judicial protection is a general principle of Union law, which is now expressed in Article 47 of the Charter of Fundamental Rights of the European Union<sup>8</sup> and derives from the constitutional traditions common to the Member States<sup>9</sup>. The protection conferred by Article 6(1) of the European Convention on Human Rights (ECHR) is thus implemented in Union law by Article 47 of the Charter. This is without prejudice, however, to the fact that, in accordance with Article 52(3) of the Charter, in so far as the right to an effective remedy and to a fair trial contained in Article 47 of the Charter corresponds to a right guaranteed by the European Convention on Human Rights, its meaning and scope are the same as those conferred by that Convention, as interpreted by the European Court of Human Rights (ECtHR)<sup>10</sup>.

Article 52(3) of the Charter aims to ensure the necessary coherence between the rights contained in the Charter and the corresponding rights guaranteed by

8 CJUE (Grand Chamber), 6 November 2012, C-199/11, *Otis N.V. e. a.*, pt.46.

9 Case C-279/09, 22 December 2010, *DEB Deutsche Energiehandels- und Beratungsgesellschaft mbH v Bundesrepublik Deutschland*, Rec. p. I-13849, pt. 30

10 CJUE, 15 may 2012, *Nijs / Cour des comptes (T-184/11 P)*, pt. 84.

the ECHR, without prejudice to the autonomy of Union law and the Court of Justice of the European Union. The first paragraph of Article 47 of the Charter is based on Article 13 of the ECHR: The Court must therefore ensure that its interpretation of the first paragraph of Article 47 of the Charter<sup>11</sup> provides a level of protection that does not infringe the protection guaranteed by Article 13 of the ECHR, as interpreted by the European Court of Human Rights<sup>12</sup>.

## **2. Necessity of an independent and impartial tribunal inferred from art. 47 of the Charter**

The right to an effective remedy guaranteed by Article 47 of the Charter of Fundamental Rights of the European Union precludes disputes concerning the application of Union law from falling within the exclusive jurisdiction of a body which is not an independent and impartial tribunal<sup>13</sup>. The Court refers to the ECtHR case law, which insists on the question whether the body at issue presents an appearance of independence<sup>14</sup>: “what is at stake is the confidence which the courts in a democratic society must inspire in the public, and first and foremost in the parties to the proceedings”<sup>15</sup>. The CJEU therefore refers largely to the ECtHR case law on impartiality within the meaning of Article 6(1) of the ECHR and adopts both subjective and objective tests. The subjective test refers to the personal convictions and behavior of a particular judge, while the objective test needs to ascertain whether the tribunal itself and, among other aspects, its composition, offers sufficient guarantees to exclude any legitimate doubt in respect of its impartiality<sup>16</sup>.

Subjective impartiality concerns the judge’s innermost being: it is required that the judge approaches each case brought before him or her without any bias. It is consistently held that the personal impartiality of a judge must be

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11 The second paragraph of Art. 47 of the Charter corresponds to Art. 6(1) ECHR.

12 CJUE (fourth chamber), C-175/17, 26 September 2018, X v Belastingdienst/Toeslagen, pt. 35; CJUE (Grand chamber), 15 February 2016, C-601/15 PPU, J. N. v Staatssecretaris voor Veiligheid en Justitie : “the explanations relating to Article 52 of the Charter indicate that paragraph 3 of that article is intended to ensure the necessary consistency between the Charter and the ECHR, ‘without thereby adversely affecting the autonomy of Union law and ... that of the Court of Justice of the European Union’”

13 CJEU (Grand Chamber), joined cases, A. K. v Krajowa Rada Sądownictwa (C-585/18), and CP (C-624/18), DO (C-625/18), 19 Nov. 2019.

14 *Ibid.*, pt.127; ECtHR, 6 November 2018, Ramos Nunes de Carvalho e Sá v. Portugal, CE:ECHR:2018:1106JUD005539113, § 144.

15 ECtHR, 21 June 2011, Fruni v. Slovakia, CE:ECHR:2011:0621JUD000801407, § 141.

16 ECtHR, 6 May 2003, Kleyn and Others v. Netherlands, CE:ECHR:2003:0506JUD003934398, § 191.

presumed until there is proof to the contrary<sup>17</sup>, and it is generally difficult to procure evidence with which to rebut the presumption: the ECtHR requires tangible evidence<sup>18</sup>.

Therefore, objective impartiality is more important. The Court will examine if there are objective elements that could raise doubts about the impartiality of the judge. For the most part, the analysis will focus on the links between the judge and other actors in the proceedings<sup>19</sup>. It is important to emphasize that appearances are particularly important. ECtHR often quotes an English aphorism - "Justice must not only be done: it must also be seen to be done"<sup>20</sup> - because what is the most important is the confidence which the courts in a democratic society must inspire in the public. The dictum was laid down by Lord Hewart<sup>21</sup>: "It is not merely of some importance but is of fundamental importance that justice should not only be done, but should manifestly and undoubtedly be seen to be done".<sup>22</sup>

More recently, the Court of Justice has also provided clarifications on the guarantees of independence and impartiality of judges required under EU law. These guarantees imply, among other things, the existence of rules that allow for the avoidance of any legitimate doubt, in the view of those who are subject to legal proceedings, as to the impermeability of judges to external elements, in particular, direct or indirect influences of the legislative and executive powers, and as to their neutrality in relation to the interests that are in conflict<sup>23</sup>. This implies the existence of rules regarding the composition of the body, the appointment, the term of office and the grounds for abstention, recusal, and removal of members of the court<sup>24</sup>.

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17 ECtHR, *Hauschildt v. Denmark*, 24 May 1989, Series A no. 154, p. 21, § 47

18 ECtHR, 15 December 2005, *Kyprianou v. Cyprus*, no 73797/01, §115. See, for instance ECtHR, 4 April 2000, no 30342/96, *Academy Trading Ltd. and Others v. Greece*, §44.

19 ECtHR, 23 April 2015, no 29369/10, *Morice v. France* [GC], §77: "The objective test mostly concerns hierarchical or other links between the judge and other protagonists in the proceedings".

20 For instance, ECtHR (Fifth section), 9 January 2013, no 21722/11, *Oleksandr Volkov v. Ukraine*, § 106.

21 Lord Chief Justice of England.

22 Case *Rex v. Sussex Justices*, [1924] 1 KB 256

23 CJUE (Grand Chamber), 2 March 2021, Case C-824/18, pt. 117, pt. 139

24 CJUE (Grand chamber), 20 April 2021, C-896/19, *Repubblika v Il-Prim Ministru*, pt. 56.

## 2. Identifying the issue: the risk of partiality

### A. The case of legal and full-time judges

The UPC comprises a Court of First Instance and a Court of Appeal.<sup>25</sup> It is composed of judges from all participating Contracting Member States. The Court of First Instance has decentralized structure with local or regional divisions in the Member States and for certain cases a central division in Paris (with a thematic section in Munich and possibly a third city as replacement for London),<sup>26</sup>. The body of judges is comprised of legally qualified judges and technically qualified judges. Amicable settlements will be promoted through the creation of a patent mediation and arbitration center.

As mentioned above, the Statute of the UPC does not ignore the risk of partiality of the judges (art. 7.2). UPCA also deals with judicial independence and impartiality in its article 17. It provides (at § 2) that full-time judges “may not engage in any other occupation, whether gainful or not, unless an exception is granted by the Administrative Committee”. There is no doubt that the Administrative Committee may be granting authorizations carefully, and at least in cases that may not risk leading to any conflict of interest, such as lectures for university training programs or scientific conferences, or the exercise of other judicial functions at national level (art. 17.3).

The hypothesis of partiality may here essentially come up when, in particular, the judge has already been called upon to pronounce as a member of its national court on the “case” (art. 7 of the UPC Statute). This is a matter of objective partiality: the situation objectively implies that the judge may be partial, just because the judge who has already made a judgment is too likely to be unwilling to reverse his or her decision. In other words, the appearance of partiality is sufficient to raise a fairness issue. This means, of course, that the Court of Appeal judges cannot be the same as trial court judges: they must withdraw *ex officio*<sup>27</sup>. There is no doubt that UPC full-time judges are fully conscious of the rule, as it applies in their national courts.

One difficulty could arise as to the correct determination of when the UPC case is to be considered “the same” as the previous case decided on the national level by the UPC judge. There is no doubt if the same request (e.g., invalidity) is made concerning the same patent. But many situations can happen where there is room for doubt. The question is whether there has been jurisdictional

25 Art. 6(1) UPCA.

26 Article 7 UPCA.

27 For instance : ECtHR (Plenary), Oberschlick, 23 May 1991, no 11662/85, §51.



activity on “the same case”, “the same decision”, “similar matters”<sup>28</sup>, or “the same set of facts”<sup>29</sup>. It leads to a case-by-case basis evaluation regard being had to the circumstances of the individual case<sup>30</sup>. The mere fact that a judge has already made decisions before the trial cannot in itself justify apprehensions about his or her impartiality. In order to decide whether there is a legitimate reason to suspect that a court is not impartial in a given case, it is necessary to determine whether there are verifiable facts that give rise to a suspicion of the court’s impartiality. It should be kept in mind that the criterion is whether the situation raises a legitimate suspicion of partiality.

### *B. The issue of technical and part-time judges*

The situation of full-time judges can sometimes be delicate to analyze depending on the circumstances, but it seems clear that the most challenging case is that of part-time technical judges. Indeed, part-time legal judges keep, in their country of origin, their independent status, of which impartiality can be considered an emanation. The case is similar for “professional” technical judges in countries that have such a system (Germany, Netherlands, etc.).

#### **1. The particular issue of private practitioners**

The trickiest issue lies in the fact that many of the part-time technical judges are private practitioners. Among the 51 technically qualified UPC judges appointed in 2022, 43 are patent attorneys from law firms and in-house companies<sup>31</sup>. The UPC Administrative Committee obviously decided to recruit the best European specialists from various countries. But this implies that they come for the most part (84%) from the private sector, and from the most important law firms and industrial companies in Europe. The risk of conflict of interest is, therefore, very real or, at least, impossible to evaluate. One can recall article 17.4 of the UPC Agreement which provides that part-time judges (technically qualified judges) “shall not exclude the exercise of other functions provided

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28 ECtHR, 6 May 2003, *Kleyn and Others v. the Netherlands*, nos. 39343/98, 39651/98, 43147/98 and 46664/99.

29 ECtHR, 1 February 2005, *Indra v. Slovakia*, no 46845/99, §53.

30 ECtHR, 2 May 2019, *Pasquini v. San Marino*, no 50956/16, §148.

31 M. Klos, “Patent attorney dominance among UPC technical judges leads to conflict debate”, *JUVE Patent*, 27 October 2022, [www.juve-patent.com](http://www.juve-patent.com). On 24 Febr. 2023, the UPC published «Vacancy Notices for candidates to be placed on the reserve list» on its website in order to launch a top-up recruitment, decided by the Administrative Committee, explicitly stating that the «recruitment is aimed to ensure a fully staffed Court, with broader profiles of its technically qualified judges».

there is no conflict of interest” and “in case of a conflict of interest, the judge concerned shall not take part in proceedings.” (art. 17.5). Even though this might be so, the question arises as to how to define the concept of “personal or financial interest in the case” within the meaning of art. 7.2 (d)? Shall the technical judge be considered to have advised one party or “acted for one party” under art. 7.2(a) and (b) if this party is a client of the law firm in which he or she is a partner (and eventually in another country? What if he/she deals with patents from their own client which are very technically close to the patent at stake in the case?)

The ECtHR had, of course, to decide that professional, financial<sup>32</sup> or personal<sup>33</sup> ties between a judge and a party to the case or his or her counsel may raise issues of partiality. This is obviously the case when it is possible to find some overlaps in time of two proceedings with a person in the two functions of judge, on the one hand, and of legal representative of the opposing party, on the other<sup>34</sup>. But it can also be decided, depending on the circumstances, that a delay of three years between the two relations between parties can lead to a lack of impartiality<sup>35</sup>. Concerning the financial interests, those of the judge in question must be directly related to the subject matter of the case<sup>36</sup>. On this question, Switzerland is often cited as a well-working system<sup>37</sup>. The Swiss Federal Court provides some interesting guidelines<sup>38</sup> which are at least very demanding and seem to go further than the requirements of the ECHR. Article 4 of the guidelines, entitled “Special grounds for recusal”, provides, for example, that “[a] Court member shall recuse him- or herself” when “[t]he Court member or the company in which he/she works advises or has advised one of the parties to the dispute or a third party in the matter in dispute or has otherwise influenced the matter in dispute in the capacity of a governing body or employee

32 ECtHR, 25 February 2020, *Elín Sigfúsdóttir v. Iceland*, no 41382/17.

33 See, among many: ECtHR, 15 October 2009, *Micallef v. Malta*, no 17056/06, §102.

34 ECtHR, 21 December 2000, *Wettstein v. Switzerland*, 33958/96, §47; ECtHR, 17 June 2003, *Pescador Valero v. Spain*, no 62435/00, §27.

35 But the case is quite special...: “three years before the hearing of the Supreme Court of Justice, Judge V.B.’s son was expelled from the school by the head teacher and teachers belonging to the applicant entities, and that Judge V.B. threatened the school authorities with retaliation” (ECtHR, *Tocono et Profesorii Prometeiști c. Moldova*, 26 June 2007, no 32263/03, § 31).

36 *Elín Sigfúsdóttir v. Iceland*, §53.

37 S. Holzer, “Amended Guidelines on Independence of the Swiss Federal Patent Court became effective on 1 January 2015 – An inspiring model for the UPC?”, *Kluwer Patent blog*, January 5, 2015.

38 Guidelines on Independence (effective from 01.01.2015), <https://www.bundespatentgericht.ch/en/legal-basis>.

of such a party” (art. 4.b): this goes beyond the personal link and includes the company (or, therefore, the law firm). By the President of the Federal Court’s own admission, the absence of relations between the judges and the parties is not always easy to verify when dealing with the subsidiaries of large groups whose name does not necessarily allow the link with the parent company<sup>39</sup>. The Swiss Supreme Court seems to go far beyond, deciding that an “appearance of bias of a judge may not only arise when a judge represents or has recently represented a party to the proceedings, but also in case of representation of a *counterparty* of a party to the proceedings at stake”<sup>40</sup>.

It is likely that UPC cannot (and will not) go that far... In any case, the general rules outlined above must be applied on a case-by-case basis.

## 2. A case-by-case analysis avoiding vicious circle

There is no suspense about the final answer: it will be evaluated on a case-by-case basis ... based on the case itself and on the context of the judge’s position. But we know that the technical judges themselves are wondering, and that it is important, for the success of the system, that it wins the confidence of future users. It is therefore important to try to specify the rules that should apply, and to identify the possible dead-end situations. As a matter of fact, one can be pessimistic. Indeed, some people consider there will always be an interest at stake: “even in case of an absence of conflict, as an attorney or court user you always have an interest to make a case law in a direction or another, for a strategic file”<sup>41</sup>. But, even if the comment seems true, the “interest” mentioned here appears too indirect to be considered for the enforcement of impartiality principle in practice, according to case law. Another dead-end can be noticed considering the ability of an attorney, appointed as technical judge, to plea before the Court: this seems, *a priori*, absolutely unacceptable, especially from the perspective of appearances; but, upon analysis, one may consider this would not be in compliance with UPCA article 17.4 (provided there is no conflict of interest), nor the principle of freedom and independence of attorneys with constitutional value in many countries, not for instance the first of the core principles of the Charter of core principles of the European

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39 M. Schweizer (interviewed by K. Zürcher), “Une machine décisionnelle svelte”, 27 Dec. 2022, [www.bvger.ch](http://www.bvger.ch)

40 M. Wilming, “Decision of the Supreme Court on recusal of a non-permanent judge”, 18 Oct. 2013, [www.patentlitigation.ch](http://www.patentlitigation.ch), referring to: Case No. (not identified), Decision of 13 February 2013 (FPC, unpublished) Case No. 4A\_142/2013 and Decision of 27 August 2013 (Supreme Court), “Ablehnungsbegehren”.

41 M. X. Peigné, quoted by M. Klos, JUVE Patent, above mentioned.

legal profession & Code of conduct for European lawyers<sup>42</sup>. The contradiction is, therefore, irreducible.

These remarks are especially dangerous from the point of view of the social acceptability of the new Court. The start-up of the new jurisdiction will be a crucial period: the risk of conflict of interest will diminish with time.

The question is whether the Court will be able to enter a virtuous circle, with an effective operation that will resolve the problems of conflict of interest. On the one hand, this will make it possible to recruit full-time technical judges as soon as possible. On the other hand, it is known that the distancing in time makes it possible to avoid doubts about impartiality: a judge who has previously exercised the function of counsel will not be judged to be partial because of the time spent between the two procedures: “having regard in particular to the remoteness in time and subject matter of the first set of proceedings in relation to the second set and to the fact that [the judge]’s functions as counsel and judge did not overlap in time, the Court finds that the applicants could not have entertained any objectively justified doubts as to [the judge]’s impartiality”<sup>43</sup>. For instance, the ECtHR found it relevant that a period of five years had elapsed between the end of a judge’s previous employment with a bank and the time when his participation in subsequent civil proceedings was first challenged<sup>44</sup>. Switzerland is more comprehensive, and its guidelines provide the duration of one year<sup>45</sup>. In the end, time should play a role in reducing the risk of partiality, but only if full-time technical judges are appointed, as it does not seem conceivable that practitioners in law firms would limit their activity vis-à-vis clients or future clients because of their status as technical judges.

### **3. Solving the Issue: Procedural Remedies**

In general, the principle of collegiality can be considered as a guarantee of impartiality of a decision, since it is rendered by at least three judges who mutually control each other. However, in the present situation, this is of little relevance, since the technical judge is called upon to rule on specific questions: he/she is, in a way, a single judge within a collegiate jurisdiction. In any case, we will refer, once again, to appearances<sup>46</sup>...

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42 Council of Bars & Law Societies of Europe, Charter of core principles of the European legal profession & Code of conduct for European lawyers, 17 May 2019, art. 1.1 (a) : “the independence of the lawyer, and the freedom of the lawyer to pursue the client’s case”.

43 ECtHR, 23 November 2004, Puolitaival and Pirttiaho v. Finland, no 54857/00, §54.

44 ECtHR, 11 December 2001, Walston v. Norway, no 37372/97, §48.

45 Guidelines, cited above, art. 4.a and art. 4.c.

46 ECtHR, 21 juillet 2009, Luka c. Roumanie, no34197/02, §40.

## A. Procedures under the UPC system

### 1. Preventive measures: Abstention

Art. 17.5 UPCA provides that “the judge concerned shall not take part in proceedings” in case of a conflict of interest, referring to the Statutes for further precision. Article 7 of the Statutes provides that the judges shall sign a declaration by which they may act, during and after the term of their office, with “integrity and discretion” (art. 7.1), while article 7.2 details cases of partiality. In these cases, the judge can inform the President of the Court of Appeal or the Court of First Instance that he/she considers that he/she should not take part in the judgment or examination. The President can also decide that a judge should not sit in a particular case and notify his/her decision in writing, explaining its reasons (article 7.3).

We have every reason to believe that judges will be very careful in applying these rules. On the one hand, they are all fully aware of their duty of impartiality. Indeed, this is obvious for professional judges, but also for private lawyers and counsel. The professional deontology of their professions is always marked by the seal of integrity. For instance, the EPI (Institute of Professional Representatives before the European Patent Office) Code of conduct<sup>47</sup> provides that any member of the Institute “should act as an independent counselor by serving the interests of his clients in an unbiased manner without regard to his personal feelings or interests” (art. 1 (c)). Concerning attorneys-at-law, independence is a fundamental concept governing the exercise of their duty<sup>48</sup>.

Despite this optimistic remark, it is obvious that a party must be able to invoke the risk of bias on the part of one of its judges, an eventuality provided for in the rules of procedure.

### 2. *A posteriori* measures: Recusal

Rule 346 of the UPC Rules of Procedure<sup>49</sup> governs this process. A party can object to a judge taking part in proceedings and notify this objection to the President of the Court (of First Instance or Appeal) “as soon as is reasonably

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47 OJ EPO, 2022, 129, A61, Supplementary publication 1.

48 For instance, in France, independence of the attorney is enshrined in the oath that he or she takes upon entering the profession. It was established as a fundamental principle recognized by the laws of the Republic, by the famous decisions of the Constitutional Council of January 19 and 20, 1981, and is protected as a corollary of article 6 of the European Convention on Human Rights.

49 Rules of Procedure of the Unified Patent Court as adopted by decision of the Administrative Committee on 8 July 2022, <https://www.unified-patent-court.org/en/court/legal-documents>.

practicable in the circumstances” (Rule 356.1). This is not a strict rule to invoke *in limine litis*, and the “reasonable” rule gives some flexibility as avoiding that a disloyal litigant notifies a partiality objection late in the proceedings. Considering the importance of appearances, the rule is important and compliant with the ECtHR case law<sup>50</sup>. In general, these kinds of proceedings are rarely implemented and are often unsuccessful. But, in any case, litigators should have in mind that not using the possibility of Rule 346 could imply the inadmissibility of further appeals<sup>51</sup> because he/she unequivocally waived this ground for disqualification<sup>52</sup>. The ECtHR does not seem so strict<sup>53</sup>, even if its case law does not seem unambiguous on this question<sup>54</sup>.

The President then decides whether the objection is valid (R. 346.3) and can refer to the Presidium in case of difficulty (R. 346.4). The European Court requires the court to give reasons for its refusal to accept an application for recusal<sup>55</sup>, and the principle should be respected by the President or the Presidium.

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50 ECtHR (third section). 9 January 2018, *Nicholas v. Cyprus*, no 63246/10, §64: “Given the importance of appearances, however, when such a situation (which can give rise to a suggestion or appearance of bias) arises, that situation should be disclosed at the outset of the proceedings and an assessment should be made, taking into account the various factors involved in order to determine whether disqualification is actually necessitated in the case. This is an important procedural safeguard which is necessary in order to provide adequate guarantees in respect of both objective and subjective impartiality.”

51 In France the case law declares inadmissible the requests formulated before the Court of Cassation and based on article 6-1 of the ECHR, since the party had the possibility, by application of article 341 of the Code of Civil Procedure, to challenge the magistrates having previously heard the case: Cass. 1re civ., 13 mars 2001, no 98-13.695: JurisData no 2001-008823; Cass. 2e civ., 4 mars 2021, no 19-21.579, F-P : JurisData no 2021-009032.

52 Cass. ass. plén., 24 nov. 2000, no 99-12.412 : JurisData no 2000-007145 ; Bull. civ., ass. plén., no 10.

53 ECtHR, *Buscemi v. Italy*, 16 September 1999, no 29569/95; ECtHR, 1st dec. 2020, no 88/05, *Danilov v. Russia*, § 97-102.

54 ECtHR, 22 February 1996, *Bulut v. Austria*, no 17358/90, § 34: “it is not open to the applicant to complain that he had legitimate reasons to doubt the impartiality of the court which tried him, when he had the right to challenge its composition but refrained from doing so”.

55 ECtHR, 20 November 2012, no 58688/11, *Harabin v. Slovakia*, § 136-142; ECtHR, 2 March 2021, no 45202/14, *Kolesnikova c. Russie*, § 56-59: The judges rejected the applicant’s arguments in a general manner and without examining them individually, limiting themselves to stating that none of the reasons given by the applicant in her application could constitute grounds for recusal. the Court considers that the national authorities did not dispel the applicant’s reasonable doubts as to the impartiality of the

Rule 346.6 provides that the “panel assigned to the proceedings may decide to continue with the proceedings or to stay the proceedings pending the final decision of the President concerned or the Presidium”. One can imagine that no decision has been made by the judge or the panel, as the objection shall appear early in the proceedings, and that the President or the Presidium may decide quickly. Nevertheless, caution is advised and one may keep in mind that it may be consistent to examine concretely whether the challenged judge was in fact able to influence the outcome of the dispute<sup>56</sup>.

### *B. Improving the UPC practice*

#### **1. Limiting the risk: Publicity and transparency**

From a general point of view, it is considered that the presence of the public makes it possible to control the impartiality of judges, prevents the development of secret justice and gives trust in the judiciary. The principle is laid down in Article 6 ECHR itself, with derogations for reasons of public interest or protection of privacy<sup>57</sup>. The Court assesses the implementation of these dero-

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district court. Therefore, there was a violation of Article 6 § 1 of the Convention.

56 ECtHR, 24 September 2009, *Procedo Capital Corporation v. Norway*, no 3338/05, §71: “the Court finds that the nature, timing and short duration of his involvement in the proceedings concerned were not capable of causing the applicant company to have legitimate doubts as to the impartiality of the High Court as a whole. The High Court was therefore not obliged to discontinue the proceedings and allow them to restart before a differently composed High Court for the purposes of the requirement of an impartial tribunal under Article 6 § 1 of the Convention”; ECtHR, 31 July 2007, *Ekeberg and Others v. Norway*, no 11106/04, 11108/04, 11116/04, 11311/04 and 13276/04, §49.

57 “In the determination of his civil rights and obligations ..., everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law. Judgment shall be pronounced publicly but the press and public may be excluded from all or part of the trial in the interests of morals, public order or national security in a democratic society, where the interests of juveniles or the protection of the private life of the parties so require, or to the extent strictly necessary in the opinion of the court in special circumstances where publicity would prejudice the interests of justice.”

gations according to the specificities of the case<sup>58</sup> considering the procedure as a whole<sup>59</sup>, and the parties may waive such publicity<sup>60</sup>.

The Rules of Procedure of the Unified Patent Court provides that the “oral hearing and any separate hearing of witnesses shall be open to the public unless the Court decides to make a hearing, to the extent necessary, confidential in the interests of one or both parties or third parties or in the general interests of justice or public order” (art. 115), consistently with the principle of Article 6 ECHR. Rule 262 (a) lays down the principle that access to the register must be public: “Decisions and orders made by the Court shall be published”. But many exceptions exist to keep the confidentiality of some information, at the request of a party, which must explain the reasons of this derogation from the principle of publicity (R. 262.2). Any information excluded on the grounds of Rule 262.2 can be made available at the request of “a member of the public” (R. 262.3) explaining, among other things, “[t]he grounds upon which the applicant believes the reasons for confidentiality should not be accepted” (R. 262.4 (b)). Systematic publication of decisions is therefore the principle, and confidentiality the exception, which is in line with the general principles, and was not necessarily understood as such by previous versions of the rules of procedure. The system thus seems balanced. It should be kept in mind that the underlying principle is to assess, on a case-by-case basis, whether the public is able to understand the reasons for the decision to be made<sup>61</sup>.

Beyond this general remark, a case-by-case analysis requires knowledge of the judges on the panel. As mentioned, it seems that the question is particu-

58 ECtHR (Grand Chamber), 6 November 2018, *Ramos Nunes de Carvalho e Sá v. Portugal*, no 55391/13, 57728/13 and 74041/13, §190, with many cases cited; ECtHR (Plenary), *H v. Belgium*, 30 November 1987, no 8950/80, §54: “Applications were not heard in public, nor were the decisions of the Council of the Ordre ‘pronounced’ in public. Unless cured at a later stage of the procedure, such a defect may deprive the person concerned of one of the safeguards set forth in the first sentence of Article 6 § 1 (art. 6-1) of the Convention”; see also: ECtHR (Plenary), 10 February 1983, *Albert and Le Compte*, no 7299/75 and no 7496/76, §34.

59 ECtHR (Plenary), *Axen v. Germany*, 8 December 1983, no 8273/78, §28.

60 *Ibid.*: “neither the letter nor the spirit of Article 6 § 1 (art. 6-1) prevents an advocate from waiving, of his own free will and in an unequivocal manner, the entitlement to have his case heard in public”

61 ECtHR (First section), 17 January 2008, *Ryakib Biryukov v. Russia*, no 14810/02, §45; ECtHR (Fifth section), 2 June 2022, *Straume v. Latvia*, no 59402/14, §§ 130-133 (“the full texts of the judgments were not available to the public owing to the fact that the case was examined in closed hearings. Even though the Government argued that requests could be lodged for anonymised copies of the judgments, interested persons had to provide sufficient justification for such a request, and the decision was left to the discretion of the president of the court in question.”)



larly delicate for technical judges with private activities in industry or in law firms. Federal Patent Court of Switzerland offers a good example of transparency about the other private activities the judges have: the webpage dedicated to the composition of the court offers a full list of the judges, with an up-to-date information about the office/firm who employs the non-permanent judges with technical training. The parties, at the beginning of the procedures, can easily access information about the judges appointed for the case. UPC should make such an effort of transparency, ensuring that the information published is reliable and up to date.<sup>62</sup>

## **2. Towards internal guidelines?**

The example of Switzerland shows the interest to formalize internal guidelines to assist in the implementation of the procedures. To our view, this could be an interesting perspective, but it seems difficult to implement such guidelines at the early stage of the functioning of the jurisdiction: which exact content shall be given to these guidelines? The numerous issues raised in this article do not allow for definitive answers, but rather clarify the boundaries and constraints inherent to the concept of impartiality. Such guidelines could come to codify already established practices, which will take some time. Moreover, the variety of legal cultures is certainly an asset for the Court, and the exchanges between judges on this delicate subject must precede a formalization by possible guidelines. In any case, guidelines are usually the outcome of a bottom-up process based on cases. But here we come to a dead end: the jurisdiction would need trust to work, therefore, to show its virtues, of which the impartiality of the judges is a part; and to show its impartiality and to establish its principles, it needs to work...

In all cases, we recalled that appearance plays a crucial role. The guidelines can be an element but have their limits. Impartiality of the Court depends on the attitude of each judge because the question of impartiality is, in the end, eminently personal and depends on the difficult evaluation he or she must make of the perception of others. There is no doubt that the first steps of the new international judiciary will be carefully observed, and it must be beyond reproach. This is the price of its social acceptance, and therefore of its success.

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62 This may include the reserve lists (LQJ and LQJ).

#### **4. Conclusion**

The form of self-regulation involved in assessing impartiality is personal and must be done on a case-by-case basis. We expressed optimism because practitioners are familiar with the issue of impartiality (even if they have only been confronted with it as litigators in the past) and are accustomed to compliance with deontological rules in which the concepts of independence and impartiality are fundamental. But... There is always a “but”.

Regardless of the ethical merits of judges, they are “locked in” to a system that they cannot go beyond (especially part-time judges). The conflict of interests is perhaps inevitable... Since the analysis must be done on a case-by-case basis, it is appropriate to take a concrete case. A procedure concerns a patent in the field of biotechnology. The language of this procedure is French. One judge of this specialty is of French nationality; perhaps two or three other judges know the French language. The choice is then extraordinarily limited to three or four judges, for a crucial technology on a leading market and for which each of the judges is a well-known practitioner belonging to an international firm with offices in several European countries. One can rapidly find oneself in the dead end of realizing that the only competent judges are not impartial... Switzerland, which has about 30 judges, is often confronted with this problem<sup>63</sup>. Are the fifty-one judges of the international court sufficient to avoid this type of situation? The creation and the expansion of the so-called “reserve list” is likely to reduce this type of risk. But in the end, it may still be difficult to find the right balance between implementation of rules guaranteeing impartiality and having the best technical qualified judges in his/her technical field.

The near future will tell us if the system can guarantee the technical and ethical quality of the international jurisdiction, and a more distant future if its mode of functioning is sufficient for its social acceptance.

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63 Interview of M. Schweizer, cited above: “At first glance, a pool of 30 technical judges may seem large. But when you need a physician, your choice is reduced to 6 judges, and if he or she has to be German-speaking because the language of proceedings is German, you are left with only four.”

# 14. UNIFIED PATENT COURT'S INTERNATIONAL JURISDICTION AND RELATED ISSUES ADDRESSED BY EU REGULATION NO. 542/2014: MUCH ADO ABOUT NOTHING OR NEW PLAYGROUND FOR THE CJEU?

*Philippe Campolini*

## **1. Introduction**

A lot has already been written about the creation of the European patent with unitary effect and the Unified Patent Court (“UPC”), but these commentaries hardly featured Regulation 542/2014.<sup>1</sup> This apparent lack of interest is probably due to the perception that this regulation is merely a technical piece of legislation. This might have been caused by the fact that its provisions were introduced in Chapter VII of the Brussels I Regulation (recast),<sup>2</sup> titled “Relationship with other instruments”, rather than in Chapter II, which contains the actual rules on jurisdiction. However, this perception is only partly true. The unprecedented nature of the UPC indeed raised some technical questions regarding how the rules of the Brussels I Regulation (recast) should be applied to a court that is common to several Member States, but Regulation 542/2014 goes much further than that. It lays down extraordinary rules on jurisdiction over defendants domiciled outside the EU, including an ambiguous and controversial rule allowing the UPC to exercise jurisdiction in relation to damages that arise outside the EU. It also contains rules on *lis pendens*, related actions, and recognition and enforcement of judgments. Although these new rules undoubtedly

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1 Regulation (EU) No 542/2014 of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice, OJ L 163, 29.5.2014, p. 1. To aid readability, this Regulation will be written as Regulation 542/2014 throughout this article.

2 Regulation (EU) No 1215/2012 of the European Parliament and the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 351, 20.12.2012, p. 1.

give the UPC<sup>3</sup> long-arm jurisdiction and provide some useful clarifications, they also leave a number of questions unanswered, as will be shown below.

The UPC Agreement<sup>4</sup> does not contain any rule on international jurisdiction. Its Art. 31 provides that the international jurisdiction of the UPC shall be established in accordance with the Brussels I Regulation (recast) or, where applicable, on the basis of the Lugano Convention.<sup>5</sup> At first sight, the reference to these two pieces of legislation might appear adequate to determine the international jurisdiction of the UPC. One could have assumed that the UPC would simply replace Member State courts for the matters governed by the UPC Agreement and that the UPC would thus automatically have jurisdiction if the courts of a Member State that ratified the UPCA were designated by the Brussels I Regulation (recast) for those matters. However, after having examined this closely, this solution did not seem adequate at all, especially with respect to defendants domiciled outside the EU. The Brussels I Regulation (recast) was therefore amended, and the entry into force of the UPC Agreement was made subject to the entry into force of these amendments<sup>6</sup>. A parallel reform of the Lugano Convention has not been undertaken, however, although it is desirable.<sup>7</sup>

Before commenting on the various provisions of Regulation 542/2014, let us remember that the rules governing the UPC's international jurisdiction, which are laid down in the Brussels I Regulation (recast) and in the Lugano Convention, are not the same as those that govern the internal distribution of cases between the different divisions of the UPC,<sup>8</sup> which are contained in Art. 33 UPC Agreement. Although the latter are in line with existing rules on international

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3 As its title indicates, Regulation 542/2014 not only concerns the UPC but also the Benelux Court of Justice. However, this article focuses on the legal implications of Regulation 542/2014 for the UPC only.

4 Agreement on a Unified Patent Court (2013/C 175/01), OJ C 175, 20.6.2013, p. 1.

5 Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 339, 21.12.2007, p. 3.

6 Art. 89(1) UPC Agreement.

7 In this respect, see P. A. De Miguel Asensio, "The Unified Patent Court Agreement and the amendment to the Brussels I Regulation (Recast)", in C. Honorati (coord.), *Luci e ombre del nuovo sistema UE di tutela brevettuale. The EU patent protection. Lights and shades of the new system*, Turin, 2014, pp. 156-157; S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *GRUR Int.*, 2014, pp. 885 and 886.

8 Strictly speaking, these divisions are those of the court of first instance of the UPC. But throughout this article, they will simply be referred to as the divisions of the UPC or UPC divisions.

jurisdiction to a certain extent, they apply only downstream—that is, once the UPC's international jurisdiction has been determined.<sup>9</sup>

## **2. Assimilating the UPC to a national court**

The first point addressed by Regulation 542/2014 is the assimilation of the UPC to a court of *a* Member State in the sense of the Brussels I Regulation (recast), despite that it is actually a court that is common to *several* Member States. Applying the Regulation's rules to the UPC properly indeed required this court to be considered a court of *each* of the Member States that ratified the UPC Agreement, which those rules would refer to. Recital 11 of the Regulation already provided for such assimilation by referring to the Benelux Court of Justice,<sup>10</sup> but after the UPC Agreement had been signed, this rule was formally embedded when it was incorporated into the enacting terms of the Brussels I Regulation (recast).<sup>11</sup> The UPC Agreement indeed allows a defendant to be sued before a division of the UPC that is located in a Member State other than the one whose courts are designated by the rules of the Brussels I Regulation (recast). This could have created conflicts between the UPC Agreement and the Regulation.

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9 On the distinction between the rules of international jurisdiction and the rules of internal distribution of cases within the UPC, see recital 5 of Regulation 542/2014, among others. Recital 5 reads: *"The amendments to Regulation (EU) No 1215/2012 provided for in this Regulation with regard to the Unified Patent Court are intended to establish the international jurisdiction of that Court and do not affect the internal allocation of proceedings among the divisions of that Court nor the arrangements laid down in the UPC Agreement concerning the exercise of jurisdiction, including exclusive jurisdiction, during the transitional period provided for in that Agreement."*

10 Recital 11 of the Brussels I Regulation (recast) reads: *"For the purposes of this Regulation, courts or tribunals of the Member States should include courts or tribunals common to several Member States, such as the Benelux Court of Justice when it exercises jurisdiction on matters falling within the scope of this Regulation. Therefore, judgments given by such courts should be recognised and enforced in accordance with this Regulation."*

11 According to the EU Commission, *"a recital does not have binding nature and cannot ensure with a sufficient degree of legal certainty compliance of the respective international agreements with the Brussels I Regulation (recast), in particular Article 71 thereof. A specific legislative amendment is therefore necessary."* (proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2013) 554 final, p. 5).

For example, Art. 33(4) *juncto* Art. 7(2) of the UPC Agreement allows a claimant to sue before the Paris section of the UPC's central division a Belgian holder of a European patent without unitary effect relating to an invention in the electrical field, seeking revocation of its patent or declaration of non-infringement, even if the patent in question is not in force in France. Under the ordinary jurisdictional rules of the Brussels I Regulation (recast), this Belgian defendant might be taken by surprise if he were sued in France without any provision of the Regulation referring to French courts. In this particular case, France is neither the Member State for which the patent was granted<sup>12</sup> nor the place of the defendant's domicile.<sup>13</sup> The same applies if a counterclaim for revocation is brought. According to Art. 33(3) UPC Agreement, the UPC division before which an infringement action is pending may hear a counterclaim for revocation even though, at least in a case concerning a European patent without unitary effect, the rule in Art. 24(4), second paragraph, of the Brussels I Regulation (recast) might refer to the courts of one or more other Member States. The mechanism of regional divisions could also lead to similar results.<sup>14</sup>

Therefore, to ensure legal certainty and predictability for defendants who could be sued before the UPC in a Member State other than the one designated by the rules of the Brussels I Regulation (recast), it was decided that a rule assimilating the UPC to a court of each of the Member States that ratified the UPCA<sup>15</sup> would be laid down expressly. The newly inserted Art. 71a of the Regulation does just that. It reads: *"For the purposes of this Regulation, a court common to several Member States as specified in paragraph 2 (which refers to the UPC and the Benelux Court of Justice) shall be deemed to be a court of a Member State when, pursuant to the instrument establishing it, such a common court exercises jurisdiction in matters falling within the scope of the Regulation."*

This assimilation rule will of course apply only in Member States that ratified the UPC Agreement. Any reference in the Brussels I Regulation (recast) to the courts of a Member State that signed the UPC Agreement but has not ratified it yet will still have to be understood as a reference to the national courts of that Member State.

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12 Art. 24(4), second paragraph, of the Brussels I Regulation (recast).

13 Art. 4(1) of the Brussels I Regulation (recast).

14 See Art. 33(1) UPC Agreement.

15 See recital 4 of Regulation 542/2014.

### **3. Applying the ordinary jurisdictional rules of the Brussels I Regulation (recast) to the UPC**

Art. 71b of the Brussels I Regulation (recast) lays down the different rules for determining the UPC's jurisdiction. Its first paragraph states that a court that is common to several Member States has jurisdiction where, under this Regulation, the courts of a Member State party to the instrument establishing the common court *would* have jurisdiction in a matter governed by that instrument.<sup>16</sup>

For example, if, under the ordinary jurisdictional rules of the Brussels I Regulation (recast), the Belgian courts have jurisdiction to hear an action for revocation of a European patent, the UPC will automatically have jurisdiction (subject to the transitional period referred to in Art. 83 UPC Agreement) even if, under Art. 33 UPC Agreement, the dispute is ultimately brought before a UPC division that is not located in Belgium.

In practice, the main jurisdictional rules of the Brussels I Regulation (recast), which are likely to determine the UPC's jurisdiction by virtue of Art. 71b(1), are those that are based on the defendant's domicile<sup>17</sup> or the domicile of one of them,<sup>18</sup> the Member State for which the patent was granted,<sup>19</sup> or the place of the harmful event.<sup>20</sup> Concerning applications for provisional measures, Art. 35 of the Regulation will apply. Although the UPC's jurisdiction over contractual matters<sup>21</sup> is limited, its international jurisdiction could also be determined

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16 Art. 71b(1) of Regulation 542/2014.

17 Art. 4(1) of the Brussels I Regulation (recast).

18 Art. 8(1) of the Brussels I Regulation (recast). Considering the interpretation that the CJEU gave to this rule in (among others) *Roche v Primus* (CJEU, 13 July 2006, C-539/03, ECLI:EU:C:2006:458) and *Solvay v Honeywell* (CJEU, 12 July 2012, C-616/10, ECLI:EU:C:2012:445). When considering the application of this jurisdictional rule to a dispute before the UPC, the reader should bear in mind the specific requirements in Art. 33(1)(b) UPC Agreement. It provides that an action may be brought against multiple defendants only where the defendants have a commercial relationship and where the action relates to the same alleged infringement. Although these rules are at different levels (international jurisdiction for the former and internal competence within the UPC for the latter), an integrated approach is necessary.

19 Art. 24(4), second paragraph, of the Brussels I Regulation (recast).

20 Art. 7(2) of the Brussels I Regulation (recast).

21 This jurisdiction includes defences against infringement actions, including counterclaims concerning licenses (Art. 32(1)(a) UPC Agreement) and actions for compensation for licences under Art. 8 of EU Regulation No 1257/2012 (Art. 32(1)(h) UPC Agreement).

according to a forum selection clause<sup>22</sup> or to the place where a contractual obligation must be performed.<sup>23</sup>

Most of the above-mentioned jurisdictional rules apply only if the defendant is domiciled in a Member State. For this reason, Regulation 542/2014 pays particular attention to defendants who are domiciled outside the EU. We address this in section IV below.

Given the assimilation rule in Art. 71a, Art. 71b(1) may seem redundant. Indeed, the jurisdictional rule that refers to the courts of a certain Member State already determines the UPC's jurisdiction for the Member States that ratified the UPC Agreement since the Regulation explicitly considers the UPC to be a court of the Member State in question. Nevertheless, the legislators found it useful to include the rule in Art. 71(b(1) "*in order to create full transparency on the combined and coherent application of the respective international agreements and the Brussels I Regulation (recast).*"<sup>24</sup>

Besides creating greater transparency, the rule has another advantage also. It confirms that the UPC's jurisdiction is not *additional* to the jurisdiction of the courts of the Member States concerned but, on the contrary, it *replaces* it.<sup>25</sup> This, however, is subject to the transitional period referred to in Art. 83 UPC Agreement.<sup>26</sup> Thus, at the end of this transitional period, the national courts will be definitively deprived of any jurisdiction that is parallel to that of the UPC (except for European patents without unitary effect that will have been opted-out during the transitional period).

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22 Art. 25 of the Brussels I Regulation (recast).

23 Art. 7(1) of the Brussels I Regulation (recast).

24 Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2013) 554 final, p. 5.

25 See, in particular, the use of the conditional tense in the following sentence: "*where, under this Regulation, the courts of a Member State party to the instrument establishing the common court would have jurisdiction in a matter governed by that instrument.*"

26 This reservation is reflected in recital 5 of Regulation 542/2014.



#### 4. Defendants domiciled outside the EU

##### A. Extension of the scope of application of Chapter II, Brussels I Regulation (recast)

The provisions discussed above do not allow for the UPC's jurisdiction over defendants domiciled outside the EU to be ascertained. It is because, under Art. 6(1) of the Brussels I Regulation (recast), the *lex fori* governs the jurisdiction over them, subject to certain exceptions.<sup>27</sup> But for a court that is common to several Member States, such as the UPC, this reference to national rules of private international law is problematic since there is no way of determining which of the national rules of the various Member States that ratified the UPC Agreement apply. Applying the national law of the Member State where the division of the UPC seized of the case is located would not be objectively justified and would make an issue of international jurisdiction dependent on the UPC's internal rules of competence, which are not intended to settle issues of international jurisdiction. Furthermore, this solution would create an unjustified advantage for the applicant.<sup>28</sup>

Art. 71b(2), first paragraph, aims to solve this difficulty. It reads: "*where the defendant is not domiciled in a Member State, and this Regulation does not otherwise confer jurisdiction over him, Chapter II [of the Regulation] shall apply as appropriate regardless of the defendant's domicile.*" In other words, in this scenario, the ordinary jurisdictional rules of the Brussels I Regulation (recast) substitute the jurisdictional rules under the *lex fori*.

It should be borne in mind that this rule on jurisdiction concerns only the UPC (and the Benelux Court of Justice). It therefore does not allow for the international jurisdiction of national courts to be determined during the transitional period.<sup>29</sup>

One should not underestimate the importance of this extension of the scope of application of Chapter II of the Brussels I Regulation (recast). When

27 Some rules of the Brussels I Regulation (recast) apply irrespective of the defendant's domicile, namely Art. 18(1) on consumer contracts, Art. 21(2) on employment contracts, Art. 24 on exclusive jurisdiction, and Art. 25 on prorogation of jurisdiction.

28 Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2013) 554 final, p. 6.

29 P. A. De Miguel Asensio, "The Unified Patent Court Agreement and the amendment to the Brussels I Regulation (Recast)", *op. cit.*, p. 158; S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *op. cit.*, p. 888.

the Brussels I Regulation was being revised, legislators contemplated extending the Regulation's jurisdictional rules to defendants domiciled outside the EU in all matters,<sup>30</sup> but this idea was ultimately abandoned. It is thus interesting to note that the same rule was finally reintroduced by Regulation 542/2014 in the specific context of courts that are common to several Member States.

Although this is an important change, it went largely unnoticed. Even the EU Commission's original draft had added this new sentence at the end of recital 14 of the Brussels I Regulation (recast): "*Uniform jurisdiction rules should also apply regardless of the defendant's domicile in cases where courts common to several Member States exercise jurisdiction in matters coming within the scope of application of this Regulation.*" It would have drawn the reader's attention to an important exception to the principle enshrined in Art. 6(1) of the Brussels I Regulation (recast), but it was eventually dropped. Although one of the recitals of Regulation 542/2014 highlights this extension of the jurisdictional rules of the Brussels I Regulation (recast) to defendants domiciled outside the EU,<sup>31</sup> there is no corresponding recital in the Brussels I Regulation (recast) itself.

This approach—combined with the fact that the amendment in question is placed at the end of the Brussels I Regulation (recast), in the middle of a chapter whose title ("Relationship with other instruments") does not suggest the presence of a jurisdictional rule that deviates from one of the fundamental principles of the Regulation—does not contribute to the readability of this Regulation.<sup>32</sup>

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30 Proposal for a Regulation of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2010) 748 final, p. 8; see also P. A. De Miguel Asensio, "The Unified Patent Court Agreement and the amendment to the Brussels I Regulation (Recast)", *op. cit.*, p. 158.

31 Recital 6 of Regulation 542/2014, which reads: "*As courts common to several Member States, the Unified Patent Court and the Benelux Court of Justice cannot, unlike a court of one Member State, exercise jurisdiction on the basis of national law with respect to defendants not domiciled in a Member State. To allow those two Courts to exercise jurisdiction with respect to such defendants, the rules of Regulation (EU) No 1215/2012 should therefore, with regard to matters falling within the jurisdiction of, respectively, the Unified Patent Court and the Benelux Court of Justice, also apply to defendants domiciled in third States. The existing rules of jurisdiction of Regulation (EU) No 1215/2012 ensure a close connection between proceedings to which that Regulation applies and the territory of the Member States. It is therefore appropriate to extend those rules to proceedings against all defendants regardless of their domicile. When applying the rules of jurisdiction of Regulation (EU) No 1215/2012, the Unified Patent Court and the Benelux Court of Justice (...) should apply only those rules which are appropriate for the subject-matter for which jurisdiction has been conferred on them.*"

32 P. LC Torremans, "An international perspective II : a view from private international law", in J. Pila and Ch. Wadlow (ed.), *The Unitary EU Patent System*, 2015, Oxford, Hart

Let us now assess the practical impact of this jurisdictional rule on disputes that fall under the competence of the UPC and identify the jurisdictional rules that will actually be affected. Although Art. 71b(2), first paragraph, makes *all* the jurisdictional rules of the Brussels I Regulation (recast) apply to disputes involving defendants domiciled outside the EU, the practical impact of this change is relatively limited in patent matters.

First, it is clear that the cornerstone of Chapter II of the Brussels I Regulation (recast) cannot be applied to a defendant with no domicile in a Member State. This is namely the rule in Art. 4(1) whereby: “*Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.*”

Second, the rule in Art. 71b(2), first paragraph, applies only if the Brussels I Regulation (recast) does not otherwise confer jurisdiction over the defendant concerned. Therefore, this rule does not affect situations in which the UPC's jurisdiction could already be determined under other provisions of the Regulation, despite the defendant's domicile abroad. In patent matters, the main provision concerned is Art. 24(4), second paragraph, of the Brussels I Regulation (recast). In proceedings concerned with the registration or validity of a European patent, this provision confers exclusive jurisdiction on the courts of the Member State for which the patent was granted, *regardless of the domicile of the parties*. The same goes for Art. 25, which confers jurisdiction on the courts designated by a forum selection clause, e.g., in a licence agreement. The latter jurisdictional rule applies also *regardless of the domicile of the parties*.<sup>33</sup> Other jurisdictional rules in Chapter II of the Brussels I Regulation (recast) apply regardless of the defendant's domicile,<sup>34</sup> but they would not be relevant in patent matters from a practical perspective.

Therefore, extending the jurisdictional rules of the Brussels I Regulation (recast) to foreign defendants that are sued before the UPC will mainly affect the application of Art. 7(2). This provision, in matters relating to tort, delict or quasi-delict, confers jurisdiction on the courts for the place where the harmful event occurred or may occur. It normally applies only to defendants domiciled

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Publishing, pp. 166-167.

33 It should be noted that the clarification that this rule applies regardless of the parties' domicile is new. For the rule to apply, the Brussels I Regulation required that at least one of the parties be domiciled in a Member State; see S. Franço, “Les clauses d'élection de for dans le nouveau règlement Bruxelles Ibis”, in E. Guinchard (ed.), *Le nouveau règlement Bruxelles Ibis*, Bruylant, 2014, p. 107 *et seq.*

34 These are Arts. 18(1) and 21(2), which concern consumer contracts and individual employment contracts, respectively.

in a Member State, but if the UPC is seized, this Art. 7(2) will apply also to defendants domiciled outside the EU.

To illustrate, a Japanese defendant could be sued before the UPC for infringement of a European patent (with or without unitary effect) because the infringement took place in the territory of one of the Member States that ratified the UPC Agreement, and this can happen without the need to rely on private international law rules of one of those Member States.

Other jurisdictional rules, which could play a role in patent litigation, are also affected, in particular the rules based on the place of performance of a contractual obligation,<sup>35</sup> the domicile of a co-defendant,<sup>36</sup> or even the place where the defendant enters an appearance.<sup>37</sup> The same goes for an action seeking provisional measures in any Member State whose law provides for such measures, even if the courts of another Member State have jurisdiction to adjudicate the substance of the matter.<sup>38</sup> Effectively, Art. 71b(2), first paragraph, allows these rules to be used to determine the UPC's jurisdiction over foreign defendants.

Importantly, the UPC will not have to apply these jurisdictional rules in all cases—but only *“as appropriate.”* Recital 6 of Regulation 542/2014 confirms this, as it reads: *“When applying the rules of jurisdiction of Regulation (EU) No 1215/2012, the Unified Patent Court and the Benelux Court of Justice (...) should apply only those rules which are appropriate for the subject-matter for which jurisdiction has been conferred on them.”* The UPC (and, ultimately, the CJEU), through its case-law, will have to determine the conditions under which it is not appropriate to apply certain jurisdictional rules of the Brussels I Regulation (recast) to foreign defendants.

Of course, it cannot be ruled out that in certain cases, applying private international law rules of one of the Member States that ratified the UPC, or even each of these Member States, would have led to a solution identical to that which was provided for in the Brussels I Regulation (recast). However, Art. 71b(2), first paragraph, undoubtedly makes things a lot simpler: on the one hand, it avoids having to determine the national law(s) applicable, and, on the other hand, it lays down a uniform system instead of a fragmented one, to which the application of national law(s) would have led.

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35 Art. 7(1) of the Brussels I Regulation (recast).

36 Art. 8(1) of the Brussels I Regulation (recast).

37 Art. 26 of the Brussels I Regulation (recast).

38 Art. 35 of the Brussels I Regulation (recast).

### B. Provisional measures

Art. 35 of the Brussels I Regulation (recast) allows the claimant to apply to the courts of a Member State for such provisional (including protective) measures that may be available under the law of that Member State, even if the courts of another Member State have jurisdiction to adjudicate the substance of the matter. The CJEU already ruled on the relationship between this provision<sup>39</sup> and Art. 24(4) of the Brussels I Regulation (recast).<sup>40</sup> In the *Solvay v Honeywell* judgment of 12 July 2012, it held that Art. 24(4) does not preclude provisional measures from being ordered under Art. 35, even if the invalidity of the European patent was invoked as a defence to the adoption of such measures.<sup>41</sup> However, the CJEU also made the granting of provisional measures under this provision subject to conditions that are designed to avoid abuses.<sup>42</sup>

As mentioned above, Art. 35 can be invoked before the UPC by virtue of Art. 71b(2), first paragraph, even against defendants who are domiciled outside the EU. However, Art. 35 covers only the situation in which the courts having jurisdiction to adjudicate the substance of the matter are those of another Member State. This is where Art. 71b(2), second paragraph, comes into play. It gives the UPC far-reaching jurisdiction to order provisional measures, even if the courts having jurisdiction over the substance of the matter are those of a third State, *i.e.*, a non-EU Member State.<sup>43</sup>

Although Art. 71b(2) second paragraph is not explicitly limited to measures being sought against defendants who are domiciled outside the EU, its practical relevance is restricted to the latter situation. If the defendant is domiciled in a Member State, the courts of at least one Member State (that of the defendant's domicile) necessarily have jurisdiction over the substance of the matter so that the general rule in Art. 35 applies without the need to resort to Art. 71b(2), second paragraph.<sup>44</sup> This probably explains why this provision was inserted after Art. 71b(2), first paragraph, which concerns only defendants who are domiciled outside the EU.

39 At the time, Art. 31 of Regulation (EC) No 44/2001.

40 At the time, Art. 22(4) of Regulation (EC) No 44/2001.

41 CJEU, 12 July 2012, *Solvay v Honeywell*, C-616/10, ECLI:EU:C:2012:445.

42 CJEU, 21 May 1980, C-125/79, *Denlauler*, ECLI:EU:C:1980:130, par. 15; CJEU, 17 November 1998, C-391/95, *Van Uden*, ECLI:EU:C:1998:543, par. 40.

43 S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *op. cit.*, p. 890.

44 P. A. De Miguel Asensio, "The Unified Patent Court Agreement and the amendment to the Brussels I Regulation (Recast)", *op. cit.*, p. 159.

For example, subject to the conditions laid down by the CJEU in respect of Art. 35,<sup>45</sup> which should apply by analogy, Art. 71b(2) second paragraph of the Brussels I Regulation (recast) will allow the owner of a European patent in force in the UK to petition the UPC to grant a preliminary injunction against a US defendant's infringement of the UK part of its patent, even if the UK courts have exclusive jurisdiction over the merits of the case.

### *C. Additional jurisdiction for damage arising outside the EU*

The most controversial provision of Regulation 542/2014 is probably Art. 71b(3), which provides that if the UPC has jurisdiction over a defendant under Art. 71b(2) in a dispute relating to a European patent infringement that caused damage within the EU, the UPC may also exercise jurisdiction in relation to the damage that was caused outside the EU from such an infringement. Art. 71b(3) adds that such jurisdiction may be established only if property belonging to the defendant<sup>46</sup> is located in any Member State party to the UPC Agreement (*i.e.*, any Member State that ratified it and where it is in force), and the dispute has sufficient connection with any such Member State. This provision (and especially the phrase "*connection with any such Member States*") makes it clear that the Member State with which the dispute has sufficient connection does not necessarily need to be the same as the Member State in which the defendant's property is located.

According to recital 7 of Regulation 542/2014, the UPC, when determining its jurisdiction under Art. 71b(3), should consider the value of the property in question. The value should not be insignificant and should be such that it makes it possible to enforce the judgment, at least partly, in the Member State where the property is located.

The condition that the dispute must have a sufficient connection with any Member State that ratified the UPC Agreement will be automatically fulfilled in most cases—if not all of them—either because of the connection on the basis

<sup>45</sup> See footnote 42 above.

<sup>46</sup> In its French version, this provision is more restrictive since it requires that "the" property belonging to the defendant ("*les biens appartenant au défendeur*") be located in a Member State that is party to the instrument establishing the common jurisdiction, which could lead one to believe that *all* of his property must be located in that Member State. This is clearly not the case. The words used are a translation error (see, for example, the English version "*if property belonging to the defendant is located in any Member State*" and the German version "*wenn dem Beklagten gehörendes Vermögen in einem Mitgliedstaat belegen ist*").

of which the UPC's jurisdiction was determined under Art. 71b(2)<sup>47</sup> or because the damage in the EU that was caused by the infringement is located in one or several Member States that ratified the UPC Agreement.<sup>48</sup> Moreover, even in the unlikely event that these elements were not deemed to be sufficient, recital 7 of Regulation 542/2014 provides that the reason that the claimant is domiciled in a Member State that ratified the UPC Agreement or that the evidence relating to the dispute is available there should also be sufficient to establish the existence of a sufficient connection between the dispute and such Member State.<sup>49</sup> It is thus difficult to imagine a scenario in which this requirement would not be fulfilled. In fact, this requirement made sense in the provision that was initially proposed by the EU Commission but not in the context of the provision that has been adopted.<sup>50</sup>

A last important feature of Art. 71b(3), which should be borne in mind from the outset, is that the UPC has absolute discretion to apply it. This can be inferred from the word "may." If the conditions for its application are fulfilled, the UPC may still decide not to exercise jurisdiction.

Recital 7 of Regulation 542/2014 describes the jurisdictional rule in Art. 71b(3) as "a subsidiary rule." This should not be misunderstood. The rule in Art. 71b(3) is *not* subsidiary in the sense that it would allow for the UPC's jurisdiction to be determined if an attempt to ascertain such jurisdiction by using other rules fails. It is only subsidiary, or better said, complementary in the sense that it applies only if the UPC already *has* jurisdiction over the defendant under Art. 71b(2). The rule in Art. 71b(3) therefore *depends* on the rule in Art. 71b(2). In this respect, it differs significantly from the provision that was initially proposed by the EU Commission.

The EU Commission's initial proposal provided for a genuine subsidiary jurisdictional rule that was intended to supplement the rules laid down in Chapter II of the Brussels I Regulation (recast). In other words, it was to apply if the rules in Chapter II would *not* have allowed for the UPC's jurisdiction to be

47 Such jurisdiction being a prerequisite for the application of Art. 71b(3) – see below.

48 On what this condition exactly means, see below.

49 The recital refers to "the evidence" relating to the dispute. Therefore, it is unclear whether the connection is still sufficient where only some of the evidence ("evidence" instead of "the evidence") is available in a certain Member State, but not all of it. The different linguistic versions of Regulation 542/2014 are not in line with each other on that point (compare, for example, the English and French versions to the German version).

50 P. Véron, "Extent of the long-arm jurisdiction conferred upon the Unified Patent Court by Art. 71(b)(3) of the Brussels I Regulation as amended by Regulation 542/2014 of May 15, 2014: Turkish delight and a bit of Swiss chocolate for the Unified Patent Court", *EIPR*, 2015, p. 595.

determined. It stipulated that if the defendant is not domiciled in a Member State and if no court of a Member State has jurisdiction under the Regulation, the defendant may be sued before the UPC if he owns property located in a Member State party to the UPC Agreement, the value of that property is not insignificant compared to the value of the claim, and the dispute has a sufficient connection with any Member State party to the UPC Agreement.<sup>51</sup> This proposal was criticised for being excessive and of little practical usefulness,<sup>52</sup> thus it was later abandoned. Although the adopted text is indeed more moderate, it is not clear at all, unfortunately. We will illustrate this below.

Before examining the contents of the jurisdictional rule in Art. 71b(3), it is worth noting its limited scope of application.

First, as already mentioned, this rule applies only if the UPC has jurisdiction over the defendant under Art. 71b(2), *i.e.* if the defendant is domiciled outside the EU and if the Brussels I Regulation (recast) does not otherwise confer jurisdiction over him. Conversely, if the defendant is domiciled in the EU, Art. 71b(3) does not apply at all. Similarly, if the defendant is domiciled outside the EU but the Brussels I Regulation (recast) confers jurisdiction over him on grounds other than Art. 71b(2), for example, under Art. 25, then Art. 71b(3) does not apply either.

Second, the infringement in question must *also* have caused damage *within* the EU. If damage did not occur in the EU, the UPC will have no jurisdiction with regard to the damage outside the EU that was caused by the infringement. This can also clearly be inferred from recital 7, which refers to proceedings relating to an infringement of a European patent that gave rise to damage *both* inside and outside the EU.

Third, the rule in Art. 71b(3) clearly concerns the UPC only and not cases in which the national courts of a Member State have jurisdiction under the ordinary rules of the Brussels I Regulation (recast). This is important because it means that during the transitional period referred to in Art. 83 UPC Agreement, national courts and the UPC will not be on an equal footing when it comes to damage that occurred outside the EU.<sup>53</sup>

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51 Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2013) 554 final, p. 10.

52 P. LC Torremans, "An international perspective II : a view from private international law", *op. cit.*, pp. 172-173; P. A. De Miguel Asensio, "The Unified Patent Court Agreement and the amendment to the Brussels I Regulation (Recast)", *op. cit.*, pp. 159-161.

53 S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *op. cit.*, p. 888.



Regarding the contents of the jurisdictional rule in Art. 71b(3), it should first be noted that damage suffered outside the EU because of a patent infringement in a Member State that ratified the UPC Agreement is, in principle, already within the UPC's jurisdiction regardless of the defendant's domicile based on Art. 7(2) *juncto* 71b(2) first paragraph, unless the event that gave rise to the infringement ("causal event") is located in a country that has not ratified the UPC Agreement. Although in cases of intellectual property right infringements, the place of the causal event and the place where the infringement actually takes place<sup>54</sup> are often the same, CJEU case-law tells us that this is not necessarily the case, especially in the online environment.<sup>55</sup> The distinction between these two places is important because of the consequences that the CJEU, in its case-law relating to Art. 7(2), infers from it in terms of recoverable damages. According to settled CJEU case-law,<sup>56</sup> if the defendant is sued before the courts of the place of the causal event, these courts have jurisdiction to award compensation for *all* the damage caused by the unlawful act, irrespective of whether this damage was suffered, in whole or in part, in non-EU Member States.<sup>57</sup> Therefore, in such situations, there is no need to resort to Art. 71b(3). On the contrary, resorting to Art. 71b(3) would even be counter-productive because conferring jurisdiction under that provision must meet additional requirements (*i.e.*, property belonging to the defendant must be located in a Member State that ratified the UPC Agreement and there must be a sufficient connection between the dispute and any such Member State). There is no

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54 The place where the infringement actually takes place is referred to here instead of the place where the damage occurred because CJEU case-law (CJEU, 19 April 2012, C-523/10, *Wintersteiger*, ECLI:EU:C:2012:220, par. 25 and 27) states that in a case concerning an infringement of an intellectual property right whose protection is limited to the territory of the Member State of registration (such as a patent), the place where the damage occurred necessarily corresponds to the place of registration (which itself is generally referred to as the place of the infringement). The CJEU later extended these principles to copyright cases in which, despite the absence of registration, protection is also subject to the principle of territoriality (CJEU, 3 October 2013, *Pinckney*, C-170/12, ECLI:EU:C:2013:635, par. 33, 37, 43 and 45; *Hi Hotel*, C-387/12, ECLI:EU:C:2014:215, par. 35).

55 CJEU, 19 April 2012, C-523/10, *Wintersteiger*, ECLI:EU:C:2012:220; CJEU, 3 October 2013, *Pinckney*, C-170/12, ECLI:EU:C:2013:635; CJEU, 3 April 2014, *Hi Hotel*, C-387/12, ECLI:EU:C:2014:215.

56 CJEU, 7 March 1995, *Shevill v Presse Alliance*, C-68/93, ECLI:EU:C:1995:61, par. 33; CJEU, 25 October 2011, *eDate Advertising*, C-509/09 and C-161/10, ECLI:EU:C:2011:685, par. 42, 51 and 52; CJEU, 3 October 2013, *Pinckney*, C-170/12, ECLI:EU:C:2013:635, par. 45; CJEU, 3 April 2014, *Hi Hotel*, C-387/12, ECLI:EU:C:2014:215, par. 40.

57 U. Magnus and P. Mankowski (ed.), *Brussels I Regulation*, 2<sup>nd</sup> revised edition, 2012, p. 246, at 219.

need to meet these requirements if the jurisdiction can be determined under Art. 7(2) on the basis of the place of the causal event.

The situation is different if the causal event is located in a country that has *not* ratified the UPC Agreement. In such a scenario, the plaintiff cannot rely on the case-law that allows to seek compensation for *all* the damage suffered—regardless of where it occurred. But the UPC’s jurisdiction in such cases could still be determined under Art. 7(2) based on the place where the *damage* occurred, provided the infringement took place in a Member State that ratified the UPC Agreement. This will not necessarily be so under Art. 71b(3) because this provision requires only a European patent infringement that gave rise to damage within the EU, thus not necessarily in a Member State that ratified the UPC Agreement. If the infringement took place in a Member State that has *not* ratified the UPCA, the UPC’s jurisdiction could be determined under Art. 7(1), 8(1), 25 or even 26 of the Brussels I Regulation (recast) as a last resort. In all these instances, Art. 71b(3) permits—but does not compel—the UPC to exercise jurisdiction in relation to the damage that occurred outside the EU. Strangely enough, if the UPC’s jurisdiction is based on the place where the damage occurred according to Art. 7(2), this jurisdiction will extend to the damage that occurred in the Member States that ratified the UPC Agreement and—if the UPC decides to exercise this jurisdiction under Art. 71b(3)—in any non-EU Member State but *not* to damage that occurred in Member States that have not ratified the UPC Agreement.

Finally, it is important to bear in mind that the fact that the UPC has jurisdiction based on the place where the damage occurred (and not based on the place of the causal event) does not, as such, say anything about the merits of a claim brought against a defendant who did not act in the territory where the infringement actually took place.

However, Art. 71b(3) could be interpreted in another way whereby this provision would refer not only to damage that occurred outside the EU from an infringement committed within the EU but also to infringements committed outside the EU.<sup>58</sup> The difficulty with this interpretation is that Art. 71b(3) refers

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58 Some have expressed the opinion that the *travaux préparatoires* would make it clear that this interpretation was the one intended by the lawmakers (P. Véron, “Extent of the long-arm jurisdiction conferred upon the Unified Patent Court by Art.71(b)(3) of the Brussels I Regulation as amended by Regulation 542/2014 of May 15, 2014: Turkish delight and a bit of Swiss chocolate for the Unified Patent Court”, *op. cit.*, p. 594). This opinion is based on the fact that the Commission’s proposal contained the following statement: “*For instance, with respect to the Unified Patent Court, the asset-based jurisdiction would ensure that the Court would have jurisdiction vis-à-vis a Turkish defendant infringing a European patent covering several Member States and Turkey*” (proposal for a Regulation of the European Parliament and of the Council amending

to damage that occurred outside the EU from “*such an infringement*”, whereby the infringement at stake is “*an infringement of a European patent giving rise to damage within the EU.*” Art. 71b(3) thus requires the damage that occurred both inside and outside the EU to originate from one and the same infringement. This raises the question whether the infringement of a European patent in different countries (where it has no unitary effect) can be considered as one and the same infringement. Once a European patent is granted, it is in principle subject to the same rules as a national patent in each of the EPC Contracting States designated by that patent,<sup>59</sup> thus the infringement of that European patent must be examined per country.<sup>60</sup> The question whether the infringement of a European patent in different countries can be considered as one and the same infringement arises irrespective of whether the European patent at stake has been given a unitary effect in the Member States that ratified the UPC Agreement because, even in such scenario, such effect cannot extend beyond EU Member States. Outside the EU, this patent is necessarily a European patent without unitary effect. Accepting that an infringement of a European patent without unitary effect that takes place in different countries can be considered as one and the same infringement in the meaning of Art. 71b(3) requires that the concept of infringement be given a technical rather than legal content, *i.e.*, that it be accepted that it might refer to only the same infringing product or process. In that interpretation, provided that the UPC’s jurisdiction has been determined under Art. 71b(2) first paragraph, Art. 71b(3) allows for the UPC to determine the existence of an infringement in any non-EU EPC Contracting State<sup>61</sup> as soon as an infringement of the same European patent has taken place somewhere in the EU (not necessarily in a Member State that ratified the UPCA). For example, if the conditions of Art. 71b(3) are fulfilled, a US defendant infringing a European patent in Belgium, France and the UK could be sued before the UPC and be ordered to compensate the damage that was caused in each of these countries, including the UK.<sup>62</sup> The UPC will then be required

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Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2013) 554 final, p. 7). However, the Commission’s proposal was amended and the limitation of the jurisdiction in Art. 71b(3) to “*damage arising outside the Union from such infringement*” was added later. Therefore, the question remains open until the CJEU will have answered it.

59 Arts. 2(2) and 64 of the European Patent Convention.

60 CJEU, 13 July 2006, *Roche v Primus*, C-539/03, ECLI:EU:C:2006:458, par. 27-31; CJEU, 12 July 2012, *Solvay v Honeywell*, C-616/10, ECLI:EU:C:2012:445, par. 24-26.

61 Contracting States of the EPC, which are not EU Member States are: Albania, Bosnia and Herzegovina, North Macedonia, Iceland, Liechtenstein, Monaco, Montenegro, Norway, San Marino, Serbia, Switzerland, Turkey and the United Kingdom.

62 S. Luginbuehl and D. Stauder, “Die Anwendung der revidierten Zuständigkeitsregeln

to apply national laws distributively. For the infringement in the UK, the UPC will have to apply UK law. For the infringement in Belgium and France, the UPC Agreement will be the applicable law.

Such interpretation of Art. 71b(3) raises another difficulty: what if the US defendant asserts that the patent is invalid? It could of course file a counterclaim for revocation of the patent but not for the UK part of it. The revocation of the UK part will have to be sought before the UK courts. However, what about the action for infringement of the UK part that is pending before the UPC? Could the defendant at least invoke the invalidity of the UK part of the patent as a defence without formally seeking its revocation? Should the UPC hear such defence, or should it stay the proceedings while waiting for the outcome of the UK revocation action (if any)? Alternatively, the UPC could use the discretion that Art. 71b(3) gives to it and simply refuse to exercise jurisdiction with regard to the infringement of the UK part of the patent. But this solution would jeopardise the effectiveness of Art. 71b(3) because in practise, the invalidity of the patent is raised in most cases. Here again, there is undoubtedly room for referrals to the CJEU.

Importantly, Art. 71b(3) will not allow the UPC to exercise jurisdiction in relation to infringing acts committed in Member States that have not ratified the UPC Agreement (such as Spain or Poland, for example) because it confers additional jurisdiction only in relation to the damage that occurred outside the EU. Therefore, if the same US defendant also infringes the same European patent in Spain, the UPC will have jurisdiction only if one of the remaining ordinary jurisdictional rules applies, namely Art. 7(1), 8(1), 25 or 26.

In this alternative interpretation of Art. 71b(3), in which the concept of infringement referred to in that provision is given a technical rather than legal content, the UPC's jurisdiction in relation to damage that occurred outside the EU should be limited to damage that occurred in EPC Contracting States because a European patent can be infringed only in such countries. For damage that occurred in a non-EPC Contracting State because of the infringement, the UPC's jurisdiction will have to be determined according to the ordinary jurisdictional rules of the Brussels I Regulation (recast), especially its Art. 7(2).

As a result, there are quite some degrees of uncertainty about several aspects of Art. 71b(3) and there is little doubt that this provision will generate referrals to the CJEU.

## 5. *Lis pendens and related actions*

The rules on *lis pendens* and related actions contained in the Brussels I Regulation (recast) aim to minimise the possibility of concurrent proceedings and to ensure that irreconcilable judgments will not be given in different Member States.<sup>63</sup> Arts. 29 to 32 of the Regulation apply to situations in which identical or related claims are pending before courts of different Member States, while Arts. 33 and 34 are aimed at situations in which one of the courts seized is located in a third State. Regulation 542/2014 extends the scope of application of Arts. 29 to 32 to two kinds of situations that might arise in the context of the UPC.

On the one hand, Art. 71c(1) provides that the rules that apply to conflicts between the courts of two Member States (*i.e.*, Arts. 29 to 32) apply if proceedings are brought before the UPC and before a court of a Member State that is not a party to the UPC Agreement (*i.e.*, a Member State that has not ratified it and where, consequently, it is not in force). This provision only confirms a solution that could have already been derived from Art. 71a. It does not call for further comment.

On the other hand, it seemed necessary to regulate the conflicts that could arise during the transitional period referred to in Art. 83 UPC Agreement. During this period, a claimant will be able to bring an action for infringement or for revocation of a European patent without unitary effect *either* before the UPC *or* before national courts<sup>64</sup>. This concurrent jurisdiction raises the question of parallel proceedings that are brought before the UPC *and* before a court of a Member State that ratified the UPC Agreement (in whichever order). Art. 71c(2) answers this question by stating that Arts. 29 to 32 apply to these situations also. It should be noted that, contrary to the rule in Art. 71c(1), this rule concerns only a provisional situation because, at the end of the transitional period, the concurrent jurisdiction of the UPC and the national courts will end. The actions referred to above will then have to be brought before the UPC (except for European patents without unitary effect, which would have been “opted-out” during the transitional period).

The above rules do not apply to parallel proceedings pending before different divisions of the UPC. These situations are governed by Art. 33 UPC Agreement.

<sup>63</sup> See recital 21 of the Brussels I Regulation (recast).

<sup>64</sup> Provided the patent in question has not been subject to an opt-out according to Art. 83(3).

While the rules above appear to be fairly straightforward, they raise certain questions in practice, particularly during the transitional period.

For example, imagine that a claimant brings an action for revocation (of a national part) of a European patent without unitary effect before a Belgian court and the patentee reacts by bringing an action for infringement of the same European patent before the UPC. In such a case, Art. 34 UPC Agreement provides that the UPC's decision will cover the territory of all Member States that ratified the UPC Agreement and for which the European patent has effect. If, in the proceedings before the UPC, the defendant then counterclaims and seeks revocation of the patent, the action that was brought previously before the national court becomes *lis pendens*, but only with regard to the validity of the Belgian part of the European patent.<sup>65</sup> In such case, Art. 29 of the Brussels I Regulation (recast) will compel the UPC to decline jurisdiction in favour of the Belgian court as soon as the latter's jurisdiction is ascertained.

However, there are two problems with this situation.

First, although the UPC would be relieved of the revocation action insofar as it concerns the Belgian part of the European patent in question, it would not be relieved of the infringement claim based thereon. Because of this "bifurcation", the UPC could find the Belgian part of the European patent to be infringed, and this Belgian part could later be declared invalid in the national proceedings. Admittedly, this risk also exists within the UPC itself because of the internal competence rules in Art. 33 UPC Agreement, but various provisions in the Rules of Procedure aim to limit such situations as much as possible.<sup>66</sup> No such safeguards apply if there are concurrent national and UPC proceedings, except for the possibility for the UPC to stay the proceedings in "*any other case where the proper administration of justice so requires.*"<sup>67</sup>

Second, Art. 34 UPC Agreement must be considered. It provides that, in cases concerning a European patent without unitary effect, the UPC's decisions cover the territory of those Member States that ratified the UPC Agreement and for which the European patent has effect. Although this provision is not a jurisdictional rule, it is not clear whether, given its effect in practice, the UPC, in the above example, could possibly decline jurisdiction with regard to the validity of the Belgian part of the European patent concerned<sup>68</sup>. Moreover, even if the

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65 *Lis pendence* between claims concerning different national parts of the same European patent is excluded, as such claims do not have the same cause of action. Relatedness between such claims has been ruled out by the CJEU (CJEU, 13 July 2006, *Roche v Primus*, C-539/03, ECLI:EU:C:2006:458, par. 29-32).

66 See rules 37(4), 37(5) and 40 of the Rules of Procedure.

67 Rule 295(m) of the Rules of Procedure.

68 Such a split of the case might find a basis in CJUE, 6 December 1994, *The owners of the*

UPC were to decline jurisdiction, a decision concluding that the other national parts of the European patent are invalid could still be considered to extend to the Belgian part of the patent by virtue of the same Art. 34. It is therefore questionable whether these earlier national proceedings do not *de facto* prevent the UPC from adjudicating the whole of the counterclaim for revocation of the patent.<sup>69</sup> One way for the alleged infringer to solve this procedural difficulty would be to withdraw the proceedings before the Belgian court before bringing his counterclaim for revocation before the UPC. However, such a withdrawal might not be in his interest. Moreover, this practical solution would significantly reduce the effectiveness of the alleged infringer's right to bring a revocation action before the national courts. Referring the matter to the CJEU might be the only way to clarify how Art. 29 of the Brussels I Regulation (recast) should be interpreted in that context.

Similar questions arise if the alleged infringer brings an action before a national court seeking declaration of non-infringement of a national part of a European patent.<sup>70</sup> The fate of the infringement action that is subsequently brought before the UPC by the patentee remains unclear in this case. In principle, the UPC should decline jurisdiction with regard to the infringement action insofar as it concerns the territory of the Member State in which the earlier proceedings were brought<sup>71</sup>. However, it is again doubtful whether splitting the case this way is permitted or even possible under Art. 34 UPC Agreement. On the other hand, it could seem excessive to admit that the action for declaration of non-infringement in one Member State prevents the patentee from accessing the UPC afterwards.

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*cargo lately laden on board the ship 'Tatry' c. The owners of the ship 'Maciej Rataj', C-406/92, ECLI:EU:C:1994:400.*

69 Some authors consider that the UPC, in this case, could only partly decline jurisdiction despite Art. 34: S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *op. cit.*, p. 892.

70 The question whether national courts retain jurisdiction for the actions listed in Art. 32 UPC Agreement other than actions for infringement or revocation (including actions for declarations of non-infringement) is controversial, given the restrictive wording of Art. 83(1) UPC Agreement (P. Campolini, "Actualités en matière de brevets européen et unitaire", in B. Docquir (coord.), *Actualités en droits intellectuels - L'intérêt de la comparaison*, Bruylant, 2015, p. 256, at 107; S. Luginbuehl and D. Stauder, "Die Anwendung der revidierten Zuständigkeitsregeln nach der Brüssel I-Verordnung auf Klagen in Patentsache", *op. cit.*, p. 889).

71 Again, in this regard, see CJUE, 6 December 1994, *The owners of the cargo lately laden on board the ship 'Tatry' c. The owners of the ship 'Maciej Rataj', C-406/92, ECLI:EU:C:1994:400.*

By analogy, one might also wonder whether the UPC, under Art. 30(1) of the Brussels I Regulation (recast), could stay its proceedings only partly, for example, if a national action for revocation is pending and an infringement action pertaining to the same European patent is brought before the UPC. Such actions are undoubtedly related because if the patent is revoked in the national proceedings, the infringement action before the UPC will fail, but only for the national part concerned.

Finally, it is worth noting that Art. 71c applies only to conflicts between the courts of Member States. Conflicts between proceedings pending before the UPC and (earlier) proceedings brought before the courts of non-EU Member States are possible, especially when Art. 71b(3) is considered, but Art. 71c does not apply to such conflicts. Such conflicts will be governed by Arts. 33 and 34 of the Brussels I Regulation (recast), which will apply to the UPC by virtue of Art. 71a.

## **6. Recognition and enforcement of judgments**

Not all EU Member States have signed the UPC Agreement.<sup>72</sup> Moreover, it is not certain that all Member States that signed it will ratify it.<sup>73</sup> Therefore, there will be many situations in which the UPC's decisions will have to be recognised and enforced in Member States that have not ratified the UPC Agreement yet or at all, or, conversely, in which decisions given by courts of Member States that have not ratified the UPC Agreement will have to be recognised and enforced in Member States that ratified it. Unsurprisingly, Art. 71d provides that the Brussels I Regulation (recast) shall apply to these situations. Only if recognition and enforcement of a judgment rendered by the UPC is sought in a Member State that *did* ratify the UPC Agreement will the rules in the UPC Agreement about recognition and enforcement apply.

In this respect, the UPC Agreement provides that the UPC's decisions and orders are enforceable in any Member State that ratified the UPC Agreement and that, without prejudice to the UPC Agreement, enforcement procedures

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72 To date, the following Member States have not signed the UPC Agreement: Spain, Poland and Croatia.

73 Although Advocate General Bot considers that the Member States are bound to ratify the UPC Agreement in accordance with the principle of sincere cooperation referred to in Article 4(3) TEU (opinion of 18 November 2014 in case C-146/13, ECLI:EU:C:2014:2380, par. 94), the following Member States already signed, but have not yet ratified the UPC Agreement: Cyprus, the Czech Republic, Greece, Hungary, Ireland, Romania, Slovakia. The CJEU remained silent on this issue in its judgment of 5 May 2015 (ECLI:EU:C:2015:298).



are governed by the law of the Member State where the enforcement takes place.<sup>74</sup> The UPC Agreement adds that any of the UPC's decisions are enforced under the same conditions as a decision that was given in the Member State where the enforcement takes place.<sup>75</sup>

## **7. Conclusion**

Regulation 542/2014 not only makes technical adjustments to the Brussels I Regulation (recast) but also provides for unprecedented rules of jurisdiction over defendants who are domiciled outside the EU. Although these new rules extend the jurisdiction of the UPC, especially under Art. 7(2) of the Brussels I Regulation (recast), the lack of clarity of Art. 71b(3) is regrettable. It will be up to the CJEU to clarify the scope and conditions of application of this provision. The same goes for the rules on *lis pendens* and related actions. Although the rules in Art. 71c seem clear at first sight, they do not sufficiently consider the complexity of the UPC and they leave an important question unanswered, namely the question of how these rules can be reconciled with Art. 34 UPC Agreement. Referrals to the CJEU therefore seem inevitable on that point also.

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74 Art. 82(1) and (3) UPC Agreement.

75 Art. 82(3) UPC Agreement.



# 15. SPECIALISED PATENT JUDGES AND THE INTERACTIONS OF PATENT LAW WITH OTHER AREAS OF LAW

*Julia Zöchling*

## **1. Introduction**

The UPC will become one of the most specialised courts on the planet and it is no coincidence that patent law is the first IP branch that will get its own court on a European level: This area of law is often described as particularly complex and it is argued that judges should be highly experienced in dealing with this area of law in order to handle cases efficiently.<sup>1</sup> Consequently, patent cases are considered particularly suitable to be submitted to a specialised court with exclusive jurisdiction. In addition to efficiency considerations, the main motivation for establishing such a court in the EU context is to achieve uniformity in the hitherto particularly fragmented application of patent law<sup>2</sup> by taking jurisdiction over European patents and European patents with unitary effect away from the national courts and centralising it at the UPC.<sup>3</sup>

However, such a degree of specialisation comes at a price. While it is impossible at this stage to predict how the UPC and its judges will perform their task and whether they will succeed in avoiding the pitfalls associated with specialisation, the US Court of Appeals for the Federal Circuit, which was established forty years ago with similar intentions as the UPC today, can serve as a point of reference.<sup>4</sup> With respect to the Federal Circuit, the following dangers have

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1 Cf regarding US patent law Michael Goodman, 'What's So Special About Patent Law?' (2016) 26 *Fordham Intell Prop Media & Ent LJ* 797; Rochelle Cooper Dreyfuss, 'The Federal Circuit: A Case Study in Specialized Courts' (1989) 64 *NYU L Rev* 1, 1f. See also the contribution of Rochelle Cooper Dreyfuss in the present book.

2 UPCA preamble, recitals 1 and 2.

3 For a critical view of the UPC's contribution to harmonisation see Anna Wszółek, 'Still Unifying? The Future of the Unified Patent Court' [2021] *IIC* 1143, 1154f; Aurora Plomer, 'The Unified Patent Court and the Transformation of the European Patent System' [2020] *IIC* 791, 792.

4 See the contribution of Rochelle Dreyfuss in this book, 73f. Also Jens Schovsbo, Thomas Riis and Clement S Petersen, 'The Unified Patent Court: Pros and Cons of Specialisation

been identified and have, at least in part, materialised: too close of a relationship of the judges to the patent bar<sup>5</sup>, pro-patentee biases and insulation from other areas of law and legal developments, sometimes referred to as ‘tunnel vision’.<sup>6</sup>

The following essay will focus on the latter point and give an outline of some aspects of the interactions of patent law with other legal branches, in particular contractual law and fundamental rights. First, the relevant framework provided by the Agreement on a Unified Patent Court (UPC), which consists of explicit references to other areas of law on the one hand and the statutory provisions on the selection and training of judges on the other, will be set out. Moreover, the potential impact of ‘unwritten’ preconditions on the UPC’s ability to deal with questions involving other legal fields will be examined, namely the context in which the UPC will begin its work and the expectations placed on it. This will be followed by a brief overview of the tools that the UPCA contains for UPC judges to deal with legal branches outside patent law. Finally, possible solutions to the problems raised will be explored.

## ***2. Other areas of law in patent litigation before the UPC***

Some provisions of the UPCA make reference to areas of law other than patent law. Given that the UPCA itself mostly contains rules on the workings of the UPC and some substantive provisions on the unitary effect of patents with unitary effect,<sup>7</sup> these references are, however, scarce. The following observations focus on references to fundamental rights and contractual law, respectively.

### *A. Fundamental rights*

The preamble to the UPCA stresses the primacy of Union law, including the Charter of Fundamental Rights of the European Union (CFR). However, the UPC is only bound by the provisions of the CFR when implementing Union law within the very broad meaning of Art 51 CFR, since it is not a Union institution or body.<sup>8</sup> In this respect, it is also bound by the CJEU’s interpretation of the CFR and must submit references for a preliminary ruling in cases of doubt as to the meaning and scope of the rights laid down therein. In addition, the UPC must

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– Is There a Light at the End of the Tunnel (Vision)?’ (2015) 46 IIC 271, 273.

5 See eg in this book, the contribution of Emmanuel Lazega and François Lachapelle, 97f.

6 See e.g. Goodman (n 1) 804; Schovsbo *et al* (n 4) 273f; Dreyfuss (n 1) 3.

7 Arts 25ff UPCA.

8 Cf Art 1 subpara 2 UPCA.

interpret applicable national law in conformity with applicable national fundamental rights. Although not explicitly stated in the UPCA, the UPC will be under an obligation to observe the European Convention on Human Rights since all the UCPA Member States (MS) are party to that Convention.

Procedural rights will be among the most relevant fundamental rights that need to be taken into account by the UPC. Art 40(3) UPCA provides that the UPC shall ensure equitable access to justice. Moreover, Art 42 UPCA clarifies that “the Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof” and “shall ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition.” Although these are not fundamental rights in a proper sense, they are nonetheless manifestations of fundamental rights, i.e. equality before the law or the freedom to conduct a business. Furthermore, it is important to note that the UPCA allows for the UPC to order a party to produce and preserve evidence and to inspect premises, which will raise questions of data protection (Art 58 UPCA) in addition to procedural rights.

A problem lies with the fact that there is no appeal mechanism in place if the UPC refuses to take into account the fundamental rights of the parties. While it is obliged to refer questions for a preliminary ruling to the ECJ in case of doubt as to the compliance of certain measures with fundamental rights, a decision not to refer is not subject to appeal.<sup>9</sup> MS liability for damages arising from the failure to request a preliminary ruling is theoretically possible<sup>10</sup> but difficult to successfully rely on in practice.

To sum up, the UPC needs to take account of fundamental rights just as any other national court and the UPC’s legitimacy will, to a considerable extent, depend on its ability to provide adequate protection of fundamental rights.<sup>11</sup> Accordingly, the UPCA emphasises the importance of respecting the CFR and contains provisions that aim to ensure the protection of the parties’ procedural rights. However, since the UPC is not a generalist court and might have fewer points of contact with fundamental rights in its day-to-day business, fundamental rights issues might not always be detected or adequately taken into account – a problem that is aggravated by the lack of effective appeal mechanisms.

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9 Cf Plomer (n 3) 794.

10 Art 22(1) UPCA.

11 See Plomer (n 3) 794.

## B. Contractual law

Contracts play a fundamental role in patent litigation. A glance at the types of actions over which the UPC will have exclusive jurisdiction reveals that a lot of them<sup>12</sup> will involve clarification of preliminary questions relating to the (non-)existence and the exact content of contracts between the parties or the determination of the scope of contractual obligations of the patentee, e.g. as regards the commitment to licence Standard Essential Patents (SEPs) on Fair and Non-Discriminatory (FRAND) terms contained in IPR policies of certain Standard-Setting Organisations (SSOs).<sup>13</sup>

To solve these questions, the UPC judges dealing with the case will first have to determine the law applicable to the contract according to Art 24(2) UPCA. In a majority of cases, this will entail the consultation of the Rome I Regulation. Thus, if there is no choice of law, usually the national law of the patentee/licensor will be applicable.<sup>14</sup> After this step, the UPC judges hearing the case will have to determine the contractual obligations on the basis of national law in order to reach a conclusion on the contract's impact on the case. The correct application of the applicable contractual law will therefore be decisive for the outcome of the legal dispute at issue.

Since legally qualified judges will usually have a generalist legal education and technically qualified judges will need to prove knowledge of civil law relevant to patent litigation,<sup>15</sup> it does not seem likely that this particular area of law will pose a lot of problems. However, determining the applicable law is complex and the correct application of the various national laws requires diligence and interpretative competence.

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12 Cf Art 32(1) UPCA, in particular lit a (actions for infringement and counterclaims concerning licences), lit b (actions for declarations of non-infringement), lit g (actions relating to the use of the invention prior to the granting of the patent or to the right based on prior use of the invention), lit h (actions for compensation for licences on the basis of a "licences of right" statement pursuant to Art 8 Unitary Patent Regulation 1257/2012).

13 Cf Constanze Krenz *et al*, 'How will the Unified Patent Court decide your case?' (2022) Lexology Resources <<https://www.lexology.com/library/detail.aspx?g=340347b0-922a-4f8f-9eb3-06ee9ef0309d>> accessed 13 April 2022.

14 Arts 3 (Freedom of choice), 11 (Formal validity) and esp. Art 4(2) (Applicable law in the absence of choice, law of the party required to effect the characteristic performance) Rome I Reg; a detailed analysis of the law applicable to licence agreements can be found in Robert Beyer, 'Patentlizenzverträge und die Rom I-Verordnung: Leitlinien zum mangels Rechtswahl anwendbaren Recht' [2021] GRUR 1008, 1009f.

15 See point III.1. below.

### *C. Other areas of law*

Fundamental rights and contractual law are of course not the only two areas of law that might come into play in patent litigation before the UPC. Other relevant areas of law, which are not discussed specifically in this contribution, may for example be competition law,<sup>16</sup> patents as security rights or insolvency law.<sup>17</sup> Especially with regard to the latter two areas of law, the UPC will have to resort to national law, so that similar issues as with contractual law could arise.

## **3. The UPC Judges**

The UPC judges' selection criteria, training requirements and status give some insight as to how well equipped they will be to address interactions of patent law with other areas of law. The relevant provisions can be found in the UPCA, in particular Arts 15ff thereof. While these provisions form the basis for the judicial activity of the UPC, it will also be influenced by the UPC's institutional design and its designated role in the framework of patent litigation.

### *A. UPCA provisions*

#### **1. Educational and professional background**

The UPCA provides for two distinct types of judges: Legally qualified judges on the one hand and technically qualified judges on the other. According to Art 15 UPCA, both kinds of judges "shall ensure the highest standards of competence and shall have proven experience in the field of patent litigation." This experience may also be acquired within the training framework of the UPC.<sup>18</sup>

Legally qualified judges "shall possess the qualifications necessary for the appointment to judicial offices in a Contracting Member State",<sup>19</sup> but do not need to be appointed as judges in their respective MS. The qualifications necessary for the selection as a legally qualified UPC judge thus vary depending on the MS of origin of a candidate. The UPC has issued a document<sup>20</sup> summa-

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16 Cf the reference in Art 42(2) UPCA; see also the contribution of Bojan Pretnar in this book, 477f.

17 Callens, 'Basics of the Unitary Patent system. Part 5: Applicable law at the UPC' (2016) Kluwer Patent Blog <<http://patentblog.kluweriplaw.com/2016/03/18/basics-of-the-unitary-patent-system-part-5-applicable-law-at-the-upc/>>.

18 Cf Art 2(3) UPC Statute, Art 19 UPCA.

19 Art 15(2) UPCA.

20 Unified Patent Court, 'Recruitment of judges: qualifications required for and age limit of

rising the requirements for appointment as an UPC judge in the different MS, which confirms that a more or less generalist legal educational background is a prerequisite for becoming a judge in all MS. It can therefore be assumed that legally qualified judges are familiar with basic concepts of all main areas of law.

Technically qualified judges “shall have a university degree and proven expertise in a field of technology. They shall also have proven knowledge of civil law and procedure relevant in patent litigation.”<sup>21</sup> This shows that when it comes to the legal aspect of patent litigation, technically qualified judges might only be familiar with some specifics of other areas of law, namely the ones most commonly coming up in patent law disputes.

## 2. Status of UPC judges and chamber compositions

According to Art 17 UPCA, judges shall enjoy judicial independence and shall not be bound by any instructions in the performance of their duties. To ensure impartial proceedings, full-time legally qualified judges may not engage in any other occupation with the exception of exercising other judicial functions at the national level. Technically qualified parttime judges, on the other hand, are free to take up employment provided that there is no conflict of interest. Should a conflict of interest arise, the legally or technically qualified judge concerned is obliged to recuse themselves from the case.<sup>22</sup>

Within the Court of First Instance,<sup>23</sup> any panel – which usually consists of three legally qualified judges<sup>24</sup> – shall have a multinational composition. A technically qualified judge with qualifications and experience in the field of technology in question is allocated to the panel only upon request by one of the parties, if the panel of legally qualified judges deems it necessary or if both an action for infringement and a counterclaim for revocation are pending before the same division of the Court of First Instance.<sup>25</sup> The Court of Appeal usually sits in a multinational composition of five judges, three of them legally qualified and two of them technically qualified ones.<sup>26</sup> Any panel at the UPC is chaired by a legally qualified judge.<sup>27</sup> For the purposes of this article, it should thus

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appointment to judicial offices in the Contracting Member States’ available at <[https://www.unified-patent-court.org/sites/default/files/upc-national-eligibility-criteria\\_final.pdf](https://www.unified-patent-court.org/sites/default/files/upc-national-eligibility-criteria_final.pdf)>.

21 Art 15(3) UPCA.

22 Art 17(5) UPCA.

23 The Court of First Instance is the UPC’s lower instance which consists of a central as well as local and regional divisions, cf. Art 33 UPCA.

24 Art 8(1) UPCA.

25 Art 8(5) and 33(3)(a) UPCA.

26 Art 9 UPCA.

27 Art 8(8) and Art 9(3) UPCA.



be pointed out that legally qualified judges having a generalist legal education prevail in all UPC panel of judges and that the multinational composition of chambers guarantees a certain diversity of backgrounds in the panel.

### *B. Reflections on the possible role of UPC judges in the development of patent law*

The way that UPC judges will fulfil their role is not only dependent on their previous experiences and qualifications but also and maybe to a larger extent, on the institutional design of and the expectations placed on the court they sit in.

First, it can be observed that the UPC agreement affords a high degree of autonomy to the UPC and thereby its judges. While the UPC can (and must) refer questions to the ECJ for a preliminary ruling, its role will be limited to the interpretation of Union law, of which the UPCA and therefore a substantial portion of unitary patent law is not part. Moreover, national courts are not involved in the system set up by the UPCA. Thus, the UPC judges will shape European patent law without the influence of courts or institutions whose activities and approaches are of a more generalist nature.

Second, when it comes to future users' expectations on the UPC, it might be useful to look at the experiences made with the US Court of Appeal for the Federal Circuit.<sup>28</sup> The exclusive jurisdiction in (some) patent matters was conferred to the Federal Circuit because it was assumed that a specialised court would establish legal uniformity and predictability and would be more efficient than a generalist court due to its judges' focus on and experience in patent-related matters.<sup>29</sup> The fact that a specialised court is, to some extent, designed to be 'user-centric' is not a bad thing per se. However, it can lead to the judges' over-identification with the values prevalent among the user community. In this context, a concern that has repeatedly been expressed is that the UPC might favour 'technology-based' (or 'innovation-related') values in a way that does not necessarily coincide with the importance placed on these values by the legal system as a whole.<sup>30</sup> This might be exacerbated by the fact that the UPC will to some extent, be in competition with other courts and patent 'systems'

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28 Rochelle Cooper Dreyfuss, 'The EU's Romance with Specialized Adjudication' [2016] IIC 887. See also the contribution of Rochelle Cooper Dreyfuss in this book, 73f.

29 Diane P. Wood, 'Keynote Address: Is It Time to Abolish the Federal Circuit's Exclusive Jurisdiction in Patent Cases?' [2013] Chi.-Kent J. Intell. Prop. 1, 2f.

30 Schovsbo *et al* (n 4) 273f.

in Europe. In order to prove itself valuable to potential users, it could adopt a particularly patentee-friendly jurisprudence.

Third, after almost a decade of debate over the reasonableness of establishing the UPC in its current form, its judicial activity will be under particular scrutiny in the years to come. It seems therefore safe to assume that UPC judges will place particular importance on the quality of their judgments and the efficiency of proceedings to demonstrate to the doubters and confirm to the supporters that it was, after all, a good decision to implement the UPC system. The prestige of the UPC – and thus, its judges – will to a great extent, depend on the success of this exercise.

In conclusion, there are several ‘unwritten’ factors that might impact on the manner and the extent to which other areas of law will be considered by UPC judges. These are particularly important since, as pointed out above,<sup>31</sup> the UPCA offers limited guidance when it comes to the interactions of patent law relevant in proceedings before the UPC and other areas of law. It remains to be seen if and how exactly these factors will shape the UPC’s jurisprudence in practice.

#### ***4. UPCA tools to deal with interactions with other areas of law***

While the UPCA contains some references to other areas of law, it does not provide clear guidance to the UPC judges on how to take these other areas of law into account. It only offers some general tools that can help solve such issues as they arise.

First, it should be pointed out that the UPC is exclusively competent for the claims enumerated in Art 32 UPCA and is thus fully responsible for solving any preliminary or annex legal questions that do not strictly concern patent law but are nonetheless necessary for the resolution of the patent dispute before the UPC. Accordingly, it is up to the UPC judges to determine the applicable law and solve legal questions independently. In this context, it is important to note that UPC judges “may at any time appoint court experts in order to provide expertise for specific aspects of the case”. This seems to include legal advice so that UPC judges unfamiliar with a specific area of law or a specific national system can seek expert help in resolving such issues.

Second, the UPCA elaborates on the different sources of law and their hierarchy in Art 24. While this provision does not strictly concern interactions with other areas of law, it does establish where UPC judges must turn in to seek answers to legal questions outside of patent law.

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31 Point 2.

Moreover, the UPC agreement addresses the issue of the relevance of other areas of law partly by the requirement that legally qualified judges need to have the qualifications required for appointment to judicial offices. Therefore, they should have a 'generalist' understanding of legal concepts and interpretations outside of patent law.

To sum up, the UPCA offers some solutions and tools for the UPC judges to take due account of other areas of law. However, it does not explicitly address this issue and largely leaves the resolution of questions concerning other areas of law to the judges themselves.

## **5. Suggestions**

As it is unlikely that the UPCA will be amended to provide more guidance on the interactions between patent law and other areas of law in general and specific areas such as fundamental rights and contract law in particular, there is limited room for improvement. However, there are some suggestions that could easily be implemented within the current framework.

First, it seems that the most common issues of applying other areas of law can be identified beforehand and treated in (continued) training for UPC judges. This also relates to the second point that could be implemented during the training phase, which is creating awareness of the role of other legal branches in patent litigation among UPC judges.

Additionally, while it is important that UPC judges are highly qualified in patent litigation, their former practice as a 'generalist' judge should be considered a plus. In the same vein, it should be considered whether it could be beneficial to recruit some 'generalist' judges with no or little patent litigation experience and train them in patent law upon selection.<sup>32</sup> However, it appears that most candidates for selection as UPC judges already have extensive generalist legal experience.

Lastly, in addition to the possibility of UPC judges to appoint court experts, the possibility of judicial dialogue with national courts or even inter-court assistance could be introduced. For example, in complex matters of national law, an exchange about the legal aspects to consider could take place between the UPC and national courts that have more experience in dealing with the specific area of national law in question.<sup>33</sup>

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32 See Schovsbo *et al* (n 4) 273f.

33 Cf similarly Schovsbo *et al* (n 4) 274.

## **6. Conclusion**

The degree of specialisation of the UPC is unprecedented. The advantages offered by such a system, namely uniformity and efficiency, are contrasted by some drawbacks, e.g., possible biases towards ‘technology-based values’ (or ‘innovation-related values’) and a tendency to neglect other areas of law that might significantly impact on the outcome of patent litigation. With respect to the latter point, i.e., the interaction of patent law with other areas of law, the UPCA provides some guidance but leaves much leeway to the UPC judges deciding a case. It is therefore necessary to anticipate and draw attention to possible interactions of patent law with other legal fields and the challenges arising in such a situation, e.g., regarding the assessment of the validity and the content of contracts as a preliminary question in infringement proceedings and to the importance of taking due account of fundamental rights. The value and viability of the UPC will ultimately also depend on how well it will handle these issues.

# 16. PROPORTIONALITY AND FLEXIBILITIES IN FINAL INJUNCTIVE RELIEF

*Lisa Van Dongen*

## **1. Introduction**

In 2006, the patent world was shaken to the core by *eBay v MercExchange*,<sup>1</sup> a case that questioned several basic principles in patent enforcement that were considered well established for quite some time. The US Supreme Court found that the rights holder is not *entitled* to final injunctive relief and that, depending on the circumstances of the case, other interests may be assigned more weight. It was a clear signal from the US Supreme Court that patent rights were not to be considered absolute, and courts should thus not enforce them in an automated fashion with injunctive relief. This case has received considerable attention globally, with many (European) patent scholars analysing it in meticulous detail and questioning the European approach. In Europe, there are very strong automated tendencies in judicial enforcement that essentially equate the finding of an infringement to the (blanket) grant of a permanent injunction. There have been many (comparative) works both before and after this case, focusing on the balance struck between interests,<sup>2</sup> on concepts such as abuse of rights<sup>3</sup>

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1 *eBay Inc et al v MercExchange, LLC* [2006] 547 US 12 (Supreme Court of the United States).

2 See, for instance, Graham M Dutfield and Uma Suthersanen, 'The Innovation Dilemma: Intellectual Property and the Historical Legacy of Cumulative Creativity' (2004) 4 *Intellectual Property Quarterly* 379; Daniel Krauspenhaar, *Liability Rules in Patent Law: A Legal and Economic Analysis* (1st edn, Springer-Verlag Berlin Heidelberg 2015); Klaus Grabinski, 'Injunctive Relief and Proportionality in Case of a Public Interest in the Use of a Patent' [2021] GRUR 200.

3 See, for instance, Alain Strowel and Amandine Léonard, 'Cutting Back Patent Over-Enforcement - How to Address Abusive Practices Within the EU Enforcement Framework' (2020) 11 *JIPITEC* 3; Léon Dijkman, 'Het octrooirechtelijk verbod: Heilig huisje in de storm?' [2019] BIE 186.

and proportionality,<sup>4</sup> differing interests per industry<sup>5</sup> and types of products,<sup>6</sup> as well as in-depth analyses of specific remedies<sup>7</sup> and actors<sup>8</sup>, etc. Even though there is no agreement on the optimal balance in patent enforcement (and likely never will be), even the most adamant proponents of strong patent enforcement agree that there may be other interests that merit the denial or tailoring of final injunctive relief. Moreover, we recently witnessed the contentious development of an act amending the German Patentgesetz to implement, amongst other things, the principle of proportionality into the provision on

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- 4 See, for instance, Ansgar Ohly, 'Three Principles of European IP Enforcement Law: Effectiveness, Proportionality, Dissuasiveness' in Josef Drexl and Hanns Ullrich (eds), *Technology and Competition: Contributions in Honour of Hanns Ullrich* (Larcier 2009); Marcus Norrgård, 'The Role Conferred on the National Judge by Directive 2004/48/EC on the Enforcement of Intellectual Property Rights' (2005) 6 ERA Forum 503 <<http://link.springer.com/10.1007/s12027-005-0014-4>> accessed 30 March 2022; Rafał Sikorski, 'Towards a More Orderly Application of Proportionality to Patent Injunctions in the European Union' (2022) 53 IIC - International Review of Intellectual Property and Competition Law 31 <<https://link.springer.com/10.1007/s40319-021-01139-6>> accessed 30 March 2022.
  - 5 See, for instance, Jan A Bergstra and Paul Klint, 'About "Trivial" Software Patents: The IsNot Case' (2007) 64 Science of Computer Programming 264 <<https://linkinghub.elsevier.com/retrieve/pii/S0167642306001754>> accessed 17 August 2020; Rosa Maria Ballardini, 'Legal Certainty and Software Patents: A European Perspective', *Transitions in European Patent Law: Influences of the Unitary Patent Package* (Kluwer Law International 2015); Dan L Burk, 'Patent Law's Problem Children: Software and Biotechnology in Transatlantic Context' (2014) 50 Legal Studies Research Paper Series 37 <[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2496250&download=yes](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2496250&download=yes)>.
  - 6 See, for instance, C Bradford Biddle and others (eds), *Patent Remedies and Complex Products* (Cambridge University Press 2019); Thomas F Cotter, *Patent Wars: How Patents Impact Our Daily Lives* (Oxford University Press 2018).
  - 7 Stephen Bennett, Stanislas Roux-Vaillard and Christian Mammen, 'Shifting Attitudes to Injunctions in Patent Cases' (2015) 246 Managing Intellectual Property 22; R Lundie-Smith and G Moss, 'Bard v Gore: To Injunct, or Not to Injunct, What Is the Question? Is It Right to Reward an Infringer for Successfully Exploiting a Patent?' (2013) 8 Journal of Intellectual Property Law & Practice 359 <<https://academic.oup.com/jiplp/article-lookup/doi/10.1093/jiplp/jpt025>> accessed 2 April 2022. See, for instance, for a comprehensive comparative overview Jorge L Contreras and Martin Husovec, *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).
  - 8 See, for instance, Martin Stierle, *Das Nicht-Praktizierte Patent*, vol Geistiges Eigentum und Wettbewerbsrecht 139 (Mohr Siebeck 2018); Wolfgang von Meibom and Ralph Nack, 'Patents without Injunctions? – Trolls, Hold-Ups, Ambushes, and Other Patent Warfare' in Wolrad Prinz zu Waldeck und Pyrmont and others (eds), *Patents and Technological Progress in a Globalized World* (Springer Berlin Heidelberg 2009) <[http://link.springer.com/10.1007/978-3-540-88743-0\\_35](http://link.springer.com/10.1007/978-3-540-88743-0_35)> accessed 29 March 2022.

final injunctions.<sup>9</sup> With all this traction, it is surprising that automated tendencies in patent enforcement in Europe remain as prevalent as they have been for several decades without any clear departures by courts from such tendencies indicative of course changes.

What is more, is that the possibility to break with automated tendencies in enforcement will soon be further complicated by the addition of another layer to Europe's existing patent systems, namely by the creation of the Unified Patent Court (UPC) and the unitary patent. Whether one is a proponent or not, it looks like its realisation is inevitable with the Unified Patent Court Agreement (UPCA) entering into force soon. If this system takes off, decisions of this new court will carry significant weight in European patent enforcement due to several organisational and territorial aspects. The UPC has even been described as a potential judicial counterbalance to pro-patent tendencies in patent offices, particularly the European Patent Office (EPO).<sup>10</sup> However, considering the strange construct of its creation, it is questionable that the UPC will be that judicial counterbalance and lead the way for other courts in Europe. Some of these aspects might also create some tension with other systems it will have to co-exist and interact with. A closer look is thus imperative. This chapter aims to do just that from an EU law perspective, testing the hypothesis:

The UPC will *not* bring about a change in the current automated tendencies in granting final injunctions, but rather cement them.

First, this contribution will explain in section 2 why there will be no push from the EU to try and do so based on the current status of EU harmonisation in the enforcement of intellectual property rights. While EU law allows and asks for the utilisation of flexibilities in this field, they are not or seldom used in practice. Next, the UPC's capability and willingness to break with the existing automated tendencies will be questioned in section 3 based on the UPCA's formulations and the UPC's organisational features. In subsequent sections, the

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9 Entwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts 2021 (Drucksache 19/25821); Fabian Hoffmann, 'Stellungnahme Zum Gesetzentwurf Eines Zweiten Patentrechtsmodernisierungsgesetzes' (Bundesgerichtshof 2021) <<https://www.bundestag.de/resource/blob/823364/6e3d65255c293c1bcbab-74f1e510e547/stellungnahme-hoffmann-data.pdf>>; 'Stellungnahme Des Verbands Der Automobilindustrie e.V. (VDA)' (2020) Position Paper <[https://www.bmjv.de/Shared-Docs/Gesetzgebungsverfahren/Stellungnahmen/2020/Downloads/02282020\\_Stellungnahme\\_VDA\\_DiskE\\_PatMoG.html](https://www.bmjv.de/Shared-Docs/Gesetzgebungsverfahren/Stellungnahmen/2020/Downloads/02282020_Stellungnahme_VDA_DiskE_PatMoG.html)>.

10 Clement Salung Petersen, Thomas Riis and Jens Schovsbo, 'The Unified Patent Court (UPC) in Action: How Will the Design of the UPC Affect Patent Law?' in Rosa Maria Ballardini, Marcus Norrgård and Niklas Bruun (eds), *Transitions in European Patent Law: Influences of the Unitary Patent Package* (Wolters Kluwer Law & Business 2015).

wording in the UPCA on judicial discretion in granting final injunctions and the ambiguous role of national law will be critically analysed in 3.A. Some thought will also be dedicated in section 3.B to the specialisation of the UPC and the isolation in which it will operate from other courts. Last, section IV is divided into three parts, first considering the feasibility and effectiveness of amending the UPCA and EPC, followed by the potential and limitations of other legislative course corrections by the EU, particularly the option of a strengthened principle of proportionality, before revisiting the hypothesis in the conclusion.

In the endeavour to test this hypothesis, the primary focus will be on the relevant EU and UPC legal frameworks. Furthermore, it will not explicitly consider factors that distinguish infringement disputes between rights holders and direct infringers involving claims for permanent injunctions from those involving other types of parties or claims (including interlocutory injunctions). Finally, the black letter analysis conducted here revolves around the overarching principle of proportionality, rather than specifying or considering all the different types of factors and interests capable of falling within its scope in their own right.

## **2. EU “harmonisation” as UPC source**

### *A. The role of EU law*

The UPCA defines the body of law on which the UPC *shall* base its decisions, specifying certain sources without being exhaustive. It makes the UPC’s legal framework a complicated one: the UPCA itself, EU law, the European Patent Convention (EPC), other international agreements relevant to patent enforcement, and national laws of the EU Member States that have signed and ratified the UPCA. The UPC will have to strike a balance between what each of these sources demands in a given case.<sup>11</sup> However, EU law has been embedded in the

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11 This means the UPC will be called upon to interpret instruments with members that may not be part of the UPC system or even the EU, such as with the Paris Convention, the TRIPS Agreement and the EPC. In turn, their judicial bodies will indirectly weigh in on the UPC’s interpretation and application of such instruments through disputes brought before them on issues relevant to the UPC. It is beyond the scope of this contribution to consider them all. However, most of these other international agreements can be expected to be less impactful due to the fact that they contain more broadly phrased objectives for their member to achieve rather than the exact means. Since these instruments have been around for a while, this also means that the most forceful obligations have long since found their way into EU and national law. Their utilisation in



UPCA as a limiting source more explicitly than the other sources.

The final draft of the UPCA contained several provisions to clarify the relationship between the UPC system and the EU. While brought to life via a non-EU treaty, this agreement came about between the vast majority of EU Member States through the EU's enhanced cooperation procedure. It created an international court common to the Member States with a limited relationship with the ECJ. It consists of divisions of *multinational* compositions – thus not national courts – spread across the participating EU Member States that have ratified the UPCA *and* agreed to host divisions. Despite the explicit statement in the UPCA itself that the UPC is an EU Member State's court,<sup>12</sup> it is important to emphasise that the UPC is not a *pure* EU court but a specialised patent court which the drafters have intentionally tried to isolate from (EU) judicial review as much as possible.<sup>13</sup> The latter aspect and the multinational composition of these divisions, combined with the fact that the UPC will also apply EU law, while the ECJ has no direct jurisdiction over the UPCA and is limited in its ability to affect the UPC's course, all underscore this.

Nevertheless, the UPC is required by the UPCA to apply EU law. As laid down in the UPCA, the UPC *shall* issue its decisions within the perimeters set by EU law,<sup>14</sup> *shall* refer preliminary questions to the ECJ when required based on Article 267 TFEU<sup>15</sup> and adhere to its decisions, as they are *binding* upon the UPC.<sup>16</sup> Any breach by the UPC could trigger liability for EU Member States, both jointly and individually. While there seem to be some teeth behind the liability scheme, we have seen in the process of EU harmonisation of intellectual property rights enforcement that this might not amount to much in practice.

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patent disputes has thus become more theoretical over time. Having said that, a likely exception can be found in the European Convention on Human Rights (ECHR) because the EU Charter on Fundamental Rights only applies when EU law is applied. If this were interpreted in a limited fashion by the UPC, the ECHR's role might be more prominent and direct in fundamental rights questions before the UPC.

12 Agreement on a Unified Patent Court 2013 OJ C175/1, Article 1.

13 Thomas Jaeger, 'Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise' (2013) 44 IIC - International Review of Intellectual Property and Competition Law 389, 391 <<http://link.springer.com/10.1007/s40319-013-0050-5>> accessed 23 November 2021. Even if unsuccessful in some ways, as evident by the aforementioned provisions, the role of the ECJ is still a mostly passive one. The ECJ only has a say through the preliminary reference procedure on the limited aspect it is consulted on as relevant for the case. Given that EU patent law is limited, the case law developed by the ECJ will mostly involve related aspects from other fields of law.

14 UPC Agreement Articles 24 and 20.

15 *ibid* Article 21.

16 *ibid*.

Additionally, the broad wording required for legal provisions to be workable in practice, to provide room for interpretation (particularly in applying national law), and to make it withstand the test of time, results in a degree of deniability in determining whether or not the UPC is in breach of EU law. Therefore, it may in practice only pose an incentive for the UPC to try and avoid the clearest of breaches.

Some of the aforementioned aspects – and many more – create doubt as to the way the UPC will apply EU law and involve the ECJ, but at the end of the day, the UPC *is* bound by EU law and required to apply it. EU patent law is, however, quite limited, but there are existing EU instruments relevant to patent enforcement through which the EU can provide input for the UPC.<sup>17</sup> Those relevant to the consideration and application of the principle of proportionality by courts in deciding whether or not to grant injunctive relief and, if so, in what form, will be explored below.

### *B. Final injunctions under EU law*

As *lex generalis*, the Enforcement Directive is the most significant instrument for the enforcement of all types of intellectual property rights. While originally developed with a strong emphasis on the protection of copyright, its scope was broadened to encompass all types of infringements of all types of intellectual property rights. As a result, it conveyed somewhat of a mixed message, portraying itself as an instrument setting a *minimum standard* for strengthening the protection of intellectual property rights,<sup>18</sup> while at the same time emphasising

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17 Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection 2012 OJ L361/1; Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements 2012 OJ L361/89; Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions 1998 OJ L 213/13; Directive 2004/48/EC of the European Parliament and of the Council of 21 April 2004 on the enforcement of intellectual property rights 2006 OJ L195/16. There are also those containing specific provisions referenced by the UPCA as exceptions it recognises, such as Directive 2001/82/EC of 6 November 2001 on the Community code relating to veterinary medicinal products 2001 OJ L 311/1; Directive 2001/83/EC of 6 November 2001 on the Community code relating to medicinal products for human use 2001 OJ L 311/67; Directive 2009/24/EC of 23 April 2009 on the legal protection of computer programs 2009 OJ L 111/16.

18 See, for instance, language to that effect: Enforcement Directive Recitals 3, 10, 21, 27 and 29 and Article 2(1). The latter is quite interesting, as it speaks of the possibility of

the importance of harmonisation,<sup>19</sup> the functioning of the market and promotion of innovation<sup>20</sup> and the significance of proportionality in enforcement.<sup>21</sup> Some of the latter considerations are arguably capable of also constraining enforcement standards on a case-specific basis in their severity for the infringer or more general interests. The Enforcement Directive thus also provides a *ceiling* to enforcement. This reading is supported by certain provisions of the Enforcement Directive, particularly Article 3.

### 1. Mandatory discretion

Article 3 is a mandatory provision of general application that demands of Member States and their courts that procedures, measures and remedies shall be fair, equitable, effective, proportionate, dissuasive, applied as to avoid creating barriers to legitimate trade and that safeguards are provided against their abuse. Additionally, remedies shall not be unnecessarily complicated or costly, nor entail unreasonable time-limits or unwarranted delays. Importantly, the EU legislator has formulated this exercise broadly yet forceful, specifically requiring remedies to remain within Article 3's confines. In that respect, its formulation deviates from its source of inspiration in the TRIPS Agreement, which only mentions procedures.<sup>22</sup> The most significant components of Article 3 are the principles of effectiveness, dissuasiveness and proportionality. Effectiveness and dissuasiveness can be best understood as generally requiring strong protection for intellectual property rights, whereas proportionality calls for balancing all relevant factors. Put differently, a remedy should be effective and dissuasive enough without becoming disproportional. The latter thus pertains to interests other than those of the rights holder.

These principles thus have somewhat of an overarching reach because they encompass most of the other components (if not all) and play a role in weighing the other components in a given case. This also means this provision cannot be considered exhaustive since more factors are capable of falling within the scope of these principles. What is more, is that these principles are not phrased

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providing domestically for i.e. remedies *more favourable* to rights holders than the Enforcement Directive, while also recognising Article 3 as a *limit* to this.

19 *ibid* Recitals 7-10.

20 *ibid* Recitals 1, 8 and 9.

21 See, for instance, formulations to that effect: *ibid* Recitals 17, 24, 25 and 32 and Article 2(1) and 3.

22 Agreement on Trade-Related Aspects of Intellectual Property Rights 1994 Article 41(1) and (2). Article 3 of the Enforcement Directive includes all of Article 41(1) and (2)'s components but deviates from the latter by also explicitly including the principles of dissuasiveness and proportionality, as well as expanding the scope from procedures to include measures and remedies.

as limited to the parties of the case or even those with a direct interest. It thus provides room for the consideration of, for example, public interests or the functioning of a market. The consideration of all these factors is always fact-sensitive, meaning that the assessment needs to be done on a case-by-case basis. This cannot be done on the legislative level; it is an assignment for judicial enforcers. Consequently, this article charges the courts to weigh all mitigating/aggravating circumstances to ensure that an appropriate balance is struck, thus functioning as both a floor and a ceiling to remedies. However, courts are only able to perform this assessment and strike the balance warranted in a given case if they are given enough discretion domestically as well.

This also means that the imposed balancing of interests is not limited to the question of whether or not to grant a remedy but also applies to its form. One could think of granting an injunction with a certain delay or constraint in time, excluding certain actors or components from an injunction order, or, if an injunction by itself would be found severe, that other requested remedies may be (partially) denied or granted instead. In fact, some of the components of Article 3 pertain more to the specifics of a remedy, such as not being unnecessarily complicated or costly, or not granted with unwarranted delays. Article 3 thus requires case-specific balancing in two distinct stages, signifying that a specific remedy may be warranted given the balance of interests, but the court also needs to strike the appropriate balance in its form. It is thus a vital part of this imposed test that courts scrutinise the appropriateness of potential forms of a remedy and adjust its scope accordingly.

## 2. Mere authority or reiteration of discretion?

Furthermore, there is Article 11 of the Enforcement Directive on final injunctive relief to consider. Like its source of inspiration, Article 44 of the TRIPS Agreement, there has been some discussion on whether Article 11 obligates EU Member States to provide their courts with the authority to grant final injunctions, or whether it requires Member States to provide their courts with discretion on the matter.<sup>23</sup> The way this provision is phrased, the latter is more plausible: 'Member States *shall* ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities

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23 Alexander Von Muhlendahl, 'Enforcement of Intellectual Property Rights - Is Injunctive Relief Mandatory?' (2007) 38 IIC - International Review of Intellectual Property and Competition Law 377, 377; George Cumming, Mirjam Freudenthal and Ruth Janal, *Enforcement of Intellectual Property Rights in Dutch, English and German Civil Procedure* (Kluwer Law International 2008) 169; Rafael Garcia Pérez, 'Injunctions in Intellectual Property Cases: What Is the Power of the Courts?' (2016) 1 Intellectual Property Quarterly 87.

*may* issue against the infringer an injunction.’ To rephrase, Member States are to provide their courts with the *discretionary* authority to grant this remedy. At the very least, one cannot take away from this provision that final injunctions must follow upon finding an infringement of a valid patent. The use of the word *may* in Article 11 clearly indicates that injunctions need not to be granted when an infringement is found.<sup>24</sup> Moreover, no conditions are hereto given.

The fact that it is not specified how (much) this discretion should be exercised makes sense due to its general applicability. As each intellectual property right has a different objective, different criteria, different functioning and, in most cases, its own specific instrument (*lex specialis*),<sup>25</sup> it makes sense that the Enforcement Directive as *lex generalis* could not be more specific on this matter. It needs to leave room for variation in *lex specialis*. An example of very limited discretion in granting final injunctions can be found in the field of trademarks,<sup>26</sup> which focuses predominantly on combating harmful confusion amongst consumers, whereas a very roomy discretion is afforded in the area of trade secrets.<sup>27</sup> However, even for *lex specialis*, the mandatory Article 3 applies as floor and ceiling. Due to EU law’s primacy, the UPC would also be bound by it. Sadly, the undefined margin of discretion afforded by Articles 3 and 11 poses a challenge to changing course towards a more prominent role for proportionality. This discretion also allows courts to decide against using it if they consider that appropriate for the case at hand. That enforcement should not be automated is clear, but the weight that should be assigned to proportionality against effectiveness and dissuasiveness is not.

### *C. The status quo of harmonisation: national implementation*

#### **1. (Not) Following the English example**

Sadly, as hinted at before, the law in the books differs from law in practice. Somewhat ironic considering Brexit, the English judges were at the forefront of

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24 Garcia Pérez (n 24) 94.

25 Dan L Burk and Mark A Lemley, *The Patent Crisis and How the Courts Can Solve It* (University of Chicago Press 2009) 8, 38; James Bessen and Micheal J Meurer, *Patent Failure: How Judges, Bureaucrats, and Lawyers Put Innovators at Risk* (Princeton University Press 2008) 10–16.

26 Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union Trade Mark 2017 OJ L 153/1, Article 130.

27 Directive (EU) 2016/943 of the European Parliament and of the Council of 8 June 2016 on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure 2016 OJ L 157/1, Article 13.

EU harmonisation of intellectual property rights enforcement. Both in copyright and patent cases, there were various examples of injunctions being denied or tailored. Article 3 of the Enforcement Directive has been explicitly recognised as providing a ceiling, and English judges found on numerous occasions that the public interest heeded the rejection or delay of a permanent injunction, as well as excluding certain specific circumstances from its scope.<sup>28</sup> It is thus not merely approached as a matter of whether or not to grant a remedy, but also as of its appropriate form.<sup>29</sup> While other domestic courts in the EU have often looked at English practices, as suggested by references to English cases in their judgments, it has not perceivably moved courts of other Member States to less restrictive practices.

In looking at the practices in other states, Contreras and Husovec derived that, in the case of final injunctions, England was an outlier in the EU.<sup>30</sup> Some EU Member States have endowed their courts with judicial discretion (e.g., Poland<sup>31</sup> and Finland<sup>32</sup>), but it is not used in practice. Then there are states that are reported to provide little to no judicial discretion at the far left of the

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28 *GlaxoSmithKline UK Limited v Wyeth Holdings LLC* [2017] EWHC 91 (Pat) 9 (Chancery Division) paras. 27-28.

29 *HTC Corp v Nokia Corp (No 2)* [2013] EWHC 3778 (Pat), [2014] RPC 30 [27]; *Edwards Lifesciences v Boston Scientific* [2018] EWHC 1256 (Pat) 15 (Chancery Division (patents Court)) [60]. Another interesting example is *GlaxoSmithKline v Wyeth Holdings*, which revolved around the appropriateness of account of profits for future infringement, as proposed by the patentee as an alternative to an injunction. Justice Henry Carr denied the remedy concluding, amongst other things, that this would essentially have the same effect as an injunction. *GlaxoSmithKline UK Limited v Wyeth Holdings LLC* (n 29) paras. 27-28.

30 Jorge L Contreras and Martin Husovec, 'Issuing and Tailoring Patent Injunctions - A Cross-Jurisdictional Comparison and Synthesis' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

31 Rafal Sikorski and Tomasz Targosz, 'Injunctive Relief under Polish Patent Law' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

32 Marcus Norrgård, 'Injunctive Relief in Finland' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

spectrum, amongst which Italy,<sup>33</sup> France,<sup>34</sup> Germany<sup>35</sup> and the Netherlands.<sup>36</sup> However, for completeness, the Dutch provision based on which final injunctions are granted is one of general application, not limited to patents or even intellectual property law. This is of note, because Dutch courts have found the same provision to be less proscriptive in the area of copyright.<sup>37</sup> Finally, Germany merits a closer look as well due to the implementation of the principle of proportionality into the Patentgesetz's provision on final injunctive relief.

## 2. Proportionality in Germany

The recent amendment to Section 139(1) of the Patentgesetz (in effect since 18 August 2021) essentially compels courts to grant damages in lieu of a permanent injunction if the latter would otherwise result in disproportionate hardship for the infringer or third parties not justified by the exclusive right due to the special circumstances of the individual case and the requirements of good faith.<sup>38</sup> Given this amendment, one may expect Germany to take over the

33 Alessandro Cogo and Marco Ricolfi, 'Patent Injunctions in Italy' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

34 Thibault Gisclard and Emmanuel Py, 'Injunctive Relief in French Patent Law' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

35 Peter Georg Picht and Anna-Lena Karczewski, 'Patent Injunctions in Germany: Legal Framework and Developments' in Jorge L Contreras and Martin Husovec (eds), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (Cambridge University Press 2022).

36 Contreras and Husovec (n 31).

37 Examples of Dutch courts denying the grant of final injunctions despite copyright infringement are *Cozzmoss BV v Haarlemse Volkstuindersvereniging ZWN* [2010] ECLI:NL:RBHAA:2010:BQ6771 (Rb Haarlem); *BührmannUbbens BV v Silk Screen* [2011] ECLI:NL:RBALK:2011:BR4987 (Rb Alkmaar); *Trouw v anonymous website proprietor* [2011] ECLI:NL:RBAMS:2011:BV6471 (Rb Amsterdam); *Martinelli Luce SPA v 4udesigned* [2017] ECLI:NL:RBNHO:2017:4377 (Rb Noord-Holland); *COZZMOSS BV v Management Adviesgroep '88 BV* [2012] ECLI:NL:RBUTR:2012:343 (Rb Utrecht); *Freelancers v NPS* [2002] ECLI:NL:RBAMS:2002:AE3459 (Rb Amsterdam); *Anonymous artist v kerkgenootschap Protestantse Gemeente Bilthoven* [2016] ECLI:NL:RBMNE:2016:6956 (Rb Midden-Nederland).

38 Entwurf eines Zweiten Gesetzes zur Vereinfachung und Modernisierung des Patentrechts. Article 139(1) of the Patentgesetz now reads: "(1) Wer entgegen den §§ 9 bis 13 eine patentierte Erfindung benutzt, kann von dem Verletzten bei Wiederholungsgefahr auf Unterlassung in Anspruch genommen werden. Der Anspruch besteht auch dann, wenn eine Zuwiderhandlung erstmalig droht. Der Anspruch ist ausgeschlossen, soweit die Inanspruchnahme aufgrund der besonderen Umstände des Einzelfalls und der Gebote von Treu und Glauben für den Verletzer oder Dritte zu einer unverhältnismäßi-

front position from England in the EU's harmonisation process. This may turn out to be the case, but there are a few hurdles for German courts to overcome as Germany has a history of strong property logic. In fact, their enforcement practices have long been used as the prime example of automated injunctive relief upon finding an infringement. The amendment is also rather binary since it does not provide for a compromise solution but leads to the automatic refusal of a final injunction. This could be construed as severely limiting the use of proportionality based on this amendment, seemingly excluding tailoring in a case that would satisfy the amendment's conditions. Additionally, these conditions appear to set a very high threshold. However, they have taken the step to codify the principle of proportionality, combined with a shorter term for the Bundespatentgericht to decide upon validity questions. Due to their bifurcated system, courts dealing with enforcement only check for the clearest indications of invalidity, yet they tend not to await the Bundespatentgericht's judgment on it. Instead, they proceed to the infringement question and, if answered in the affirmative, grant final injunctive relief. It was thus imperative that the time between these two different judgments would be reduced as much as possible to mitigate the harm of an injunction in case of subsequent revocation of a patent.

Yet, there was a lot of criticism of the new formulation of the injunction provision, on the language used in the Explanatory Memorandum and, last, on the procedure and consultation of opponents and proponents. This was to be expected due to the high stakes, with the amendment either starting the break with the present automation or cementing the status quo. It is noteworthy that two Bundesgericht judges, namely judges Klaus Grabinski and Fabian Hoffmann spoke out in separate works *before* the adoption of the amendment.<sup>39</sup> While finding themselves on opposing sides in some respects,<sup>40</sup> both judges essentially see the amendment as a *mere codification of the current practice*. Judge Hoffmann started his position paper by explicitly stating that

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*gen, durch das Ausschließlichkeitsrecht nicht gerechtfertigten Härte führen würde. In diesem Fall ist dem Verletzten ein angemessener Ausgleich in Geld zu gewähren. Der Schadensersatzanspruch nach Absatz 2 bleibt hiervon unberührt."* The part in *Italic* was added by the amendment.

39 Grabinski (n 3); Hoffmann (n 10).

40 For instance, they differed in their stances on whether or not proportionality should also encompass third-party interests not caught by the compulsory licensing scheme. Judge Grabinski took the position that if third-party interests were not sufficient to qualify for a compulsory license, they should not be considered by a court performing a proportionality test in infringement proceedings. Judge Hoffmann, on the other hand, foresaw circumstances which would nevertheless warrant the consideration of such third-party interests even if unable to satisfy the bar for a compulsory license.



no fundamental changes in the approach to deciding upon whether or not to grant injunctive relief (with(out) delay) are to be expected. That does not reassure proponents of a stronger role for proportionality, nor will these positions from two renowned members of the German court arguably encourage other German judges to depart from current practices.

Nevertheless, it will remain to be seen what effect the amendment will have in German enforcement, as other judges may yet disagree. Ultimately, there is the potential here for Germany to advocate and push other Member States and their courts toward a more influential principle of proportionality with a lower threshold. Even so, this will not happen overnight, and it does not mean other courts will follow as illustrated by the limited spill-over effect of the English approach. Of course, this may be explained to some extent by the fact that England has a common law tradition, which may have proved too much of a barrier for civil law courts to follow the English approach to permanent injunctions. Germany might thus be more influential in this respect.

#### *D. EU institutions weighing in (unsuccessfully)*

##### **1. The Commission on Article 3**

The Commission's input towards a more balanced approach in enforcement is notable because it has been pushing for stronger and stronger enforcement of intellectual property rights for over two decades. Therefore, the fact that there was even some signaling for moderation from the Commission is quite a departure. In 2017, the Commission published two separate communications, the first one homing in on Standard Essential Patents<sup>41</sup> and the other on the Enforcement Directive.<sup>42</sup> In both, the Commission explicitly affirmed that courts are bound by Article 3. The Commission stressed that, given the broad impact an injunction may have on businesses, consumers and on the public interest, the proportionality assessment needs to be done carefully on a *case-by-case basis*. Seeing that the Commission considers it necessary to reiterate the importance of Article 3 and advocate for a more balanced approach, this implies the current weight assigned to its balancing act in judicial enforcement is deemed insufficient. Sadly, these instruments are of a guiding nature

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41 Commission, 'Setting out the EU Approach to Standard Essential Patents' (2017) Commission Communication COM/2017/0712 final.

42 Commission, 'Guidance on Certain Aspects of Directive 2004/48/EC of the European Parliament and of the Council on the Enforcement of Intellectual Property Rights' (2017) Commission Communication COM/2017/0708 final.

and lack the teeth to force change in the domestic approach.<sup>43</sup> It is thus up to Member States to recognise and work with this assignment, but so far, no clear departures appear to have been observed in domestic enforcement practices.<sup>44</sup>

## 2. The ECJ's ceiling rhetoric

There have been plenty of references to the principle of proportionality and other elements of Article 3 as constraining factors in the ECJ's case law. For instance, in both *Scarlet* (2011)<sup>45</sup> and *Netlog* (2012),<sup>46</sup> the ECJ found that Article 3 requires a remedy not to be unnecessarily complicated or costly, while emphasising that the EU Charter does not make an intellectual property right inviolable.<sup>47</sup> That was clear language conveying that there are limits to enforcement. To boot, the ECJ made a clear distinction between the fundamental rights context and Article 3 as separate mandatory constraints to be applied by courts.<sup>48</sup> Furthermore, in *L'Oréal v eBay* (2011), the ECJ emphasised the need to strike a balance between all components of Article 3, essentially putting the principles of effectiveness and dissuasiveness opposite fairness, proportionality, the preclusion of excessive costliness and not creating barriers to legitimate trade.<sup>49</sup>

However, these cases all involved intermediaries, not direct infringers. There are only a few cases targeting direct infringers, such as *Bastei Lübbe* (2018),<sup>50</sup>

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43 Of course, the Commission could bring proceedings against Member States for not complying with EU law, but this is not a realistic option. For instance, it would require the Commission to target each Member State individually, and to prove that their domestic courts have erroneously misapplied their judicial discretion.

44 Commission (n 42) 10; Commission (n 43) 9–10.

45 *Scarlet Extended v SABAM* [2011] European Court of Justice (Third Chamber) Case C-70/10, ECLI:EU:C:2011:771.

46 *SABAM v Netlog NV* [2012] European Court of Justice (Third Chamber) Case C-360/10, ECLI:EU:C:2012:85.

47 *Scarlet Extended v SABAM* (n 46) paras. 36, 43 and 48; *SABAM v Netlog NV* (n 47) paras. 34 and 41.

48 For a more detailed consideration of fundamental rights and Article 3 of the Enforcement Directive in IPR enforcement, please see my recent work: Lisa Van Dongen, 'Proportionality in IP Enforcement: A Tale of Two Frameworks' (2022) 38 *Intellectuele Eigendom en Reclamerecht* (IER) 213.

49 *L'Oréal SA and Others v eBay International AG and Others* [2011] European Court of Justice (Grand Chamber) Case C-324/09, ECLI:EU:C:2011:474 paras. 136-141.

50 *Bastei Lübbe GmbH & Co KG v Michael Strotzer* [2018] European Court of Justice (Third Chamber) Case C-149/17, ECLI:EU:C:2018:841.

*Oławska Telewizja Kablowa* (2017),<sup>51</sup> *Bayer Pharma* (2019),<sup>52</sup> *DACOM*,<sup>53</sup> and *Phoenix Contact v HARTING* (2022).<sup>54</sup> There is currently no preliminary ruling available in *DACOM*, but there are for the other cases. *Bastei Lübbe* revolved directly around Article 3, but solely around its two other principles. In *Oławska Telewizja Kablowa*, the ECJ notably cautioned domestic legislators and courts, citing abuse of rights under Article 3(2) as a potential ceiling for increased damages.<sup>55</sup> Furthermore, in *Bayer Pharma*, the ECJ noted that Article 3 requires domestic courts to assess on a case-by-case basis that all that is covered by Chapter II of the Enforcement Directive is not abused.<sup>56</sup> This is also important, because this implies that Article 3 is not limited to interim or corrective measures or remedies against intermediaries, but applies to all Chapter II's remedies, including final injunctive relief. Or more correctly: all these remedies should be considered and applied within Article 3's framework. Last, in *Phoenix Contact*, the ECJ noted that the safeguards in the provision on interlocutory injunctions correspond to, *inter alia*, the obligation to weigh other interests based on Article 3.<sup>57</sup> In doing so, the ECJ reiterated again the importance of balancing interests and the mandatory nature of Article 3 in domestic enforcement practices.

There are thus plenty of cases in which the ECJ stressed that the components of Article 3 should be weighed by courts whenever contemplating granting a remedy and their appropriate form. There is also nothing to suggest that they would not apply to final injunctive relief against direct infringers. Yet, there are no strong signals of this being picked up by domestic courts. It cannot be established unequivocally why the ECJ is such an ineffective harmoniser in

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51 *Oławska Telewizja Kablowa v Filmowców Polskich* [2017] European Court of Justice (Fifth Chamber) Case C-367/15, ECLI:EU:C:2017:36.

52 *Bayer Pharma AG v Richter Gedeon Vegyészeti Gyár Nyrt and Exeltis Magyarország Gyógyszerkereskedelmi Kft* [2019] European Court of Justice (Third Chamber) Case C-688/17, ECLI:EU:C:2019:722.

53 *Dacom Limited v IPM Informed Portfolio Management AB* [2019].

54 *Phoenix Contact GmbH v HARTING Deutschland GmbH* [2022] European Court of Justice (Sixth Chamber) Case C-44/21, ECLI:EU:C:2022:309.

55 *Oławska Telewizja Kablowa v Filmowców Polskich* (n 52) para 31.

56 *Bayer Pharma AG v Richter Gedeon Vegyészeti Gyár Nyrt. and Exeltis Magyarország Gyógyszerkereskedelmi Kft.* (n 53) paras. 67-69.

57 This contribution focuses on final injunctions (which' focal provision – Article 11 – does not contain any safeguards), however, there is something alarming in this ruling for interlocutory injunctions worth noting. Even though the ECJ did not allude in any way to the conditions of Article 9 being exhaustive in respect of Article 3, nor exclude other more balanced national safeguards on top of what Article 9 currently covers, the ECJ did not say anything to the contrary either in concluding against the prohibitive domestic practice that was in question. Rather than offering resolution, this ruling is likely to have caused *more* uncertainty.

this particular matter. It is true that the ECJ's opportunities to speak on this were limited, as domestic courts only mentioned the principle of proportionality in the referred questions in three cases,<sup>58</sup> and only in one to Article 3 of the Enforcement Directive.<sup>59</sup> However, the ECJ found a few opportunities to communicate on this as shown above. These low numbers may suggest that this provision and its principle are not purposefully considered among domestic courts, but in some cases, it could also just mean they did not (appear to) play a role in the answers the domestic courts were looking for. Some cases revolved around the definition of intermediary in the context of potentially granting an injunction against it,<sup>60</sup> and others focused on the interpretation of other provisions.<sup>61</sup> The ECJ's ineffectiveness might thus still be explained partially by the limited number of relevant cases. Yet, the ECJ does not appear to shy away from involving legal concepts not brought in explicitly by domestic courts. For instance, the court took to fundamental rights rhetoric in twelve cases,<sup>62</sup> even

58 *Scarlet Extended v SABAM* (n 46); *Bonnier Audio AB and Others v Perfect Communication Sweden AB* [2012] European Court of Justice (Third Chamber) Case C-461/10, ECLI:EU:C:2012:219; *United Video Properties Inc v Telenet NV* [2016] European Court of Justice (Fifth Chamber) Case C-57/15, ECLI:EU:C:2016:611.

59 *Bastei Lübbe GmbH & Co. KG v Michael Strotzer* (n 51). Interestingly, this preliminary ruling from the ECJ was the result of questions referred by a German court. However, the questions focused on the role of the other two principles, namely effectiveness and dissuasiveness, and left proportionality out of the equation.

60 See, for instance, *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH* [2009] European Court of Justice (Eighth Chamber) Case C-557/07, ECLI:EU:C:2009:107; *Tommy Hilfiger Licensing LLC and Others v DELTA CENTER a.s* [2016] European Court of Justice (Second Chamber) Case C-494/15, ECLI:EU:C:2016:528; *Coöperatieve Vereniging SNB-REACT UA v Deepak Mehta* [2018] European Court of Justice (Third Chamber) Case C-521/17, ECLI:EU:C:2018:639; *Coty Germany GmbH v Stadtparkasse Magdeburg* [2015] European Court of Justice (Fourth Chamber) Case C-580/13, ECLI:EU:C:2015:485.

61 See, for instance, *ACI Adam BV and Others v Stichting de Thuiskopie* [2014] European Court of Justice (Fourth Chamber) Case C-435/12, ECLI:EU:C:2014:254; *Realchemie Nederland BV v Bayer CropScience AG* [2011] European Court of Justice (Grand Chamber) Case C-406/09, ECLI:EU:C:2011:668; *United Video Properties Inc. v Telenet NV* (n 59); *Christian Liffers v Producciones Mandarinina SL and Mediaset España Comunicación SA, anciennement Gestevisión Telecinco SA* [2016] European Court of Justice (Fifth Chamber) Case C-99/15, ECLI:EU:C:2016:173; *Bayer Pharma AG v Richter Gedeon Vegyészeti Gyár Nyrt. and Exeltis Magyarország Gyógyszerkereskedelmi Kft.* (n 53); *Oławska Telewizja Kablowa v Filmowców Polskich* (n 52).

62 In addition to the five aforementioned cases, the ECJ mentioned fundamental rights in the following seven cases: *NEW WAVE CZ, a.s v ALLTOYS* [2017] European Court of Justice (Ninth Chamber) Case C-427/15, ECLI:EU:C:2017:18; *Coty Germany GmbH v Stadtparkasse Magdeburg* (n 61); *Bonnier Audio AB and Others v Perfect Communi-*

though the questions only referenced fundamental rights in five.<sup>63</sup> The same is true for proportionality (included in referred questions in two cases yet included by the ECJ in eleven) and Article 3 (included in referred questions in one case, but covered by the ECJ in ten). These numbers are reiterated in the figure below.

Reference to	Fundamental rights	Proportionality	Article 3 of the Enforcement
<i>In referred question(s)</i>	5 cases	2 cases	1 case
<i>In ECJ's analysis</i>	12 cases	11 cases	10 cases

Notably, there is some overlap in cases referencing proportionality and/or Article 3, as well as with fundamental rights rhetoric.<sup>64</sup> This might have led to confusion about the applicability and distinction between the two different proportionality frameworks. Indeed, the ECJ does not make a clear distinction between Article 52's proportionality test<sup>65</sup> and the much broader general principle. This makes the ECJ's messaging seem less deliberate and coherent, which may be another reason why it has been an ineffective harmoniser in this area.

### 3. The UPC(A) itself

With progress in judicial enforcement being stalled in the EU on several fronts, the UPC should thus not expect a clear push or assignment by the EU or its members to break with the EU's automated tendencies. If nothing changes, this means such a course correction depends on the extent to which the possi-

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*cation Sweden AB* (n 59); *LSG-Gesellschaft zur Wahrnehmung von Leistungsschutzrechten GmbH v Tele2 Telecommunication GmbH* (n 61); *Bericap Záródástechnikai Bt v Plastinnova 2000 Kft* [2012] European Court of Justice (Third Chamber) Case C-180/11, ECLI:EU:C:2012:717; *Bastei Lübbe GmbH & Co. KG v Michael Strotzer* (n 51); *United Video Properties Inc. v Telenet NV* (n 59).

63 *McFadden v Sony Music Entertainment Germany* [2016] European Court of Justice (Third Chamber) Case C-484/14, ECLI:EU:C:2016:689; *UPC Telekabel Wien GmbH v Constantin Film Verleih GmbH and Wega Filmproduktionsgesellschaft mbH* [2014] European Court of Justice (Fourth Chamber) Case C-314/12, ECLI:EU:C:2014:192; *SABAM v Netlog NV* (n 47); *Scarlet Extended v SABAM* (n 46); *Promusicae v Telefónica de España SAU* [2008] European Court of Justice (Grand Chamber) Case C-275/06, ECLI:EU:C:2008:54.

64 Van Dongen (n 49) 218–219.

65 Charter of Fundamental Rights of the European Union 2000 OJ C364/1, Article 52.

bility and push are present internally in the UPC's framework. Unfortunately, the UPC and the UPCA, themselves, are also unlikely to be a new force for proportionality for a number of reasons. Those that will be explored here are rooted in the unusual framework of its court, as well as the wording of the UPCA's provisions relevant to final injunctive relief. This section will start with a discussion in section III.A.1 of some of the UPCA's provisions mirroring those of the Enforcement Directive discussed earlier, the unclear role that domestic law is to play in section III.A.2 and, finally, in section III.B some of the organisational aspects of the UPC that may pose grounds for concern.

### *A. The wording of the UPC Agreement*

#### **1. Judicial discretion in deciding upon injunctive relief**

A lot of the provisions in the UPCA and the Unitary Patent Regulation (UPR)<sup>66</sup> were essentially copied from those of other instruments. The UPCA's provision on final injunctions is no exception here, but the wording of the UPCA's provision on proportionality differs from its EU counterpart. Article 63 of the UPCA conveys that courts *may* issue an injunction without requiring it. As is the case for Article 11 of the Enforcement Directive, no additional guidance is provided within the provision itself on how to exercise this judicial discretion. Naturally, such discretion is not unlimited, but it cannot be ignored that the words "*may* grant" were chosen and not "*shall*", nor was "absent exceptional circumstances" or something along that line included.

Rule 118 of the Rules of Procedure also supports this. The Rules of Procedure lay down the details of the proceedings before the UPC, but in a supporting role since this document cannot contradict or alter the UPCA. It is binding on the UPC, but in case of conflict, the UPCA has priority.<sup>67</sup> It is adopted by the Administrative Body, which consists of a representative per participating Member State, with a member of the Commission only as observer.<sup>68</sup> There have been many drafts due to numerous consultation rounds with experts and different committees, with the latest draft (no. 18) having been adopted on 19 October 2015. The 15<sup>th</sup> edition included a paragraph that provided for the possibility of granting damages instead of injunctive relief, but only in very

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66 Unitary Patent Regulation.

67 Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (18th edn) 2015 Preamble and Rule 1(1).

68 UPC Agreement Article 12.

limited circumstances.<sup>69</sup> This paragraph was amended in the 16th edition<sup>70</sup> and ultimately removed in the 17th edition. Furthermore, the explanation and amendment to the first paragraph were amended in the 17th edition specifically to safeguard the discretion granted under *inter alia* the UPCA's provision on injunctive relief.<sup>71</sup> As can be inferred from the public consultation,<sup>72</sup> there was extensive debate on the practical use of such a limited exception and its negative implications for the general discretion granted to the UPC under Article 63.<sup>73</sup> This supports a more generous reading of judicial discretion in deciding upon final injunctive relief. However, the explanation then concluded that the UPC may only refuse injunctive relief upon finding an infringement in *very exceptional* circumstances.<sup>74</sup> This seems counterintuitive when looking at the justification for deleting paragraph 2. However, in a telling move, this addition was removed in the 18th and (currently) final edition of the Rules of Procedure;<sup>75</sup> the reference to “very exceptional circumstances” has thus *not* made

69 Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (15th draft) 2013. Article 12 of the Enforcement Directive is an optional provision covering damages as an alternative measure to permanent injunctions. This paragraph was modelled after Article 12 of the Enforcement Directive on alternative measures.

70 For clarification of the discretion of the UPC, two amendments were made to Rule 118(2) of the Rules of Procedure. First, it now started with the words: ‘Without prejudice to the general discretion provided for in Articles 63 and 64 of the [UPC] Agreement, ...’. Second, the wording now provided for the option to grant damages *or* compensation instead of injunctive relief, whereas the previous version allowed for damages *and/or* compensation to be granted. Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (16th draft) 2014; ‘Table with Explanatory Notes to the Changes Made in the 17th Draft of the Rules of Procedure’ (Legal Group of the Preparatory Committee 2014) 11, Rule 118(2).

71 ‘Table with Explanatory Notes to the Changes Made in the 17th Draft of the Rules of Procedure’ (n 71) 10, Rule 118(1). ‘In addition to the orders and measures *and without prejudice to the discretion of the Court* referred to in Articles 63, 64, 67 and 80 of the Agreement the Court may, if requested, order the payment of damages or compensation according to Articles 68 and 32(1)(f) of the Agreement. The amount of the damages or the compensation may be stated in the order or determined in separate proceedings [Rules 125-143],’ Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (17th edn) 2014 Rule 118(1). Emphasis added.

72 ‘Responses to the Public Consultation on the Rules of Procedure of the UPC’ (2014) 93–98 <<https://www.unified-patent-court.org/sites/default/files/rop-digest.pdf>> accessed 21 March 2022.

73 ‘Table with Explanatory Notes to the Changes Made in the 17th Draft of the Rules of Procedure’ (n 71) 11.

74 *ibid.*

75 Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (18th edn) Rule 118. Oddly, the website of the UPC organisation mentions the 18<sup>th</sup> draft

it to the final version of this document. Evidently, there was a lot of debate on how to define – if at all – the discretion that the UPC is given in respect of final injunctions. This creates ambiguity on its limits, but what is clear from all this is that the UPC is, at the very least, supposed to have discretion here and that limiting it was ultimately considered undesirable.

Sadly, the UPCA’s transposition of the principle of proportionality does not provide clarity. Article 42 of the UPCA reiterates only a few elements of Article 3 of the Enforcement Directive. Article 42 covers fairness and equity similarly, but the inclusion of proportionality diverges and “avoiding the creation of barriers to legitimate trade” was changed to “do not distort competition”.<sup>76</sup> This means two of the overarching principles are missing (dissuasiveness and effectiveness), while the third is incorporated in a more limited way. As aforementioned, the principles of effectiveness and dissuasiveness tend to be understood as benefitting the rights holder as a remedy needs to be strong enough to satisfy these principles. Since both legislation and case law already contain a strong emphasis on strengthening the protection of intellectual property rights, their omission will not affect their relevance. In comparison, the different framing of proportionality in Article 42 of the UPCA could negatively affect its reach and function as a counterbalance. Article 3 of the Enforcement Directive frames the proportionality principle as a general obligation with an essentially all-encompassing scope, whereas Article 42 connects proportionality to the importance and complexity of a case in terms of how the UPC has to approach a case. This is quite an ambiguous formulation, leaving a lot of room for interpretation.

Naturally, the inclusion of Article 42 in the UPCA does not affect the mandatory nature of Article 3 of the Enforcement Directive, but it may create confusion and turn the focus towards the more limited provision of the UPCA instead. Since Article 3’s presence in patent enforcement has been underwhelming so far, Article 42 is likely to affect the clarity and strength of the general obliga-

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as updated last on 15 March 2017, whereas the then attached draft is the 19 October 2015 version. ‘Draft Rules of Procedure – Updated March 2017’ (10 April 2017) <<https://www.unified-patent-court.org/news/draft-rules-procedure-updated-march-2017>> accessed 21 March 2022. The wording of the rules discussed in this section does not differ from the “old” 19 October 2015 version, so if there are discrepancies between versions, they are not of relevance for this analysis.

76 UPC Agreement, Article 42 reads: “Proportionality and fairness

1. The Court *shall* deal with litigation in ways which are proportionate to the importance and complexity thereof.
2. The Court *shall* ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition.” Emphasis added.



tions imposed on the UPC negatively rather than strengthen them. Unfortunately, the UPC's assignment on balancing is, in this respect, thus arguably less direct and forceful in the UPCA than EU law.

## 2. The ambiguous role of domestic law

Another factor that will affect the UPC's approach to patent enforcement is the role played by domestic law. The unitary patent will be governed by the national law of a single participating Member State. Which state is based on the applicant's residence or principal place of business within the unitary-patent area.<sup>77</sup> If not applicable, any other location of business will first be determinant unless also not applicable, in which case the applicable law will be that of Germany due to the EPO having its headquarters in Munich.<sup>78</sup> However, no definitions are given (i.e., what do "principal" and "location" mean? Would a P.O. box suffice?), nor any guidance on *who* determines which state's law is chosen when there are multiple candidate states (the applicant? The EPO?) and based on *what*. Determining which state's law a UPC division would have to apply is thus by no means a clearcut exercise.

Furthermore, what kind of national law the UPC would have to apply is also not self-evident. That the unitary patent is governed by the law of one Member State at least suggests national law will have a role to play. However, the UPR, UPCA and national law all contain substantive patent law. Especially the former is of interest since it is an EU regulation and thus directly applicable, which covers i.e., exhaustion. Taking a more specific look at the references to national law, there appears to be quite some variation in their implications. There are, for instance, some references that merely amount to allow or prescribe that the UPC awaits the completion of certain national procedures,<sup>79</sup> but also some that imply that if something meets a certain threshold or applies in national law, this suffices for i.e. eligibility under the UPC framework.<sup>80</sup> Notable examples of the latter are the definition of infringement and the prior-use exception,<sup>81</sup> which could indeed have a great impact on enforcement. It may merely mean that judges should apply UPCA and UPR provisions directly and resort to

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77 Unitary Patent Regulation Article 7(1)(a).

78 *ibid* Article 7(1)(b) and (3).

79 See, for instance, Preliminary set of provisions for the Rules of Procedure of the Unified Patent Court (18th edn) Rules 295 and 311.

80 See, for instance, *ibid* Rule 286; Unitary Patent Regulation Article 5(3); Nari Lee, 'Adding Fuel to Fire: A Complex Case of Unifying Patent Limitations and Exceptions through the EU Patent Package' in Rosa Maria Ballardini, Marcus Norrgård and Niklas Bruun (eds), *Transitions in European Patent Law: Influences of the Unitary Patent Package* (Wolters Kluwer Law & Business 2015) 224–225.

81 UPC Agreement Article 28.

national law only when specifically referenced by a provision relevant to the dispute at hand, but it also invites the interpretation that the UPCA should be understood as the framework in which to interpret and apply the UPR and/or national law, similar to an EU directive. In other words, that the UPCA just provides the limits, mostly to guide national frameworks in their application in closer approximation and to correct if something is not provided for domestically.<sup>82</sup> Under the current regime, questions on validity and infringement of patents are (partly) contingent on the domestic approach,<sup>83</sup> which thus does not appear to change under the UPCA. The UPR's references to national law to define the acts against which a European patent protects, and the applicable limitations seem to underscore this.<sup>84</sup> However, that makes the implications of the aforementioned UPCA provisions on permanent injunctions and proportionality even more ambiguous, given the potential divergencies resulting from their interaction with different national frameworks. Despite the overall automated European approach, there may still be important variations from one state to another.

Last, national patents and opted-out European patents will remain a part of the European patent landscape, but the UPC will not have jurisdiction over disputes involving those types of patents. They will remain to be dealt with by the EPO's Board of Appeal and, more importantly, national courts.<sup>85</sup> Since the unitary patent will be governed by domestic law of a Member State part of the unitary-patent area, the UPC should thus pay attention to how legal doctrines

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82 Thomas Prock and Graham Burnett-Hall, 'European Union: Q&A: Unitary Patent And Unitary Patent Court' (*mondaq Intellectual Property*, 1 February 2022) <<https://www.mondaq.com/uk/patent/1155458/qa-unitary-patent-and-unitary-patent-court>> accessed 10 March 2022; Federica Baldan and Esther Van Zimmeren, 'The Future Role of the Unified Patent Court in Safeguarding Coherence in the European Patent System' 52 *Common Market Law Review* 1529, 1570.

83 Of course, such questions are informed by the EPC framework rather than national law. However, a European patent is ultimately a bundle of *national* patents and, domestically, judicial approaches diverge. See, for instance, *Motorola v Apple and Samsung v Apple Inc* [2013] Bundespatentgericht 2 Ni 61/11 (EP) verb. mir 2 Ni 76/11 (EP); *Apple v HTC* [2012] EWHC 1789 (Patents Court); *Apple v Samsung* [2012] Rechtbank 's-Gravenhage ECLI:NL:RBSGR:2012:BY4482. These cases all concerned Apple as the patent proprietor versus varying groupings of Samsung, Motorola and HTC as defendants, all within the context of the same Bounce-Back Patent. Apple's patent was invalidated in Germany due to a broad interpretation, yet found valid in England and the Netherlands. To boot, the differing interpretations of the patent scope in the latter two countries also affected the answers to the question of infringement. Three different courts, three different interpretations, three different outcomes.

84 Unitary Patent Regulation Article 5(3).

85 UPC Agreement Article 32(2).

develop further in these courts. However, since the UPC system's success will rely greatly on whether or not patent proprietors will take to it, the UPC might be considered to compete with national courts. Furthermore, there may be parallel or connected procedures, since proprietors of unitary patents may have chosen to protect certain elements of the same invention under national law next to unitary protection, or have the exact same patent protected in EU Member States not part of the unitary-patent area.<sup>86</sup> Nevertheless, there is no formal dialogue between national courts and UPC divisions, nor are decisions of one binding on the other. Of course, it would be impractical and undesirable that the UPC would proceed without taking account of what happens in national procedures and, if necessary, not await or signal the results of such proceedings to avoid conflicting decisions not warranted by the circumstances in a given case, but the UPC has a lot of discretion here. This is thus another way in which national law's role in UPC decision-making may be questionable.

### *B. Specialisation and isolation*

There are also concerns about the impact of certain organisational features, such as the training of the UPC judges and the isolation in which these judges will adjudicate and develop legal doctrines. It is arguable that these emanate from the uncertainty about how the UPC as a specialised court will handle the interaction between, and development of, patent law and other fields of law, as well as the consideration of non-legal aspects such as cost, externalities, justice and (other types of) societal preferences when in conflict with, or affected by, patent enforcement.

Naturally, the legally qualified judges of the UPC are likely to have had a general training in law.<sup>87</sup> For instance, they are expected to be eligible for a judicial post in their home country<sup>88</sup> and will thus have undergone more general legal training at some point. Since most EU Member States do not have fully specialised patent courts, the additional required experience in litigation is presumably of a more general nature in most cases. However, these

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86 Léon Dijkman and Cato Van Paddenburgh, 'The Unified Patent Court as Part of a New European Patent Landscape: Wholesale Harmonization or Experiment in Legal Pluralism?' (2018) 1 *European Review of Private Law* 97; Baldan and Van Zimmeren (n 83) 1571.

87 Clement Salung Petersen, Thomas Riis and Jens Schovsbo, 'The Unified Patent Court (UPC) in Action - How Will the Design of the UPC Affect Patent Law?' [2014] *SSRN Electronic Journal* 7 <<http://www.ssrn.com/abstract=2450945>> accessed 23 November 2021.

88 UPC Agreement Article 15(2).

judges will all have undergone training specifically tailored to the UPC system in preparation to increase uniformity among the UPC's approaches and decisions.<sup>89</sup> Moreover, a work programme and training guidelines will be created and updated annually.<sup>90</sup> This will obviously not lead to judges forgetting any existing general training or experience *en masse*, but any push for uniformity affects the diversity in approaches and positions these judges bring to the UPC.<sup>91</sup> Also, any standardisation tailored to patent law affects the room left for judges to consider other types of rights, laws and interests negatively and, with that, the ability of these courts to operate without developing tunnel vision. Additionally, there is no opportunity for dissenting opinions in a UPC decision. The outside world – including other UPC divisions – will thus not learn from other (out-voted) positions.

Sadly, there are two other components that further complicate this. The first is that the UPC will have exclusive competence to decide patent disputes involving (not opted-out for) European patents and unitary patents. This exclusive competence will ensure increased patent specialisation, as UPC judges would only deal with patent cases, thus becoming very trained and specialised in patent law in a very short period of time. Such specialised patent courts will on average be better equipped than general civil courts to accurately and rapidly weigh the arguments and interests involved pertaining to the workings of the patent system. However, such a strong patent-centred mandate also means that patent law will increasingly develop further under the UPC framework in isolation from other areas of law. The interaction of patent law with other fields is of paramount importance for the proper functioning and development of both.<sup>92</sup> Moreover, by being trained and asked to only decide on matters of patent law, the development of tunnel vision has been found to be a likely result.<sup>93</sup> If such tunnel vision develops, this would only further existing pro-patent biases in the EU rather than correct those tendencies under the EPO or in national frameworks. In fact, specialised courts have been found to try for clear

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89 *ibid* Statute, Articles 2(3) and 3(2); Petersen, Riis and Schovsbo (n 88) 8.

90 UPC Agreement Statute, Article 11(3).

91 Michael J Crowley, 'Restoring Order in European Patent Law: A Proposal for the Reintroduction of the Substantive Patent Provisions of the Unitary Patent Package into EU Law' (2015) 4 N.Y.U Journal of Intellectual Property and Entertainment Law 197, 211; Petersen, Riis and Schovsbo (n 88) 17.

92 Crowley (n 92) 213–214; Baldan and Van Zimmeren (n 83) 1539.

93 Crowley (n 92) 213; Jens Schovsbo, Thomas Riis and Clement Salung Petersen, 'The Unified Patent Court: Pros and Cons of Specialization – Is There a Light at the End of the Tunnel (Vision)?' (2015) 46 IIC - International Review of Intellectual Property and Competition Law 271, 273 <<http://link.springer.com/10.1007/s40319-015-0331-2>> accessed 23 November 2021.

rules and narrow policy goals in favour of uniformity and legal certainty.<sup>94</sup> This is something we have seen from practices in countries with specialised courts such as the Netherlands<sup>95</sup> and the United States before *eBay v MercExchange*.<sup>96</sup>

Another factor that may lead the UPC towards a more patent-friendly attitude is the lack of dialogue with a generalist court or, more generally, the ability of another institution – judicial or legislative – to make course corrections for the UPC.<sup>97</sup> While not without influence, the ECJ's role is too limited for it to be that generalist court that could redirect the UPC's course. Legislative course corrections would also pose a huge challenge – that would require the amendment of the EPC or UPCA, or change at the EU level by way of amending the UPR or introducing EU patent law.<sup>98</sup> The positive side to this is that the UPC's independence from the legislative and executive branches is very strongly preserved, but the balance may have tipped too far if the other branches cannot provide enough counterbalance in the sense that they could change or draft new laws for the UPC to apply in patent enforcement. As a result, the UPC will operate without consequential exposure to competing views and review by other institutions, judicial or otherwise. That is, any influence domestic courts and the UPC may have on the other may only work in one direction, namely towards stronger patent enforcement. If we consider national courts as competitors in patent enforcement to the UPC, the UPC would presumably be incentivised towards stronger pro-patent tendencies to become more attractive for patent proprietors. If the UPC would be noticeably more lenient towards other types of interests, this may push rights holders to opt-out of the UPC system.

How is a court that has no jurisdiction on these other fields, which has much to prove, going to balance other interests without influences from other fields and direct dialogue with generalist courts? Obviously, this does not spell out

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94 Crowley (n 92) 213.

95 At the moment of writing, there have only been two cases in which an infringement was found yet an injunction denied. One of these cases notably revolved around a patent concerning central heating also used in the building in which the judge worked, namely *Central Heating Case* [1987] BIE 1990, 59 (Gerechtshof 's-Hertogenbosch). The other was the more recent *Nikon v ASML* [2018] ECLI:NL:RBDHA:2018:8777 (Rechtbank 's-Gravenhage). While the latter has been portrayed as a signal that the Dutch approach is less restrictive than the German one considering certain aspects – see, for instance, Dijkman (n 4). – this case so far appears to be a lonely outlier.

96 *eBay Inc. et al. v. MercExchange, L.L.C.* (n 2).

97 Petersen, Riis and Schovsbo (n 88) 5–6.

98 Crowley (n 92) 212 and 214; Avgi Kaisi, 'Finally a Single European Right for the EU? An Analysis of the Substantive Provisions of the European Patent with Unitary Effect' (2014) 36 *European Intellectual Property Review* 170, 173.

disaster since most of this is not set in stone or would, by itself, necessarily be a major issue. It does mean that the UPC would have to be conscious and vigilant about making sure the balance is not tipped too far, as there seem to be few embedded assurances in this respect.<sup>99</sup>

#### **4. *The EU stepping in: possible solutions and their limitations***

While many have argued for a more limited role of EU law and the ECJ in the UPC system, there have also been voices that advocated for the opposite. Desirable or not, only the EU or participating Member States can effectuate change in the UPC system. Yet, as we have already seen, the EU has been rather unsuccessful so far. Unless the German amendment moves German courts away from automated practices, it shows every sign that progress in EU harmonisation in this field is stalled. The efforts of the Commission and the ECJ so far have not been able to change this. If the EU wants to push for greater adherence to Article 3 of the Enforcement Directive, the remaining options are limited.

##### *A. Amending the EPC or UPC Agreement*

There is the option of amending the UPCA or its Rules of Procedure to strengthen the proportionality principle. However, this would be very challenging for a myriad of reasons. The two most obvious ones are the difficulty of achieving it and the likelihood of success.

There is the possibility for the Administrative Committee to amend the UPCA,<sup>100</sup> but this is not an EU body. As explained previously, the Administrative Body consists of a representative per participating Member State and a Commission member in observing capacity. While this body would have an easier job amending the UPCA because it requires, in principle, only a majority of three-quarters of the Contracting Member States represented and voting,<sup>101</sup> the EU would still only have a limited say through this route, if at all, and it may still fail if a single Contracting Member State conveys timely not to want to be bound by the amendment.<sup>102</sup> For the EU to bring about specific changes in the UPCA, this might have to be done on the basis that the EU has maintained the authority to provide for an EU patent system. All EU Member States would

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<sup>99</sup> Petersen, Riis and Schovsbo (n 88) 10–11.

<sup>100</sup> UPC Agreement Article 87.

<sup>101</sup> *ibid* Article 12(3).

<sup>102</sup> *ibid* Article 87(3).

need to be willing to amend the UPCA accordingly, including those currently not participating. With the rocky process the UPCA has had so far, as well as all the additional political will, financial resources and time this would take, this does not seem a very likely option at the moment. With the UPCA entering into force shortly, this would also be a very risky and potentially disruptive move.

The alternative, amending the EPC to lay down a bigger role for the principle of proportionality, also appears unlikely. Indeed, it might in some ways be even more problematic to make such changes to the EPC. The EPC essentially stops after the granting phase, so this would turn the existing system on its head. Moreover, the EPO has members that are not part of the EU and EU Member States that do not participate in, or have not ratified, the UPCA. These two other types of EPO members are under no obligation to accommodate the EU Member States part of the unitary-patent area. That would thus add another complication to reaching a compromise.

Last, the effectiveness of such measures can be questioned, as this would have to be done in a way that is not diluted by the applicability of national law to a unitary patent. So, the cost of trying to accomplish this legislatively is presumably high, while the chances of success – not just in terms of it being accomplished, but also the impact it may reasonably be expected to have – are relatively low in comparison. Consequently, trying to amend the UPCA, its Rules of Procedure or the EPC to strengthen the proportionality principle are unlikely solutions.

### *B. Substantive EU Legislation*

Additionally, it has been suggested that the EU should adopt substantive patent law of its own. It is uncertain whether this will work when looking at how the UPCA came to be. For example, considering the extensive debate on how Rule 118 would affect the margin of judicial discretion, the drafters could not agree and ultimately decided not defining it was preferable. Moreover, the decision to move certain substantive patent law provisions from the UPR to the UPCA is also quite telling. Of course, the United Kingdom played a big role in this, so the result may now be different if another shot were taken at EU substantive patent law. Perhaps even more so, considering that there has been quite some resistance to the final result of the UPC system, as can be inferred from some of the other contributions in this bind. However, looking at all the different positions and arguments offered by EU Member States when the ECJ was asked for an opinion on the UPCA's draft, there was great disparity among Member States on how the UPC and the EU and ECJ would need to interact. This also seems indicative that the EU Member States are not of one mind

when it comes to the EU and the patent system.<sup>103</sup> The chosen structure for the unitary patent also carves out a large part of the EU's ability to provide for comprehensive EU patent law.<sup>104</sup> While this would still theoretically be possible as the EU has retained the possibility to once provide for an EU patent, the introduction of the UPC system via the enhanced cooperation procedure complicates this. For one, a group of Member States has already provided for something different. Any additions or changes to existing instruments would impact the UPC system. In fact, if the EU would enact a comprehensive body of substantive patent law at the EU level, that would make a large portion of the UPCA obsolete. At this stage, it is highly improbable that the EU would want to take this risk. Any legislative action from the EU will need to be surgical if one wishes to avoid creating shock waves in the patent system, especially if taking into account that the UPC will experience some start-up difficulties in any case. For the foreseeable future, the EU is thus unlikely to add to this field anything substantial through legislation.

### *C. Adding to the principle of proportionality*

The remaining legislative option at the EU level entails solely targeting the proportionality principle in patent enforcement. As seen, an action with more teeth than previous efforts is required to push courts, which presumably leaves a clearly worded amendment to the current Article 3 or the adoption of a

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103 *Opinion 1/09 on the compatibility of the draft agreement with the Treaties* [2011] ECLI:EU:C:2011:123 (European Court of Justice (Full Court)).

104 Hanns Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (2012) 12 *Max Planck Institute for Intellectual Property and Competition Law* 59, 32. protection of patents in Europe essentially rests on national law only. The "European patent" as granted by the European Patent Organization through the European Patent Office, while internationally uniform as to the conditions of the grant, represents but a "bundle" of as many independent national patents as have been asked for by the applicant. As a consequence, the terms of the exclusive right, which they confer upon their owner, are determined by the various national laws. It is to remedy this territorially fragmented and more or less diverse protection that, since about half a century, the European Union attempts to establish an autonomous system of unitary patent protection of its own design, but has failed to achieve it whichever way it chose. The stumbling blocks have been not so much the proper determination of the substance of protection, since only little efforts of modernization have been undertaken. Rather, they were the choice of the language regime for the patents granted, and the establishment of a common patent litigation system. Both obstacles have a history of their own. While the latter is still evolving, the former actually has blocked the introduction of an EU-wide unitary European Union (ex Community



directive or regulation specifically strengthening and referencing its principle of proportionality. While this will have its own challenges, the more limited scope will require less (political) capital and time. In addition, it would be less disruptive because it would mostly amount to expanding on an existing provision in force, namely Article 3 of the Enforcement Directive. Since both the ECJ and Commission have already spoken on it, there is a lot to go on for both the EU legislator to further develop and to guide the Member States. Moreover, this approach is the one most likely to yield significant benefits compared to the other remaining options, especially in view of the overall cost of trying to achieve it. It would have the added bonus of also in effect preparing the Member States not participating in the UPC system for when they want to join, paving the way for an EU patent in the future. It would bolster the equal enforcement of all types of patents as well. The latter should carry a lot of weight, as it would be undesirable if there was a meaningful difference in treatment of different types of patents, especially if this would affect existing patents and incite undesirable competitive behaviour between domestic courts and UPC divisions.

The exact form and wording heeds much more consideration than can be offered here in this limited contribution, but some aspects can already be derived from previous passages. Chiefly, in order for this legislative action to bring about real change, such would require a considerably more explicit instruction to reduce the room courts have to disregard or minimise their applying the proportionality principle and employing flexibilities and forcing their proper motivation. It should also be made clear that national legislation may not limit the exercise of this test in a prohibitive fashion.<sup>105</sup> Additionally, it is imperative that the distinction between the two different frameworks of proportionality – Article 3 and fundamental rights – is emphasised and refined. Since the average patent-enforcement case does not involve fundamental rights balancing, it is crucial that domestic courts do not get lost needlessly or distracted by fundamental rights rhetoric.<sup>106</sup> It should be unequivocal that the (in)applicability of the latter does not negate the court's obligation to apply the other proportionality framework in the remedy context.

Furthermore, while important, the main focus should not be on whether or not to grant a permanent injunction, but on finding the most appropriate form of such a remedy. The strong preference for permanent injunctions in Continental Europe in itself is not challenged, but blanket automated granting is. Employing proportionality for a more balanced approach should not be

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<sup>105</sup> Think, for instance, of the recent amendment to Section 139(1) of the Patentgesetz discussed earlier.

<sup>106</sup> Martin Husovec, 'How Will the European Patent Judges Understand Proportionality?' (2020) 60 *Jurimetrics Journal* 1, 3–4.

seen as an either/or-option, but as a way for courts to take into account even small factors that might merit some moderation in the balance struck. Such should move courts adhering to a strong property logic to take other interests more clearly into consideration and translate their weight into the scope of a remedy, without creating a shock to the system. Any amendment or new legislative instrument targeting the proportionality principle should make it evident that tailoring is an important tool courts have in this respect, and that they are obliged to use it. However, such qualifications must not limit the room courts have to refuse the grant of final injunctive relief upon establishing an infringement.

There is much more to explore on this front, of course, but the point attempted here is that this option warrants that. Of all the ways in which the EU could step in, this is the most feasible way to mitigate automated tendencies in patent enforcement.

## **5. Conclusion**

As discussed at the beginning of this chapter, a lot of research has been dedicated to the balance in patent enforcement, homing in on different factors and concepts. Unfortunately, despite all this traction, EU harmonisation in this field appears to be stuck at “automatic”. Efforts from the ECJ and Commission to clarify and boost the implementation of the different components of Article 3 of the Enforcement Directive in the judicial balancing act in patent enforcement cases have not proven successful. The pressure on the UPC from the EU to finish what the EU has started with Article 3 is quite weak, given the current mismatch between what the law asks and what the Commission and ECJ are advocating versus what domestic courts have overall been found to be doing.

There is room for the UPC to take it upon itself to further this endeavour since there is nothing in the UPCA, its mandate or in its organisational structure to prevent the UPC from doing so, but none of them seem to force or encourage this either. This means the UPC would have to make a conscious effort to break with the automated tendencies prevalent in Europe. Given its multinational composition and the fact that it will have to apply various different national frameworks from one patent to another, this would not be an easy feat. In fact, there are certain elements of the resulting UPC framework – i.e., its more limited provision on proportionality, the ambiguity in applying national law and/or the UPCA, the strong focus on uniformity and specialisation, the limited mandate the UPC is given, its competition with national courts – that are more likely to induce the opposite. With regard to these components of the system, it was concluded that there do not seem to be enough embedded

insurances to prevent the UPC from slipping towards strong patent enforcement as well, nor elements that would encourage the UPC to move away from this direction. Consequently, based on the features explored here, the hypothesis that the UPCA and its court by themselves will not break with the current automated tendencies in granting final injunctions appears to hold true. The current practice in the EU, the wording of the UPCA and the make-up of the UPC all support this.

The EU should look to revitalise the harmonisation process itself through stronger means if Article 3 is going to play the role that both the Commission and ECJ, and many legal scholars, see for it.



**PART IV.**  
**INNOVATION AND MARKETS**  
**ISSUES WITH THE NEW SYSTEM**



# 17. NEW IP STRATEGY FOR BUSINESSES IN EUROPE IN THE LIGHT OF THE UNITARY PATENT AND UNIFIED PATENT COURT

*François Wéry*

## **1. Introduction**

The Unitary Patent Package (UPP), with its two main facets, the setting-up of the European Patent with Unitary Effect (EPU) and the Unified Patent Court (UPC), was designed to promote technology-intensive companies, products and services, and intellectual property rights holders. As the EU Commission recently explained: With the UPP, *“the European single market is about to enter a new era of promoting investment in innovation. The long-awaited arrival of the unitary patent and the Unified Patent Court, which should be operational by early 2023, will stimulate the development and trade of IP-intensive goods and services, boost FDI flows and facilitate the development of innovative European SMEs.”*<sup>1</sup>

This paper analyzes the impacts the new system might have on EU companies, based on my experience as a C-executive in IP for more than fifteen years in an international corporation.

This contribution aims at anticipating the main effects from a business perspective, taking into account different types of companies, not just the ones which innovate, whether large, medium, or small, from Western, Central or Eastern Europe, regardless of their main establishment in a UPC country or not. It also considers the UPP system’s attractiveness for foreign<sup>2</sup> companies and its impact on European enterprises.

The findings must be taken with caution. Discussing the merits of a yet-to-be-born system is challenging. The paper’s ambition is to bring a business voice in the current discussions and not to be a head-on attack on the UPP. Conclusions

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1 “The Unitary Patent System - A Game Changer for Innovation in Europe”, [https://single-market-economy.ec.europa.eu/events/conference-unitary-patent-system-game-changer-innovation-europe-2022-11-17\\_en](https://single-market-economy.ec.europa.eu/events/conference-unitary-patent-system-game-changer-innovation-europe-2022-11-17_en) (last access: 27 October 2022).

2 Foreign companies: companies whose principal place of establishment is outside the EU (“third countries”).

need to be considered as points of attention for those in charge of bringing the new UPP system to life rather than a nostalgic tribute to the old EP system.

One must also remember that the overall assessment of the UPP depends on the perspective adopted. The assessment may be positive in view of the EU harmonization, but the outcome appears mixed when one adopts a business point of view.

In the first part, the contribution focuses on the EPUE<sup>3</sup> and its business impact on EU companies. The second part focuses on the possible impacts of the Unified Patent Court (UPC).

## **2. The European Patent with Unitary Effect (EPUE)**

The EP system allows the applicant to file his patent application with a single office<sup>4</sup>. The application is subject to a single examination procedure in a limited number of languages<sup>5</sup> and one patent, the European Patent (EP), is granted. The system is a great success since the centralized examination meets the need of companies and inventors. When the European Patent Convention (EPC) came into force in 1977, an EP could be validated in seven countries<sup>6</sup>. As of October 1, 2022, 39 countries are members of the EPO system. Additionally, one country allows an extension and four ones a validation. Simply put, an EP patent can enter into force in 44 countries if the owner so decides and proceeds with all the formal requirements accordingly.

Although issued centrally, once granted, the EP patent becomes subject to national legislations like a national patent, with two main consequences, leading to a fragmentation of the patent landscape in the EU :

- Once the EP is granted, the patentee must apply for validation in each country where he wishes to benefit from protection. He must pay annuities during the patent's life in each country of coverage. There is no automatic and unique protection on the whole EPC territory. An EP territorial protection is never homogenous in the EU, unless the patentee validates and pays the annuities in the 27 Member States;
- Each Member State in which the EP is validated and still in force, is in charge of the enforcement of the patent in its territory and has exclusive jurisdiction to revoke or limit the patent for its territory as well.

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3 European Patent with Unitary Effect, often named in brief "Unitary patent".

4 European Patent Office, EPO.

5 English, German, or French.

6 Belgium, Switzerland, Germany, France, the United Kingdom, Luxemburg, the Netherlands.



The EPUE tries to solve the fragmentation issue.<sup>7</sup>

The EPUE is an EP. The granting procedure does not change. The EPO remains the sole examination and granting authority.

The EPUE is at play on the validation side of the procedure with the ambition to offer the patentee the option of having a uniform protection in the EPUE countries without much effort, and, arguably, in a less expensive way (in certain cases).

### **3. The impacts on patentees**

#### *A. The fragmentation issue*

The number of participating<sup>8</sup> countries (EPUE territory) is of utmost importance if EPUE wants to hold to its promises. The proponents of the UPP base their reasoning on the participation of 25 Member States. However, only 17 countries will be onboard when the system kicks in. As we will see later in the contribution, the limited number of participants makes a great difference in terms of the attractiveness of the UPP.

With Germany's ratification of the UPCA<sup>9</sup>, the system entered into force in June 2023 and offers a protection through EPUE in 17 EU countries: Austria, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Portugal, Sweden, Slovenia, Estonia and Germany.

As of June 1st, 2023, many countries remain outside the UPCA and thereby the EPUE system:

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7 Regulation (EU) 1257/2012 of December 17, 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection, aims at solving the problem by conferring to the European Patent a unitary effect, which provides uniform protection in the participating Member States having ratified the Unified Patent Court Agreement (UPCA). Regulation (EU) 1260/2012 of December 17, 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, addresses the translation issues of the EPUE.

8 Participating has the meaning of art. 2 (a) of Regulation (EU) 1257/2012: "a Member State which participates in enhanced cooperation in the area of the creation of unitary patent protection...". This refers to the Council decision of 10 March 2011 (2011/167/EU), OJ 22.3.2011, L 76, p. 53.

9 Unified Patent Court Agreement, done in Brussels on February 19, 2013, UPCA.

- Some until they decide to join the system. For the moment, 10 EU countries are not participating in the new system: Croatia, Cyprus, Czech Republic, Greece, Hungary, Ireland, Poland, Romania, Slovakia and Spain.
- Some forever unless they (re)join the EU, since only EU Member States are allowed to enter in the system. This excludes important countries that, although being in the European economic sphere and close business partners, are not members of the EU. The United Kingdom, Switzerland, Turkey, Norway and others are prevented from becoming a participating country. In these countries, an EP validation will still be necessary.

The limited number of participating countries has two immediate consequences.

On the one hand, in a business perspective, important markets close to or in the EU, such as the UK, Spain, Switzerland, Turkey and Poland, are not part of the EPUE system. To obtain protection in these territories, it will still be necessary to validate European patents and pay annual fees to the national offices for their maintenance.

On the other hand, from an IP perspective, there are reasons to fear that the patent system in the EU will be more fragmented than before:

- The EPUE system increases the number of patent types in EU from two currently to three when the system enters into force: a) National patents granted based on a national procedure (27 countries concerned in the EU); b) National patents resulting from an EP, following a validation (27 countries concerned in the EU); c) EPUEs (currently for 17 countries).
- During the transitional period<sup>10</sup> however, the national patents resulting from an EP patent split into two additional categories: a) EPs subject to the jurisdiction of the UPC (EPs without an opt-out); b) EPs that are not under the jurisdiction of the UPC due to an opt-out procedure (EPs opted-out);
- As long as the EPUE territory is not fully complete, the landscape will be even more fragmented as and when more countries will join the system. The territorial scope of each EPUE will be determined by the territory of the EPUE at the time of the EP grant. The accession of a Member State to the UPP will not extend the territorial coverage of an already registered EPUE to the new territory.<sup>11</sup>

### *B. The costs issue*

The reduction of costs is one of the central arguments of the promoters of the

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<sup>10</sup> Art 83 UPCA.

<sup>11</sup> Art. 18, paragraph 2, second sentence of Reg. 1257/2012.

EPUE. They consider that the expenses for having valid European patents is an obstacle to the economic attractiveness of patenting inventions and might negatively affect the competitiveness of European companies and SMEs, which might not have the resources to validate the EP in enough countries because of the too high annual fees and translation costs. According to them, the costs reduction comes from a reduction of the fees, a simplification of the translation requirements and an abolition of the validation fees.

Since the EPUE system represents a big change for users and has some disadvantages, it is interesting to objectivize the financial benefits of the new system.

### 1. Annuities

The EPUE proponents claim that costs will be reduced for the patentees, in part, through lower annual fees since the entire EPUE territory can be covered by only paying the equivalent of the sum of the EP validation annuities of the four EPUE member countries with the most EP validations in 2015. On its website, the EPO explains that over 20 years, the savings in terms of annual fees is equal to 125 078 €. <sup>12</sup>

We have calculated (appendix 8.2) the savings brought by the EPUE system compared to the existing EP system. The calculation is based on the following assumptions:

- The analysis is based on the existing situation in September 2022, i.e., with 17 participating countries<sup>13</sup>;
- The analysis includes the three main countries of the European Free Trade Association (Switzerland, Norway, Iceland), as well as Great Britain and Turkey, the reason being that the distinction between EU and non-EU members is often theoretical for a European company. There is no reason why a French company should be less interested in the Swiss market than in the Romanian market. Adding countries outside the EU to the simulation does not change the results, thanks to the calculation method (see appendix).
- The countries are in decreasing order of Gross Domestic Product (GDP). This allows to better approach the reality of companies who wish to validate their patents in priority in the largest markets.
- The table calculates the savings in cumulative terms for the EPUE/UPCA countries<sup>14</sup>. For example, the box Finland / Fee 11, shows the total savings (10 268 €) thanks to the EPUE system after 11 years, assuming that the

<sup>12</sup> <https://www.epo.org/applying/european/unitary/unitary-patent/cost.html> (last access: Oct. 17, 2022). EP annuities in the 25 participating countries (160 633 €) minus the annuities to pay for EPUE (35 555 €).

<sup>13</sup> 16 having ratified until now, plus Germany for the entry into force of the EPUE system.

<sup>14</sup> The other EU or non-EU countries are not relevant for the comparison.

patent is validated in Finland and in all UPCA countries with a larger GDP than Finland.

- The analysis does not consider the professional fees paid by patentees who use an agent to perform validations. The situations of patentees vary too much and therefore prevent an objective comparison if agent fees are included.

As expected, the savings are minimal during the first years and increase over time. In the current configuration, i.e., for the first 17 participating countries, the maximum savings is €81,920 over 20 years. An evaluation based on the annuity amounts in effect in September 2022, indicates that with 25 countries, the maximum gain would be 130,908 € (see the annexed table), and with 27, it would amount to 140,318 €.

However, only a small proportion (20%) of patents remain in force for 20 years. The available EPO statistics regarding the EP patents duration allow a more precise assessment of the possible gains<sup>15</sup> and shows for instance that only 50% of the EP patents remain in force for more than 11 years:

Assuming validation in 17 countries, 30% of patentees will benefit from a maximum saving of €6,524, 20% of them will benefit from a maximum saving of €19,779.

For most patentees, the gain will therefore be rather small.

The maximum gains mentioned above are based on a validation in the whole EU, which, as of today, seldom happens.

However, companies determine the countries of validation after a market and competitive analysis which considers two key parameters:

- Where should I validate my patent to protect my markets?
- Where should I validate my patent to block my competitors?

In the EU market, securing patent protection in two or three or even one country is often sufficient to block potential competitors in the whole or significant part of the EU. In many specific sectors, validation in Germany or in a very limited number of countries is sufficient because the inability to sell or produce in such major countries will discourage competitors from operating in the EU as a whole. For example, it is impossible for an OEM<sup>16</sup> to become a supplier to a car manufacturer in the EU for a given product that is blocked by a third-party patent in Germany. It is indeed not possible to restrict the sale of the cars incorporating the equipment to EU countries except Germany: it does not make sense in a business perspective.

15 EPO, CA/F 5/21, “Annual compendium of statistics on the activity at the EPO and at the member state offices in 2020”, October 6, 2021.

16 Understanding an Original Equipment Manufacturer (OEM), Investopedia, <https://www.investopedia.com/terms/o/oem.asp>.

SMEs as well as large companies apply this strategy of autonomously limiting their patent applications or validations in order to limit their IP costs, except for some very standardized sectors such as pharma, electronics or communications.

In most cases, the patentee will limit the validation to ten or fifteen countries, at most. Assuming that he maintains the patents for 15 years (percentile 64), the gains will be between 13 565 € and 25 655 €.

In terms of annuities, the EPUE system becomes financially attractive only when the validation takes place in a significant number of countries and for a duration longer than 10 years.

One cannot claim that saving a few thousand euros on ten or fifteen years is significant enough to make a real difference for the patentees. The assertion that the new system becomes financially advantageous after the fifth validation is somehow misleading in so far as it does not consider the countries that do not participate in the EPUE system and the level of savings.

To make significant savings, the patentee is thus supposed to apply for protection in a large territory before it can take advantage of the reduced costs linked to the new system.

Companies operating in all EU countries or at least on a large part of the EU territory will benefit the most from this extended geographical coverage. In most cases, this means large corporations working independently or in partnership. Companies active in global licensing will also benefit from the system. The same applies to companies manufacturing or offering identical products or services in many EU countries, such as in the electronics, media, or pharmaceutical sectors. The enterprises whose technology is embedded in norms and standards will probably use the EPUE system significantly.

The EPUE system is tailored for (large) patentees. Companies filing many patents will benefit the most from the EPUE coverage.

Not all innovative companies will benefit from the new system. Businesses with technology centered on production processes protect their inventions through know-how.<sup>17</sup> They will not benefit from the EPUE system, and nothing will change for such companies.

The following companies might not be interested in EPUE:

- Companies that innovate little or protect their inventions through know-how;
- Companies that operate in a limited number of countries, usually SMEs;

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17 A patent is useless or even a wrong choice if the invention's use is difficult or impossible to detect on the final product. In such a case, the secret is in most cases the only option available.

- Companies manufacturing or selling products or services that differ from country to country.

The EPUE might even lead to increased costs for companies that do not really need a broad geographic coverage. In the same way that a “3+1 free” promotion leads to overconsumption in retail, the possibility of obtaining some patent coverage in 17 countries could lead many companies which would actually only need patent protection in two or even three countries, to ask for an EPUE not in accordance with their real needs.

The risk of overuse is real. In many cases, it will be very difficult for the head of the IP department to propose to his management to limit the protection to two EP validation countries instead of asking for the broader EPUE protection. Many in-house IP attorneys will not take the risk of being blamed 5 years down the road when the company moves into new unforeseen markets without protection. Better safe than sorry, and thus: request an EPUE.

## **2. Administrative simplification, reduction of translation and validation costs**

The new system undeniably represents an administrative simplification compared to the EP validation process. This simplification is an important achievement of the EPUE system.

The EPUE will only require a central “validation” before the EPO. No fee will be due for requesting the unitary effect whereas many companies currently go through outside patenting services for national validations in the EP system, with expensive professional fees.

The annual patent maintenance fees will be paid directly to the EPO without the need to pay in each validation country.<sup>18</sup>

In the situation of September 2022, the new translation and validation rules will bring additional savings<sup>19</sup> of up to 6 780 €.

On top, the EPO will keep information on licenses and transfers on the EPUE Register. This information will be freely accessible online. This centralized register containing information throughout the patent’s life is naturally a step forward and improvement as it is currently difficult for companies to have a global view of the licenses and transfers concluded by their competitors or partners in the EPC system.

Translation costs’ reduction is often presented as an important achievement of the new system. They will substantially decrease because translating the patent will no longer be necessary after a transitional period of at least six

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18 Decision of the Select Committee of the Board of Directors of December 15, 2015, adopting the Regulation.

19 The simulation is based on a 7500 words EP patent filed in English. See Appendix.

years. During the transitional period, a translation will be required for information purposes and will have no legal effect. This will simplify the administrative burden and reduce translation costs, which are often outsourced.

However, two comments can be made:

- The predominance of English will increase the attractiveness of the EPUE system for foreign companies.
- Using the EPUE to reduce the cost of translations was unnecessary. A more extensive and efficient application of the London protocol<sup>20</sup> could have sufficed.

### *C. The central attack issue*

The unitary nature of the EPUE may induce some weaknesses in the protection since the cancellation and limitation of the protection will affect all EPUE countries at the same time. Any invalidation proceedings against an EPUE will be a “central attack” on the protection in all EPUE Member States.

Business-wise it is a significant weakness of the system for the patentees, who must act cautiously not to put all their eggs in the same basket. Companies will need to build their portfolio strategically by mixing patents under the UPC (EPUEs and/or non-opted-out EPs) and opted-out EPs and national patents. As a principle, weak patents will probably not survive very long and should be either national or EPs to be opted-out (during the transitional period).

The central attack raises, therefore, the question of whether patentees will be willing to take such a risk. In dealing with that risk, patentees will need to build their portfolio carefully, resorting to all types of available patents in the EU.

Participating Member States have understood the danger and introduced regulations to enable double patenting by EPUE and national patents to protect their businesses. Important countries such as France<sup>21</sup> and Germany<sup>22</sup> are showing the way.

### *D. The contractual hazard issues*

Patentees might want to exclude the UPC jurisdiction for some of their patents. Besides resorting to national patents, patentees may opt-out their EPs during the transitional period.

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20 London protocol, signed on October 17, 2000, by 22 countries, aims at reducing the translation costs of European patents granted under the European Patent Convention.

21 L 614-13 / Code de la Propriété Intellectuelle.

22 Amendment to art. II § 8 / IntPatÜbkg to enter into force on the date on which the UPCA enters into force

Opt-out rules are strict and provide that all proprietors or applicants must give their consent for an opt-out declaration. Existing and future co-ownership agreements and joint-development agreements should specify this if the intention is to opt-out. Absent such clause, it will be up to the parties to decide well in time, with the risk that opting-out becomes impossible because one patent co-owner refuses to do so.<sup>23</sup>

The EPUE may “be the subject of a license agreement for all or part of the territories of the participating Member States.”<sup>24</sup> It may, however, “be limited, transferred, or revoked or terminated only with respect to all participating Member States.”<sup>25</sup> The impossibility of transferring the patent for a particular country is a step backward, and a reduction of the choice of the patentee, compared to what the EPC system offers.

Where the patentee wants to transfer the property of an EPUE in a limited set of countries within the UPC territory, it will need to enter into an exclusive license agreement instead of an assignment. However, the solution is not entirely satisfactory insofar as:

- An assignment of a patent generally has its full effect at the time of the assignment, emptying the relationship between the assignor and the assignee. In contrast, an exclusive license creates a long-term relationship between the licensor and the licensee. This is particularly true in the event of an infringement, where the action usually leads to a counterclaim for invalidity that must be managed by the patentee.
- The assignment agreement is a more straightforward legal document to negotiate and draft than an exclusive license.

Licensors must be careful with new and existing license agreements under the EPUE and non-opted-out EPs to prevent licensees from launching infringement proceedings without their prior consent. Usually, the main claim for infringement gives rise to a counterclaim for revocation. The licensor might want to make sure that one of its licensees does not jeopardize the whole set of non-opted-out EPs or the EPUE by launching infringement proceedings.

#### **4. The impact on EU companies**

Most EU companies do not own any patents, as is the case for 96% of EU SMEs.<sup>26</sup>

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23 R. 5 Rules of Procedure of the Unified Patent Court (RPUPC).

24 Art. 3, (2), para. 2 Regulation (EU) No 1257/2012.

25 *Idem*.

26 EUIPO, “2022 Intellectual Property SME Scoreboard”.



Companies mostly rely on trade secrets and other means of protection. *“Economic research confirms that businesses, irrespective of their size, value secrecy as equally important or more important than patents and other forms of intellectual property rights as a way to appropriate and exploit knowledge. A recent research paper indeed shows that only about 10% of important industrial innovations are patented, suggesting that the remaining rely on secrecy or other type of competitive advantage.”*<sup>27</sup> In the innovation protection toolbox, patents come at 13<sup>th</sup> place. 62% of SMEs who introduced an innovation in the last three years resorted to confidentiality, 61% to trade names, 36% to time to market and trademark, while only 19% to patent.<sup>28</sup>

As one can see, in the first time at least, most companies will be impacted by the EPUE system, not as patentees, but as economic operators subject to third parties’ rights.

One must be careful to avoid making an indiscriminate assessment of the impact of the EPUE on European companies leading to blanket conclusions. Differentiating between the various countries is compulsory since the situation varies deeply inside the EU.

The assessment of the different situations must be based on:

- Key Performance Indicators (KPI) reflecting the innovation and patent situations of any considered country.
- Reliable and objective statistics. In this respect, Member States’ statistics must be considered with caution<sup>29</sup>. One should prefer centralized figures coming from the European Commission or the EPO.

We have classified the countries based on three KPIs:

- The European Innovation Scoreboard is published annually by the European Commission. The scoreboard consolidates multiple KPIs measuring the importance of the government’s support of innovation, the economic environment, and the level of education. The Scoreboard is a very good measure of innovation but needs to be supplemented with IP statistics.
- The country of residence of the applicant of EPO direct application, when established in the EU, is published yearly by the EPO. It is a good estimate of the importance of the private sector’s innovation and patent acumen of the EU Member States’ companies.

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27 European commission, “Impact assessment accompanying the document proposal for a Directive of the European Parliament and of the Council on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure”, SWD(2013), Brussels November 28, 2013, p. 14.

28 EUIPO, *Ibid.*

29 EUIPO, EPO, “IPR-intensive industries and economic performance in the European Union”, Oct. 2022.

- The number of European Patent Attorneys per million inhabitants can be calculated by searching the online database which is regularly updated on the EPO's Website. It is an objective measure of the density of professional IP support available in any given country.

Taken together, the 3 KPIs should reflect the level of patent density in the considered countries. Being over percentile 50 in the three categories means a country enjoys a strong innovation policy, has a lot of companies filing patents and a sufficient density of patent professionals able to implement the protection and valorization of the innovation.

Based on those KPIs, three categories emerge :

- High Patent Density Country (HIPDC) where the country is over percentile 50 for the 3 KPIs
  - Participating : Germany, Denmark, Sweden, Finland, Netherlands, Belgium, Austria France, Luxemburg
  - Not participating: Ireland
- Medium Patent Density Country (MEPDC) where the country is over percentile 50 for less than 3 but at least 1 KPI:
  - Participating: Italy, Estonia, Malta
  - Not participating: Spain, Poland, Cyprus, Slovenia
- Low Patent Density Country (LOPDC) where the country is below percentile 50 for all KPIs:
  - Participating: Lithuania, Latvia, Bulgaria, Portugal
  - Not participating: Czech Republic, Hungary, Croatia, Slovakia, Greece, Romania

#### *A. The inequality issue between the participating Member States*

The situation will mostly stay the same for companies operating in participating HIPDC, such as Germany, France, or the Netherlands since most EPs are probably already validated there. In those countries, companies are accustomed to working in a high-density patent environment.

A HIPDC environment requires a rigorous IP strategy:

- Performing a Freedom to Operate check before any significant development or commercialization of a product or service;
- Regular monitoring of competitors' R&D and IP activities: monitoring of application publications, examination procedures and patent grants;
- Search for technical or legal circumvention in the case of a patent or patent application considered troublesome;
- Launching of opposition proceedings before the EPO when necessary;
- Licensing in the event of a blocking patent ;

- Drafting and filing of patent applications tailored for destroying the novelty of subsequent applications by competitors;
- Building a portfolio to block or negotiate with competitors.

Such actions require companies to have financial and human capacities and a technology and IP-oriented culture.

Companies operating in LOPDC have so far escaped the constraints of EP patents that might have restricted their activities. With the introduction of EPUEs they will face much more patents in their domestic markets.

With the entry into force of the EPUE system, companies in Participating LOPDC (Portugal, Lithuania, Latvia and Bulgaria) will face the same level of constraint as the HIPDC businesses.

Used to operating in patent-free environments, most companies don't have the necessary resources to work in the new high-density patent environment. They have not necessarily developed this culture or the means to implement sophisticated IP strategies.

In the first years, the EPUE system is thus expected to cause a shock to such companies.

As from the UPC entry into force, EPUEs shall start coming in. More challenging, thousands of patent *applications* will also need to be considered. Patent applications are challenging for Freedom to Operate (FTO) checks<sup>30</sup>: one cannot ignore the applications as most of them will become patents. However, applications cannot be taken at their face value because the examination procedure reduces the final scope of protection almost every time. At the end of 2021, there were 420,000 applications pending before the EPO<sup>31</sup>. It is safe to assume that nearly all these applications will have the opportunity to become EPUEs in the next four years and thus come into force in the LOPDCs. Not all granted EPs will receive a unitary effect, but all applications must be monitored from now on since it is impossible to know whether a patent will become an EPUE until one month after it will be granted.

It will not suffice for companies in these countries to start the monitoring process only when the patent becomes an EPUE. A company developing a process, or a product must be sure that it will be able to use the process or market the product with a certain degree of certainty before launching the R&D activities or making the investments. The FTO must take into account both granted patents and patent applications.

Companies in countries which have a low-patenting density nowadays but will be included in the UPC territory, should therefore monitor pending appli-

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30 Freedom to operate: FTO.

31 EPO, Quality report 2021, fig. 15.

cations as soon as possible. Additionally, they are unlikely to find much help in personal possession rights if they market a product or implement a process before the priority date. Indeed, personal possession rights remain national in the EPUE regime.<sup>32</sup> The non-extension of these rights to the entire EPUE territory is a regrettable missed opportunity of the new “unitary” system since it actually limits the companies concerned to the exploitation of the invention in their domestic market.

The shock will not be limited to LOPDC. Even companies in HIPDC will be impacted. Estimates show that the number of patents in force in Finland will double in the short-term and quadruple in the long-term due to the introduction of EPUEs.<sup>33</sup>

In participating MEPDCs, one needs to make the analysis case by case. Italy has low rankings in terms of the Innovation Scoreboard and the density of patent attorneys. It is, however, a major country in terms of filing since it enjoys an industrial basis quite accustomed to patent operations. Compared to Italy, Estonia and Malta are smaller economies but score better in terms of innovation and patent professionals related to their population.

Therefore, participating Member States can be divided into three groups:

- HIPDC will be relatively unaffected as they already live in a very competitive IP environment (Germany, France, Netherlands, Sweden, Italy, Denmark, Austria, Finland).
- LOPDC will be negatively impacted (Portugal, Lithuania, Estonia, Malta, Bulgaria, Latvia). The introduction of the EPUE will be a real challenge.
- The situation is less straightforward for MEPDC, where a case-by-case analysis is needed.
- EU Member States which are out of the EPUE/UPC system will undoubtedly be the big winners of the EPUE system (Spain, Ireland, Poland, Czech Republic, Greece, Hungary, Slovenia, Cyprus, Slovakia, Romania, Croatia).

Without many surprises, the difference in impact between HIPDC and LOPDC translates in the participation status. Not surprisingly, 90% of HIPDC are participating in the UPP. The percentage falls to 43% for MEPDC and to 40% for LOPDC.

This leads us to analyze why so many countries are still not participating.

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32 «Any person, who, if a national patent had been granted in respect of an invention, would have had, in a Contracting Member State, a right based on prior use of that invention or a right of personal possession of that invention, shall enjoy, in that Contracting Member State, the same rights in respect of a patent for the same invention», art. 28 / UPCA.

33 NIELSEN, M., “European unitary patents make it more important than ever for Finnish companies to actively engage with patent system”, [www.lexology.com](http://www.lexology.com) (last access: October 28, 2022).

### *B. The “free riders” issue within the EU*

Companies in countries out of the system are in an ideal situation: they can obtain an EPUE if they wish but are not hindered in their home market by the EPUEs of their competitors. In this way, they will benefit from all the advantages of the EPUE without suffering from its disadvantages in their domestic markets. It looks as if they were some sort of ‘free-riders’.

This is undoubtedly the effect sought by certain countries that refuse to join the EPUE system. Poland, for example, openly assumes its refusal to participate for the sake of protecting its companies and economy.

The EPUE system runs the risk of increasing the fragmentation of the patent landscape in Europe and fostering distorted competition between EPUE/UPC and non-EPUE/UPC countries. For instance, the competition between Greek companies (a non-EPUE/UPC country) and Bulgarian enterprises might be distorted as it will be easier for Greece to attract foreign investments than Bulgaria. The same applies to Spain and Portugal.

### *C. The windfall issue for non-EU companies and patent trolls*

A company determines the territorial coverage of its patents based on its business and innovation strategy. However, a good understanding of the intellectual property system and confidence in the legal and judiciary system are equally important.

This observation is well known by corporate practitioners who must regularly convince their management of the need for sufficient coverage of the company’s patents.

The EP system is fragmented. It offers low legibility to foreign companies. Unlike European companies who are used to navigating the EU with 27 languages, 27 traditions and legal systems, foreign companies often find themselves at a loss when faced with a patchwork that seems incomprehensible.

This lack of clarity creates some insecurity for foreign companies, which, in turn, might be viewed as a form of protection for the European economy. In FTOs checks, European companies often find that foreign companies’ patent portfolio is poorly calibrated.

The EPUE makes the EU IP landscape much clearer. As a result, it will be easier for foreign companies to create a sound and broad European patent protection strategy in the future. As from the entry into force of the system, if they do not opt-out their EPs, they can use the UPC jurisdiction immediately and its advantages in terms of cross-borders effects and enforcement. Furthermore, the translation mechanism of the EPUE system, which gives a predominance to English, will also significantly contribute to making the EU

more attractive since all foreign companies are comfortable with English, but less with German or Czech...

Foreign patentees are in the same or even in a better position than the companies in the “free rider” Member States discussed above.

Patent trolls will also benefit from the new system by obtaining extended territorial coverage in a simplified and inexpensive way. They will be able to attack previously shielded companies at no extra cost compared to the current system. The effects could be devastating if nothing is done through regulation or the adjustment of case law (i.e., the quasi-automatic granting of injunctions and the non-automatic compensation of the “infringer” in case of later revocation or cancellation of the patent<sup>34</sup>) to protect EU companies.

It seems paradoxical that the EPUE/UPC system created at the level of the EU favors foreign companies and is likely to be detrimental to European enterprises. Several leading European companies have pointed out such consequences: *“Business activities in Europe will become more vulnerable. The Regulation as it stands will drive European businesses to locate their infrastructure, such as factories and warehouses, outside the jurisdiction and discourage inward investment from companies domiciled outside the EU”*<sup>35</sup>.

## 5. The Unified Patent Court

The Unified Patent Court Agreement (UPCA) is the judiciary pillar of the UPP. The UPC is intended to become the single court for all patent litigations involving EPUE and eventually all<sup>36</sup> EPs.

### A. The uniformity of competence and case law issues

The primary objective of establishing the UPC is mentioned in the second preamble of the UPCA: *“Considering that the fragmented market for patents and the significant variations between national court systems are detrimental to innovation [...]”*

The UPC will *“enhance legal certainty through harmonised case law in the area of patent infringement and validity (and) provide simpler, quicker and more efficient judicial procedures”*.<sup>37</sup>

34 ECJ, 12 September 2019, *Bayer*, C-688/17, ECLI:EU:C:2019:722.

35 Nokia and BAE Systems Joint Letter, December 10, 2012.

36 After the opt-out period which allows the owner of an EP to remove it from the jurisdiction of the Court, all granted EPs will be subject to that jurisdiction.

37 [www.epo.org](http://www.epo.org), October 25, 2022.

This statement is partially true in the UPC territory for the patents for which the UPC will be competent. However, it does not hold at the EU level, at least for the moment, as we will see.

As far as *validity* is concerned, the Court's jurisdiction is strictly limited to patents that fall within its authority in the UPC territory, i.e.,<sup>38</sup> EPUEs and non-opted-out EPs.

The validity of other patents such as opted-out EPs and EPs outside the UPC territory is not within the jurisdiction of the UPC, neither in a main revocation action nor in a counterclaim for revocation. The jurisdiction of the UPC cannot be extended because national courts have exclusive jurisdiction in proceedings concerning the validity of these patents (as well as national patents).<sup>39</sup>

The situation is more complex in *infringement* proceedings since UPC and national courts can be competent based on the domicile of the infringer or the location of the infringement.

When no opted-out EPs will be in force anymore, the competence will be as follows:<sup>40</sup>

- When all infringers are domiciled and all acts of infringement take place in the UPC territory only, there is an exclusive jurisdiction of a) UPC in matters of infringement and validity of EPs and EPUEs and b) national courts in matters of infringement and validity of national patents.
- When all infringers are domiciled and all acts of infringement take place in the EU, but outside the territory of the UPC, the national courts will have exclusive jurisdiction.
- In between, when some infringers are domiciled in the UPC territory and others are not, or if some acts of infringement occur in the UPC territory and others do not, the situation is as follows (very summarized):
  - There is an exclusive jurisdiction regarding the validity (main claim or counterclaim) in favor of a) UPC for EPUEs and EPs, and of b) national courts for national patents.
  - Both UPC and national courts can have jurisdiction for EPUEs, EPs, and national patents, based on the domicile of one of the infringers or the place of the infringement<sup>41</sup>.

The transitional period adds another layer of complexity regarding opted-out EPs:

- Co-existence of jurisdiction among national courts as regards infringement.
- Exclusive jurisdiction of national courts as regards validity.

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38 Art. 3 UPCA.

39 Art. 24 (4) of Regulation (EU) 1215/2012, Brussels I bis.

40 Opted-out EPs will remain so for the remaining of their life.

41 Subject to EU Reg. 1215/2012 as amended by EU Reg. 542/2014.

The complexity of the system should not be overlooked, as many companies, especially those with a large portfolio, will mix EPUEs with opted-out EPs and national patents<sup>42</sup>, to be able to carry out effective proceedings and implement forum shopping strategies. The UPP might indeed create a renewed interest in national patents, especially with the possibility of double patenting introduced in some national laws.

In terms of harmonization of patent and infringement case law in the whole EU, we can see that the EPUE system will struggle to deliver, at least initially and probably for a long time.

True case law harmonization is heavily dependent on two factors:

- The number of countries participating in the EPUE system. To achieve a true harmonization of case law, the jurisdiction of the UPC must be actually exclusive everywhere for both invalidity and infringement issues. This can only be achieved with a jurisdiction extended over 27 countries or at least 25. With only 17 participating countries today, harmonization risks to remain very limited. The fragmentation issue discussed hereinbefore is crucial since it is far from certain that the number of participating Member States will reach 27 or 25 in the foreseeable future.
- The transitional period's duration. As long as opted-out EPs are in force, the case law can only partially be harmonized. If the transitional period is extended by another seven years, the last opted-out EPs will remain in force until around 2052.

The patchwork of jurisdictions risks somehow distorting the competition within the EU Member States because it places EU companies in different positions depending on where they are established, as this appears shown in the following example.

A Spanish patentee owns an EP validated in Spain only. He is considering launching infringement proceedings against a German competitor for infringement acts in Spain.

The Spanish patentee has two possible venues for the litigation:

- he can sue before a Spanish court. The latter has jurisdiction over acts of infringement in Spain. In case of a counterclaim, the Spanish judge can rule on the validity of the Spanish EP.
- he can sue before the UPC which will have jurisdiction (because of the place of establishment of the German competitor) over the infringing acts in Spain. In case of a counterclaim, the UPC cannot determine the validity of the Spanish EP which is a matter exclusively for a Spanish court.

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42 The UPP might indeed create a renewed interest in national patents.



The Spanish patentee might choose the UPC if:

- the UPC is known to be more favorable to patentees than Spanish courts,
- it has some doubts about the strength of its patent. It will choose the UPC because the counterclaim must be brought before the Spanish judge, who will probably take more time than the UPC to decide. In the meantime, he may try to dissuade the UPC from staying the case by requesting provisional measures.

If the Spanish company wants to settle the dispute at home, it will choose the Spanish venue. Additionally, if the alleged infringer is an SME, the patentee might want to put a lot of pressure on the defendant and oblige it to litigate far from home and in Spanish.

In the opposite situation of a German patentee and an alleged Spanish infringer of the EP in Spain, the choice does not exist for the German plaintiff since it will necessarily have to bring the case before a Spanish judge.

It is easy to understand that the Spanish company has an advantage over the German company because the former can choose its judge. The “free-rider” discussed hereinbefore is again at play.

This example confirms a bias of the UPP reform that the legislator did not anticipate: European companies established in countries that do not participate in the EPUE system, have more flexibility regarding venue choice. The same can be said for companies established outside the EU.

### *B. The defendant's rights issue*

Along with cost reduction, the reduction in the duration of the litigated cases is another significant feature that the UPC system could induce.

However, reducing too much the duration of the proceedings will make it difficult for the defendant to defend himself properly.

The time periods provided for in the Rules of Procedure aim undoubtedly at enabling a more rapid dispute resolution: the duration between the statement of claim (SOC) and a decision in first instance should generally not be longer than 12 months.

This time frame is certainly ambitious compared to the current time frames before national courts, but it comes at great cost. The reduction in time periods will come at the price of significant procedural difficulties and related costs, particularly regarding the revocation and the (counter) claims.

The causes of invalidity before the UPC are the same<sup>43</sup> as those before the EPO, namely<sup>44</sup> :

- No invention
  - Lack of novelty
  - Lack of inventive step
  - Not susceptible of industrial application
  - Insufficient description
  - Extension of subject matter beyond the application as filed
  - Extension of the protection conferred by the patent
  - Absence of entitlement for the proprietor of the patent
- As practitioners know, building an opposition case requires a lot of work:
- Claims construction can be challenging.
  - The prior art search cannot be limited to patent documents published by the EPO. The opponent must search patents and patent applications published in multiple territories such as the United States, China, Japan, Korea, and others. The search should also be extended to scientific publications, symposium proceedings, competitors' websites, and publications.
  - Translating certain documents is sometimes complicated when the disclosure is complex or in cases of inventive step attack.
  - The analysis of literature is a subtle exercise that may sometimes require several readings or the advice of experts who often do not agree.
  - In cases of inventive step attacks, the problem-solution approach requires time and effort:
    - The determination of the person skilled in the art is not always evident.
    - The wording of the technical problem to be solved can lead to endless debates.
    - Choosing the closest state of the art is also a complicated exercise requiring an extended analysis to build the best invalidation strategy.
    - The determination of which, and how, documents can be combined.
    - The proof of common general knowledge is quite complicated and requires a lot of research. It often happens that the opponent knows that a piece of information is part of the general knowledge of the person skilled in the art but cannot easily establish it.
  - Laboratory tests may be required to demonstrate that the patent does not disclose the invention sufficiently clearly and completely. Some tests, such as aging tests, can take time.
  - Priority analysis can also be complex.

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43 Art. 65 UPCA.

44 Art. 138 EPC (cf. art. 54, 57, 83, 123 (2), 123 (3), 60 EPC); Art. 139 (2) EPC.

- Finally, it is necessary to check the file at the EPO and the examination documents of patent applications of the same family in other offices.

All these tasks require time and resources. To evaluate the time frame for litigating before the UPC, the opposition before the EPO is the best point of comparison.

The European Patent Convention (EPC) allows the opponent to file an opposition during nine months after the publication date of the grant's mention. Often, the opponent has more time to prepare the opposition because it has followed the application's evolution since it was published and examined.

From the filing of the opposition notice, the patentee has the usual time limits of the EPO: from two to four months, but with the possibility of an extension to six months<sup>45</sup>. In practice, the four months are systematically granted, and the opposition division often accepts an extension to six. The same periods apply each time a party must file a reply.

In 2021, the average time to close the opposition proceedings was 19.3 months from the end of the opposition period<sup>46</sup>. It takes, on average, 28.3 months between the publication of the patent grant and the opposition hearing.

In 2016, the EPO launched its "Early Certainty in Opposition" plan to finalize the opposition proceedings within 18 months from the expiration of the opposition period. In other words, the EPO aims to issue a decision within 27 months from the grant date. In 2021, five years after the launch of the plan, only 44.36% of opposition proceedings met this objective<sup>47</sup>.

The global time frame before the EPO is at least twice as long as those before the UPC.

In comparison, the global time frame imposed before the UPC appears excessively short.

In many cases, the alleged infringer will discover the patent when the statement of claim (SOC) is served. Had he known about the patent, he would probably have filed an opposition.

From the date of the SOC, the defendant has three months to file a counterclaim for revocation<sup>48</sup>. The Counterclaim for revocation (CFR) shall contain, among other things, the grounds for the revocation claim and supporting

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45 R. 132 (2) EPC.

46 EPO, Quality report 2021, fig. 21.

47 EPO, *op. cit.*

48 R. 23 UPCRoP.

documents.<sup>49</sup> The patent owner will have two months<sup>50</sup> to file a Defense to the Counterclaim for revocation (DCFR)<sup>51</sup>.

If the owner wishes to limit his patent, he must file an application to amend (AA) in his DCFR<sup>52</sup>. The potential infringer will then have the opportunity to submit a Defense to the Application to amend (DAA) within two months<sup>53</sup>. The patent owner will then have one month<sup>54</sup> to respond via a Reply to the Defense to the Application to amend (RDAA).

These time periods call for the following comments:

- The defendant in infringement proceedings has three months to file a revocation claim and submit the CFR. In opposition proceedings before the EPO, the opponent has nine months.
- The patent owner has two months to analyze the prior art presented by the invalidity applicant and to file an AA if necessary. The UPC time limit of two months is the minimum duration possible before the EPO, but it is rarely imposed as the Opposition Division usually gives four months.
- The counterclaimant has two months to analyze the limitation claim and find additional state of the art to challenge it (same comment).
- Despite these short time periods, all facts, claims and evidence must be presented by the parties in the first instance. The appeal process is not a catch-up process: the Court of Appeal is entitled to set aside any request, fact, or evidence that has not been previously presented<sup>55</sup>.

The problem is crucial for all parties to the proceedings and in particular the defendant in the infringement proceedings.

A defendant who - like most often - is also a counterclaimant for revocation, has three months only to build and document a complete case. Such a short deadline is very complicated to meet unless the case is simple. For any company (a large one or an SME), such a deadline is difficult to meet. It requires assigning at the very least a full-time attorney to the case. What about an SME faced with an infringement action brought by a competitor or a patent troll? And what about proceedings concerning several patents, which appear more common today?

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49 R. 25 UPCRoP.

50 R. 29 (a) UPGR.

51 R. 29A UPGR.

52 R. 30 UPCRoP.

53 R. 32.1 UPGR.

54 R. 32.3 UPGR.

55 Art. 73.4 UPCA; R. 222.2 UPCRoP.

Such short time periods are bound to raise questions about the right to a fair trial. Some judges at the UPC have already expressed the wish to implement the procedure

Any company facing an infringement action will have to react quickly, not to say in a hurry. Doing a comprehensive prior art search requires time and special skills. Big or small, the company will have to outsource the building of the revocation file with all the associated fees and costs.

### *C. The costs issue*

For several reasons, it is questionable whether the UPC system will reduce the litigation costs, for two reasons.

#### **1. The outsourcing issue**

Fast turnaround times will force companies to outsource the in-house invalidation work.

Caught in an infringement action and confronted with the need to build a complete invalidation case in three months, the defendant will have little choice: it will have to outsource the vast majority of the work because it is almost impossible to build a solid revocation case or defense in two or three months. Large companies with an extensive patent department may be able to do the work in-house, but even for these, the task will remain huge. Most often, the work will have to be outsourced...

The situation will worsen when the infringement claimant opposes not one but several patents or when a company is simultaneously party in several proceedings.

#### **2. The high-stakes issue**

The patent's revocation ends the protection in all EPUE countries, thus reinforcing the need to take any revocation claim very seriously.

With current EPs, it is possible for the patent owner facing a revocation claim before a national court to pick his battles and give up the patent in countries deemed less important for the company.

In the UPC system, this seriation is impossible since the outcome of any invalidity action before the UPC may lead to a loss of protection in the entire EPUE territory. The stakes are high for the patentee, as is shown in the following example.

A Latvian company, active only in its domestic market, wishes to invalidate a German competitor's patent in Latvia.

In the EPC system<sup>56</sup>, the dispute pertains to an EP validated in Latvia. Except in the case of opposition before the EPO, the Latvian company can bring the revocation before a Latvian court since the litigation relates only to the Latvian EP. The proceedings are conducted in Latvian. The German EP is not affected by the outcome of the Latvian proceedings.

In the UPC system, the dispute relates to the EPUE (or a not opted-out EP). The Latvian company must sue the German company before the Central Division<sup>57</sup>. The litigation is conducted in the language of the patent, most probably German. The litigation outcome will determine the patent's fate in Latvia and sixteen other countries, including Germany.

The two situations are different and show the UPC system might be detrimental to the Latvian company.

- In the EPC system, the Latvian company files a suit at home and conducts the proceedings in Latvian. The dispute is of moderate interest to the German company, which can adopt a flexible attitude. The procedure is lengthy. The Latvian company can work with a local law and IP firm.
- In the UPC system, the Latvian company must sue before the Central Division (Paris, Munich or most probably Milan), in German<sup>58</sup>. The litigation is strategic for the German company, which refuses to imperil the patent in seventeen countries, including its domestic market. The patentee will thus throw all its forces into the litigation. The proceedings terminate within 12 months. The Latvian company must work with a law firm based in Western Europe and the proceedings will be conducted in the German language.

As discussed hereinbefore, the inequality issue is at play. There is a risk that the UPC system might be detrimental to the companies based in Central and Eastern Europe and favor HIPDC's companies based in Western Europe. Part of the solution lays in the implementation of legal aid<sup>59</sup> by the UPC.

#### *D. The concentration issue*

There is also a risk that the majority of IP resources will concentrate in Paris, Munich, Milan and Luxembourg

When the invalidity action is brought as the main action, it must necessarily be brought before the Central Division, i.e., in France, Germany, or (most

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56 For the comparison between the two systems to be valid, it is assumed that the EP patent has been validated in all 17 other countries of the UPC system.

57 Art 33 (4) UPCA.

58 Art 49 (6) UPCA.

59 R. 375 / UPCARoP.

probably) Italy, depending on the technical nature of the patent. The appeal proceedings, if any, will take place in Luxembourg.

In counterclaims, the bifurcation might favor the Central Division, which has anyway the exclusive jurisdiction over the main invalidity proceedings. There is a risk that the UPC will centralize all the revocation cases if, as expected, the local and regional divisions will refer the counterclaims to the Central Division.

If this were the case, it could have several consequences:

- The vast majority of the revocation cases will be litigated in Paris, Munich, (to be confirmed) Milan, and Luxembourg, thus creating hyper-poles of competence in which all IP resources and services will be located. There is a risk that no IP expertise will be left in other countries. Will it make sense to develop or maintain a significant patent expertise in Tallinn or Lisbon if most of the invalidation cases occur before the Central Division?
- Each firm practicing before the Central Division will need to be able to offer services in all four cities and three languages. Only the most prominent firms will have the resources to do so. This represents an opportunity for big American law firms eager to represent their international clients attracted by the EPUE broad territorial coverage.
- Disputes will be litigated mainly in English, this being very attractive to international companies.
- Companies from the large western economies, and in some instances, big international corporations, will systematically play “at home” while companies from peripheral countries will have to defend their case away from home<sup>60</sup>.

Regarding revocation proceedings, the same trend is anticipated: the system favors international and Western Europe companies and risks at penalizing companies from peripheral countries.

In terms of access to justice, this situation represents a step backward from the current situation in which national courts have jurisdiction over invalidity issues<sup>61</sup>. The problem is real because of the conjunction of two phenomena:

- A significant increase in patents in LOPDCs as the number of EPUEs will increase significantly the patent threat in these countries.
- The concentration of a vast majority of revocation proceedings in Western Europe.

The situation is not better for SMEs, including those in Western Europe. International companies are likely to be the biggest winners of the new system:

- They can carry out central attacks on EPUEs and non-opted-out EPs;

<sup>60</sup> There are 2156 km by road between Paris and Sofia and 2h54 by flight.

<sup>61</sup> The opposition procedure before the EPO in one of the office’s three languages is limited to 9 months. Afterward, proceedings must be brought before national courts.

- They can conduct the judicial proceedings in Western Europe major cities where international law firms are based;
- In most cases, they can conduct the procedure in English.

Unlike opposition proceedings before the EPO, which are administrative in nature, proceedings before the UPC are judicial.

In its first years of existence, the UPC will have to build up a body of case law and clarify a whole series of legal issues. For instance, one can understand the extent to which the UPC will need to establish its case law by reading Article 62 UPCA dealing with provisional measures to be granted in case of “*imminent infringement*”, “*where appropriate*” after “*weigh[ing] up the interests of the parties*” and taking into account “*the potential harm for either of the parties.*”

The debate over the fulfillment of those conditions is likely to offer a wonderful playground for big law firms. However, this should discourage patentees from placing their patents under the court’s jurisdiction in the first place.<sup>62</sup>

From an SME perspective, working with lawyers in Paris, Munich or Milan is likely to be much more expensive and complicated than with patent attorneys in administrative proceedings before the EPO.

Large companies will once again be able to bear the costs of these legal controversies. However, nothing is less certain for SMEs and companies from LOPDCs.

## **6. Conclusion**

Any analysis of the UPP system before it comes into effect must be taken with great caution. It seems however possible to draw some conclusions at this stage, which should be considered more as points of attention for the actual implementation of the new system.

We can conclude that with 25 participating Member States, the system will have positive effects in terms of a) protection and case law uniformity in the EU, b) reduction of protection costs for patentees needing extended coverage in the EU, c) speed of resolution of patent disputes in the EU.

However, these positive effects will come at the price of a) a multiplication of patent constraints on European companies and in particular on the smallest located in LODPC, b) an increase of patent protections benefiting non-European companies and patent trolls, and thus adding constraints on EU companies, with a possible increase in related litigations, c) possible higher costs of legal

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62 Howell, Matthew, “ Survey Results Give Insight into Patentee Attitudes to Unitary Patent and Unified Patent Court », [www.lexology.com](http://www.lexology.com) (last access: Nov. 7, 2022).



proceedings, d) an increased difficulty for the parties to assert their rights in court, and especially to fully ensure their defense.

In addition to the difficulties mentioned above, as long as only 17 Member States participate in the system, EU companies might face additional difficulties, including a) high annuities and validation costs, b) the impossibility of achieving real uniform protection in the EU, c) being subject to non-unified case law d) distorted competition between participating and non-participating Member States, e) the continued complexity of the patent landscape in the EU

In the current situation, it is far from certain that non-participating countries have any advantage in joining the system, at least in the short term. There is, therefore, a risk that the UPP architecture will remain incomplete. This must be avoided if the EU wants to achieve a sufficient level of protection and case law uniformity as well as a significant reduction in patent costs. To do so, solutions must be found to convince non-participating Member States that a) their economy will be sufficiently protected by the new system, b) that a sudden influx of patents will not crush their SMEs or that they will at least be able to cope with it. To this end, it would certainly be appropriate to adopt accompanying measures for enterprises established in LOPDCs, such as subsidized agencies, to carry out freedom-to-operate checks and patent training programs. *De lege feranda*, the rules on personal possession should be modified to take into account the situation of small enterprises and those established in LOPDCs, and ensure that exploitation rights acquired in one Member State can be exercised throughout Europe.

In terms of protecting the European economy as a whole, legal and jurisprudential measures should be taken to protect EU companies from the aggressive strategies of patent trolls.

The UPC should also make good use of the leeway<sup>63</sup> under the proportionality and fairness principles in implementing the procedural rules, taking into account the respective robustness of the parties, particularly with respect to timing limits, costs' recovery, and legal aid.

Patent holders should start building a patent portfolio that takes into account the new reality. This will probably involve the creation of hybrid portfolio, comprising all types of protection (EPUE, EP and national patent and even utility models). A sound analysis of the portfolio in regards to the company's strategy must be conducted. In the meantime, opting out seems to be a careful decision, even if it means doing an opt-in later. Patentees will also need to review and modify all their licensing, co-ownership and joint development agreements.

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63 Art. 42 UPCA.

7. Appendix

A. Annuities  
 Countries that do not participate in the system from its inception are highlighted in grey

	Y.1	Y.2	Y.3	Y.4	Y.5	Y.6	Y.7	Y.9	Y.10	Y.11	Y.12	Y.13	Y.14	Y.15	Y.16	Y.17	Y.18	Y.19	Y.20	
Germany	0.00	0.00	70.00	70.00	100.00	150.00	210.00	280.00	350.00	430.00	540.00	680.00	830.00	980.00	1.130.00	1.310.00	1.490.00	1.670.00	1.840.00	2.030.00
Great Britain	0.00	0.00	0.00	0.00	93.04	119.63	146.21	172.79	199.38	225.96	252.54	292.43	345.59	398.75	478.50	558.26	624.71	691.17	757.63	810.80
France	0.00	38.00	38.00	38.00	76.00	76.00	96.00	136.00	180.00	220.00	260.00	300.00	350.00	400.00	460.00	520.00	580.00	650.00	730.00	800.00
Italy	0.00	0.00	0.00	0.00	60.00	90.00	120.00	170.00	200.00	230.00	310.00	410.00	530.00	600.00	650.00	650.00	650.00	650.00	650.00	650.00
Spain	0.00	0.00	18.85	23.52	45.00	66.41	109.63	136.47	171.26	220.40	276.27	324.37	372.39	420.86	449.45	468.07	499.85	499.85	499.85	499.85
Netherlands	0.00	0.00	0.00	0.00	100.00	160.00	220.00	280.00	340.00	400.00	500.00	600.00	700.00	800.00	900.00	1.000.00	1.100.00	1.200.00	1.300.00	1.400.00
Turkey	0.00	0.00	51.03	60.48	89.77	102.05	113.87	127.57	138.91	152.14	172.93	201.27	232.46	263.17	303.33	331.68	368.53	394.05	415.78	433.73
Switzerland	0.00	0.00	0.00	0.00	113.28	135.92	158.57	181.22	203.87	229.18	254.48	283.79	316.06	352.05	388.97	427.19	466.80	506.80	547.06	587.33
Poland	0.00	47.84	47.84	74.88	89.44	104.00	119.60	134.86	164.32	193.44	223.60	238.16	268.32	282.88	312.00	342.16	372.32	401.44	431.60	460.72
Sweden	0.00	0.00	148.74	159.37	180.62	201.87	223.12	254.99	286.86	318.74	361.24	403.73	446.23	488.73	531.23	573.73	616.23	658.72	701.22	743.72
Belgium	0.00	0.00	40.00	55.00	75.00	95.00	110.00	135.00	165.00	185.00	215.00	240.00	275.00	310.00	360.00	400.00	450.00	500.00	550.00	600.00
Ireland	0.00	0.00	60.00	90.00	114.00	134.00	150.00	176.00	194.00	220.00	242.00	265.00	285.00	311.00	335.00	356.00	382.00	408.00	438.00	468.00
Norway	0.00	0.00	78.75	151.88	185.63	225.01	247.51	286.89	320.64	360.01	393.76	433.14	472.52	506.27	545.64	585.02	618.77	652.52	697.52	731.28
Austria	0.00	0.00	0.00	0.00	104.00	104.00	208.00	313.00	417.00	522.00	626.00	731.00	835.00	940.00	1.044.00	1.148.00	1.253.00	1.357.00	1.466.00	1.575.00
Denmark	0.00	0.00	70.36	154.79	175.90	197.00	225.15	253.29	288.47	323.65	358.83	394.01	429.19	464.37	506.58	548.80	591.01	633.23	675.44	717.66
Finland	0.00	0.00	200.00	125.00	150.00	200.00	250.00	300.00	350.00	400.00	450.00	500.00	550.00	600.00	650.00	700.00	750.00	800.00	850.00	900.00
Romania	0.00	0.00	156.00	166.40	187.20	208.00	228.80	249.60	270.40	291.20	312.00	332.80	353.60	384.80	416.00	447.20	478.40	509.60	540.80	572.00
Czech Republic	0.00	45.01	45.01	90.02	90.02	90.02	90.02	135.02	180.03	270.05	360.07	450.08	540.10	630.12	720.13	810.15	900.17	990.18	1.080.20	
Portugal	0.00	0.00	0.01	0.01	53.79	80.66	107.56	161.35	322.67	376.46	430.23	484.01	537.80	591.56	645.33	699.10	752.87	806.64	860.41	914.18
Greece	0.00	0.00	20.00	50.00	80.00	90.00	100.00	115.00	140.00	190.00	240.00	300.00	400.00	500.00	600.00	700.00	800.00	900.00	1.000.00	1.100.00
Hungary	0.00	53.59	267.97	334.96	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20	452.20
Slovakia	0.00	0.00	66.00	82.50	99.50	116.00	132.50	149.00	165.50	199.00	232.00	265.50	298.50	331.50	365.00	398.00	464.50	531.00	597.00	663.50
Luxembourg	0.00	0.00	33.00	41.00	52.00	66.00	82.00	99.00	115.00	131.00	148.00	165.00	180.00	198.00	213.00	230.00	246.00	262.00	281.00	300.00
Bulgaria	21.27	21.27	21.27	21.27	74.43	95.70	116.97	143.56	202.04	265.88	319.05	372.22	425.39	478.57	531.74	584.92	638.09	691.27	744.44	797.62
Croatia	0.00	0.00	36.40	43.68	60.32	78.00	88.40	114.40	130.00	166.40	208.00	249.60	291.20	318.24	359.84	416.00	484.64	537.52	603.92	656.80
Lithuania	0.00	0.00	81.00	92.00	115.00	139.00	162.00	185.00	208.00	231.00	289.00	289.00	289.00	289.00	289.00	289.00	289.00	289.00	289.00	289.00
Slovenia	0.00	0.00	30.00	34.00	42.00	50.00	60.00	70.00	80.00	110.00	154.00	200.00	234.00	270.00	310.00	330.00	390.00	420.00	420.00	420.00
Latvia	0.00	0.00	90.00	120.00	140.00	160.00	180.00	220.00	270.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00	320.00
Estonia	0.00	0.00	64.00	77.00	96.00	120.00	135.00	155.00	180.00	205.00	245.00	285.00	320.00	360.00	405.00	450.00	495.00	540.00	585.00	630.00
Cyprus	0.00	0.00	50.00	60.00	80.00	100.00	120.00	140.00	160.00	180.00	200.00	240.00	280.00	320.00	360.00	400.00	440.00	480.00	520.00	560.00
Iceland	0.00	115.12	115.12	133.15	145.64	158.12	176.15	192.79	217.76	241.34	264.92	289.88	319.01	360.62	403.62	445.23	500.71	549.25	601.96	662.99
Malta	0.00	0.00	34.94	46.59	58.23	69.88	81.53	93.17	104.82	116.47	128.13	139.76	141.41	163.06	174.10	186.35	198.00	209.64	221.29	232.94
UPIUE	0.00	35.00	105.00	145.00	315.00	475.00	630.00	815.00	990.00	1.175.00	1.460.00	1.775.00	2.105.00	2.455.00	2.830.00	3.240.00	3.640.00	4.055.00	4.455.00	4.855.00

Private unpublished annuities database. In most cases, the amounts can be found on national offices website.  
 September 20, 2022. In EUR, VAT included

B. Savings (EPUE 17 vs. EP)

EP	EPUE	EU	Fee02	Fee03	Fee04	Fee05	Fee06	Fee07	Fee08	Fee09	Fee10	Fee11	Fee12	Fee13	Fee14	Fee15	Fee16	Fee17	Fee18	Fee19	Fee20
Germany	Y	EU (1)	35	70	145	360	685	1105	1640	2280	3025	3945	5040	6315	7790	9490	11420	13570	15955	18570	21395
Great Britain	N	EU (2)	35	70	145	360	685	1105	1640	2280	3025	3945	5040	6315	7790	9490	11420	13570	15955	18570	21395
France	Y	EU (3)	-3	-6	31	208	457	781	1180	1640	2165	2825	3620	4545	5620	6860	8270	9840	11575	13460	15485
Italy	Y	EU (4)	-3	-6	31	148	307	511	740	1000	1295	1645	2030	2425	2900	3490	4250	5170	6255	7490	8865
Spain	N	EU (4)	-3	-6	31	148	307	511	740	1000	1295	1645	2030	2425	2900	3490	4250	5170	6255	7490	8865
Netherlands	Y	EU (5)	-3	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-1970	-2085	-2150	-2175
Turkey	N	EU (5)	-3	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-1970	-2085	-2150	-2175
Switzerland	N	EU (6)	-3	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-1970	-2085	-2150	-2175
Poland	N	EU (6)	-3	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-1970	-2085	-2150	-2175
Sweden	Y	EU (7)	-3	-155	-317	-481	-684	-923	-1229	-1596	-2019	-2531	-3149	-3901	-4714	-5555	-6369	-7165	-7939	-8705	-9474
Belgium	Y	EU (8)	-3	-195	-412	-651	-949	-1298	-1739	-2271	-2879	-3606	-4464	-5491	-6624	-7825	-9039	-10285	-11559	-12880	-14249
Ireland	N	EU (9)	-3	-195	-412	-651	-949	-1298	-1739	-2271	-2879	-3606	-4464	-5491	-6624	-7825	-9039	-10285	-11559	-12880	-14249
Norway	N	EU (10)	-3	-195	-412	-651	-949	-1298	-1739	-2271	-2879	-3606	-4464	-5491	-6624	-7825	-9039	-10285	-11559	-12880	-14249
Austria	Y	EU (10)	-3	-195	-412	-651	-949	-1298	-1739	-2271	-2879	-3606	-4464	-5491	-6624	-7825	-9039	-10285	-11559	-12880	-14249
Denmark	Y	EU (11)	-3	-265	-637	-1052	-1651	-2433	-3440	-4678	-6132	-7843	-9827	-12117	-14655	-17407	-20318	-23408	-26672	-30234	-34096
Finland	Y	EU (12)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Romania	N	EU (13)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Czech Republic	N	EU (14)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Portugal	Y	EU (15)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Greece	Y	EU (16)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Hungary	N	EU (17)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Slovakia	N	EU (18)	-3	-465	-962	-1527	-2326	-3358	-4665	-6253	-8107	-10268	-12752	-15592	-18730	-22132	-25743	-29583	-33647	-38059	-42821
Luxembourg	Y	EU (19)	-3	-498	-1036	-1707	-2652	-3874	-5442	-7467	-9209	-11747	-14661	-17985	-21661	-25655	-29857	-34396	-39159	-44325	-49839
Bulgaria	Y	EU (20)	-46	-562	-1121	-1866	-2907	-4246	-5957	-8184	-10812	-13817	-17268	-21198	-25550	-30288	-35305	-40729	-46445	-52689	-59407
Croatia	N	EU (21)	-46	-562	-1121	-1866	-2907	-4246	-5957	-8184	-10812	-13817	-17268	-21198	-25550	-30288	-35305	-40729	-46445	-52689	-59407
Lithuania	Y	EU (22)	-46	-643	-1294	-2154	-3334	-4835	-6731	-9166	-12025	-15319	-19059	-23278	-27919	-32946	-38310	-44081	-50144	-56735	-63800
Slovenia	N	EU (23)	-46	-673	-1358	-2260	-3490	-5051	-7017	-9532	-12501	-15949	-19889	-24342	-29257	-34594	-40348	-46629	-53346	-60807	-68972
Latvia	Y	EU (24)	-46	-763	-1568	-2610	-4000	-5741	-7769	-10712	-14001	-17769	-22029	-26802	-32037	-37694	-43868	-50569	-57706	-65587	-74172
Estonia	Y	EU (25)	-46	-827	-1709	-2847	-4357	-6233	-8574	-11539	-15033	-19046	-23591	-28684	-34279	-40341	-46965	-54161	-61838	-70304	-79519
Cyprus	N	EU (26)	-46	-827	-1709	-2847	-4357	-6233	-8574	-11539	-15033	-19046	-23591	-28684	-34279	-40341	-46965	-54161	-61838	-70304	-79519
Iceland	Y	EU (27)	-46	-862	-1791	-2987	-4567	-6524	-8959	-12029	-15639	-19779	-24464	-29699	-35457	-41693	-48504	-55897	-63784	-72472	-81920
Malta	Y	EU (27)	-46	-862	-1791	-2987	-4567	-6524	-8959	-12029	-15639	-19779	-24464	-29699	-35457	-41693	-48504	-55897	-63784	-72472	-81920

Red where the savings are above 25 000 €, yellow between 10 000 € and 25 000 €, and green below 10 000 € or even a loss

C. Calculation method of SAVINGS (EPUE 17 VS. EP)

EP annuities in September 2022: courtesy of www.calysta.be - EPUE annuities from EPO website (prices in EUR excluding VAT)														
Table 1			Table 1'				Table 1'							
EP: annuities by country (EU, EFTA, GB)			EP+EPUE: annuities by country (EU, EFTA, GB)											
	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Germany	0 €	0 €	70 €	70 €	100 €	150 €	210 €	0 €	35 €	105 €	145 €	315 €	475 €	630 €
Great Britain	0 €	0 €	0 €	0 €	93 €	120 €	146 €	0 €	0 €	0 €	0 €	93 €	120 €	146 €
France	0 €	38 €	38 €	38 €	38 €	76 €	96 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
Table 2			Table 2'											
EP: Sum of the annuities by country			EP+EPUE: Sum of the annuities by country											
Table2(FRY6)=Table1(FRY1+FRY2+FRY3+FRY4+FRY5+FRY6)			Table2'(FRY6)=Table1'(FRY1+FRY2+FRY3+FRY4+FRY5+FRY6)											
Germany	0 €	0 €	70 €	140 €	240 €	390 €	600 €	0 €	35 €	140 €	285 €	600 €	1 075 €	1 705 €
Great Britain	0 €	0 €	0 €	0 €	93 €	213 €	359 €	0 €	0 €	0 €	0 €	93 €	213 €	359 €
France	0 €	38 €	76 €	114 €	152 €	228 €	324 €	0 €	0 €	0 €	0 €	0 €	0 €	0 €
Table 3			Table 3'											
EP: Sum of the annuities when validating in the country and above			EP+EPUE: Sum of the annuities when validating in the country and above											
Table3(FRY6)=Table2(DEY6+GBY6+FRY6)			Table3'(FRY6)=Table2'(DEY6+GBY6+FRY6)											
Germany	0 €	0 €	70 €	140 €	240 €	390 €	600 €	0 €	35 €	140 €	285 €	600 €	1 075 €	1 705 €
Great Britain	0 €	0 €	70 €	140 €	333 €	603 €	959 €	0 €	35 €	140 €	285 €	693 €	1 288 €	2 064 €
France	0 €	38 €	146 €	254 €	485 €	831 €	1 283 €	0 €	35 €	140 €	285 €	693 €	1 288 €	2 064 €
Comparison Table			Comparison Table											
Comparison beetween cost in the EP system with the cost in the EP+EPUE system			Comparison Table(FRY6)=Table3'(FRY6)-Table3(FRY6)											
Germany	0 €	35 €	70 €	145 €	360 €	685 €	1 105 €	0 €	35 €	70 €	145 €	360 €	685 €	1 105 €
Great Britain	0 €	35 €	70 €	145 €	360 €	685 €	1 105 €	0 €	35 €	70 €	145 €	360 €	685 €	1 105 €
France	0 €	-3 €	-6 €	-31 €	208 €	457 €	781 €	0 €	-3 €	-6 €	-31 €	208 €	457 €	781 €

*D. Savings by duration (percentile)*

	<b>% (Maintenance)</b>	<b>Percentile</b>	<b>Max Gain</b>
> Year 3	97%	3%	862 €
> Year 4	90%	10%	1 791 €
> Year 5	83%	17%	2 987 €
> Year 6	75%	25%	4 567 €
> Year 7	70%	30%	6 524 €
> Year 8	63%	37%	8 959 €
> Year 9	59%	41%	12 029 €
> Year 10	53%	47%	15 639 €
> Year 11	50%	50%	19 779 €
> Year 12	46%	54%	24 464 €
> Year 13	42%	58%	29 699 €
> Year 14	40%	60%	35 457 €
> Year 15	36%	64%	41 693 €
> Year 16	31%	69%	48 504 €
> Year 17	29%	71%	55 897 €
> Year 18	24%	76%	63 784 €
> Year 19	20%	80%	72 472 €
> Year 20	0%	100%	81 920 €

*Source: EPO, CA/F 5/21, ibid, Chart p. 19*

## E. Savings (EPUE 25 vs. EP)

	Country	EPUE	Fee02	Fee03	Fee04	Fee05	Fee06	Fee07	Fee08	Fee09	Fee10	Fee11	Fee12	Fee13	Fee14	Fee15	Fee16	Fee17	Fee18	Fee19	Fee20
1	Germany	Y	35	70	145	360	685	1105	1640	2280	3025	3945	5040	6315	7790	9490	11420	13570	15955	18570	21395
2	Great Britain	N	35	70	145	360	685	1105	1640	2280	3025	3945	5040	6315	7790	9490	11420	13570	15955	18570	21395
3	France	Y	-3	-6	31	208	457	781	1180	1640	2165	2825	3620	4545	5620	6860	8270	9840	11575	13460	15485
4	Italy	Y	0	-6	31	148	307	511	740	1000	1295	1645	2030	2425	2900	3490	4250	5170	6255	7490	8865
5	Spain	N	0	-6	31	148	307	511	740	1000	1295	1645	2030	2425	2900	3490	4250	5170	6255	7490	8865
6	Netherlands	Y	0	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-2085	-2150	-2175	-2175
7	Turkey	N	0	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-2085	-2150	-2175	-2175
8	Switzerland	N	0	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-2085	-2150	-2175	-2175
9	Poland	N	0	-6	-9	8	7	-9	-60	-140	-245	-395	-610	-915	-1240	-1550	-1790	-2085	-2150	-2175	-2175
10	Sweden	Y	0	-155	-317	-481	-684	-923	-1229	-1596	-2019	-2531	-3149	-3901	-4714	-5555	-6369	-7165	-7939	-8705	-9474
11	Belgium	Y	0	-195	-412	-651	-949	-1298	-1739	-2271	-2879	-3606	-4464	-5491	-6624	-7825	-9039	-10285	-11559	-12880	-14249
12	Ireland	Y	0	-255	-562	-915	-1347	-1846	-2463	-3189	-4017	-4986	-6109	-7421	-8865	-10401	-11971	-13599	-15281	-17040	-18877
13	Norway	N	0	-255	-562	-915	-1347	-1846	-2463	-3189	-4017	-4986	-6109	-7421	-8865	-10401	-11971	-13599	-15281	-17040	-18877
14	Austria	Y	0	-255	-562	-915	-1451	-2158	-3088	-4231	-5581	-7176	-9030	-11177	-13561	-16141	-18859	-21740	-24779	-28104	-31716
15	Denmark	Y	0	-325	-787	-1316	-2049	-2981	-4164	-5596	-7270	-9223	-11472	-14047	-16896	-19983	-23250	-26722	-30394	-34394	-38724
16	Finland	Y	0	-525	-1112	-1791	-2724	-3906	-5389	-7171	-9245	-11648	-14397	-17522	-20971	-24708	-28675	-32897	-37369	-42219	-47449
17	Romania	Y	0	-681	-1435	-2300	-3441	-4852	-6585	-8637	-11003	-13718	-16799	-20278	-24112	-28265	-32751	-37494	-42486	-47856	-53606
18	Czech Republic	Y	0	-771	-1570	-2525	-3756	-5257	-7080	-9267	-11813	-14798	-18239	-22169	-26543	-31325	-36532	-42084	-47977	-54337	-61167
19	Portugal	Y	0	-771	-1570	-2525	-3756	-5257	-7080	-9267	-11813	-14798	-18239	-22169	-26543	-31325	-36532	-42084	-47977	-54337	-61167
20	Greece	Y	0	-791	-1640	-2729	-4131	-5839	-7939	-10588	-13700	-17302	-21474	-26287	-31699	-37673	-44171	-51223	-58714	-66828	-75510
21	Hungary	Y	0	-898	-2015	-3439	-5293	-7454	-10005	-13107	-16671	-20725	-25349	-30631	-36512	-42955	-49923	-57460	-65437	-74053	-83238
22	Slovakia	Y	0	-964	-2163	-3687	-5657	-7950	-10651	-13918	-17681	-21967	-26857	-32437	-38649	-45458	-52823	-60825	-69333	-78546	-88394
23	Luxembourg	Y	0	-997	-2237	-3813	-5849	-8224	-11024	-14406	-18300	-22734	-27789	-33549	-39959	-46981	-54576	-62824	-71594	-81088	-91236
24	Bulgaria	Y	0	-1061	-2322	-3973	-6104	-8597	-11540	-15124	-19284	-24037	-29464	-35650	-42538	-50092	-58272	-67157	-76619	-86910	-97963
25	Croatia	Y	0	-1098	-2403	-4113	-6323	-9093	-11961	-15675	-20002	-24962	-30639	-37116	-44323	-52236	-60832	-70203	-80301	-91397	-103406
26	Lithuania	Y	0	-1179	-2576	-4401	-6750	-9492	-12735	-16657	-21215	-26464	-32430	-39196	-46692	-54894	-63837	-73555	-84000	-95443	-107799
27	Slovenia	Y	0	-1209	-2640	-4507	-6906	-9708	-13021	-17023	-21691	-27094	-33260	-40260	-48030	-56542	-65875	-76103	-87202	-99515	-112971
28	Latvia	Y	0	-1299	-2850	-4857	-7416	-10398	-13931	-18203	-23191	-28914	-35400	-42720	-50810	-59642	-69395	-80043	-91562	-104795	-118171
29	Estonia	Y	0	-1363	-2991	-5094	-7773	-10890	-14578	-19300	-24223	-30191	-36962	-44602	-53052	-62289	-72492	-83635	-95694	-109012	-123518
30	Cyprus	Y	0	-1413	-3101	-5284	-8063	-11300	-15128	-19740	-25113	-31281	-38292	-46212	-54982	-64579	-75202	-86825	-99424	-113342	-128508
31	Iceland	Y	0	-1413	-3101	-5284	-8063	-11300	-15128	-19740	-25113	-31281	-38292	-46212	-54982	-64579	-75202	-86825	-99424	-113342	-128508
32	Malta	Y	0	-1447	-3182	-5424	-8272	-11592	-15512	-20229	-25718	-32015	-39165	-47227	-56160	-65931	-76741	-88561	-101370	-115509	-130908

F. Savings (EPUE 17 vs EPUE 25)

	Country	EPUE	Fee02	Fee03	Fee04	Fee05	Fee06	Fee07	Fee08	Fee09	Fee10	Fee11	Fee12	Fee13	Fee14	Fee15	Fee16	Fee17	Fee18	Fee19	Fee20
1	Germany	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	Great Britain	N	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	France	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Italy	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Spain	N	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Netherlands	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Turkey	N	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Switzerland	N	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Poland	N	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Sweden	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Belgium	Y	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Ireland	N	0	-60	-150	-264	-398	-548	-724	-918	-1138	-1380	-1645	-1930	-2241	-2576	-2932	-3314	-3722	-4160	-4628
13	Norway	N	0	-60	-150	-264	-398	-548	-724	-918	-1138	-1380	-1645	-1930	-2241	-2576	-2932	-3314	-3722	-4160	-4628
14	Austria	Y	0	-60	-150	-264	-398	-548	-724	-918	-1138	-1380	-1645	-1930	-2241	-2576	-2932	-3314	-3722	-4160	-4628
15	Denmark	Y	0	-60	-150	-264	-398	-548	-724	-918	-1138	-1380	-1645	-1930	-2241	-2576	-2932	-3314	-3722	-4160	-4628
16	Finland	Y	0	-60	-150	-264	-398	-548	-724	-918	-1138	-1380	-1645	-1930	-2241	-2576	-2932	-3314	-3722	-4160	-4628
17	Romania	N	0	-216	-472	-774	-1116	-1494	-1920	-2384	-2896	-3450	-4047	-4686	-5382	-6133	-7009	-7911	-8839	-9797	-10785
18	Czech Republic	N	-45	-306	-607	-999	-1431	-1899	-2415	-3015	-3706	-4530	-5488	-6576	-7812	-9193	-10790	-12502	-14330	-16278	-18346
19	Portugal	Y	-45	-306	-607	-999	-1431	-1899	-2415	-3015	-3706	-4530	-5488	-6576	-7812	-9193	-10790	-12502	-14330	-16278	-18346
20	Greece	N	-45	-326	-677	-1149	-1671	-2239	-2870	-3610	-4491	-5555	-6813	-8301	-10037	-12018	-14315	-16827	-19555	-22503	-25671
21	Hungary	N	-99	-433	-1053	-1859	-2833	-3854	-4937	-6128	-7462	-8978	-10688	-12646	-14851	-17301	-20066	-23064	-26278	-29728	-33599
22	Slovakia	N	-99	-499	-1201	-2107	-3197	-4351	-5582	-6939	-8472	-10220	-12196	-14452	-16988	-19803	-22966	-26429	-30174	-34221	-38555
23	Luxembourg	Y	-99	-499	-1201	-2107	-3197	-4351	-5582	-6939	-8472	-10220	-12196	-14452	-16988	-19803	-22966	-26429	-30174	-34221	-38555
24	Bulgaria	Y	-99	-499	-1201	-2107	-3197	-4351	-5582	-6939	-8472	-10220	-12196	-14452	-16988	-19803	-22966	-26429	-30174	-34221	-38555
25	Croatia	N	-99	-536	-1281	-2247	-3415	-4657	-6004	-7491	-9189	-11146	-13371	-15918	-18773	-21948	-25527	-29474	-33856	-38708	-43999
26	Lithuania	Y	-99	-536	-1281	-2247	-3415	-4657	-6004	-7491	-9189	-11146	-13371	-15918	-18773	-21948	-25527	-29474	-33856	-38708	-43999
27	Slovenia	N	-99	-536	-1281	-2247	-3415	-4657	-6004	-7491	-9189	-11146	-13371	-15918	-18773	-21948	-25527	-29474	-33856	-38708	-43999
28	Latvia	N	-99	-536	-1281	-2247	-3415	-4657	-6004	-7491	-9189	-11146	-13371	-15918	-18773	-21948	-25527	-29474	-33856	-38708	-43999
29	Estonia	Y	-99	-536	-1281	-2247	-3415	-4657	-6004	-7491	-9189	-11146	-13371	-15918	-18773	-21948	-25527	-29474	-33856	-38708	-43999
30	Cyprus	N	-99	-586	-1391	-2437	-3705	-5067	-6554	-8201	-10079	-12236	-14701	-17528	-20703	-24238	-28237	-32664	-37586	-43038	-48989
31	Iceland	N	-99	-586	-1391	-2437	-3705	-5067	-6554	-8201	-10079	-12236	-14701	-17528	-20703	-24238	-28237	-32664	-37586	-43038	-48989
32	Malta	Y	-99	-586	-1391	-2437	-3705	-5067	-6554	-8201	-10079	-12236	-14701	-17528	-20703	-24238	-28237	-32664	-37586	-43038	-48989

## G. Savings in terms of validation and translation

	Country	EPUE	EU	EP Translation	EP Validation	EPUE Translation	EPUE Validation	Translation and Validations Savings
1	Germany	Y	EU (1)	0 €	0 €	825 €	0 €	-825 €
2	Great Britain	N		0 €	0 €	0 €	0 €	-825 €
3	France	Y	EU (2)	0 €	0 €	0 €	0 €	-825 €
4	Italy	Y	EU (3)	1 118 €	16 €	0 €	0 €	309 €
5	Spain	N	EU (4)	1 118 €	321 €	1 118 €	321 €	309 €
6	Netherlands	Y	EU (5)	85 €	25 €	0 €	0 €	419 €
7	Turkey	N		1 245 €	254 €	1 245 €	254 €	419 €
8	Switzerland	N		0 €	0 €	0 €	0 €	419 €
9	Poland	N	EU (6)	1 230 €	44 €	1 230 €	44 €	419 €
10	Sweden	Y	EU (7)	103 €	233 €	0 €	0 €	755 €
11	Belgium	Y	EU (8)	0 €	0 €	0 €	0 €	755 €
12	Ireland	N	EU (9)	0 €	0 €	0 €	0 €	755 €
13	Norway	N		110 €	549 €	110 €	549 €	755 €
14	Austria	Y	EU (10)	1 121 €	301 €	0 €	0 €	2 177 €
15	Denmark	Y	EU (11)	107 €	269 €	0 €	0 €	2 553 €
16	Finland	Y	EU (12)	111 €	400 €	0 €	0 €	3 064 €
17	Romania	N	EU (13)	1 118 €	120 €	1 118 €	120 €	3 064 €
18	Czech Republic	N	EU (14)	969 €	82 €	969 €	82 €	3 064 €
19	Portugal	Y	EU (15)	975 €	55 €	0 €	0 €	4 094 €
20	Greece	N	EU (16)	1 020 €	350 €	1 020 €	350 €	4 094 €
21	Hungary	N	EU (17)	68 €	207 €	68 €	207 €	4 094 €
22	Slovakia	N	EU (18)	984 €	58 €	984 €	58 €	4 094 €
23	Luxembourg	Y	EU (19)	0 €	0 €	0 €	0 €	4 094 €
24	Bulgaria	Y	EU (20)	1 081 €	125 €	0 €	0 €	5 300 €
25	Croatia	N	EU (21)	68 €	67 €	68 €	67 €	5 300 €
26	Lithuania	Y	EU (22)	71 €	46 €	0 €	0 €	5 417 €
27	Slovenia	N	EU (23)	83 €	100 €	83 €	100 €	5 417 €
28	Latvia	Y	EU (24)	63 €	40 €	0 €	0 €	5 520 €
29	Estonia	Y	EU (25)	1 215 €	45 €	0 €	0 €	6 780 €
30	Cyprus	N	EU (26)	1 020 €	100 €	1 020 €	100 €	6 780 €
31	Iceland	N		139 €	231 €	139 €	231 €	6 780 €
32	Malta	Y	EU (27)	0 €	0 €	0 €	0 €	6 780 €

*Translation costs are computed post-grant during the transitional period (Art. 6.1 (b) / Reg (EU) 1260/2012). Estimates are based on a 7500 words patent granted in English. The translations are done by one single translation office, subject to competitive costs. The computation does not include translation costs under R. 71 / EPCIR.*



*H. High Patents' Density Countries (HIPDC), Medium Patents' Density Countries (MEPDC), Low Patents' Density Countries (LOPDC)*

IP Category	Number of Percentiles over 50	Country	European Innovation Scoreboard (2022)	Country of Residence of EPO Applicant (2021)	European Patent Attorney / 1 million inhab.	Population (2020)	European Patent Attorneys (Oct. 2022)	UPP			
HIPDC	3	Germany	0,64	9	25 957	1	61,49	1	83 155 031	5113	Y
HIPDC	3	Denmark	0,73	3	2 408	6	53,77	2	5 840 045	314	Y
HIPDC	3	Sweden	0,74	1	4 421	5	44,70	3	10 379 295	464	Y
HIPDC	3	Luxembourg	0,64	7	407	13	42,54	4	634 730	27	Y
HIPDC	3	Finland	0,74	1	1 897	9	35,60	5	5 533 793	197	Y
HIPDC	3	Netherlands	0,70	4	6 378	3	32,16	6	17 475 415	562	Y
HIPDC	3	Belgium	0,70	5	2 372	7	25,68	7	11 566 041	297	Y
HIPDC	3	Austria	0,64	8	2 305	8	20,93	8	8 932 664	187	Y
HIPDC	3	France	0,57	11	10 602	2	19,59	9	67 439 599	1321	Y
HIPDC	3	Ireland	0,65	6	973	11	17,18	10	5 006 907	86	N
MEPDC	2	Estonia	0,54	12	58	21	15,04	11	1 330 068	20	Y
MEPDC	2	Slovenia	0,51	13	165	16	13,28	12	2 108 977	28	N
MEPDC	1	Italy	0,50	15	4 615	4	9,79	15	59 257 566	580	Y
MEPDC	1	Spain	0,48	16	1 794	10	5,32	24	47 394 223	252	N
MEPDC	1	Poland	0,33	24	483	12	6,50	21	37 840 001	246	N
MEPDC	1	Malta	0,46	18	62	20	11,63	13	516 100	6	Y
MEPDC	1	Cyprus	0,58	10	65	19	10,04	14	896 005	9	N
LOPDC	0	Lithuania	0,45	19	50	25	8,23	16	2 795 680	23	Y
LOPDC	0	Czech Republic	0,50	14	206	15	8,04	17	10 701 777	86	N
LOPDC	0	Latvia	0,28	25	29	26	7,92	18	1 893 223	15	Y
LOPDC	0	Hungary	0,38	21	108	18	7,30	19	9 730 772	71	N
LOPDC	0	Bulgaria	0,25	26	54	23	7,08	20	6 916 548	49	Y
LOPDC	0	Croatia	0,36	22	22	27	5,95	22	4 036 355	24	N
LOPDC	0	Slovakia	0,35	23	54	24	5,49	23	5 459 781	30	N
LOPDC	0	Portugal	0,47	17	251	14	4,27	25	10 298 252	44	Y
LOPDC	0	Greece	0,44	20	135	17	2,53	26	10 682 547	27	N
LOPDC	0	Romania	0,18	27	55	22	2,24	27	19 186 201	43	N

*Population: Institut National d'Études Démographiques, [www.ined.fr](http://www.ined.fr) (last access : October 25, 2022)*

*European Innovation Scoreboard 2022: European Commission*

*Country of Residence of EPO Applicant 2021: Patent Index 2021, Patent\_Index\_2021\_European\_applications\_en.xls, [www.epo.org](http://www.epo.org)*

*European Patent Attorneys: [www.epo.org](http://www.epo.org) (last access: October 25, 2022)*



## 18. PRACTITIONERS' VIEWS ON THE UPC AND THE OPT-OUT

*Marie Liens, Thomas Leconte & Stéphanie Rollin de Chambonas*

The forthcoming entry into operation of the Unified Patent Court (hereafter “UPC”) will lead to important changes for European patent litigation, for which parties and their representatives must be prepared.

Without being exhaustive, this contribution aims to provide some insight into a few key practical aspects of the UPC that should impact patent litigators’ practice and their clients’ patent filing, assertion and defence strategies.

### **1. «To opt-out or not to opt-out? That is the question.»**

Before even considering all the procedural possibilities offered by the UPC, the threshold question for patent holders is, of course, whether they should even let it have jurisdiction over their European patents in the first place.

Per the Unified Patent Court Agreement (hereafter “UPCA”), the UPC will eventually have *exclusive* jurisdiction over European patents with unitary effect (hereafter “unitary patents”) *and* over European patents<sup>1</sup>. Only during the transitional period foreseen in Article 83(1) UPCA, there will be a concurrent jurisdiction of UPC and the national courts as regards European patents but holders of European patents may opt-out from the “exclusive” jurisdiction of the UPC<sup>2</sup>.

The history and purpose of this provision are beyond the scope of this contribution. For practical purposes, from the viewpoint of a patent holder, it is sufficient to note that (i) *active* behaviour (i.e., requesting opt-out) is required to opt-out<sup>3</sup>, (ii) opt-out may only be requested if no action has been brought before the UPC<sup>4</sup>, and (iii) if opt-out has been made and if no action has been brought before a national court, the opt-out may be withdrawn<sup>5</sup> (“opt-in”).

Bearing in mind the so-called “sunrise period”<sup>6</sup>, for some European patents, the decision might have to be taken in a short time frame.

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1 UPCA, art. 32(1).

2 UPCA, art. 83(3).

3 UPCA, art. 83(3), 2<sup>nd</sup> sentence.

4 UPCA, art. 83(3), 1<sup>st</sup> sentence.

5 UPCA, art. 83(4).

6 Rules of Procedure of the Unified Patent Court, as adopted by decision of the Adminis-

Rather than attempt to list all the possible considerations behind this decision, we offer three practical litigation scenarios to give some food for thought regarding the impact of opt-out vs. non opt-out.

#### *A. Patent on a blockbuster pharmaceutical drug (opt-out)*

Assume that a pharmaceutical company holds a European patent covering a blockbuster drug. The patent is, of course, extremely valuable, and the company has decided to opt-out to avoid any risk of it being revoked centrally by the UPC.

Now assume that a generic drug is to be launched at risk before the patent expires. The generic company files a revocation action before a national court of a Contracting Member State. Since the revocation action is “*an action [...] before the national court*” within the meaning of Article 83(4) UPCA, opt-in is no longer possible, and the patent holder cannot use the UPC to obtain an EU-wide preliminary injunction. Effectively, after an action has been filed before a national court, the situation is the same as before the UPCA entered into force.

#### *B. Patent on a battery-driven vehicle (opt-out)*

Assume that a French carmaker holds a European patent covering a battery-driven vehicle. The European patent claims priority from a French patent, which is now granted; and the carmaker has decided to opt-out to avoid the perceived uncertainty of litigation before the UPC.

Now assume that a non-EU carmaker is importing infringing vehicles within the EU. The French carmaker is willing to opt-in to block the importation of the infringing vehicles in all the Contracting Member States; on the other hand, like the generic drug company before, the non-EU carmaker is keen to file a revocation action before a national court to block the opt-in.

Effectively, in this scenario, there is a “race to the courthouse”: whoever files his action first gets his preferred jurisdiction to the potential detriment of the other!

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trative Committee on 8 July 2022 [hereinafter: Rules of Procedure], Rule 5(12): applications to opt-out “*accepted by the Registry before the entry into force of the Agreement shall be treated as entered on the register on the date of entry into force of the Agreement*”. A sunrise period for filing such applications is planned, though not explicitly provided for in the UPCA or in the Rules of Procedure or in the PPA (Protocol on Provisional Application) of the UPCA.

On the other hand, can the French carmaker have an infringement action based on the French patent? No: because the European patent has been opted-out, the French patent has lapsed at the end of the time limit for opposition insofar as it claims the same subject-matter as the European patent<sup>7</sup> (we will explain in part II.A below how the French carmaker could have kept the French patent covering the same subject-matter.)

### *C. SEP mobile network patent (no opt-out)*

Assume that a non-practising entity (“NPE”) holds a standard-essential patent (“SEP”) in the field of telecommunications networks. The SEP has *not* been opted-out. A telecommunications equipment supplier wishes to “clear the way” so that the SEP cannot impede its sales to EU mobile operators. The supplier has in hand clearly novelty-destroying prior art.

Because the SEP has not been opted-out, the supplier can start a revocation action before the UPC to have the SEP revoked across all Contracting Member States at once. However, the NPE might respond with a counterclaim for infringement, which would leave only a few months to respond (see part II.D below). As it may be difficult to design around the patent in a matter of months, this factor can weigh against the decision to start the revocation action before the UPC.

## **2. When choosing the UPC: which advantages, drawbacks, issues and opportunities when litigating patents?**

### *A. A single law and procedure with the UPC system: myth or reality?*

A first important feature and advantage of the UPC is the unification and simplification of proceedings in cross-border patent disputes. The UPC will enable patent owners to assert their unitary patents and non-opted-out European patents across all Contracting Member States in a single enforcement action. Therefore, patentees facing infringement of their patents in several European states will no longer be forced to bring national infringement actions before the national courts of each state, provided that the states in question are Contracting Member States.

However, this centralisation of the litigation can also be a major disadvantage for the claimant, as a challenger may use one single action to cancel

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<sup>7</sup> French Intellectual Property Code, art. L.614-13, as amended by *ordonnance* no. 2018-341 of 9 May 2018.

unitary patents and non-opted-out European patents across all Contracting Member States and in States where the European patent has been validated. Patentees therefore risk central revocation of their unitary and non-opted-out European patents. Similarly, defendants will also risk wider-reaching infringement verdicts. Accordingly, the attractiveness of the UPC might be impacted by the central effects of the UPC's decisions.

Moreover, the coexistence of national courts which have jurisdiction over national patents may also limit such attractiveness and result in a risk of obtaining conflicting decisions due to the possibility of obtaining double patent protection. Indeed, as of now, it is not possible to obtain patent protection via a European patent validated in France and a French patent in parallel for the same subject-matter<sup>8</sup>. This situation will however change when the UPCA enters into force: it will be possible to obtain patent protection via a French patent and a unitary patent and a non-opted-out European patent for the same subject-matter<sup>9</sup>. As a result, the patentee will have the possibility to assert the French patent before the French courts or the non-opted-out European patent or the unitary patent before the UPC. The same would be also possible in Germany<sup>10</sup>.

Such double protection will be valuable for patent holders seeking to minimise the risk of nullity of the unitary patent and European patent without opt-out since they will have the possibility to “double” these patents by national patents, at least in those States which will allow this practice (for instance France and Germany).

This double protection should be interesting in France, where the attractiveness and value of the French patent have been reinforced with the law relating to the “Action Plan for the Growth and Transformation of Enterprises” known as the PACTE Law<sup>11</sup>. This law introduced from 23 May 2020 the examination of inventive step before the French Patent Office (“INPI”), whereas previously, only French courts had jurisdiction, at the litigation stage, to fully assess novelty and inventive step. In practice, the PACTE Law results in a more in-depth examination of patent applications with a more uncertain outcome, at least on the final scope of protection, whereas their vast majority resulted so far in

8 French Intellectual Property Code, art. L.614-13, as currently in force.

9 *Ordonnance* no. 2018-341 of 9 May 2018 related to the Unitary patent and the Unified Patent Court amends art. L.614-13 to provide that the European patent without opt-out can coexist with the French patent and creates art. L.614-16-3, which will provide that a French patent covering the same invention as a Unitary patent may be granted. Said *ordonnance* will enter into force on the same date as the entry into force of the UPCA.

10 While similar set-ups may or may not exist in other European states, the authors have not researched this issue, which anyway is beyond the scope of this contribution.

11 Law no. 2019-486 of 22 May 2019.

a grant by the INPI with a protection often identical to the claims as filed. In return, patents, once granted, should be less exposed to cancellation.

*B. The possibility of forum shopping and its impact on the patent litigation strategy*

Another important feature of the UPC lies in the possibility of forum shopping. By its own terms, the UPCA aims to limit forum shopping<sup>12</sup>. However, perhaps paradoxically, the UPC may instead offer wide forum shopping possibilities when suing an alleged infringer.

Indeed, Article 33(1) UPCA is quite flexible for patent holders since they can choose where to sue alleged infringers: *either* before the local or regional division of the Contracting Member States where the infringement (actual or threatened) has or may occur *or* before the local or regional division of the Contracting Member State where the alleged infringer has its residence or principal place of business *or* before the central division (when the defendant has no place of business in a Contracting Member State, or if the Contracting Member State has no local division and does not participate in a regional division<sup>13</sup>).

In practice, this flexibility offered to patentees could be detrimental for alleged infringers since they are exposed to being sued, at the choice of the patentee, before any one of several regional or local or central divisions. Suppose the patentee elects to file his infringement action before a division far from the alleged infringer's residence. In that case, the alleged infringer is then forced to defend himself in a country and in a language which he may not know and understand well, and possibly within a very short time frame (see part II.D below).

Meanwhile, unlike the patentee, a potential infringer is not offered such a choice in the forum since the revocation action or action for declaration of non-infringement must be introduced before the central division (apart from the case of a counterclaim for revocation). For nullity claimants located in a country other than the two (or three?) Contracting Member States where the sections of the central division will be set up, this procedural rule may be a serious impediment to their nullity actions.

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12 Council Agreement on a Unified Patent Court, 2013 OJ (C175) [hereinafter: UPCA], Recital 2 ("*the significant variations between national court systems are detrimental for innovation*"), Recital 5 ("*to enhance legal certainty by setting up a Unified Patent Court for litigation relating to the infringement and validity of patents*").

13 UPCA, art. 33(1)(b).

In any case, one thing is certain: claimants and defendants will likely choose a forum with the aim to try and ensure a positive litigation outcome. Different factors will be considered when choosing a division, depending on the actors' objectives.

Some patentees will likely seek bounded, safe proceedings and elect to file their infringement actions before local divisions where judges will already have extensive experience and expertise in patent law, so that the proceedings should be more predictable. Such should be the case at least before the German, French, Italian and Dutch local divisions, where, due to a high volume of patent cases (more than fifty per calendar year) before the jurisdictions of those Contracting Member States, there will be two legally qualified judges who are nationals of the Contracting Member State of the local division in question<sup>14</sup>.

Another factor that could come into play in the patentee's choice is the national particularism of the divisions that could appear over time. Judges sitting in local or regional divisions may be inclined to apply procedural rules they are already familiar with, such as, for instance, the bifurcation system.

"Bifurcation" is the situation in which the infringement action and the revocation action of the patent are the subject of two separate proceedings. This system, which is current practice in Germany, is introduced by Article 33(3) of the UPCA and will be a new system for many divisions. Therefore, a patentee seeking a fast injunction may elect to file his infringement action before a division familiar with the bifurcation system (e.g., in Germany), which may be more inclined to refer the counterclaim for revocation before the central division without staying the infringement proceedings<sup>15</sup>. Bifurcation will certainly be a new point of attention for most practitioners in their litigation strategy.

### *C. The bifurcation system: between fears and hopes*

The bifurcation system, which is new for many divisions of the UPC, raises some fears among practitioners in many countries. Critics fear that it will enable patentees to obtain decisions on infringement before the validity of the patent is adjudicated, which will put heavy pressure on defendants in infringement cases, thus playing into the hand of patentees and in particular of non-practising entities.

However, such fears must be qualified in view of the following elements.

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<sup>14</sup> UPCA, art. 8(3).

<sup>15</sup> UPCA, art. 33(3)(b).



First, bifurcation is only a *possibility* for the UPC divisions in case a counterclaim for revocation is raised during infringement proceedings. The UPCA foresees several different scenarios<sup>16</sup>. If during infringement proceedings before a local or regional division of the UPC, the defendant brings a counterclaim for revocation, the division has the choice either to (i) proceed with both the action for infringement and with the counterclaim for revocation and request a technically qualified judge, (ii) with the agreement of the parties, refer the whole case for decision to the central division (infringement and revocation), or (iii) refer the counterclaim for revocation for decision to the central division and suspend or proceed with the infringement action. Only the latter scenario constitutes bifurcation.

The same possibility of bifurcation is provided if a revocation action has been commenced first before the central division, and an infringement action at a later stage before a local or regional division<sup>17</sup>.

Further, to address the potential negative effects of bifurcation, the Rules of Procedure provide important safeguards for potential infringers.

- Rule 118.2 (a) states that if there is an infringement proceeding before a local or regional division and a revocation action is pending before the central division, a local or regional division may render its decision on the merits of the infringement claim, including its order, under the condition subsequent that the patent is not held to be wholly or partially invalid by the final decision in the revocation proceedings or a final decision of the European Patent Office.
- Rules 37.4 and 118.2 (b) provide that the panel may alternatively stay the infringement proceeding but shall stay when there is a high likelihood that the relevant claims of the patent will be held to be invalid in the revocation proceedings.

These rules aim to limit the negative consequences of bifurcation when patents at stake are manifestly invalid. However, in most cases, validity and infringement may be heard separately and by different divisions, which is not favourable.

Another kind of bifurcation has been experienced before the Paris Court. There is no formal bifurcation system in France, but judges may decide to sequence the litigation in several steps, and to assess certain issues before others: in a few rare cases, when the validity of the patent as granted is highly questionable, the judges may decide to hear and decide validity first; or when trade secrets are at stake, to decide infringement first before assessing a FRAND rate or ordering the communication of confidential information<sup>18</sup>. However, the

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16 UPCA, art. 33(3).

17 UPCA, art. 33(5).

18 *Intellectual Ventures II LLC v. Infineon Technologies AG and al.* Paris Court of First

French tradition before the Paris court is to hear and decide both validity and infringement together because both inquiries ought to rely on the same claim construction.

Except in particular circumstances, UPC divisions may probably not favour bifurcation, including German divisions<sup>19</sup>.

#### *D. A short and framed proceeding: new challenge or opportunity?*

When representing parties before the UPC, patent litigators will face new challenges with proceedings that may deeply differ from what they have known before their national jurisdictions. Among those challenges, the very short time frames of the proceedings will have to be taken into account in the litigation strategy.

The procedure before the UPC is designed to be fast: the final oral hearing on the issues of infringement and validity at first instance should take place within one year<sup>20</sup>. To achieve this goal, time limits during first instance proceedings are quite short and generally shorter than in most EU jurisdictions: the statement of defence shall be lodged within three months of service of the statement of claim<sup>21</sup>, the reply to the statement of defence within two months (including a counterclaim for revocation)<sup>22</sup>, the rejoinder to the reply within one month for defence without counterclaim<sup>23</sup> and within two months with counterclaim<sup>24</sup>. Time limits for revocation actions are even shorter<sup>25</sup>.

Not only these time limits are shorter than in most jurisdictions, but failure to comply with them may also be sanctioned since the Court may disregard any step, fact, evidence or argument that a party has not taken or submitted in accordance with a time limit set by the Court or under the Rules of Procedure<sup>26</sup>.

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Instance [2020] RG 17/13838; *Quadlogic controls corporation v. Enedis* Paris Court of First Instance [2016] RG 16/03165.

19 Darren Smyth 'AIPPI UK Event Report (London Sept. 12 2013): The UPC and what it means for your practice' <<https://ipkitten.blogspot.com/2013/09/the-upc-and-what-it-means-for-your.html>> accessed 25 May 2022 : "While bifurcation is still an issue, Kevin [Mooney] noted that in practice it may be rare. German bifurcation stems from a constitutional limitation on jurisdiction; he questioned whether a judge with power to hear the whole dispute would voluntarily carve part off to another jurisdiction."

20 Rules of Procedure , Preamble para 7.

21 Rules of Procedure, Rule 23.

22 Rules of Procedure, Rule 29(a)(b).

23 Rules of Procedure, Rule 29(c).

24 Rules of Procedure, Rule 29(d).

25 Rules of Procedure, Rules 49, 51, 52.

26 Rules of Procedure, Rule 9(2).

These tight procedural deadlines will undoubtedly be challenging and require a high degree of responsiveness from both the parties and their counsels. Litigation firms may have to build large legal teams to effectively handle cases before the UPC within these time limit constraints.

However, to guarantee the attractiveness of the UPC, it is foreseen that the Court may ensure flexibility by applying the Rules of Procedure "*in a flexible and balanced manner with the required level of discretion for the judges to organise the proceedings in the most efficient and cost-effective manner*"<sup>27</sup>. Such flexibility can take the form of granting additional time for complex actions for instance<sup>28</sup>, even retrospectively. But conversely, for simple actions, the Court may also decide to *shorten* time periods<sup>29</sup>. It will be interesting to observe how the local and regional divisions will use their discretion and how much flexibility will be left to the parties. In a system where forum shopping will be possible, the UPC divisions should pay attention to what is being done in other divisions to enable consistent proceedings without national particularism regarding time limits.

Parties and their counsels will also have to pay special attention to the requirement "*to set out their full case as early as possible in the proceedings*"<sup>30</sup>. This limitation of facts and legal grounds very soon in the proceedings will effectively force the parties to commit to a significant effort for researching, refining, and presenting their arguments from the outset of the first instance proceedings. This will be all the more important given the fact that on appeal, the introduction of new facts and new evidence is deeply limited and allowed only under certain conditions, such as when "*the party concerned could not reasonably have been expected during proceedings before the Court of First Instance*"<sup>31</sup>.

In practice, that means that claimants and their counsels will have to present all their infringement or revocation arguments in their statement of claim, along with all the relevant evidence. Seizures as well as submission of new prior art, should therefore be limited to the phase before the interim procedure, except if required by the judge-rapporteur during the interim procedure<sup>32</sup>. On the defendants' side, this concentration of arguments implies that all patent nullity arguments should be raised in the statement of defence, requiring prior art searches to be conducted within a very short time frame.

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27 Rules of Procedure, Preamble, para 4.

28 Rules of Procedure, art. 9(3)(a) and Preamble, para 7.

29 Rules of Procedure, art. 9(3)(b) and Preamble, para 7.

30 Rules of Procedure, Preamble, para 7.

31 UPCA, art. 73(4).

32 Rules of Procedure, Rules 103(1) and 104(e).

Critics fear that this requirement to provide detailed argumentation from the outset, combined with short time limits, will result in high procedural costs for the parties, which could be detrimental for small and medium-sized enterprises (SMEs) and start-ups, which may only have limited resources to deal with patent litigation. On the other hand, it could be argued that faster proceedings could be cheaper since new arguments or facts could not be raised at any time during the proceedings. Only practical experience will tell whether the objective of a very short procedure is practically achievable and how UPC divisions will use their discretionary power to organise the proceedings in the most efficient and cost-effective way.

### *E. The procedural costs*

Any party to patent litigation – patent holder, alleged infringer, nullity claimant – is of course cost-conscious. Before the UPC, the recoverable costs include court fees and attorney costs.

The projected court fee amounts have been known since early 2016<sup>33</sup>. The most typical court fees, namely the fee for infringement action and the fee for a revocation action or counterclaim, are projected to be in the five to six-figure amount (infringement action or application for provisional measures: a fixed fee of 11,000 € plus a value-based fee; revocation action: 20,000 €).

The value-based fee, which may vary from 2,500 € above a value of 500,000 € to 325,000 € for a value more than 50,000,000 €, may represent a high amount.

These high amounts (e.g., in France there are no court fees at all in first instance) may seem to be a serious impediment for many actors. This situation, however, was not – and still is not – surprising given the fact that the UPC is intended to be self-financing, at least after the end of the transitional period<sup>34</sup>.

In addition to these court fees, the parties shall bear their attorney costs *and* those of the adverse party in case they lose the trial. These recoverable costs may range from 38,000 € for a value of 250,000 € to 2,000,000 € for a value of more than 50,000,000 €. According to a draft decision of the Preparatory Committee of June 2016<sup>35</sup>, the recoverable costs may even range up to

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33 Preparatory Committee for the UPC, “Rules on Court fees and recoverable costs” (February 25, 2016) <[https://www.unified-patent-court.org/sites/default/files/agreed\\_and\\_final\\_r370\\_subject\\_to\\_legal\\_scrubbing\\_to\\_secretariat.pdf](https://www.unified-patent-court.org/sites/default/files/agreed_and_final_r370_subject_to_legal_scrubbing_to_secretariat.pdf)> accessed May 12, 2022 (archived at: <[https://web.archive.org/web/20220621234610/https://www.unified-patent-court.org/sites/default/files/agreed\\_and\\_final\\_r370\\_subject\\_to\\_legal\\_scrubbing\\_to\\_secretariat.pdf](https://web.archive.org/web/20220621234610/https://www.unified-patent-court.org/sites/default/files/agreed_and_final_r370_subject_to_legal_scrubbing_to_secretariat.pdf)> accessed March 17, 2023).

34 UPCA, art. 36(1) and art. 36(3), 3<sup>rd</sup> sentence.

35 Preparatory Committee for the UPC, “Decision of the Administrative Committee of the

5,000,000 € for a value of the proceedings of more than 50 million euros for complex cases.

Will these fees and costs present an insurmountable obstacle to the parties? It is tempting to stop at the five- to seven-figure amounts and say that they will. However, we submit that one must consider the entire framework before coming to a conclusion.

*First*, partial reimbursement of court fees is provided for in case the action is withdrawn or settled before the conclusion of the written procedure (60%), the interim procedure (40%) or the oral procedure (20%)<sup>36</sup>. If the action is heard by a single judge, a 25% reimbursement may also be applied.

*Second*, the court fees may be reduced by 40% for SMEs<sup>37</sup>, and several mechanisms are foreseen for entities which would not be able to afford the fees, such as reimbursing the fees<sup>38</sup> or providing legal aid<sup>39</sup>.

*Third*, it should be recalled that, in principle, parties will most likely start their actions before the UPC only in case the litigation would otherwise have been carried out before the national courts of several countries, requiring one team of attorneys per country and a coordinating team. The higher amount of court fees can and likely will be offset in this case.

*Fourth*, turning now to legal costs, it must be noted (a) that the UPCA provides that unnecessary costs should be borne by the party which has caused them (Article 69(3)) and that “[w]here a party succeeds only in part or in exceptional circumstances, the Court may order that costs be apportioned equitably or that the parties bear their own costs” (Article 69(2)), and (b) that it contains a loser-pays provision in the form of Article 69(1) – up to a certain ceiling of recoverable costs. Recital (1) of the draft decision of the Preparatory Committee of February 2016 (cited just above) provides useful guidance about deciding on recoverable costs: “*Only the recoverable costs established in compliance with these principles is measured against the ceilings set forth in this Decision. There is a large margin of appreciation for the Court when applying the safeguarding principles before making a cost decision, and thus, the ceilings are only to be regarded as a safety net, i.e. an absolute cap on recoverable representation costs applicable in every case.*”

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Unified Patent Court on the scale of recoverable cost ceilings” (June 16, 2016) <[https://www.unified-patent-court.org/sites/default/files/recoverable\\_costs\\_2016.06.pdf](https://www.unified-patent-court.org/sites/default/files/recoverable_costs_2016.06.pdf)> accessed May 24, 2022.

36 Rules of Procedure, Rule 370(9).

37 Rules of Procedure, Rule 370(8).

38 Rules of Procedure, Rule 370(10).

39 Rules of Procedure, Rules 375 through 382.

Moreover, these ceilings of recoverable costs can compare favourably with what can be expected in multinational patent litigations in Europe: for instance, in one pending case we have been involved in since 2017 in France, Italy and the United Kingdom, with a value of proceedings around 200,000,000 €, several million euros have been expended in attorney fees, whereas the ceiling for recoverable costs would – in principle – only be 2 million euros before the UPC. In fact, the issue with legal costs and fees may not so much be with their total amount but with the fact that parties might have to pay them over a much shorter time period than during national litigation.

### **3. Conclusion**

The UPC will bring important changes for all European patent practitioners. Any practitioner who intends to represent clients before the UPC would be well-advised to start preparing right away.

During the provisional application period, several kinds of behaviour can be adopted. The first one consists of staying outside the UPC system by systematically opting-out and not choosing the unitary effect for any European patent. This strategy may have the disadvantage of being cumbersome in terms of managing a patent portfolio. Another downside is the lack of preparation when the UPC will be effective since it is not possible to stay completely out of the UPC system (“long arm jurisdiction”), as any party may be sued as a defendant in an infringement action before the UPC or any party may file a revocation action before the UPC against a unitary patent or a non-opted out European patent belonging to a competitor.

Another position, opposite to the first one, is to embrace the UPC system by filing unitary patents and adopting a no-opt-out strategy. The main advantage of such a strategy is to be ready when the UPC is operational and to participate in the development UPC case law, benefit from the effects of the unique Court of Appeal, with some uncertainty while said case law develops.

The choice between these two strategies – or of any intermediate position on the spectrum – will of course vary according to the client and will depend on the strategic interest of the patents in their portfolio.

# 19. PANORAMA OF THE ISSUES FOR SMES AND POSSIBLE SOLUTIONS

*Krista Rantasaari*

## **1. Introduction**

Small and medium-size companies (SMEs) have an important role in bringing growth and employment opportunities to European countries.<sup>1</sup> Patents play a role in this growth and create value for new and established SMEs. Patents have a potentially significant commercial value and are an important economic tool for companies. Currently, patent laws and their enforcement are partly dysfunctional due to the growing number of networks and the interdependency between diverse entities in different countries within the patent field.

The central role of SMEs has been valued by political institutions. In the European Union (EU), there are 25 million SMEs. These companies account for more than half of EU's gross national product (GDP), they are significant employers, and they have an important role in providing solutions to current challenges such as climate change, resource efficiency and social cohesion.<sup>2</sup> However, the current European patent enforcement regime is complex and expensive for companies when applying for patents and later when potentially they may need to defend those rights.<sup>3</sup> There are two important reasons for this complexity, both of which are addressed in this article. The first is territoriality, and the second is the cross-border use of innovations and the high degree of connectivity.

The unitary patent regime mentions SMEs as one of the beneficiaries of this system. Among the main justifications for creating the unitary patent regime was the aim to reduce costs and fragmentation, particularly for SMEs.<sup>4</sup> Basi-

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1 The term SME (Small and Medium Size Company) is defined in the Recommendation (EU) No 2003/361/EC of the Commission, [2003] OJ L 124.

2 Commission, 'An SME Strategy for a Sustainable and Digital Europe' COM(2020) 103 final 1.

3 Bruno van Pottelsberghe, 'Lost Property: The European Patent System and Why it doesn't work', 2009 Bruegel Blueprint Series.

4 Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of

cally, the unitary patent regime would reduce the costs required for patent enforcement in cases where the alleged infringement has occurred in several Member States belonging to the unitary patent regime. In such a case, almost a EU wide injunction can be sought through a single court action. Further justifications for the unitary patent regime are the avoidance of parallel national decisions which exist in the current European patent system and may happen to be incoherent. The new unitary patent regime has been praised for providing wider unitary patent protection covering most of the EU Member States and ensuring a uniform application of substantive patent law. Both these claims are thought to foster companies' innovation and patenting activities. However, the critics fear that there will be increasing litigation or a threat of litigation that will impose costs and complexity. In addition, this wider European protection may well attract non-practising entity (NPE) litigation.<sup>5</sup> Non-practising entities, also called patent assertion entities (PAE) or even patent trolls, are corporate entities that buy patents with the intent of threatening or suing other companies to obtain financial compensation. In addition, NPEs use patents to force licencing agreements.<sup>6</sup>

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unitary patent protection, [2012] OJ L361/1 Recitals 19 and 22, Article 12; Commission, 'Impact Assessment – Accompanying Document to the Proposal for a Regulation of the European Parliament and the Council Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection and Proposal for a Council Regulation Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection with regard to the Applicable Translation Agreements' Staff Working Paper SEC(2011) 482 final.

- 5 Brian J. Love, Christian Helmers, Fabian Gaessler and Maximilian Ernicke, 'Patent Assertion Entities in Europe' 2015 Santa Clara Law Digital Commons < [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2689350](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2689350) > accessed 3 March 2022; Luke McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court* (Edward Elgar Publishing 2016); Nikolaus Thumm and Garry Gabison: 'Patent Assertion Entities in Europe. Their Impact on Innovation and Knowledge Transfer in ICT Markets', 2016 JRC Science for Policy Report, European Commission < <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/patent-assertion-entities-europe-their-impact-innovation-and-knowledge-transfer-ict-markets> > accessed 3 March 2022; Krista, Rantasaari, 'Growth Companies and Procedural Safeguards in European Patent Litigation' (2018) 25 Maastricht Journal of European and Comparative Law 168, 176.
- 6 Angar Ohly, 'Patentrolle oder: Der Patentrechtliche Unterlassungsanspruch unter Verhältnismäßigkeitsvorbehalt? Aktuelle Entwicklungen im US-Patentrecht und Ihre Bedeutung für das Deutsche und Europäische Patentsystem' (2008) 787 GRUR International 787; Tom Ewing and Robin Feldman, 'Giants Among Us' (2012) Stanford Technology Law Review 1 < [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1923449](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1923449) > last accessed 10 March 2022; Christian Helmers and Luke McDonagh, 'Trolls at the High Court' (2012) Society and Economy Working Papers < <https://papers.ssrn.com/sol3/>



This article first studies the complexity of European patent enforcement and then addresses certain procedural tools that the unitary patent regime provides for SMEs. The debate around the unitary patent regime has highlighted the benefits and disadvantages. One of the main reasons to create the unitary patent regime was to lower transaction costs for SMEs.<sup>7</sup> Overall, the unitary patent regime might reduce the required expenses for patent enforcement in situations where the alleged infringement has occurred in several European countries. In such cases, a European-wide injunctive relief can be sought in a single Unitary Patent Court action which then applies to all EU Member States that have ratified the Unitary Patent Agreement.<sup>8</sup> The European centralised patent regime of unitary patents will potentially lead to an increase in the filing of damage claims for patent infringement. However, the wider patent protection and the uncertainty inherent in the new court regime will attract NPEs.<sup>9</sup> This will cause harm, particularly for start-ups and growth companies, as they have fewer resources for defending their case in court proceedings. Hence, it is important to have procedural safeguards that provide tools for companies to defend themselves against infringement suits.

When we discuss SMEs and patenting activities it is important to be aware that not all SMEs are willing or have the potential to become involved in patenting activities. The hype as regards small firms and growth does not indicate that all small companies exhibit high growth, whereas it does indicate that on average SMEs are less innovative than large companies. Most innovation activ-

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papers.cfm?abstract\_id=2154958 > last accessed 10 March 2022; Colleen Chien, 'Start-ups and Patent Trolls' (2012) Santa Clara Law Digital Commons, Faculty Publications < [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2146251](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2146251)> last accessed 10 March 2022; Stefania, Fusco, 'Markets and Patent Enforcement: A Comparative Investigation of Non-Practicing Entities in the United States and Europe' (2014) 20 Michigan Telecommunications and Technology Review 439; Damien, Geradin, 'Patent Assertion Entities and EU Competition Law' (2019) 15 Journal of European Competition Law & Practise 204, Krista Rantasaari, *Patent Litigation in Europe. Can Start-ups and Growth Companies Defend their Rights?* (Turun yliopisto 2021) 54–60.

- 7 Dietmar Harhoff, 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System' (2009) Institute of Innovation Research, Technology Management and Entrepreneurship; Ingve Björn Sterjna: *The Parliamentary History of the European Unitary Patent: Verbatim Protocol of Selected Meetings in the European Parliament and its Legal Affairs Committee* (Tredition 2016).
- 8 Roberto Romandini and Alexander Klicznik, 'The Territoriality Principle and Transnational Use of Patented Inventions – The Wider Reach of a Unitary Patent and the Role of the CJEU' (2013) 44 IIC 524.
- 9 Harhoff (n 7); Dimitris Xenos, 'The European Unified Patent Court: Assessment and Implication of the Federalisation of the Patent System in Europe' (2013) 10 SCRIPTed – Journal of Law, Technology & Society 246.

ities are not provided by SMEs in general, but instead by a small number of SMEs. These SMEs are called high growth companies.<sup>10</sup> High growth companies rely more on international and cross-border patent protection. Compared with SMEs in general, the success of high-growth companies is explained by their ability to grow internationally within or even beyond the EU internal market. SMEs that have filed at least one European patent are 34 % more likely to become a high growth company, whereas the prior filing of national patents is not significantly correlated with an increased likelihood of high growth.<sup>11</sup> However, only a small proportion of SMEs in the EU make use of intellectual property (IP). This low portion is linked to the idea of high growth companies, but also denotes a general lack of awareness and ability among SMEs to exploit their IP rights.<sup>12</sup>

Following this introductory section, the remainder of this article is organized as follows: Section 2 describes territoriality and the high degree of connectiveness; Section 3 discusses fee shifting, preliminary injunction and bifurcation; Section 4 offers some concluding remarks. Overall, this article analyses the UPC Agreement<sup>13</sup> and uses examples from European patent litigation in key jurisdictions.

## **2. Cross-border patent enforcement**

Territoriality and national patent regimes dominate patent enforcement. Thus, the effects of national patents are limited to the territory for which they have

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10 A high-growth firm can be determined based on its growth in turnover or number of employees, or both. For example, the European Patent Office (EPO) and European Intellectual Property Office (EUIPO) study uses the criterion of turnover growth. In addition, the OECD definition sets a threshold of at least 10 employees at the beginning of the growth period. See High-Growth Firms and Intellectual Property Rights, IPR Profile of High-Potential SMEs in Europe, European Patent Organization and the European Union Intellectual Property Office (2019) < <https://www.epo.org/news-issues/press/releases/archive/2019/20190521.html> > last accessed March 15 2022; Promoting Innovation in Established SMEs, Policy Note, SME Ministerial Conference (2018) < <https://www.oecd.org/cfe/smes/ministerial/documents/2018-SME-Ministerial-Conference-Parallel-Session-4.pdf> > last accessed 15 March 2022.

11 Ibid (10) 14, 59.

12 European Union Intellectual Property Office, Intellectual Property Rights and Firm Performance in Europe: An Economic Analysis. Firm-Level Analysis Report (2021) < [https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/documents/reports/IPContributionStudy/IPR\\_firm\\_performance\\_in\\_EU/2021\\_IP\\_Rights\\_and\\_firm\\_performance\\_in\\_the\\_EU\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/IPContributionStudy/IPR_firm_performance_in_EU/2021_IP_Rights_and_firm_performance_in_the_EU_en.pdf) >.

13 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement).

been granted. In the field of intellectual property, territoriality has been so widely accepted that there is no need for justification.<sup>14</sup> Territoriality originated from international law and is provided for in the legal systems of all World Trade Organization (WTO) members.<sup>15</sup>

Territoriality results in European patent protection that relies on national or regional legislation. Prior the unitary patent regime coming into force this means that once the European Patent Organization (EPO) has granted and validated a European patent, each patent is subject to the laws and procedures of the state where it applies. A European patent is managed as a bundle of national patents. European patents have proved to be costly as the post-grant validation of a European patent bundle is typically subject to translation provisions and in some countries, there are additional validation charges. At the enforcement stage, European patents need to be enforced or challenged in proceedings in several different national courts. For example, a patentee needs to enforce a patent in more than one territory and must pursue legal proceedings in several different national courts, even if the relevant patents are essentially the same.<sup>16</sup>

Early in the 1990s, it had already been pointed out that patent statutes are territorial in nature and computer networks are not. Subsequently, as the users and providers of computer-based services inhabit an electronic realm with virtual machines that transcend national boundaries, applying a territorial intellectual property scheme is difficult and leads to unintended consequences.<sup>17</sup> As innovation and industrial R&D become global, patent licensing and enforcement increasingly traverse national boundaries.<sup>18</sup> This is typical in numerous technology fields such as cloud computing, client-server systems, peer-to-peer systems, and artificial intelligence (AI). For example, in cloud computing, it is typical for more than one actor to perform all the steps or elements of a patent claim.

Any method that can be implemented by computers can be performed in such a way that the computers are at different sites and can be contacted via

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14 Alexander, Peukert, 'Territoriality and Extra-Territoriality in Intellectual Property Law' in Gunther Handl and Joachim Zekoll (eds), *Beyond Territoriality Transnational Legal Authority in an Age of Globalization* (Martinus Nijhoff Publishers 2012). See also Case C-192/04 *Lagerdère v SPRE* [2005] ECR I-7199, para. 46.

15 Curtis A. Bradley, 'Territorial Intellectual Property Rights in an Age of Globalism' (1997) 37 *Virginia Journal of International Law* 506, 546.

16 Stuart J. H. Graham and Nicolas van Zeebroeck, 'Comparing Patent Litigation Across Europe: A First Look', (2014) 17 *Stan. Tech. I. Rev* 655; McDonagh (n 5) 12–13.

17 Dan L. Burk, 'Patent in Cyberspace, Territoriality, and Infringement on Global Computer Networks' (1993) 68 *Tulane Law Review* 1, 6.

18 Stuart and van Zeebroeck (n 16).

a network such as the internet. Thus, each step in a process that can be implemented by computer software can be performed in a country other than the country in which the processes were initiated. This high degree of connectivity is characteristic of numerous fields of technology. Computing systems can, for example, typically involve multiple parties interacting with multiple components of a system in a distributed environment.<sup>19</sup> As a corollary, there are frequently situations where the alleged infringement or the location of parties is in more than one jurisdiction. Four general locations for cases of cross-border patent enforcement can be identified: the location of the infringing act, the location of the parties to the case, the location of the infringed intellectual property right and the location of the damage.<sup>20</sup> Hence, all European courts have a rising number of cross-border patent cases.

In Germany, for example, in a patent suit based on a client-server system, the relevant claim was a method of processing prepaid phone calls. The defendant was an Irish entity that operated a server located in Ireland, but the telephone cards' offer was implemented in Germany. Thus, certain steps of the method were executed in Ireland and certain steps in Germany. Hence, the Court had to decide whether an infringement of the domestic patent existed, even though several steps in the claim were performed outside the territory covered by the patent. In this case, the Düsseldorf Court of Appeal ruled that a patent would be considered to be infringed if at least one of the infringing activities took place in Germany, and that the actions outside of Germany were intended to have a direct impact on Germany.<sup>21</sup> However, not all European courts approach cases from such an economic-perspective as in this case, i.e. by considering the steps practised were purposely intended to have an effect on their domestic market.

Other approaches are the claims-oriented approach, and the essential elements approach. According to the claims-oriented approach, the important issue is to determine who uses the method according to the claims and where the use occurs. If the invention relates to a method implemented in a server

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19 Nicole D. Galli and Edward Gecovich, 'Could Computing and the Doctrine of Joint Infringement: Current Impact and Future Possibilities' (2014) 11 Marshall Review of Intellectual Property Law 674; Romandini and Klicznik (n 8) 524.

20 Andrew Christie, 'Private International Law Principles for Ubiquitous Intellectual Property Infringement – A Solution in Search of a Problem?' (2017) 13 J Priv Int L 161.

21 The relevant patent was a method of processing prepaid telephone calls. For the case referred see the Düsseldorf Court of Appeal, Urteil vom. 10 March 2010 Xa ZR 8/10. For comments of the case see, for example Romandini and Klicznik (n 8) 524; Eun-Joo Min and Johannes Christian Wichard, 'Cross-Border Intellectual Property Enforcement' Rochelle Dreyfuss and Justine Pila (eds) *The Oxford Handbook of Intellectual Property Law* (OUP 2018) 709.

computer and the claim is drafted from the perspective of the service, then the relevant place should be where the server resides. In such a case, it is the service provider who applies the claimed method and controls its execution.<sup>22</sup> According to the essential elements approach, infringement only exists in the place where the essential elements of the invention are practised.<sup>23</sup>

Considering the new innovations and technologies available today, particularly information and communication technology, cross-border use of patented inventions occurs regularly. The European patent enforcement regime, when not discussing the unitary patent regime, denotes those patents that can be enforced or challenged in proceedings in several different national courts. The legal proceedings from several different national courts still apply even if the relevant patents are essentially the same. Thus, patentees have jurisdictional options regarding where to file a suit against alleged infringers. In a European private international law context, the Brussels I Regulation and the Lugano Convention are applied to IP law cases.<sup>24</sup> Often, patentees choose to file a lawsuit against an alleged infringer in the country where the infringing goods are manufactured, or where the main distribution occurs. Hence, those locations where any possibly granted injunctions will have a maximum effect on the infringer's ability to make, distribute and sell the infringing goods.<sup>25</sup> When litigation takes place in several countries, national jurisprudential differences may have a significant impact on the course of a legal dispute. The various national courts may differ significantly in their approaches to procedural issues as well as regards to substantive matters.<sup>26</sup>

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22 Romandini and Klicznik (n 8) 524, 532.

23 John W. Osborne, 'A Rational Analytical Boundary for Determination of Infringement by Extraterritorially Distributed Systems' (2006) 46 IDEA 587; Romandini and Klicznik (n 8) 524.

24 The Council Regulation (EC) No. 22/2001 of the European Parliament and of the Council of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 12/1, replaced by the recast version Regulation (EU) No 1215/2012 of the EP and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, [2012] OJ L351/1 (Brussels I Regulation). The Lugano Convention of 16 September 1988 on jurisdiction and the enforcement of judgments in civil and commercial matters, [1988] OJ L 339 (Lugano Convention) covers non-EU Member States such as Iceland, Liechtenstein, Norway and Switzerland and is also relevant in Denmark, where it preceded the application of the Brussels I Regulation.

25 McDonagh (n 5) 13; Rantasaari (n 6) 64.

26 Katrin Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System', *Zew Mannheim, Max Planck Institute for Innovation and Competition Research Paper No. 14-14* (2014) 5.

The unitary patent regime was presented as a solutions provider for SMEs. The unitary patent makes it possible to aggregate all acts committed by the same actor or actors in the Unitary patent regime Member States, even if these acts are distributed over the territory of several Member States. In the Prepaid case mentioned previously, the Unitary Patent Court (UPC) could have aggregated all the acts committed in Ireland and Germany, and based on this aggregation, found a unitary patent infringement, and issued an injunction through the territory of the unitary patent regime.<sup>27</sup> When we discuss cross-border patent enforcement, the unitary patent regime clarifies the complexity. The unitary patent regime is beneficial both for the defendant and the plaintiff. The alleged infringer will not have the risk of being exposed to multiple damage claims in more than one unitary patent regime Member State. However, as soon as a single step of the claimed process is practised outside the unitary patent regime Member State, then the problem of cross-border enforcement arises again.

Next, we will look at certain procedural tools in the unitary patent regime. Patents are credible and effective only insofar as their meaningful enforcement can be assured. Effective enforcement means functioning and accessible enforcement mechanisms.<sup>28</sup> This article studies further fee shifting, preliminary injunctions, and bifurcation, and how these procedural tools function from the SMEs' perspective. Fee shifting, preliminary injunctions, and bifurcation have been presented in legal texts and literature as either preventing or increasing NPE litigation that can be harmful to companies regardless of their size.<sup>29</sup>

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27 See, for example Romandini and Klicznik (n 8) 524.

28 Marketa Trimble, *Global Patents. Limits of Transnational Enforcement* (OUP 2012) 3; Min and Wichard (n 21) 688.

29 Harhoff (n 7); The Evolving IP Marketplace: Aligning Patent Notices and Remedies with Competition, Report of the Federal Trade Commission (2011), < <http://www.ftc.gov/os/2011/03/110307patentreport.pdf> > last accessed 10 March 2022; Helmers and McDonagh 'Trolls at the High Court' (n 67); Stefania, Fusco, 'Markets and Patent Enforcement: A Comparative Investigation of Non-Practicing Entities in the United States and Europe' (2014) 20 *Michigan Telecommunications and Technology Review* 439.

### **3. Procedural safeguards**

#### *A. Fee shifting*

Fee shifting refers to a situation where the losing party must pay the costs of the successful party. European jurisdictions mostly use a mandatory two-way shift which means that the losing party pays the winning parties' expenses and fees. Other forms are no fee shifting and one-way shift. The latter provides fee awards only to the prevailing plaintiffs or defendants.<sup>30</sup> Identification of the impact of fee shifting is difficult. In general, there are fewer settlements when the fee shifting rule is applied. Thus, the risk of having to pay the defendant's costs acts as a deterrent when considering initiating weak claims.<sup>31</sup>

In European jurisdictions, the IP Enforcement Directive<sup>32</sup> has harmonised some parts of the remedies.

Most EU countries did not have to make major changes in their law to implement the IP Enforcement Directive as their civil procedural laws already covered the prerequisites of the Directive. In 2017, the Commission clarified the provisions of the IP Enforcement Directive as there have been different interpretations in EU countries. One reason is that since the IP Enforcement Directive provides for minimum harmonisation, there are no uniform proceedings and judicial traditions. The guidance is based on rulings by the Court of Justice of the European Union (CJEU) and the best practices identified in EU countries. This guidance also focuses on the means, which are particularly important to SMEs, such as the rules on calculating damages and awarding legal costs.<sup>33</sup>

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30 Rowe, Thomas, 'Predicting the Effects of Attorney Fee Shifting' (1984) 47 *Law and Contemporary Problems* 139.

31 The body of literature on frivolous lawsuits and their impact is rich. For some overviews, see, inter alia, Rowe (n 30) 139; Theodore Eisenberg and Geoffrey Miller, 'The English vs. the American Rule on Attorneys' Fees. An Empirical Study of Attorney Fee Clauses in Publicly-Held Companies Contract' NYU Law and Economics Research Paper No. 10-52 (2010) < [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1706054](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1706054) > last accessed 10 March 2022; Christian, Helmers Yassine Lefouili, Brian J. Love and Luke McDonagh, 'The Effect of Fee Shifting on Litigation: Evidence from a Policy Innovation in Intermediate Cost Shifting' (2021) < [https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2016/wp\\_tse\\_740.pdf](https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2016/wp_tse_740.pdf) > last accessed 10 March 2022.

32 Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L 157/45 (the IP Enforcement Directive).

33 Guidance on certain aspects of Directive 2004/48/EC of the European Parliament and of the Council on the Enforcement of Intellectual Property Rights, COM(2017) 708 Final.

According to the IP Enforcement Directive, the unsuccessful party should pay reasonable and proportionate legal costs and other expenses incurred by the successful party.<sup>34</sup> According to the CJEU, the unsuccessful party must bear all the financial consequences of their conduct.<sup>35</sup> As regards the proportionality, the CJEU found that, while the requirement of proportionality does not imply that the unsuccessful party must necessarily reimburse the entirety of the costs incurred by the other party, it does, however, mean that the successful party should have the right to reimbursement of, at the very least, a significant and appropriate part of the reasonable costs actually incurred by that party.<sup>36</sup> However, according to the IP Enforcement Directive, the demand for equity might disallow the reimbursement of costs.<sup>37</sup> In a specific case in which the application of the general scheme regarding legal costs would lead to a result considered unfair, equity would lead to the scheme being disregarded. Equity cannot justify a general unconditional exclusion of the reimbursement of costs exceeding a specific ceiling.<sup>38</sup>

There are also differences between the Member States and their national legislation as regards the types of costs covered by provisions in the national law implementing Article 14 of the IP Enforcement Directive. Often court fees and other procedural costs are fully covered, while the cost of external experts, the attorneys' charges, and additional attorney fees are mostly only partly covered. For example, there are caps on the recoverability of legal costs on the grounds of fairness or proportionality to the value of the lawsuit. Most European jurisdictions acknowledge equity or the economic situation of the unsuccessful party.<sup>39</sup>

In the Netherlands, Article 14 of the IP Enforcement Directive shifted the cost to the losing party. Before the implementation of the IP Enforcement Directive, the Dutch Courts typically shifted only a small amount of the fees.<sup>40</sup>

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34 Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L 157/45 (the IP Enforcement Directive).

35 Case C-406/09 *Realchemie Nederland v. Bayer CropScience AG* [2011] ECR I-09773, para 49

36 Case C-57/15 *United Video Properties Inc. v. Telenet NV* [2011] EU:C:2016:611, paras. 29–30.

37 Article 14 of Council Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights [2004] OJ L 157/45 (the IP Enforcement Directive).

38 Case C-57/15 *United Video Properties Inc. v. Telenet NV* [2011] EU:C:2016:611, para 31.

39 European Commission, 'Public Consultation on the Evaluation and Modernisation of the Legal Framework for the Enforcement of Intellectual Property Rights' (2016) 28.

40 Jan J. Brinkhof, 'The Enforcement of Patent Rights in the Netherlands', (2000) 6 IIC 706, 721; Cremers and others, 'Patent Litigation in Europe' (2016) 44 *European Journal of Law and Economics* 1. See *Danisco A/S v. Novozymes A/S*, Court of Appeal the Hague,



In Denmark, the Enforcement Directive and Case C-57/15 *United Video Properties Inc. v. Telenet NV* led to a ruling by the High Court that the successful party was entitled to cost incurred by providing expert statements as well as the costs related to the assistance of a patent agent.<sup>41</sup>

The Netherlands, and Germany, for example, have fee shifting rules. In both countries the court can for example, use discretion and consider proportionality. However, there are also differences in how costs are allocated between the parties.<sup>42</sup> The Netherlands applies a fee shifting rule. Hence, the unsuccessful party must pay the costs of the proceedings to the defendant. Legal costs must be reasonable and proportionate, and calculated based on the procedure and the financial interests involved. Only a minor part of the actual costs is not recoverable.<sup>43</sup> When a case is settled, then parties can agree on the amount of costs and inform the court of their agreement.<sup>44</sup> In Germany the costs are not fully shifted. Germany has a value-based fee system where the costs are statutory fees, which depend on the estimated value of the dispute. The estimated value is used as a foundation for the court when dividing the costs between parties. However, costs are estimated, and the successful party is unlikely to shift all its legal costs. Consequently, the costs are not fully shifted to the unsuccessful party.<sup>45</sup>

According to the AUPC, the unsuccessful party must pay the legal costs and other expenses incurred by the successful party. However, there are several limitations when the UPC decides on the fee shifting. Firstly, only reasonable and proportionate legal costs and other expenses may be recovered. Secondly, equity can be taken into consideration when the UPC is making such a decision. Thirdly, the UPC must obey the ceiling set in accordance with the Rules of Proce-

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26 February 2013, Case no. 200.094.921/01.

41 The Maritime and Commercial High Court of Denmark, 15 June 2018, A-49-17.

42 For Germany, see the German Code of Civil Procedures (Zivilprozessordnung, ZPO) sec. 91(1), for the Netherlands, see the Dutch Code of Civil Procedure (Wetboek van Burgerlijke Rechtsvordering, DCC) § 1019h. See also Krista Rantasaari, 'Growth Companies and Procedural Safeguards in European Patent Litigation', 25 *Maastricht Journal of European Comparative Law* 25 (2018) 168, 177–181.

43 The Dutch Code of Civil Procedure (DCC) § 1019h; Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26); Brinkhof (n 40) 706, 721–722.

44 The Dutch Code of Civil Procedure (DCC) § 1019h; Brinkhof (n 40) 706, 721–722.

45 The German Code of Civil Procedures (ZPO) sec. 92. The German Code on Court Costs (Gerichtskostengesetz, GKG) §39.1. See also the Remuneration Code for Lawyers' Costs (Rechtsanwaltsvergütungsgesetz, RVG). Hans Marshall, 'The Enforcement of Patent Rights in Germany' (2000) 31 *IIC* 646, 668; McDonagh (n 5) 41–42; Cremers and others, 'Patent Litigation in Europe' (2016) (n 40).

dure. Fourthly, in the case of a partial success or in exceptional circumstances, the UPC may order the parties to bear their own costs or apply a different apportionment of costs, based on equity. Lastly, unnecessary expenses caused to the UPC or to the other party are assigned to the party causing them.<sup>46</sup>

The Administrative Committee has specified a scale of costs that a successful party may recover from their opponent. These rules propose a 38.000 € cap for cases valued at or below 250.000 € and a 2.000.000 € cap for cases valued at or above 50.000.000 €; there are also eight additional intermediate caps for cases valued in between these sums.<sup>47</sup> The ceiling for recoverable costs can be raised or limited in certain situations by the UPC. For example, the UPC may raise or limit the ceiling in the light of the principle of fair access to justice if the case is complex when multiple languages are used, or the financial capability of all the parties differs. In addition, the UPC may lower the ceiling applicable if the unsuccessful party is an SME and the recoverable cost is manifestly disproportionate and unreasonable regarding the financial capacity of the party. In addition to SMEs, other entities are mentioned, such as research institutions and ordinary individuals.<sup>48</sup>

When the UPC decides whether to raise or limit the ceiling, the UPC considers all the available information on the parties. The information that the UPC uses is, for example the procedural behaviour of the parties, the applicable level of the ceiling for recoverable costs in comparison with the annual turnover of both parties, the type of economic activities of both parties and the impact the lowered ceiling would have on the other party.<sup>49</sup> It is unclear from the current legal documents if the successful party does recover the court fees from the unsuccessful party. However, based on the UPC Agreement, this seems to be the case as other expenses are mentioned, but the decision on the scale of the ceiling for the recoverable costs indicates that these ceilings only apply to representation costs, which suggests that court fees cannot be recovered.<sup>50</sup>

Although fee shifting assimilates well into the European jurisdictions and the Unitary Patent Regime, the Unitary Patent Regime does alter the fee shifting somewhat, as the allocation of costs is determined by the UPC to a certain

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46 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 69.

47 Decision of the Administrative Committee of the Unified Patent Court on the Scale of the Recoverable Cost Ceilings [2016], annex.

48 Decision of the Administrative Committee of the Unified Patent Court on the Scale of the Recoverable Cost Ceilings [2016], art 2(1–2).

49 Decision of the Administrative Committee of the Unified Patent Court on the Scale of the Recoverable Cost Ceilings [2016], art 2(3).

50 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 69. See also Rules on Court Fees and Recoverable Costs, Preparatory Committee for the Unified Patent Court (2016).

extent. For SMEs it is important to have such an approach where, for example, the type of economic activity or the partial success is at the discretion of the UPC. Hence, it is possible to lower or raise the ceiling of the recoverable costs based on economic activity in cases where the annual turnover of parties differs, or another party is an NPE.

### *B. European-wide preliminary injunction*

Preliminary injunctions are effective remedies and permit patent holders to ban unlicensed products containing the patented technology from the marketplace. Under the unitary patent regime, this will cover all unitary patent Member States as a single patent jurisdiction.<sup>51</sup> The plaintiff may request preliminary injunctions to avoid irreparable harm. In addition, the plaintiff may request preliminary injunctions to impose financial stress on competitors. This is an effective threat against SMEs that are often capital-constrained defendants.<sup>52</sup> Hence, preliminary injunctions are used by NPEs to increase their bargaining power by preventing allegedly infringing product sales or to achieve licensing or settlement fees.

In Germany and the Netherlands, for example, preliminary injunctions can be granted. However, in Germany, granting preliminary injunctions is relatively rare due to the overall rapidity of patent infringement proceedings. Preliminary injunctions are used mainly in simple cases, where it is relatively easy to decide whether there is patent infringement. The plaintiff must present the existence of a relevant legal claim and a legal reason and indicate the necessity for an injunction in order to prevent considerable disadvantages. The examination process balances the probabilities.<sup>53</sup> In the Netherlands, a preliminary injunction may be obtained within two weeks after filing a case. At the preliminary hearing, the plaintiff and the defendant must provide oral arguments and the court's decision is made swiftly.<sup>54</sup>

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51 John Leubsdorf, 'The Standard for Preliminary Injunctions' (1978) 91 *Harvard Law Review* 525; Jean O. Lanjouw and Josh Lerner, 'Tilting the table? The Use of Preliminary Injunctions' (2001) 44 *The Journal of Law & Economics* 573, 574.

52 Lanjouw and Lerner (n 51) 573, 601.

53 The German Code of Civil Procedures (ZPO), sec. 935; Jan Klink, 'Cherry Picking Cross-Border Patent Infringement Actions: A Comparative Overview of German and UK Procedure and Practice' (2004) 26 *E.I.P.R.* 493,497; McDonagh, *European Patent Litigation in the Shadow of the Unified Patent Court*, p. 37. See also Oberlandesgericht, OLG Celle, Urteil vom. 17 March 1993 - 14 U 74/93; Oberlandesgericht, OLG Düsseldorf, Urteil vom. 25 June 2020 – I-2 U 51/19.

54 Brinkhof (n 40) 706, 709–11.

The UPC may order preliminary injunctions according to Article 62 of the UPC Agreement. The wording indicates that preliminary injunctions are not automatic; preliminary injunctions may be granted by the UPC to prevent an imminent act of infringement or to stop an ongoing infringement.<sup>55</sup> Furthermore, procedures and remedies should be used in a fair and equitable manner, so as not to distort competition.<sup>56</sup> This authorises the UPC to consider the principles of fairness and equity. When exercising this discretion, the UPC evaluates the interests of the parties and assesses the potential damage to either of the parties resulting from the granting or refusal of the injunction.<sup>57</sup> The parties' interest basically allows the UPC to consider whether the plaintiff practices the invention and acts as an NPE.<sup>58</sup>

The UPC Agreement refers to the weighing of interests, but there is no reference to how this weighing is done in practice. There are decision-theoretical models which can help to make the requirements for preliminary injunctions more precise. The use of preliminary injunctions may cause irreparable loss to both sides and the court's task is to minimise this loss. According to Leubsdorf's decision-theoretical model, minimising the loss can be done by analysing the factors affecting the likelihood of success and those of the probable loss. Thus, the greater the harm to the defendant compared with the plaintiff, the higher the threshold for a preliminary injunction.<sup>59</sup> However, irreparable harm is taken into consideration in a similar manner as potential harm is taken into the consideration as is the potential respective hardships of the parties caused by granting or withholding the injunction.<sup>60</sup> Overall, the UPC practises a case-by-case discretion.

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55 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 69.

56 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 42.

57 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), arts 61(1) and 62(2).

58 In the US, courts could deny injunctive relief on a case-by-case basis depending on other characteristics that differ by industry, such as whether the plaintiff practices the invention. See *eBay Inc. v. MercExchange L.L.C.*, 547 U.S. 388 (15 May 2006), 391. See also 35 U.S.C. § 283. The court looked to traditional equitable principles and did not rely on the language of the Patent Act. Traditional equitable principles are an irreparable injury, the remedies available in law are inadequate, the balance of hardships between parties and the public interest. For an analysis of *eBay Inc. v. MercExchange L.L.C.* see Dan L. Burk and Mark A. Lemley, *The Patent Crisis and How the Courts Can Solve It* (University of Chicago Press 2009) 160.

59 Leubsdorf (51) 525, 541.

60 See also Terence P. Ross, 'Remedies' in Rochelle Dreyfuss and Justine Pila (eds), *The Oxford Handbook of Intellectual Property Law* (OUP 2018) 664.

There are exceptions to the main rule of preliminary injunctions. The principles of fairness and equity increase the discretionary power of the UPC. Furthermore, the weighting of interests could be beneficial for start-up and growth companies. Weighting of interests and an issue-based approach allows the UPC to consider whether the plaintiff practices the invention.

### *C. Discretionary bifurcation*

In a bifurcated enforcement system, infringement, and validity proceedings are heard by different courts. Bifurcation is used in a few European countries, for example in Germany, Austria, and Hungary.<sup>61</sup> The unitary patent regime allows for a choice between bifurcation and an integrated process for hearing infringement and invalidity cases. Therefore, the unitary patent system applies discretionary bifurcation.

The impact of bifurcation has been studied in Germany. According to this study, smaller firms less frequently challenge the validity of a patent even when they are accused of infringement.<sup>62</sup> Hence, an alleged infringer might potentially refrain from challenging the validity in a bifurcated system even if the likelihood of seeing the patent invalidated is good. A bifurcated enforcement system can be criticised based on inconsistent claim construction. In the Court of Appeal for England and Wales, Lord Justice Jacob referred to Professor Mario Franzosi's comparison of an Angora cat: the patentee will try to make a patent's claims look as broad as possible when the infringement is determined; whereas when the validity is determined, the patent's claims are presented as narrow as possible. As a result, there is the possibility of different constructions being made for claims in different courts.<sup>63</sup> This is not just a theoretical interpreta-

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61 McDonagh (n 5) 99.

62 Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 22. See also Robert E. Carpenter, and Bruce C. Petersen, 'Is the Growth of Small Firms Constrained by Internal Finance?', (2002) 84 *The Review of Economics and Statistics* (2002) 298; Bronwyn H. Hall, 'The Financing of Research and Development', (2002) 18 *Oxford Review of Economic Policy* 51.

63 Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 10; David Kitchin, 'Introductory Remarks: A Judicial Perspective' in Justine Pila and Christopher Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 6; Christopher Wadlow, 'An Historical Perspective II: The Unified Patent Court', in Justine Pila and Christopher Wadlow (eds), *The Unitary EU Patent System* (Hart Publishing 2015) 39. See also *European Central Bank v DSS*, [2008] EWCA Civ 192.

tion. In fact, there are cases supporting this view before the national courts in Germany.<sup>64</sup>

However, separating infringement and validity proceedings also has advantages. A strong presumption of validity puts considerable faith in the pre-grant examination of patent offices and allows a fast assessment of infringement claims. This is because validity is not evaluated synchronously.<sup>65</sup> Moreover, bifurcation offers the advantage of specialisation. The court, charged with validity cases, can use judges with technical expertise and accumulate this experience in the assessment of patent validity. This results in coherent and well-founded claim construction and increases legal certainty regarding the validity of patents.<sup>66</sup> It is claimed that the general high quality of European and German patents supports this.<sup>67</sup>

The UPC Agreement gives local or regional courts discretion to refer counterclaims for revocation to the central division and, depending on the circumstances of the case, either suspend or proceed with the infringement action. However, the local division may also decide to hear both actions or transfer them both to the central division with the agreement of the parties.<sup>68</sup> In making such a decision, the division concerned will consider all the relevant circumstances of the case, including the principles of proportionality, flexibility, fairness, and equity. There should be a fair balance between the legitimate interests of all parties.<sup>69</sup> There is also a possibility for the panel to halt the infringement proceedings when the success of the revocation claim is highly probable.<sup>70</sup> Furthermore, the UPC has strict time limits. The proceedings should be termi-

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64 Richard Vary, 'Bifurcation: Bad for Business. Our Experience.' *Presentation in the UK IPO Concept House* (2012) 2–3; Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 2–3; *IPCom v HTC* at Germany's Patent Federal Court, *Johannes Heidenhain GmbH and iC-haus GmbH* at the Regional Court Düsseldorf. Patent concerned in the first case was EP 1186189 and patent concerned in the second case was EP1168120.

65 Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 10; Stefan Luginbuehl, *European Patent Law. Towards Uniform Interpretation* (Edward Elgar 2011) 40.

66 Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 10.

67 Luginbuehl (n 65) 40.

68 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 33(3).

69 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), arts 41, 42 and 52(1).

70 Rules of Procedure for the Unified Patent Court, 18<sup>th</sup> Draft [2017], rule 37(4).

nated within a year and there is only a three-month period for the revocation of counterclaims.<sup>71</sup>

In practice, bifurcation might lead to a situation where the infringement action is decided and enforced before validity has been determined. Thus, infringement is decided under the presumption that a granted patent is valid, but later the patent might be invalidated.<sup>72</sup> Even though it is empirically difficult to prove the negative effect on the companies concerned, it seems that the defendant's business will incur costs and lost sales during the period.<sup>73</sup> There are also protective measures that might mitigate the effect of potential bifurcation. First, it is possible that some form of security could be ordered against the granting of an injunction; this would reduce the impact on the alleged infringer should the patent subsequently be found to be invalid. Second, the likelihood of proving validity may be considered.<sup>74</sup>

Bifurcation is not widely used in Europe. However, it is used in Germany. Therefore, it might transpire that some local divisions favour bifurcation more than others and this would encourage forum shopping.<sup>75</sup> In general, bifurcation seems to be particularly harmful for SMEs. Separate patent revocation proceedings increase the cost and the length of disputes, and these additional costs are more difficult for SMEs than larger companies. In addition, bifurcation increases frivolous lawsuits that attract NPEs.<sup>76</sup> However, in the unitary patent regime bifurcation is discretionary and has strict time-limits. In addition, there are protective measures that might soften/mitigate the effects of bifurcation.

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71 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 33(6). In Germany the plaintiff of the validity proceedings can prepare claims without any direct time limits.

72 Sometimes called an injunction gap. See for example Kitchin (n 63) 6.

73 Cremers and others, 'Invalid but Infringed? An Analysis of Germany's Bifurcated Patent Litigation System' (n 26) 3.

74 Agreement on a Unified Patent Court, [2013] OJ C175/1 (the UPC Agreement), art 2 62(2) and 62(3); Rules of Procedure for the Unified Patent Court, 18<sup>th</sup> Draft [2017], rule 211(2) and 211(5).

75 Luginbuehl (n 65) 6–7. In Germany, section 83(1), Patent Act was amended and entered into force on 18 August 2021. Thus, the Federal Court should aim to issue a preliminary opinion regarding the validity of a patent within six months from service of an invalidity complaint. In such a preliminary assessment, an infringement court may stay infringement proceedings until a decision about the parallel invalidity proceedings is achieved.

76 See for example McDonagh (n 5) 142; Christian Helmers and Luke McDonagh, 'Patent Litigation in the UK: An Empirical Survey 2000–2008', (2013) 32 *Civil Justice Quarterly* 846; Thumm and Gabison (n 5). See also Wadlow (n 63) 39. Christopher Wadlow claims that bifurcation increases uncertainty which in turn attract NPEs.

#### **4. Conclusion**

The unitary patent regime mentions SMEs as being one of the beneficiaries of this system. When we discuss the issue from the perspective of cross-border patent enforcement, we can argue that overall, the unitary patent regime is beneficial and cost-efficient for both the defendant and the plaintiff. However, this applies only to the unitary patent regime territory, and thus only partly solves the complexity European patent enforcement. In addition, the United Kingdom's (UK) departure from the EU has led to its withdrawal from the unitary patent regime. This is harmful for the unitary patent regime and a number of companies particularly in the pharma industry. From the SMEs perspective, the unitary patent regime creates a larger market for patent enforcement covering all the EU Member States that have ratified the UPC Agreement. This reduces transaction costs.

Certain procedural tools used by the unitary regime were studied in more detail in this article; this was achieved by looking more closely at fee sifting, preliminary injunctions, bifurcation, and how these procedural tools work from the SMEs perspective. Overall, patents are effective only when a functioning and accessible enforcement mechanism can be assured. It is important that the patent enforcement regime provides available and adequate tools when a company is facing patent enforcement proceedings.

First, fee shifting is beneficial for SMEs as is the use of ceilings, which are the scales of costs that a successful party may recover from their opponent. If the SME transpires to be the unsuccessful party, then the UPC may lower the ceiling applicable. Furthermore, the UPC considers the financial capability of all the parties. Second, preliminary injunctions are effective. The UPC may use preliminary injunctions and when deciding on this matter the principles of fairness and equity play a role. In addition, the UPC evaluates the interests of the parties and considers the potential damage to either of the parties. This use of discretion is beneficial for SMEs, and it could be used when NPEs are using preliminary injunctions to determine financial stress or to force an agreement. Third, bifurcation can be harmful for SMEs as it increases costs. However, the UPC uses discretionary bifurcation and has strict time-limits. In all the studied procedural safeguards there is potential uncertainty in the definitions that are left open for the discretion of the UPC. The discretion leaves room for judges from different legal traditions to interpret rules from their own national perspectives. In addition, there is possibility that SMEs are not specially taken into consideration by the UPC.

Nevertheless, even after the unitary patent regime finally comes into force, there are a considerable number of uncertainties and complexities to be dealt



with. European countries should continue to harmonise patent enforcement across the whole of Europe. The essential aim of an effective patent enforcement from the perspective of SMEs should guide these initiatives. In the unitary patent regime SMEs are mentioned only in relation to the ceilings determining potential costs. However, SMEs can also be noticed when the UPC uses its discretion, for example, when terms and principles such as fairness, equity, legitimate interests of parties or weighting of interest are used. Hence, it is essential to provide studies and information how SMEs can be noticed in the court practices. Hopefully, SMEs will be taken into consideration in more detail in the coming legislative process and mentioned more regularly in the binding legal documents.



## 20. THE UPC AND SUPPLEMENTARY PROTECTION CERTIFICATES

*Christophe Ronse & Kirian Claeys*

### **1. Introduction**

#### *A. Problem: limited period of effective patent protection*

Patent rights grant exclusive rights to patentees for a limited period of time, particularly 20 years, which starts to run from the date of *filing* the patent application. However, when the patented product can subsequently only be marketed provided that a marketing authorisation ('MA') has been granted, a period of time will elapse between the filing of the patent application and the grant of the MA, which limits the period of effective protection for such products under the patent. Such time-consuming and costly application for a MA applies to both medicinal products and plant protection products, which risks affecting the incentive for research and development of such products.

#### *B. Solution: supplementary protection certificates*

The EU legislator's solution to the above-described problem takes the legal form of a supplementary protection certificate ('SPC').

Since a SPC relies not only on the basic patent but also on the subsequently granted MA, it is an ancillary *sui generis* title, which is at the crossroads of patent protection and regulatory approval. The SPC's scope of protection coincides with that of the basic patent, but only for the protected active ingredient / active substance (or combination of active ingredients / active substances) that was authorised for the first time after the patent was applied for.

An SPC is a national title. It is in general applied for at, and granted by, the industrial property office of the EU Member States which granted the basic patent or on whose behalf it was granted. It applies only to the territory of the granting Member State.

### C. Legal framework

The EU legislator has provided for two Regulations for two types of products: Regulation 469/2009<sup>1</sup> applicable to medicinal products ('SPC Reg') and Regulation 1610/96<sup>2</sup> applicable to plant protection products ('PPP SPC Reg'). Regulation 1901/2006<sup>3</sup> further provides for a six-month extension of a SPC for a medicinal product that undergoes studies in compliance with an agreed paediatric investigation plan.<sup>4</sup>

### D. Substantive conditions

Both in the SPC Reg and the PPP SPC Reg, the respective Article 3 sets out the conditions for obtaining a SPC in a very similar manner. We will discuss the SPC Reg in detail in the next paragraphs and will refer to the corresponding provisions in the PPP SPC Reg in footnote.

Whereas Article 3(a)<sup>5</sup> refers to the underlying patent on which the SPC is based, Articles 3(b)<sup>6</sup> and (d)<sup>7</sup> refer to the marketing authorization in support of the SPC. Article 3(c)<sup>8</sup> adds that each product can be the subject of only one SPC (per SPC holder).

– Article 3(a) firstly requires that *“the product is protected by a basic patent in force”*.<sup>9</sup> 'Product' is defined in Article 1(b) as *“the active ingredient or combination of active ingredients of a medicinal product”*.<sup>10</sup> The product is not the same as the 'medicinal product', which is defined in Article 1(a) SPC Reg as *“any substance or combination of substances presented for treating or preventing disease in human beings or animals”*.<sup>11</sup> The 'product' is thus

1 Regulation (EC) No 469/ 2009 of the European Parliament and the Council of 6 May 2009 concerning the supplementary certificate for medicinal products, OJ L 152/ 1 of 16 June 2009, including subsequent amendments.

2 Regulation (EC) No 1610/ 96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary certificate for plant protection products, OJ L 198/ 30 of 8 August 1996, including subsequent amendments.

3 Regulation (EC) No 1901/ 2006 of 12 December 2006, OJ L 378/ 1 of 27 December 2006.

4 Article 36(1) Regulation 1901/2006.

5 Article 3(1)(a) PPP SPC Reg.

6 Article 3(1)(b) PPP SPC Reg.

7 Article 3(1)(d) PPP SPC Reg.

8 Article 3(1)(c) PPP SPC Reg.

9 See also Article 3(1)(a) PPP SPC Reg.

10 See also Article 1(8) PPP SPC Reg which defines a product as *“the active substance as defined in point 3 or combination of active substances of a plant protection product”*.

11 The same applies for plant protection products, for which a separate definition is

the active ingredient or ingredients when in combination, which, when mixed with one or more excipients and formed into a tablet or other dosage form, become(s) a 'medicinal product' (or a plant protection product). 'Basic patent' is defined in Article 1(c) SPC Reg as "*a patent which protects a product as such, a process to obtain a product or an application of a product, and which is designated by its holder for the purpose of the procedure for grant of a certificate*".<sup>12</sup> The basic patent may be a national patent, a European patent ('EP') or a European patent with unitary effect ('EPUE').

- According to Article 3(b), it is further required that, at the date of application of the SPC, "*a valid authorization to place the product on the market as a medicinal product has been granted*" in accordance with Directive 2001/83/EC of 6 November 2001 on the Community code relating to medicinal products for human use ('Community Code').<sup>13</sup> Furthermore, this MA was also "*the first authorization to place the product on the market as a medicinal product*", as required under Article 3(d).<sup>14</sup>
- Finally, as required under Article 3(c), the product may "*not already [have] been the subject of a certificate*".<sup>15</sup> Although the SPC Reg does not contain a similar provision, Article 3(2) PPP SPC Reg further clarifies that "(t)he holder of more than one patent for the same product shall not be granted more than one certificate for that product", but that "*where two or more applications concerning the same product and emanating from two or more holders of different patents are pending, one certificate for this product may be issued to each of these holders*" (underlining added). In this respect, the Court of

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included in Article 1(1) PPP SPC Reg.

- 12 Article 1(9) PPP SPC Reg defines a 'basic patent' slightly different as "*a patent which protects a product as defined in point 8 as such, a preparation as defined in point 4, a process to obtain a product or an application of a product, and which is designated by its holder for the purpose of the procedure for grant of a certificate*". A 'preparation' is defined in Article 1(4) PPP SPC Reg as "*mixtures or solutions composed of two or more substances, of which at least one is an active substance, intended for use as plant protection products*". In other words, the definition of basic patent in the PPP SPC Reg provides an explicit basis for taking into account patent claims directed to a formulation or combination as such. That being said, combinations of active ingredients or active substances can in any event be the subject of SPCs under both the SPC Reg and PPP SPC Reg.
- 13 Article 3(1)(b) PPP SPC Reg refers to "*a valid authorization to place the product on the market as a plant protection product has been granted in accordance with Article 4 of Directive 91/414/EEC or an equivalent provision of national law*".
- 14 Article 3(1)(d) PPP SPC Reg similarly requires that the authorization under Article 3(1)(b) "*is the first authorization to place the product on the market as a plant protection product*".
- 15 See also Article 3(1)(c) PPP SPC Reg.

Justice of the European Union ('CJEU') decided that the above limitation should be interpreted identically for SPCs for medicinal products and plant protection products, and held that additional SPCs for the same product can be granted to other applicants provided that they can rely on a different basic patent.<sup>16</sup> In other words, there can (only) be one SPC per product per patent per patentee.<sup>17</sup> This applies regardless of whether the earlier SPC has only been applied for, or already been granted.

If any of these conditions is not met, the SPC cannot be granted or, if granted, can be invalidated pursuant to Article 15 of the SPC Regulation. In accordance with the same provision, the SPC will also be invalidated if the basic patent has lapsed before its lawful term expires, or if the basic patent is revoked or limited to such an extent that the product is no longer protected.

### *E. Protection conferred by SPCs*

The effects of SPCs are governed by Article 5 of the SPC Reg, respectively PPP SPC Reg, according to which the SPC "*shall confer the same rights as conferred by the basic patent and shall be subject to the same limitations and the same obligations*".

That is why SPCs have traditionally always had an accessory character vis-à-vis the basic patent in that they are governed by the effects which apply to the basic patent.<sup>18</sup> This is preserved in the corresponding provisions under the Unified Patent Court Agreement<sup>19</sup> ('UPCA') (see Section 2.B).

Additionally, the effects of SPCs, as stipulated under Article 5, are "*subject to the provisions of Article 4*" of the SPC Reg, respectively PPP SPC Reg.

Firstly, the subject matter of protection of SPCs is the product under the MA for the corresponding medicinal product or plant protection product. This means that the subject matter of an SPC is limited to the product, i.e. active ingredient or combination of active ingredients, covered by the patent, that has been the object of the MA referred to in the SPC application.

Secondly, the protection conferred by the SPC for such product cannot be any larger than what is conferred by the underlying basic patent. This follows from the sentence "*(w)ithin the limits of the protection conferred by the basic*

16 CJEU, *AHP Manufacturing v. Bureau voor de Industriële Eigendom*, C-483/07.

17 See also M. STIEF, *Supplementary Protection Certificates (SPC): A Handbook*, Verlag C.H.Beck OhG, München, 2021, 30.

18 See also M. STIEF, *Supplementary Protection Certificates (SPC): A Handbook*, Verlag C.H.Beck OhG, München, 2021, 39; W. TILMANN and C. PLASSMANN, *Unified Patent Protection in Europe: A Commentary*, Oxford University Press, Oxford, 2018, 558.

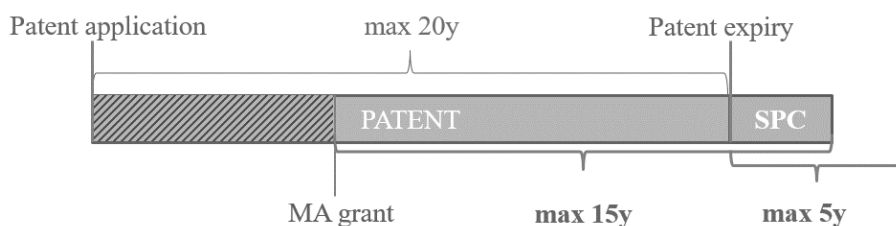
19 Agreement on a Unified Patent Court, OJ C 175/1 of 20 June 2013.

*patent*". Thus, for example, where the basic patent is a process patent, the protection of the SPC will only cover products manufactured according to the patented process.<sup>20</sup>

Finally, uses of said product outside the field of pharmaceuticals or pesticides are in any event also excluded from SPC protection. This follows from the sentence "*for any use of the product as a medicinal product*"<sup>21</sup>, as well as from the requirement that the use of the product must have been authorized before the expiry of the SPC.

### F. Duration of SPCs

In accordance with Articles 13 of the SPC Reg and the PPP SPC Reg the SPC particularly allows the holder to enjoy an overall maximum of 15 years of combined exclusivity (resulting from the patent and the SPC) from the time of the first MA grant for the product, whereby the maximum term of the SPC is additionally limited to 5 years. This can be visualised as follows:



## 2. Provisions in the UPCA

### A. Application to SPCs

According to **Article 3(b) UPCA**, the UPCA shall apply to the "*supplementary protection certificate issued for a product protected by a patent*".

Two definitions are important in this regard.

<sup>20</sup> See also M. STIEF, *Supplementary Protection Certificates (SPC): A Handbook*, Verlag C.H.Beck OhG, München, 2021, 38.

<sup>21</sup> Respectively "*for any use as a plant protection product*" according to the PPP SPC Reg.

Firstly, **Article 2(g) UPCA** defines a ‘patent’ as “*a European patent and/or a European patent with unitary effect*”.

In other words, although the wording of ‘protected by a patent’ in Article 3(b) UPCA is based on Article 3(a) SPC Reg and Article 3(1)(a) PPP SPC Reg, the scope of the UPCA is different. The UPCA indeed only applies to SPCs that are based on EPs or EPUEs. In other words, contrary to the SPC Reg and PPP SPC Reg, the UPCA does not apply to SPCs that are based on a national patent, also given that national patents fall outside the scope of the UPCA.<sup>22</sup>

Additionally, during a transitional period, the UPCA will not cover all SPCs based on EPs. Indeed, as we will explain below, SPCs based on European patents can be opted out from the UPCA (and opted in again) together with the underlying European patent. This however does not apply to SPCs based on EPUEs.

Secondly, **Article 2(h) UPCA** defines a ‘supplementary protection certificate’ as “*a supplementary protection certificate granted under Regulation (EC) No 469/2009 or under Regulation (EC) No 1610/962*”.

Reference can in this respect be made to the essential features of SPCs as explained above. Although the legal framework is provided at EU level, a SPC is a national *sui generis* title which protects an authorized active ingredient / active substance (or combination of active ingredients / active substances) in the same manner as it was protected by the underlying basic patent, for any use authorized as a medicinal product or plant protection product prior to the expiry of the SPC.

Although this can possibly change (see below), SPCs which fall under the UPCA still need to be applied for, and be granted, nationally. Contrary to EPUEs, there is not yet any legal basis for SPCs with unitary effect. Additionally, a grant by the EPO presently remains excluded for reasons of impermissible delegation under EU law.<sup>23</sup>

## *B. Effects of SPCs*

**Article 30 UPCA** provides that “*(a) supplementary protection certificate shall confer the same rights as conferred by the patent and shall be subject to the same limitations and the same obligations*”.

The wording of Article 30 UPCA therefore corresponds to Article 5 SPC Reg, respectively PPP SPC Reg on the effects of SPCs, which we discussed in more detail in the first part.

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<sup>22</sup> Cf. Article 2(g) UPCA read in conjunction with Article 3.

<sup>23</sup> See also W. TILMANN and C. PLASSMANN, *Unified Patent Protection in Europe: A Commentary*, Oxford University Press, Oxford, 2018, 555.



Article 30 UPCA does not expressly refer to Article 4 SPC Reg and PPP SPC Reg. Nonetheless, this provision is in our view implicitly included in view of the fact that Article 30 UPCA is inspired from Article 5, and that an SPC is defined under Article 2(h) UPCA with a cross-reference to the SPC Reg and PPP SPC Reg. The subject matter of SPCs under Article 4 has been discussed in more detail under Section 1.E above.

Since the UPCA only covers SPCs based on (not opted-out) EPs and EPUEs, the (same) ‘rights’, ‘obligations’ and ‘limitations’ as the basic patent should be understood with reference to the provisions under the UPCA covering said rights, obligations and limitations. For EPUEs, that results indirectly from Article 5 of Regulation 1257/2012<sup>24</sup> (‘EPUE Reg’):

- The ‘rights’ include the right to prevent direct use of the invention stipulated in detail under Article 25 UPCA, the right to prevent indirect use of the invention under Article 26 UPCA, and the right to claim corrective measures in infringement proceedings under Article 64 UPCA, communication of information under Article 67 UPCA and award of damages under Article 68 UPCA.
- The ‘limitations’ include the limitations of the effects of a patent under Article 27 UPCA, the right based on prior use of the invention under Article 28 UPCA<sup>25</sup> and exhaustion of the rights conferred by a European patent under Article 29 UPCA. These limitations apply to the above-mentioned ‘rights’ of EPs and EPUEs.
- The final question then is what is meant by the same ‘obligations’. The obligations, such as compulsory licences, are in any event not part of any of the other applicable UPCA provisions. Quite the contrary, under recital 10 the EPUE Regulation states that compulsory licences for EPUEs “*should be governed by the laws of the participating Member States as regards their respective territories*”.

For the sake of completeness, to the extent that further ‘rights’, ‘obligations’ and ‘limitations’ arise from the EPC<sup>26</sup> or through references in the EPUE Regu-

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24 Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ L 361/ 1 of 31 December 2012.

25 We note that the right based on prior use of the invention is rather an autonomous ‘right’ for the beneficiary thereof. That being said, from the patentee’s perspective, this right of prior use is at the same time a limitation of the patentee’s exclusive rights in respect of that person. In any event, it has always been clear and remains clear that the right of prior use applies to SPCs in the same manner as it applies to the underlying basic patent. If categorized, it resembles more closely a ‘limitation’ of the patent/SPC than it is part of a ‘right’ or ‘obligation’ of the patent/SPC holder.

26 Convention on the grant of European Patents of 5 October 1973 as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 Novem-

lation or the EPC to national law, the corresponding SPCs are likewise subject to such ‘rights’, ‘obligations’ and ‘limitations’ by virtue of the reference under Article 30 UPCA.

In line with Article 30 UPCA, **Rule 2.1 of the Rules of Procedure**<sup>27</sup> (‘RoP’) provides that, in the RoP, the expression ‘patent’ shall whenever appropriate include a SPC as is defined in Article 2(h) UPCA and granted in respect of the patent, and that the expression ‘proprietor’ shall, whenever appropriate, include the holder of such certificate.

Rule 2.1 is thus a rule of interpretation which ensures that the Rules relating to patents and patent proprietors are also valid for SPCs.<sup>28</sup> That being said, Rule 2.1 only applies ‘whenever appropriate’. In other words, if a Rule relating to patents and their proprietors is not objectively appropriate for SPCs, e.g. because the provision of the UPCA to which the Rule refers does not apply equally to SPCs, the rule of interpretation shall not apply.

There are only two exceptions.

Firstly, under Rule 2.2, references in the RoP to the language in which the patent was granted shall mean only that language and shall not include the language in which the SPC in respect of the patent was granted, as will be discussed in more detail below.

Secondly, when it comes to the lodging of an application to opt-out and withdrawal of such opt-out, Rule 5 provides for different rules for EPs (Rule 5.1) as compared to SPCs (Rule 5.2), as will be discussed in more detail below.

### C. Competence of the UPC

#### 1. Principle

On the one end of the spectrum, in accordance with **Article 32(1) UPCA**, the Unified Patent Court (‘UPC’) shall have exclusive competence in respect of the following aspects relating to *inter alia* SPCs based on (not opted-out) EPs and EPUEs: (a) actions for actual or threatened infringements and related defences, including counterclaims concerning licences, (b) actions for declarations of non-infringement, (c) actions for provisional and protective measures

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ber 2000.

27 Rules of Procedure of the Unified Patent Court as adopted by decision of the Administrative Committee on 8 July 2022, available at [https://www.unified-patent-court.org/sites/default/files/rop\\_en\\_25\\_july\\_2022\\_final\\_consolidated\\_published\\_on\\_website\\_0.pdf](https://www.unified-patent-court.org/sites/default/files/rop_en_25_july_2022_final_consolidated_published_on_website_0.pdf).

28 See also W. TILMANN and C. PLASSMANN, *Unified Patent Protection in Europe: A Commentary*, Oxford University Press, Oxford, 2018, 1374.

and injunctions, (d) actions for declaration of invalidity of SPCs, and (e) counterclaims for declaration of invalidity.

On the other end of the spectrum, pursuant to **Article 32(2) UPCA**, the national courts of the Contracting Member States shall remain competent for the above actions relating to SPCs which do not come within the exclusive competence of the UPC, particularly SPCs based on national patents and opted-out EPs.

In between of both ends of the spectrum, during the transitional period, there is the option to bring disputes regarding SPCs based on EPs before the national courts, and to opt-out or opt-in such SPCs together with their underlying EP from the exclusive competence of the UPC. We will discuss these possibilities in more detail in the subsequent paragraphs. For the avoidance of doubt, the option, opt-out or opt-in, is not possible for EPUEs.<sup>29</sup>

## 2. Option under transitional period

In accordance with **Article 83(1) UPCA**, during an initial transitional period of seven years after the date of entry into force of the UPCA, a forum choice remains open for SPCs based on (not opted-out) EPs. During said period, the UPC is not exclusively competent for an action for infringement or for declaration of invalidity of such SPC, and such actions may still be brought before national courts or other competent national authorities.

When the transitional period expires, this shall not affect actions brought and pending before a national court in accordance with this option. Moreover, the transitional period may be prolonged by up to seven years, in accordance with **Article 83(5) UPCA**.

## 3. Opt-out / Opt-in

During the transitional period, holders of SPCs based on EPs are, just like holders of EPs, also entitled to opt-out their title (or withdraw such opt-out, i.e. opt-in) from the exclusive competence of the UPC.

The general opt-out or opt-in rules are stipulated under **Article 83(3) and 83(4) UPCA**, as follows:

- An opt-out is possible for an EP that has been granted or applied for before the end of the transitional period, as well as for an SPC that is issued for a product protected by a EP. To this end, the patentee and/or SPC holder shall notify their opt-out to the Registry of the UPC at the latest one month before the expiry of the transitional period. An opt-out is, however, no longer possi-

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<sup>29</sup> See also Rule 5.2(d) RoP.

ble when an action has already been brought before the UPC in relation the EP and/or SPC concerned.<sup>30</sup>

- An opt-in is possible for EPs or SPCs that had been opted-out. Such opt-in can be done at any moment, hence also after the expiry of the transitional period, by notification to the Registry of the UPC. An opt-in is, however, no longer possible when an action has already been brought before a national court in relation to the EP and/or SPC concerned.<sup>31</sup>

**Rule 5.2 RoP** provides further information on how to opt-out and/or opt-in an SPC.

Firstly, opting-out or opting-in an EP automatically applies to all SPCs based on that EP. In this respect, in accordance with Rule 5.1 RoP, an expired EP can also be opted-out, particularly to ensure that any SPC based on that EP is automatically also opted-out or opted-in as a result.

Secondly, as a result, if the holder of a granted SPC is different from the patentee of the basic EP, the SPC holder's application to opt-out or opt-in may only be lodged *together with the patentee*. If an SPC is granted only after the lodging of the application to opt-out, it shall take effect automatically on grant of said SPC.<sup>32</sup>

Finally, if an action has already been brought before the UPC, respectively a national court in respect of the basic EP or an SPC, the preclusion from an opt-out, respectively opt-in will apply to the basic EP as well as all SPCs based on that EP.

In other words, the above provisions ensure that the SPC cannot have a different status in terms of opting-out or opting-in compared to the basic EP. This again also applies if the underlying EP has already expired: although this may seem *contra intuitive*, it ensures that issues regarding past infringement under the EP, e.g. regarding damages, are dealt with at the same forum as for the SPC.

#### *D. Comprehensive effect of UPC decisions for SPCs*

According to **Article 34 UPCA**, decisions of the UPC shall cover, in the case of EPs, the territory of those Contracting Member States for which the EP has effect. This principle will however be limited in at least two respects.

<sup>30</sup> It remains to be seen what type of action (main action, summary proceedings, ...) would be required in order to render the opt-out impossible.

<sup>31</sup> Here too, it remains to be seen what type of action (main action, summary proceedings, ...) would be required in order to render the opt-in impossible. About the opt-out, see *inter alia* the contribution in this book of Marie Liens, Thomas Leconte & Stéphanie Rollin de Chambonas.

<sup>32</sup> Note that such application to opt out will be done for the underlying EP as a result of which the later issuing SPC will be opted out as well.

Firstly, there is more often than not a lack of complete correspondence between the basic EP and SPCs based thereon. As a result, the comprehensive effect will in such cases apply only to the extent that correspondence exists. In other words, such decisions in respect of SPCs based on an EP will at most only cover the territory of those Contracting Member States for which the (corresponding) SPCs have effect.

Secondly, the regulatory situation in different Contracting Member States may be different, so a decision in respect of an SPC in some Contracting Member States may not necessarily be applicable to SPCs in other Contracting Member States.

### *E. Authoritative language*

Finally, under **Rule 2.2 RoP**, references in the RoP to the language in which the patent was granted shall mean only that, and shall not include the language in which the SPC in respect of the patent was granted.

This is particularly relevant for Rules 321-324 RoP, which are based on Article 49 UPCA, which relates to the language of the proceedings of the UPCA and provides for three scenarios where the language in which the patent was granted will be relevant:

- According to Article 49(3) UPCA and Rule 321 RoP, the parties may agree that the language in which the patent was granted, is used as the language of the proceedings, subject to approval by the competent panel. If the panel does not approve the parties' choice, the parties can request that the case is referred to the central division.
- According to Article 49(4) UPCA and Rule 322 RoP, the competent panel may, with the agreement of the parties, and on grounds of convenience and fairness, decide on the use of the language in which the patent was granted as the language of the proceedings.
- According to Article 49(5) UPCA and Rule 323 RoP, the President of the Court of First Instance may, at the request of one of the parties, after having heard the other parties and the competent panel, and on grounds of convenience and fairness and taking into account all relevant circumstances, including the position of the parties, and particularly that of the defendant, decide that the language in which the patent was granted, is used as the language of the proceedings.

Rule 2.2 therefore clarifies that the language of the proceedings can therefore not be based on the language in which the SPC was granted, which will be irrelevant in this respect. The language in which the patent was granted, continues to be authoritative.

### 3. Unitary SPC?

#### A. National fragmentation

SPCs did not figure prominently in the EU's so-called 'patent package' of 2012 that laid the ground for the creation of a Unitary Patent in the EU. While the EPUE Regulation 1257/2012 provides for unitary patent protection, no 'follow-up' regime of unitary protection has been foreseen through the instauration of a SPC with unitary effect. This is undoubtedly also due to the fact that, as discussed above, SPC protection is confined to two specific sectors and subject to specific EU Regulations which are articulated outside the general patent law regime.

As a result, SPC protection – whether based on a national patent, an EP or a EPUE – will under the present legal framework always have to be requested and obtained at the national level.

Given the generic definition of 'basic patent' in Article 1(c) SPC Reg, respectively Article 1(9) PPP SPC Reg, there can be no doubt that a national SPC can also be granted on the basis of an EPUE. In such a case, the EPUE will potentially result in a bundle of SPCs for different national territories, as is presently the case for EPs.

There can furthermore be no doubt that such national SPCs granted on the basis of an EPUE will be subject to the exclusive jurisdiction of the UPC by virtue of the combined reading of Article 2(g) and Article 3(b) UPCA. This will also be the case for SPCs granted on the basis of a mere EP, unless this EP is opted out during the transition period in accordance with Article 83 UPCA, and without prejudice to the concurrent jurisdiction between national courts and the UPC for not opted out EPs during this period.

Also, as already discussed hereabove, Article 30 UPCA will apply to such SPCs irrespective of whether these are granted on the basis of an EP or an EPUE. This follows from the use of the word 'patent' in connection with Article 2(g) UPCA.<sup>33</sup>

Notwithstanding the harmonized approach of SPCs under the UPCA, this fragmentation of the unitary protection afforded by a EPUE into a bundle of national SPCs is viewed as unsatisfactory.

Already in respect of the existing SPC system, the Commission evaluation carried out in 2020<sup>34</sup> concluded that:

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33 W. TILMANN and C. PLASSMANN, *Unified Patent Protection in Europe: A Commentary*, Oxford University Press, Oxford, 2018, 555-556.

34 Document SWD(2020) 292 final of 25 November 2020.

[t]he fact that SPCs are nationally administered and managed undermines the effectiveness and efficiency of the SPC system. This is the system's main shortcoming. It creates legal uncertainty, red tape and extra costs for businesses, especially SMEs. Purely national examination and grant procedures also entail extra costs and administrative burden for national administrations. In addition, the overall transparency of the SPC system is suboptimal, especially in a cross-border perspective. This is detrimental to innovators and generics manufacturers alike.

Likewise, in its 2020 'intellectual property action plan', the Commission stressed the inadequacy of the present SPC system due to national fragmentation "*which translates into inefficiencies and a lack of transparency and predictability, which hampers innovators and generic producers, and eventually harms patients*".<sup>35</sup>

In a resolution of 11 November 2021<sup>36</sup>, the European Parliament urged the Commission to address the fragmentation of the SPC system, "*including by legislative proposals based on an exhaustive impact assessment*" and called on the Member States to support the establishment of a unitary SPC as a logical extension of unitary patent protection.

### *B. The Commission's quandary*

In the spring of 2022, the Commission issued a 'call for evidence for an impact assessment' under the title "*Medicinal & plant protection products – single procedure for the granting of SPCs*".<sup>37</sup>

This Commission initiative follows on the heels of a study carried out by the Max Planck Institute "*on the options for a unified supplementary protection certificates (SPCs) system in Europe*".<sup>38</sup> The study discussed the options for creating a unified procedure for examining or granting SPCs on the basis of a regional application, and primarily considered two options:

- a so-called PCT model<sup>39</sup>, where a single authority examines a regional application for an SPC by drafting a single examination report, but the competent

35 Document COM (2020) 760 final of 25 November 2020, p. 5.

36 European Parliament resolution of 11 November 2021 on an intellectual property action plan to support the EU's recovery and resilience, 2021/2007(INI).

37 Call for evidence for an impact assessment - Ares(2022)1726335.

38 European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, Romandini, R., *Study on the options for a unified supplementary protection certificates (SPCs) system in Europe*, Publications Office of the European Union, 2022, <https://data.europa.eu/doi/10.2873/63550>.

39 Referring to the Patent Cooperation Treaty of 19 June 1970 as last modified on 3 Febru-

national authorities decide whether to grant or refuse the certificate taking the report into account; and

- an EPC model, where the decision-making power is transferred from the national authorities to a central body and that single authority decides whether a certificate shall be granted or refused.

In its ‘call for evidence’ the Commission identifies several problems linked to the national administration and grant of SPCs, in particular (1) the divergent outcomes of the grant procedures across EU countries<sup>40</sup>; (2) the lack of unitary SPC protection for the future unitary patent, as already discussed above; (3) the sub-optimal transparency of SPC-related information despite the publication measures which are already in place<sup>41</sup>; and (4) the high cost and administrative burden resulting from the necessity to request and maintain an SPC on a national basis.<sup>42</sup>

Contrary to the Max Planck study, the Commission defines several policy options, ranging from the base line scenario of doing nothing (which the Commission clearly does not consider as a valid option), over the issuance of guidelines in view of further harmonising the current system (which the Commission equally views as unsatisfactory, particularly as it would not solve the problems identified under (2) and (4)), to legislative changes at various levels. The latter includes the creation of a centralised system for SPC protection in the EU, consisting of a unitary SPC (the EPC model) or a unified procedure for granting (bundles of) national SPCs (the PCT model) or a combination of the two, as well as targeted amendments of the SPC Regulations on the basis of the best practices of national patent offices and the CJEU case law.

The Commission’s ‘call for evidence’ received feedback mainly from the (pharmaceutical) industry and industry associations. A cursory review of these answers indicates a clear preference for the creation of a new centralised

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ary 2001.

40 While this is not the subject-matter of the present contribution, one can question whether this divergence is primarily due to differences in (legal) approaches between national patent offices, rather than to the confusion created by the sometimes contradictory and policy-driven approach followed by the CJEU in the interpretation of the SPC Reg, which is compounded by the use of what has been irreverently termed as ‘patentesse’ by a legal commentator, whereby a different meaning is assigned to legal terms from what would be generally understood by patent lawyers. This can be illustrated by the saga of the apparently unending string of referrals for a preliminary ruling on the application of Articles 3(a) and (c) SPC Reg to medicinal products combining two active ingredients.

41 See Articles 9(2), 9(3) and 11 SPC Reg and Articles 9(2) and 11 PPP SPC Reg.

42 In terms of cost, the situation is however similar to that of EPs which must also be maintained at the national level over the course of their existence.



system for the grant of a unitary SPC, co-existing with a regime of national SPCs possibly based on a single grant procedure, while most contributors opposed amending of the existing Regulations.<sup>43</sup> The prevailing view in this regard is that amendments to the SPC Regulations would raise new questions for interpretation by the CJEU and lead to further uncertainties.

### *C. Possible outlines of the new SPC regime*

At the time of finalisation of the present contribution, it was not yet possible to ascertain the legislative road which the Commission will favour. The call for the establishment of a unitary SPC as a logical addition and with the same geographical scope as the unitary patent however seems to be the most persuasive and effective way to ensure that companies which choose unitary patent protection can benefit from the SPC extension.

Given the (limited) geographical scope of unitary patent protection and the concurrent existence of national patents and EPs, it is apparent that such unitary SPC will have to co-exist with a regime of national SPCs, irrespective of whether the latter are subject to a common grant procedure. Under such circumstances, the complete realisation of the policy aims identified by the Commission will not (ever?) be fully realised, just like at the patent level, where national patents, EPs and EPUEs will continue to co-exist.

If such unitary SPCs were to be established, several legal questions will have to be tackled, the most important of which will be discussed hereunder.

From the outset, it would seem that an SPC with unitary effect could only be based on a EPUE and thus extend over the same territory (presently extending over 17 Member States).

Allowing unitary SPC protection on the basis of (a bundle of designations of) an EP is seemingly irreconcilable with the fact that the designations of an EP constitute separate titles which each can be subject to limitation or revocation.

Assuming that a unitary SPC must necessarily have the same territorial scope as a EPUE and that its protection scope must be uniformly based on the same underlying patent protection- this would require that each of the underlying EPs remains in force in all EU countries involved until the date of SPC application and retains the same protection scope for the purpose of application of a unitary SPC. This is without mentioning other possible divergences between

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43 See in particular the Statement of 5 April 2022 issued by the AIPPI - International Association for the Protection of Intellectual Property: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13353-Medicinal-plant-protection-products-single-procedure-for-the-granting-of-SPCs/F3009296\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13353-Medicinal-plant-protection-products-single-procedure-for-the-granting-of-SPCs/F3009296_en)

the underlying EPs which could be of relevance, such as the presence of different owners.

Even more so, it is equally excluded that (any of the relevant designations of) the EP in question would be opted out during the transition period under Article 83 UPCA or even prevented from being opted in due to the existence of national litigation relating to one of the designations involved. One can indeed only wonder what the consequences would be of the invalidation of one of the designations on the validity of the unified SPC based thereon.

In other words, for all practical and legal purposes, there can be only one basic patent for a SPC, and for a unified SPC this can only be an EPUE.

The potential for territorial discrepancies is, however, not limited to the underlying 'basic patent' protection but will also arise in respect of the underlying MAs.

While a centrally granted MA on the basis of Regulation 726/2004<sup>44</sup> will automatically cover all EPUE territories, this is not necessarily so for medicines which are subject to national MAs granted individually or through the decentralized or mutual recognition procedures.<sup>45</sup>

In order to allow unified SPC protection to be vested on (a bundle of) MAs granted at the national level, it would be necessary to require the grant of a MA for the relevant product in each of the Member States where the unified SPC will be in force. This might provide a disincentive for applicants, not to mention the potential difficulties arising from the time discrepancies in the grant of such national MAs. Alternatively, one would have to limit the protection of the unified SPC to those EU Member States where a MA has been granted. Extending SPC protection beyond those Member States seems to counter the purpose and spirit of the SPC Regulations, which quite understandably subject SPC protection to the prior grant of a MA for the product in question.<sup>46,47</sup>

Given these difficulties, the most straightforward solution seems to limit the grant of a unified SPCs to medicinal products which are the object of a centrally granted MA. However, to the extent that a centrally granted MA is valid in the territory of all Member States of the EU and the EEA, while unitary patent

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44 Regulation (EC) No 726/2004 of the European Parliament and of the Council of 31 March 2004 laying down Community procedures for the authorisation and supervision of medicinal products for human and veterinary use and establishing a European Medicines Agency.

45 See Articles 28 et seq. of the Community Code.

46 O. JOSHI, A. ROY & M. JANODIA, "Unitary Patent Protection, Unified Patent Court, Supplementary Protection Certificate and Brexit", *JIPR*, vol. 22, July 2017, pp. 194-195.

47 Although the question then arises if SPC protection should be extended to those Member States where a MA is subsequently granted.

protection will at most extend to the Member States which are a party to the UPCA, unified SPC protection will in any instance have to coexist with national SPCs in non-participating Member States.

The above issues will be even more thorny in respect of plant protection products for which there presently exists no centralized granting mechanism.

Another frequently asked question is which administrative body will grant such unitary SPC.

Given that it would be set up by virtue of an EU Regulation, such an entity should be part of the EU legal framework. Similar to the grant of an EPUE, such a task could be devolved to the EPO in accordance with Articles 63(4) and 143 EPC. Other suggested 'candidates' are the European Union Intellectual Property Office (EUIPO), the European Medicines Agency (EMA) or a new body (virtual network) to be set up with examiners from national patent offices.

Additionally, the question will arise whether this body should equally be competent for granting national SPCs, which would require a far-reaching review and modification of the SPC Regulations. It is suggested that such centralisation would overcome the problem of diverging national practices and contribute to the reduction of costs and administrative burdens.<sup>48</sup>

In this regard, contrary to the level of patent protection, where the same invention could be simultaneously subject to an EP / EPUE and a national patent, double protection by a unified SPC and a national SPC would seemingly be excluded as discussed above.

Finally, there is the question of which forum should be competent for legal recourses against the refusal to grant an SPC. In respect of unified SPCs, particularly if based on EPUEs, it seems appropriate that this competence would be exclusively vested in the UPC. Ultimately this will also depend upon the body to which the grant of (unitary) SPCs will be entrusted. If it concerns the EPO, a further recourse to the Technical Boards of Appeal seems appropriate. On the other hand, if it concerns the EUIPO, a system similar to that for EU trademarks and designs might be envisaged, with the possibility of a recourse before the EUIPO Boards of Appeal and ultimately the General Court of the Court of Justice of the EU.

It should be clear from the above that whatever solution will be retained by the European legislator, it will not solve all the policy issues identified by the Commission in its 'call for evidence'. While the introduction of a unitary SPC will constitute a welcome addition to the unitary patent protection, it will also add another layer of complexity in an already complex and diverse legal landscape.

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<sup>48</sup> O. JOSHI, A. ROY & M. JANODIA, "Unitary Patent Protection, Unified Patent Court, Supplementary Protection Certificate and Brexit", *JIPR*, vol. 22, July 2017, pp. 195-196.



# 21. THE UNITARY PATENT IN COMPETITION POLICY CONTEXT: FEW INSTITUTIONAL ISSUES AND SOME SUGGESTIONS FOR THE FUTURE

*Bojan Pretnar*

## **1. Introduction**

Competition law has, understandably, strong economic origins. More precisely, this body of law reflects neo-classical microeconomics, according to which the socially best outcome (Pareto optimum) is the so-called perfect competition, resulting in the lowest possible prices - in contrast to a monopoly, which is characterised by too high prices that the monopolist can impose. It is then no wonder that *“[T]he very essence of this field of law is based on the economic notion that competition is ‘good’ and monopoly is ‘bad’.”*<sup>1</sup> However, this approach is not adequately distinguishing between supposedly *a priori* ‘bad’ long-lasting monopoly, and a ‘temporary monopoly’, which is – or at least may be – ‘good’. This distinction was already made by Adam Smith in his famous 1776 book *The Wealth of Nations*: *“A temporary monopoly ... may be vindicated upon the same principles upon which a like a monopoly of a new machine is granted to its inventor, and that of a new book to its author”*.<sup>2</sup> In fact, patents, considered as ‘good temporary monopolies’ were playing an important positive role already in the seventeenth century: *“During the years between Galileo’s first publications and the appearance of Newton’s Principia, there were several changes that radically affected the technological process. Chronologically, the first of these was the movement to reform the patent system in England”*<sup>3</sup>.

In the nowadays prevailing view on **innovation-based** dynamic competition, patents are not just »good« short-term monopolies; indeed, they have eventually evolved to be *the* instrument of this type of competition, which has proved to be – in terms of welfare – far more superior than the traditional

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1 Gunnar Niels, Helen Jenkins, James Kavanagh, *Economics for Competition Lawyers*. 2nd ed., Oxford University Press, Oxford 2016, p.2.

2 Adam Smith, *The Wealth of Nations*, 1994 Modern Library Edition, p. 814.

3 Donald Cardwell, *The Norton History of Technology*, W. W. Norton&Company, New York 1994, p. 105.

static **price-based** competition. Nowadays, patents predominantly generate just a time-limited competitive advantage rather than any kind of monopoly – let alone a static, long-term ‘classic’ monopoly: *“Competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm’s cost of creating it”*<sup>4</sup>.

The fact that patents could hardly be considered as (time-limited) economic monopolies – be they either »good« or »bad« – is actually also confirmed by patent law itself; virtually all patent laws worldwide provide that only inventions which are new, involve inventive steps and are industrially applicable can enjoy patent protection. The obvious consequence of these requirements is that ‘freshly’ granted patents by definition cannot have any immediate monopolistic impact on the **present** competitive circumstances in relevant markets (seen from a static point of view). However, as far as **future** competitive circumstances are concerned, then a patent may – at least in principle – evolve into an economic monopoly in the patentee’s favour, albeit only in nowadays highly unlikely cases when none of the competitors develop their own innovative and possibly patentable competitive alternative. In this respect, it is worth mentioning the worldwide patent law practice of early publishing of patent applications after 18 months of the priority filing date, which means that the complete information about new inventions is freely available to competitors even well before patent protection is eventually granted - or perhaps granted on a more limited scope, or even not granted at all. So, competitors can therefore prepare themselves early enough in order to maintain at least their existing level of competitiveness or even improving it by developing and patenting their own inventions for more or less the same technical problem – which, however, has to be sufficiently different from those described in published patent applications and/or already granted patents. In short, patents are nowadays regularly playing a pro-competitive role even under the ubiquitous (static) economic model of perfect competition, provided that the economic impact of patent law is being properly interpreted.<sup>5</sup>

Nevertheless, it seems that this changing role of patents has not been taken into account by competition-supervising institutions so far, or at least not adequately: *“Antitrust enforcers often voice their concerns about protecting innovation, and the history of antitrust legislation supports the objective of preserving opportunities for dynamic competition. Nonetheless, antitrust enforcement evolved over more than a century to promote price competition by preventing mergers or other conduct that may widen the gap between prices*

4 Michael E. Porter, *Competitive Advantage*, The Free Press, New York 1985, p. 3.

5 See for example Bojan Pretnar, *The Economic Impact of Patents in a Knowledge-Based Market Economy*, 34 IIC 887-906 (2003).

*and production costs, often to the exclusion of concerns about innovation*".<sup>6</sup> Consequently, it is not a surprise that patents have been exposed to increased scrutiny by competition authorities, especially in the USA, European Union (EU) and in other developed countries: »[T]he relationship between competition policy and the intellectual property (IP) system has at times been cast in terms of tension and even conflict".<sup>7</sup>

Fortunately, it seems that the described tense/conflicting situation has gradually evolved almost into its opposite in the last few decades, at least in the USA: "Thankfully, both the underlying policy framework of both fields and their interaction in actual practice can put to rest this superficially tempting but simplistic caricature of what is undoubtedly and intellectually a complex, subtle and dynamic interrelationship. Indeed, affirmation of the shared and complementary objectives of competition policy and the IP system has been a staple of competition agency guidelines for more than the last two decades".<sup>8</sup> The quoted author is going even further by making a bold claim that »...antitrust enforcement has to change to address challenges to competition in the high-tech economy, and that positive change can occur without sacrificing a focus on consumer welfare. The answer is to move from price-centric competition to innovation-centric competition policies".<sup>9</sup>

The shift from »tension and conflict« to »complementary objectives of competition policy and the IP system« is certainly welcome, although it would be much more desirable if mainstream economics would eventually also recognize the briefly presented facts above – save for exceptions which confirm the rule – that patents nowadays are not *a priori* a kind of – presumably »bad« – monopolies. This fact can be simply verified by performing a patent search related to a specific invention; in most cases, such a search would retrieve a great number of patents, most of which are filed and owned by several different patentees.

However, it is worth emphasising that all these facts absolutely do not mean that there is no work for competition authorities in respect of patents, which

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6 Richard J. Gilbert, *Innovation Matters – Competition Policy for the High-Technology Economy*, The MIT Press, Cambridge, Massachusetts 2020, p. 3. Note: the author directed the project that led in 1995 to joint publication by the US Dept. Of Justice and Federal Trade Commission of the Antitrust Guidelines for the Licensing of Intellectual Property.

7 Robert D. Anderson, Nuno Pires de Carvalho, Elena Cima and Antony Scott Taubman, *Competition Policy and Intellectual Property in Today's Global Economy*, Cambridge University Press, Cambridge 2021, p. 1.

8 Robert D. Anderson et al, *Ibidem*.

9 Richard J. Gilbert, *Innovation Matters – Competition Policy for the High-Technology Economy*, *op. cit.*, p. 1-2.

can be – and indeed frequently are – abused and have an anti-competitive effect; for example, think about pay-for-delay practices, making unjustified threats to competitors (patent-trolling), etc.

In pursuing the complementary objectives of competition policy and patent law, however, there is an additional issue linked to the increasing complexity of competition and patent law; competition agencies ought to pay special attention to *the legally correct interpretation of all relevant* – and almost inevitably highly complex – provisions of the underlying patent law whenever they are dealing with cases in respect of alleged violations of competition law by a presumably anti-competitive use of patents. Clearly, a rather straightforward way to ensure such a correct interpretation of both competition law and patent law in such cases should be a kind of – preferably formalized – cooperation between the said authority and the relevant patent office(s). For example, Kovacic made such a suggestion (for the USA) already back in 2005: *“To recognize the significant institutional interdependencies among competition agencies, rights-granting bodies, and other government agencies is to realize that substantial improvements in competition policy involving intellectual property often will depend upon decisions taken outside the competition agency... There are possibilities for a genuine trade in ideas, with intellectual property institutions helping to educate the competition agencies about the right-granting bodies and the IP system generally, and with competition agencies suggesting how adjustments in the rights-granting process could improve the competitive environment”*.<sup>10</sup>

The main purpose of this contribution – which to some extent draws from an author’s earlier paper<sup>11</sup> – is to explore whether such cooperation could be established in the EU. More specifically, the question is whether such cooperation could be initiated and eventually established in the context of the EU Unitary Patent Package (UPP), which is likely to become operational soon. In this respect, it may be useful to present three European patent-related cases, the complexity of which can serve as a justification for establishing such cooperation. The first two cases illustrate how the European Commission/DG COMP has either misinterpreted patent law (Boehringer case) or overlooked some patent-related facts (Servier case); the third case (Boeing) is a bit different and is mentioned here just as an illustration of the sheer complexity in respect of the European Patent Convention (EPC) – complexity to the extent that it

10 William E. Kovacic, *Competition Policy and Intellectual Property: Redefining the Role of Competition Agencies*, in *Antitrust, Patents and Copyright*, Edward Elgar, Cheltenham, UK, and Northampton, MA, USA 2005, p. 7.

11 Bojan Pretnar, *Patents in EU Competition Policy Context: Economic, Legal and Institutional Sources of Persisting Tension*, GRUR Int 12/2018, pp. 1158-1166.



presents a professional challenge even for the European Patent Office's (EPO) highly qualified patent law experts – let alone for any other institution such as DG COMP.

## **2. Three illustrative cases on patent law's complexity**

### *A. Case COMP/B/-2A. 39246 Bboehringer)*

On March 29, 2007, the European Commission (EC) initiated the antitrust proceedings in the case COMP/B2/39246 – Boehringer. This case was thoroughly analysed by Straus<sup>12</sup>, who *inter alia* wrote the following: “According to the information available to the Commission, Boehringer were presumably abusing the patent granting proceedings or the patent system or had improperly filed or sought to obtain patents with which they would make it difficult or impossible for competitors to enter the markets for the drug in question in substantial parts of the EEA. The alleged improper behaviour was supposed to include the abusive filing of applications for extensive patents”<sup>13</sup>

Even without taking into account all relevant information in respect of the alleged claim of “abusing the patent granting proceedings or the patent system”, the EC found that Boehringer had “improperly filed or sought to obtain patents with which they would make it difficult or impossible for competitors to enter the markets...”. This last statement could hardly be endorsed not only by any patent law practitioner but probably also by anyone familiar with the basic features of patent law. It is indeed hard to imagine how »patent granting proceedings or the patent system« could be abused by an applicant in a way that EPO would not have noticed such abuses during the patent granting procedure – or indeed by any other national patent office practising a full examination during the patent-granting procedure. Last but not least, patent law actually allows anyone to use an invention disclosed in a published patent application until the grant of the patent without any applicant's prior consent (though an adequate compensation is to be paid to the patentee for such use if the patent is eventually granted).

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12 Joseph Straus, *Patent Application: Obstacle for Innovation and Abuse of Dominant Position under Article 102 TFEU?*, Journal of European Competition Law and Practice, 2010, Vol. 1. No.3, pp. 189-201.

13 Joseph Straus, *op cit.*, p. 189.

In any case, it is likely that the above-quoted statement made by DG COMP could hardly see the light of the day if the above-suggested cooperation between DG COMP and the EPO were established or at least somehow informally organised.

### *B. Case COMP/39.612 (Servier)*

This case was also analyzed by Straus,<sup>14</sup> who shows that DG COMP has either overlooked and/or misinterpreted some, but for the case relevant, patent law principles – a fact eventually confirmed to a certain extent by the EU General Court, which “...upheld the Commission’s findings on restriction of competition by object under Article 101 TFEU for most of the settlements concluded between Servier and the involved generic companies. However, in one case, the Court did not find an infringement and annulled the Commission’s decision for that part, noting the existence of a licensing agreement, which reflects the parties’ recognition of the validity of the patent, confirming the legitimacy of the patent settlement agreement, and an appropriate means of putting an end to dispute.”<sup>15</sup>

In contrast to the *Boehringer* case mentioned above, DG COMP has apparently taken into account and adequately interpreted **some but not all** relevant patent law provisions – at least not in respect of all involved parties. So, the lesson learnt from this case implies that a thorough knowledge of **all** intricacies/complexities of relevant patent law and other related circumstances is eventually required – a fact which again speaks in favour of establishing cooperation between DG COMP and the relevant patent authorities.

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14 Joseph Straus, *Can Antitrust Adequately Assess Patent Settlement Agreements Disconnected from Patent Law Relevant Facts? The Servier Case-Its Public Perception and Its Underlying Facts*, 38 EIPR Issue 9/2016, pp. 533-544; for a more elaborated analysis of the same author see »Pay for Delay« - *A Subtly Hidden, Overlooked or Ignored Transatlantic Divide: Exemplified on the Actavis decision of the US Supreme Court and the Servier Decision of the EU Commission*, Zbornik znanstvenih razprav 2016 / Volume 76, pp. 197-234, at <http://journal.pf.uni-lj.si>.

15 Robert D. Anderson et al, *Competition Agency Guidelines and Policy Initiatives Regarding Intellectual Property in the BRICS and Other Major Jurisdictions: A Comparative Analysis*, in Robert D. Anderson, Nuno Pires de Carvalho and Anthony Taubman, *Competition Policy and Intellectual Property in Today’s Global Economy*, Cambridge University Press, Cambridge 2021, p. 718.

### *C. EP patent 1798872/t 1127/16 (Boeing)*

On April 12, 2021, the blog “*Boeing’s comma drama: Commas and taking the description into account when construing a claim (T 1127/16)*” was published.<sup>16</sup> Without going into details, the lesson learnt from this case is that even a comma in a patent claim may impact the interpretation and subsequent determination of **the scope of protection** for the invention at stake. Now, competition authorities (including DG COMP) are primarily pursuing a competition approach which presumes that the presence of more competitors is in principle always a desirable outcome. Following this approach, the position of a single comma in a patent claim may have an impact on the scope of protection and thus presumably also on the number of competitors and could – in theory – raise an issue for a competition agency. However, does this mean that a competition agency ought to have the right to decide where the comma is to be placed in a patent claim?

While this case is admittedly an exotic one, it is nonetheless real and thus illustrates the sheer complexity of patent law and of the European Patent Convention (EPC); if the sole position of a comma in a patent claim **could** have an impact on the scope of protection – and consequently on the intensity of competition – then such issue speaks in favour of establishing a cooperation scheme between patent offices and competition agencies.

To summarize, these three cases may serve just as a hopefully sufficiently convincing illustration of why there is a real need for establishing a kind of a – preferably formalized – cooperation between a competition agency and the relevant patent offices. Such cooperation ought to ensure a correct interpretation of both patent and competition law.

Henceforth, attention is paid predominantly to how such cooperation could be set in the EU, specifically in the context of the forthcoming EU unitary patent system.

### **3. Unitary patent package - but without an EU patent office?**

Establishing such cooperation at the national level of each EU Member State *prima facie* seems to be not an overly difficult task; however, the situation at the EU level turns out to be more complex. While it is obvious that DG COMP is in charge of ensuring fair competition within the EU market, the problem is that any unitary patent protection covering the EU internal market has not been

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<sup>16</sup> See <https://ipkitten.blogspot.com/2021/04/boeing-comma-drama-commas-and-taking.html>.

established so far. Leaving aside the history of several failed attempts in this respect,<sup>17</sup> it is obvious that such a situation has been *a priori* incompatible with the proper functioning of the EU unitary market; therefore, the forthcoming implementation of the Unitary Patent Package (henceforth: UPP) presumably ought to put aside the said incompatibility - what *prima facie* could/should also open a possibility to establish the desired cooperation between the new EU unitary patent granting institution and DG COMP.

Before finding out whether such a possibility is feasible, it is first worth noticing that the current legal and organisational framework of the UPP has already given rise to several serious and persisting concerns among numerous experts;<sup>18</sup> for example the concern that the UPP has completely missed its otherwise initially loudly pronounced – and indeed much justified – objective of serving the needs of small and medium-sized enterprises (SMEs); apart from exorbitantly expensive litigation costs, already the high patent renewal fees are likely to deter SMEs from filing European Patents with Unitary Effect (EPEU) applications, what may eventually diminish their competitive position – a situation that is likely to have an undesired impact on the overall competition within the EU internal market. No wonder that Stjerna labelled the forthcoming UPP as a poisoned gift for SMEs.<sup>19</sup>

Returning to establishing the desired cooperation between DG COMP and the relevant UPP institutions, two features of the UPP stand out. First, granted EPEUs shall not be true EU patents *at all* – they shall be classic European patents granted under Article 2 of the EPC; however, the EPC is not part of EU law. And second, the very objective of ensuring the »unitary effect« of such patents is likely not to be realized *at all* - the reason being that some of the EU Member States have not ratified the United Patent Court Agreement (UPCA) as the very condition for being part of the UPP. Oddly enough, even the UPCA is **not** part of the EU law. So, one may wonder indeed how it could be possible that the UPP, which ought to serve as (indeed much needed) unitary patent

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17 See Straus, Joseph, *Patentrecht*, in *Enzyklopädie Europarecht*, Bd. 4, § 18, Sections A and B, *NOMOS et al.*, Baden Baden 2015, pp. 1093-1116.

18 For example, see the *THE UNITARY PATENT PACKAGE: TWELVE REASONS FOR CONCERN*, MPI research paper available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2169254](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2169254); Jaeger, Thomas, *Herausforderungen des Einheitspatentsystems*, Forschungsbericht 2013 – Max-Planck-Institut für Innovation and Wettbewerb, available at [https://www.mpg.de/7826992/IB\\_20141](https://www.mpg.de/7826992/IB_20141).

19 See Ingve Björn Stjerna, *A Poisoned Gift for SMEs*, available at [www.stjerna.de/smes/lang=en](http://www.stjerna.de/smes/lang=en); also *The IPKat is again irate – more misinformation about the Unitary Patent Package*, at <https://ipkitten.blogspot.com/2015/04/the-ipkat-is-again-irate-more.html>.

protection covering the whole EU internal market, is neither part of EU law, nor shall it cover the whole EU market.

Last but not the least, the suggested cooperation could hardly be envisaged for yet another reason: the new EPEUs shall not only be examined but also *granted* and subsequently *administered* by the European Patent Office (EPO): *»Once a European patent has been granted, the proprietor must file a “request for unitary effect” at the EPO to obtain a Unitary Patent.»*<sup>20</sup> This means that EPEUs shall **not** be granted and subsequently administered by an EU Patent Office (EUPATO); all these activities shall be carried out solely by the EPO, which is even going to establish a special unit in this respect.

Though this solution may have some merits from a purely professional/technical viewpoint, it is obviously at least unusual – if not problematic – from an institutional and legal perspective. Above all, the fact that the EPO is **not** an EU institution could hardly be ignored; EPO is an institution established under the European Patent Convention (EPC),<sup>21</sup> which however is not part of EU law, as already noted above; nor is the EU *per se* an EPC »Contracting State« to the EPC. It is strange indeed that the EPO as a non-EU organisation is going to act as an EUPATO.

Last but not the least, even the fact that the Unitary Patent Court ought to be in charge also in disputes in respect of classic European patents (save for opt-out period) is strange as well. Paragraph (2) of Article 2 of EPC is clear that such patents *“...have the effect and be subject to the same conditions as a national patent granted by that State, unless this Convention provides otherwise.”* If so, it is strange that the UPC (as said, a non-EU institution based on a non-EU law) will be in charge of such pure »national« EP patents granted in EU Member States.

Such a state of affairs ought to ignite not only new initiatives on how to establish a system for true EU-wide patent protection but also include a thorough reconsideration of rather ignored attempts in the past. Of course, one has to be fully aware that chances for paying at least some attention – let alone a more thorough reconsideration – to possible alternative solution(s) is likely to be close to zero at least in the near future. Nevertheless, searching and developing alternative and more appropriate solutions may still be worth some efforts; after all, taking into account numerous critics of the current UPP, one may reasonably expect that it could possibly be at least revised if not eventually even replaced by another more adequate system in a not overly distant future. If so, it may be useful to add a few crude suggestions in this respect.

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20 <https://www.epo.org/applying/european/unitary/unitary-patent.html>.

21 Article 4 (2)(a) of the EPC.

To begin with, it would certainly make sense that the EPO retains its basic task of full, high-quality *examination and grant* of European patents – but with an additional possibility to validate them in accordance with EPC provisions also as self-standing and true »unitary« EU Patents (EUPs, not EPEUs) with universal validity within the whole EU internal market without exceptions.

In a nutshell, such a solution would have been feasible, if:

1. EU as such joins EPC, say, in a similar manner as this being the case with its membership in the World Trade Organization.<sup>22</sup>
2. A true EU-wide Patent Office – EUPATO – being established on the basis of an EU regulation, either as a new self-standing institution, or otherwise (see below).
3. Specialised departments/chambers in charge of patent-related disputes being established both within the General Court and the CJEU.

Under such and admittedly rather unrealistic scenario at least for the time being, the desired and preferably legally formalised cooperation between DG COMP and the suggested EUPATO could be eventually established and preferably even institutionalized through an adequate legal act at EU level. While some arguments as to why the EU should bring the unitary patent system under its control were available to the public already quite some years ago,<sup>23</sup> the fundamental – albeit at least for the time being admittedly hypothetical – question is likely to be *how* such a new EUPATO could be established.

#### **4. Establishing an EUPATO: five crude suggestions**

The following five suggestions are obviously just a crude attempt and are thus meant to serve as a kind of »kick-off« for igniting further and profound discussions on how EUPATO could be established – presumably not in an overly complex manner.

1. In analogy to the EU trademark and EU design system, a regulation establishing EUPATO for receiving and granting patents with EU-wide coverage should be adopted. Of course, the same regulation ought to comprise all the substantive EU patent law to be complete. In this respect, two institutional alternatives immediately come to mind. First, apart from establishing

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22 Note that Articles 1-4 EPC refer solely to the Contracting States, so they should be amended first if the EU were to become a new EPC Contracting Member.

23 See for example the interview of Kluwer IP Law with Bruno Pottelsberghe, Professor and a former chief economist of the EPO, *EU should bring Unitary Patent System under its control*, <https://patentblog.kluweriplaw.com/2018/05/08/eu-bring-unitary-patent-system-control/>.

a completely new EUPATO as an independent Office, it could be established just as a new additional unit of the EUIPO in Alicante; after all, if there is apparently no problem for the EPO to set up such a special unit under the currently proposed UPP, then it may be reasonably presumed that establishing such an additional unit within the EUIPO ought not to be an overly demanding task as well. Last but not the least, a small but positive side effect of such a solution would also be that the currently misleading name of EUIPO could eventually be justified, provided that the letter »I« in its acronym ought to mean »industrial«, not »intellectual«; while this is certainly not a »big« issue at all, it is a bit paradoxical that the EU institution in charge of ensuring legal protection of trademarks is somewhat misleadingly named - after all, the very essence of trademark protection is precisely the prevention of any misleading use of registered trademarks...

2. For the newly established EUPATO to function smoothly, it would be worthy to consider whether it should be in charge of receiving and examining EU patent applications directly; it could act just as a non-examining Office in charge of registering and maintaining patents granted by the EPO and subsequently validated at applicants' requests as EU-wide patents (following a slightly amended Article 3 of the EPC). In other words, the only way to obtain a EUP would be through filing a European patent application – exactly in the same way as is the case under the current UPP.
3. A validated and registered EUP should be then valid within the whole EU, whereas only its abstracts ought to be translated into all languages of EU Member States - either by their national Patent offices or by the EUPATO (EUIPO?) itself. However, translation of a complete EUP ought to be mandatory in case of litigation when the mother/national languages of involved parties are not English, French or German.
4. Bearing in mind that the above-mentioned objective that UPP ought to serve the needs of small and medium-sized enterprises (SMEs), then the proposed alternative by establishing EUPATO could possibly remedy the problem of excessive renewal fees for EUPs as well. For example, instead of the **sum of »Top 4« national fees** currently proposed under the UPP, these fees could be conveniently determined as an **average of national renewal fees of all** EU Member States.<sup>24</sup> Such a level of fees could presumably be sufficient for EUPATO under its proposed functioning as a non-examining office.

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24 This proposal was made already by this author in *Patents in EU Competition Policy Context...op.cit supra n. 7*, p.1164.

5. After the EUPATO is been established either as an additional unit at EUIPO or as an independent institution, the suggested and favoured cooperation with DG COMP in cases where patents are under scrutiny by the latter could eventually be formalized as well – a step which could hopefully mean a crucial shift from the existing price-centric competition approach towards the nowadays dominant ***innovation-centric view on competition***, in which patents cannot be *a priori* interpreted as monopolies – let alone as inherently »bad« monopolies.

Coming back to the EU competition policy, there is yet another issue regarding the formal institutional status of the current DG COMP worth to be raised here – merely as a possible trigger for further discussions.

### ***5. DG COMP: a comment on its institutional status***

It is an established and indisputably correct principle that institutions in charge of competition policy and institutions in charge of protection of industrial property rights enjoy institutional autonomy; simply put, while they may formally be part of a ministry, their decisions must in no way be influenced by a minister – or by any other governmental body. It is not surprising that both competition agencies and patent and/or trademark offices are regularly established as functionally independent institutions in a great majority of countries worldwide – or even explicitly enjoy such independence when they are formally set within a ministry. For example, Section 26(1) of the German Patent Act reads as follows: *“The German Patent and Trade Mark Office is an independent higher federal authority within the remit of the Federal Ministry of Justice and Consumer Protection.”* In the same vein, Section 51(1) of the German Act against Restraints of Competition reads as follows: *“The Bundeskartellamt is an independent higher federal authority with its seat in Bonn. It is assigned to the Federal Ministry of Economic Affairs and Energy”.*

Institutional independence of competition&market authorities/agencies is a crucial element for ensuring their proper functioning. According to Ottow, the good agency’s principles can be summarized in the acronym LITER, which stands for Legality, Independence, Transparency, Effectiveness and Responsibility.<sup>25</sup> In respect of independence, Ottow states the following: *“Market and competition authorities, for example, are expected to apply rules and regulations impartially and independently of the interests of market parties and also of the political arena... A sufficient degree of independence is seen as a key*

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25 Ottow, A., *Market & Competition Authorities – Good Agency Principles*, Oxford University Press, Oxford 2015, p.10.



*ingredient in allowing proper enforcement of policy in general, and also consequently of competition policy”.*<sup>26</sup>

As far as the institutional framework of EU competition policy is concerned, it is a bit astonishing that the relevant competition authority is DG COMP itself. In other words, there is no institutionally self-standing competition agency at EU level, *i.e.*, which is at least formally separated from DG COMP, as this is the case not only in Germany but indeed in virtually all EU Member states as well – and also in the USA, where the Federal Trade Commission is institutionally separated from the US Ministry of Justice (DOJ). It is then not surprising that, in respect of the EU, Ottow states that ... “*For competition authorities, too, the formal EU rules on independence are underdeveloped; as a matter of fact, so far no formal requirements have been laid down in EU legislation, nor does Regulation 1/2003, for example, specify any formal requirements for independence*”.<sup>27</sup>

Although the competition policy in the EU has been apparently correctly carried out in a professional manner, *i.e.* without being influenced by politically motivated interventions, this fact *per se* should not be an obstacle – or excuse – for initiating discussions about possible institutional alternatives. After all, the current institutional structure is that “[*T*]hese Directorates-General are the equivalent of ministries within a national government”.<sup>28</sup> In short, DG COMP is ‘a ministry’ within the EC, which arguably is an EU ‘government’. If so, then a suggestion for establishing an EU Competition Agency as an independent and institutionally separated body from the current ‘ministry’ DG COMP – *i.e.*, in a similar way as this being the case with EUIPO (or in Germany, USA and in most other developed States) – may well be worthy of some consideration.

## **6. Beyond patents: EU competition policy in respect of EU trademarks and geographical indications**

While the core topic of this contribution is about EU competition policy in respect of (unitary) patents, it is also clear that other IP rights may be occasionally scrutinised by DG COMP as well. For example, the market power of trademarks – especially well-known ones – may possibly be abused, though proving such an abuse is likely to be extremely complex. To illustrate the point, imagine the following and admittedly a bit provocative case: could high prices

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26 Ottow, A., *op.cit.*, p. 11.

27 Ottow, A., *op.cit.*, p.80.

28 Quoted from Chalmers, D., Davies, G, Monti, G., *European Union Law*, Cambridge University Press, Cambridge 2014, p. 65.

for Champagne marketed under well-known trademarks represent an abuse of market power just because these prices are significantly higher than the prices for Champagne (and other sparkling wines) sold under less-known trademarks?

Of course, trademarks are crucial for customers to be capable of distinguishing among more or less the same products and consequently to decide which product they want to buy. However, it is immediately clear that trademarks – and other industrial property rights such as industrial designs and geographical indications – are at odds with the neoclassical price-centric competition approach – much in the same vein as this being the case with innovation-centric competition mentioned above.

In an attempt to extend EU competition policy from patents to other EU-wide industrial property rights, it is first worth noticing that the current EUIPO correctly enjoys an institutionally independent status, as it is not a body within the European Commission. Consequently, in cases where a potential abuse of an EU trademark may be under scrutiny by DG COMP – or by a future independent EUCA – then the EUIPO ought to be its natural partner for discussion.

By the way, it is a bit astonishing that EUIPO has *not* been empowered so far to be in charge of procedures for the protection of EU-wide geographical indications (GIs) at EU level; this task has ever since been in the hands of DG AGRI. So even in this case, one is confronted with much the same issue of institutional independence/autonomy discussed above in respect of DG COMP. In this respect, the suggestion that EUIPO as a professional and institutionally independent institution ought to be in charge also in respect of the protection of EU geographical indications (GIs) comes almost naturally and spontaneously into one's mind; after all, GIs are indeed strongly related to both administrative and substantive (collective) trademark law, as well as to their very basic market, economic and competitive functions – and the proper commercial use of them could/should be monitored by an equally independent EU competition authority.

## **7. Concluding remarks**

The basic aim of this paper is to present arguments in favour of establishing a preferably formalised cooperation between patent offices (and authorities in charge of protecting other industrial property rights) and competition agencies at EU level. In patent-related cases, such cooperation has been set up, for example, in the USA and in many other developed countries, including in the EU Member States. An additional suggestion for changing the institutional status of DG COMP is also made; it is suggested that competition policy at EU level ought to be carried out not by DG COMP but rather by an EU competition

agency (EUCA), which is institutionally separated from the European Commission.

However, in the light of the forthcoming activation of the UPP, there is an additional and fundamental problem for establishing the proposed cooperation, *i.e.*, that UPP does not foresee the institution of an EU Patent Office (EUPATO). So, there is no partnering institution to DG COMP/EUCA under the proposed cooperation within EU law, whereby EPO as an international but non-EU institution could hardly be such a partner. Therefore, a modest and rather crude suggestion is made to set up an alternative and cost-friendly EU-wide patent protection by establishing a true EUPATO.

Last but not the least, not only patents but also EU-wide trademarks (EUTMs) and/or EU-wide geographical indications (GIs) may also occasionally be the subject of investigation by a competition authority. While the EUIPO is an institutionally independent EU authority in charge of EUTMs and EU designs, DG AGRI has been in charge of the protection of EU-wide GIs ever since. Consequently, an additional suggestion of institutional nature is made in this respect, *i.e.* that the task of receiving applications and their registration of EU-wide GIs be entrusted with EUIPO, for the same reason regarding its' institutional independence from the European Commission. When EUTMs and GIs are possibly commercially exploited in a manner inconsistent with EU competition law and eventually investigated by an EU competition authority (DG COMP/EUCA), then the EUIPO ought to be a partner in such investigations in the same way as is proposed above in respect of EU unitary patents – provided that the suggestion for establishing a true EUPATO as proposed above could see the light of the day in a hopefully not too distant future.



## 22. RESEARCH AND BOLAR EXEMPTIONS FROM UPC, BELGIAN AND FRENCH PERSPECTIVES

*Olivier Mignolet, François Jonquères, Estelle Thiebaut & Hannelore Daems*

### **1. Introduction**

While the essence of a patent is to grant a monopoly to its owner, some activities conducted by third parties, even without the prior authorisation of the patent holder, fall outside patent protection because of their purpose and the need to counterbalance the patentee's right with the general interest.

These acts include, among others, everything which is covered by the research exemption as well as the Bolar exemption.

In this chapter, we will first restate the origin of both these exemptions and then examine how these exemptions will be affected by the entry into force of the Unified Patent Court ("UPC"). As significant differences can exist between European Union ("EU") Member States in that respect, this chapter focuses on two jurisdictions (which are those of the chapter's authors): Belgium and France.

#### *A. Origin and evolution of these two exemptions*

The need to encourage scientific progress by allowing research for improvement has been one of the main reasons for implementing the research exemption in most EU Member States. Said research exemption is also grounded in the principle of the sufficiency of disclosure,<sup>1</sup> as it is crucial for a person skilled in the art to be able to reproduce the patented invention in order to verify its effectiveness. Therefore, such an exemption allows the implementation of trials to assess the teaching of a patent, its validity but also the use of the patented invention for purely academic purposes.<sup>2</sup> In some EU jurisdictions,

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1 Christian Le Stanc, 'Fasc. 4620 : Acte de contrefaçon. – Élément légal' (2021) Jurisclasseur brevets p. 31.

2 Pierre Véron, 'L'exception d'usage expérimental et l'exception « Bolar »' (2016) 59 Propriétés intellectuelles.

such as Belgium, the research exemption has been given a much broader scope (see below).

In the Healthcare and Life Sciences Sector, the limits of the research exemption have been challenged, particularly when pharmaceutical companies have been seeking to benefit from this exemption to carry out clinical trials to obtain a Marketing Authorisation (“MA”). The risk is that such trials are considered as being conducted ‘merely’ to provide data for regulatory purposes rather than carrying out research into the subject matter of the invention.

In France, a defence to infringement by a clinical trial based on the research exemption was initially not accepted by the Courts.<sup>3</sup> Other national Courts in Europe have similarly rejected the application of the research exemption in such a case.<sup>4</sup>

In 1984, while the Paris Court of Appeal refused to allow the acts performed for the purpose of obtaining an MA based on the research exemption,<sup>5</sup> the Bolar exemption was enshrined across the Atlantic following the Roche Products Inc. v. Bolar Pharmaceutical Co case.<sup>6</sup> In this decision, the US Court of Appeals for the Federal Circuit ruled that studies and tests carried out intending to obtain an MA before the expiry of a patent were unlawful, which led to an acceleration of the thoughts of the US Congress on generic competition in the drug sector.

As a result, the American legislator remedied the Bolar decision by enshrining the Drug Price Competition and Patent Restoration Act, which established an exemption to allow the conduct of clinical trials as regards medicinal products and medical devices for uses reasonably related to obtaining regulatory data.

In the EU, the Court of Justice of the European Communities, when replying to questions referred to by the Hoge Raad in the Netherlands, decided in 1997 that measures prohibiting third parties from submitting samples of a medicinal product to the regulatory authority before the expiry of a patent were not contrary to European law.<sup>7</sup>

The increasing voices of generic companies demanding to be able to conduct trials in order to obtain an MA and prepare for the launch of their products immediately upon patent expiry (so that the patentee’s monopoly is not *de facto* extended), as well as the existence of the Bolar exemption in the United

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3 CA Paris, 27 November 1984, *Science Union v. Corbière*.

4 Pierre Véron, ‘L’exception d’usage expérimental et l’exception « Bolar »’ (2016) 59 *Propriétés intellectuelles*.

5 CA Paris, 27 November 1984, *Science Union v. Corbière*.

6 *Roche Products, Inc v. Bolar Pharmaceutical Co* 733 F2d 858 (FedCir) (1984).

7 CJEC, 9 July 1997, *Generics BV v. Smith Kline & French Laboratories Ltd*, C-316/95.

States, have probably influenced the French judges, who have softened their position over time.

For example, in a decision of February 20, 2001,<sup>8</sup> the Paris Court of First Instance stated that the tests carried out fell into the category of experimental acts knowing that said tests were necessary for obtaining the MA and were carried out beyond the stage of bioequivalence tests according to the Court, allowing them to be anchored to the research exemption.<sup>9</sup> A few months later, on October 12, 2001, the Paris Court of First Instance held that the tests carried out to obtain an MA did amount to experimental acts and could not, therefore, constitute infringing acts, enshrining a Bolar exemption through case law.<sup>10</sup>

At the same time, the need for a European Bolar exemption in order to avoid discrepancies between Member States also emerged. On October 23, 2001, the EU Commission expressed its support for such a solution: *“To avoid the scientific tests required to prepare a generic application being carried out outside the Community for purely legal reasons, without having substantial influence on the access to the market, it might be appropriate to introduce a provision allowing such kinds of activity during the period of patent protection applied to the original product”*.<sup>11</sup>

A few years later, Article 10(6) of Directive 2001/83/EC on the Community code relating to medicinal products for human use, as amended by Directive 2004/27/EC, provided for an EU Bolar exemption: *“Conducting the necessary studies and trials with a view to the application of paragraphs 1, 2, 3 and 4 [related to generic medicinal products and biological medicinal products] and the consequential practical requirements shall not be regarded as contrary to patent rights or to supplementary protection certificates for medicinal products”*.

As required by EU law, national legislators in EU Member States implemented Article 10(6) of Directive 2001/83/EC in their local legislation, creating a greater harmonisation on that point. Most EU Member States decided however to implement Article 10(6) more broadly than required in order to encourage clinical trials in their respective jurisdictions.

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8 TGI Paris, 20 February 2001, *Wellcome v. Parexel et Flamel*.

9 Marina Cousté, François Jonquères, ‘Wellcome v. Parexel et Flamel’ [2001] *Propriété industrielle* (note).

10 TGI Paris, 12 October 2001, *Science Union v. AJC Pharma*.

11 European Commission, ‘Report From the Commission on the experience acquired as a result of the operation of the procedures for granting marketing authorisations for medicinal products laid down in Regulation (EEC) No 2309/93, in chapter III of Directive 75/319/EEC and chapter IV of Directive 81/851/EEC’ COM (2001).

### *B. The research and Bolar exemptions in the Unified Patent Court Agreement*

The authors of the Unified Patent Court Agreement (“UPCA”) were also driven by the aim of European harmonisation. The UPCA harmonises the scope of rights, exceptions and limitations for European patents, as well as for the European patents with unitary effect (“Unitary patents”) for which the UPC will have jurisdiction. Articles 25 and 26 of the UPCA define the right of the patent holder to prevent the direct or indirect use of the invention, while a list of exceptions to the patent rights is provided in Article 27.

Both the research exemption in Article 27(b) and the Bolar exemption in Article 27(d) are provided in the UPCA (where the Bolar exemption is defined by reference to Directive 2001/82/EC):

“The rights conferred by a patent shall not extend to any of the following:  
(...)  
(b) acts done for experimental purposes relating to the subject matter of the patented invention;  
(...)  
(d) the acts allowed pursuant to Article 13(6) of Directive 2001/82/EC (1) or Article 10 (6) of Directive 2001/83/EC in respect of any patent covering the product within the meaning of either of those Directives”

As a result, national legislations in which the Bolar exemption was implemented with a broader scope than the one described in Article 10(6) of Directive 2001/83/EC are currently not aligned with Article 27 of the UPCA.

This should be put into perspective with the forthcoming entry into force of the UPCA. With the Austrian ratification of the Protocol on Provisional Application of the UPCA, the Provisional Application Period (“PAP”) started on 19 January 2022. It is currently expected that the new system will enter into force in the spring of 2023.

The opening of the UPC will create a new dynamic: the UPC will have ‘exclusive’ jurisdiction in respect of Unitary patents and European patents. However, a different system applies during a transitional period of seven years (which can be extended by another seven years).

During the transitional period, parties will have the choice to bring an infringement or revocation action with regard to a European patent, either before a national jurisdiction or before the UPC, pursuant to Article 83(1) of the UPCA. The owner of a European patent can also “opt out” the European patent of the jurisdiction of the UPC altogether, in accordance with Article 83(3) of the UPCA, provided litigation has not been commenced before the UPC. Once this “opt out” option is exercised, the patentee will also be able to withdraw it, provided litigation has not been commenced before a national court.



As a result, two systems will coexist in parallel: the European patents for which the opt-out option has been chosen will be litigated exclusively before the national courts applying national provisions, while the other European patents (that have not been subject to an opting-out) will be litigated before the UPC or before national courts according to the choice of the parties.

Two jurisdictional systems relying on different provisions governing the research exemption and the Bolar exemption will therefore apply. Before considering the future coexistence of these two systems, it appears relevant to start with some figures in order to put these legal provisions into perspective with regard to their possible economic impact in the two relevant jurisdictions for this contribution.

## **2. Economic background**

Despite its small size and population, Belgium is a country with a very intensive (bio)pharmaceutical activity. This leading position is reflected in a number of areas, including the volume of pharmaceutical Research and Development (“R&D”) investments, the number of clinical trials, pharmaceutical and biotech patent applications, exports of pharmaceutical products and employment in the sector.<sup>12</sup>

Among all EU Member States, Belgium is ranked first in per capita pharmaceutical R&D investment, followed by Denmark and Sweden.<sup>13</sup>

According to the pharma.be 2020 report, Belgium has the second-highest number of clinical trials per capita in Europe (as many as 502 in 2020).<sup>14</sup> Strong regulatory and scientific expertise are key drivers for the attractiveness of Belgium as a clinical trial location.<sup>15</sup> Belgium is particularly highly regarded when

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12 See Christophe Goethals and Marcus Wunderlee, “Le secteur pharmaceutique en Belgique”, *Courrier hebdomadaire*, CRISP, nr. 2366-2367, 2018; Flanders Investment & Trade, *Why Belgium and Flanders are a home base for clinical trials*, 2020, <https://www.flandersinvestmentandtrade.com/invest/en/news/why-belgium-and-flanders-are-home-base-clinical-trials>; Pharma.be, *The Belgian biopharmaceutical sector, A frontrunner in the competitive European biopharmaceutical landscape*, 2020, <https://pharma.be/sites/default/files/2021-09/pharma-europe-final.pdf>.

13 Pharma.be, *The Belgian biopharmaceutical sector, A frontrunner in the competitive European biopharmaceutical landscape*, 2020, <https://pharma.be/sites/default/files/2021-09/pharma-europe-final.pdf>.

14 Pharma.be, *The Belgian biopharmaceutical sector, A frontrunner in the competitive European biopharmaceutical landscape*, 2020, <https://pharma.be/sites/default/files/2021-09/pharma-europe-final.pdf>.

15 Pharma.be, *Deloitte Study - Belgium as a clinical trial location – Key results*, 2020, [https://pharma.be/sites/default/files/2022-01/pharma.be\\_deloitte\\_study\\_belgium-as-a-clini-](https://pharma.be/sites/default/files/2022-01/pharma.be_deloitte_study_belgium-as-a-clini-)

it comes to phase 1 clinical trials, due to the Belgian life sciences ecosystem and the favourable regulatory framework (in particular the short deadline for the approval of phase 1 clinical trials, which is 15 days).<sup>16</sup>

Its neighbour, France, also plays an important role in the pharmaceutical field. France holds second place in total in biopharmaceutical R&D expenditures<sup>17</sup> and the third place in clinical trial participation in Europe.<sup>18</sup>

According to a 2021 publication by the French pharmaceutical industry association, France's competence is particularly recognised in the field of oncology. France participates in 15% of the world's oncology trials, and 45% of the clinical trials conducted in France concern oncology, so that France ranks second in oncology clinical trials in Europe.<sup>19</sup> This field of expertise is notably supported through dedicated health plans.

During the health crisis, France also achieved distinction, ranking in fourth place at the European level for the number of clinical trials for Covid 19 conducted by industry players concerning both preventive and therapeutic treatments.<sup>20</sup>

### **3. Impact of UPC implementation on research and Bolar exemptions in Belgium and France**

A preliminary question to examine is if, and to what extent, EU Member States that have ratified the UPCA have considered amending their national legislation on the research and Bolar exemptions where it is not consistent with the unified regime under the UPCA. Under this title, we will consider the national legislation in Belgium and France concerning these two exemptions and any amendments to them resulting from the implementation of the UPCA.

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cal-trial-location-\_key\_results\_2020\_0\_0.pdf.

16 Flanders Investment & Trade, *Why Belgium and Flanders are a home base for clinical trials*, 2020, <https://www.flandersinvestmentandtrade.com/invest/en/news/why-belgium-and-flanders-are-home-base-clinical-trials>.

17 Pharma.be, *The Belgian biopharmaceutical sector, A frontrunner in the competitive European biopharmaceutical landscape*, 2020, <https://pharma.be/sites/default/files/2021-09/pharma-europe-final.pdf>.

18 Leem, *La France revient dans le top 3 européen sur la recherche clinique*, 2021, <https://www.leem.org/presse/la-france-revient-dans-le-top-3-europeen-sur-la-recherche-clinique>.

19 Leem, *La France revient dans le top 3 européen sur la recherche clinique*, 2021, <https://www.leem.org/presse/la-france-revient-dans-le-top-3-europeen-sur-la-recherche-clinique>.

20 Leem, *Attractivité de la France pour la recherche clinique*, 2021, <https://www.leem.org/publication/attractivite-de-la-france-pour-la-recherche-clinique-11eme-enquete-du-leem>.

## A. Belgium

### 1. New Belgian law - introduction and purpose

Book XI of the Belgian Code of Economic Law (the “BCEL”) did not contain all the exceptions listed in the UPCA or expressed them in a different way, thus creating a discrepancy.

On 19 December 2017, the legislative package on the implementation of the UPCA was approved by the Belgian Parliament. A new legislative act was published in the Belgian Official Gazette on 28 December 2017 as an Act amending various provisions on patents in relation to the implementation of the Unitary patent and the UPC (the “Amending Act”).

Although the UPCA does not in principle require that the provisions of national law governing the patent holder’s rights and the exceptions thereto be aligned with the UPCA, the Belgian legislator decided to align Book XI of the BCEL with the provisions of the UPCA.<sup>21</sup>

This is an attempt to ensure that the provisions on rights and exceptions are the same for all patents valid on Belgian territory, irrespective of whether an action for infringement falls under the jurisdiction of the relevant national court (the Brussels Enterprise Court) or the UPC.<sup>22</sup> The purpose of the amendments made in the Amending Act is thus to provide legal certainty for the patent system users so that they can enjoy a level playing field in Belgium that is identical to that in the other EU Member States.<sup>23</sup>

Articles relating to the relevant amendments will enter into force on the date of entry into force of the UPCA in Belgium.<sup>24</sup>

### 2. Bolar exemption

#### Current legislation

The Bolar exemption was incorporated into Belgian law in 2006 as a result of the implementation of Article 10(6) of Directive 2001/83/EC. When transposing it into Belgian law, the legislator did not include this exemption in its patent legislation, but the European text was adopted almost identically and included in Article 6bis, §1, paragraph 10 of the Belgian Law of 25 March 1964 on medicinal products (the “Belgian law of 25 March 1964”).<sup>25</sup>

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21 Chamber of Representatives, Doc 54-2755/0001, 8.

22 Chamber of Representatives, Doc 54-2755/0001, 8.

23 Chamber of Representatives, Doc 54-2755/0001, 10.

24 Art. 13 Amending Act.

25 The only difference between the text of Directive 2001/83/EC and the Belgian Law of 25 March 1964 is the reference to “tests”, which does not appear in the Directive. The preparatory works of the law do not provide any explanation of the difference in

Article 6bis, § 1, paragraph 10 of the Belgian Law of 25 March 1964 states that: “*Conducting the necessary studies, tests and trials with a view to fulfilling the conditions and modalities referred to in paragraph 1 to paragraph 7 and all practical requirements arising therefrom shall not be regarded as contrary to patent rights or to supplementary certificates for medicinal products for human use.*”

Under the said law, the Bolar exemption applies only to generic or similar medicinal products (including biosimilars) and thus not to innovative medicinal products.<sup>26</sup>

According to the President of the Mons Commercial Court, a successful defence based on the Bolar exemption requires the availability on the market of a certain reference medicinal product.<sup>27</sup>

A few legal scholars are, however, of the opinion that, as in France, the Bolar exemption can be used both for the registration of a generic medicinal product for human use and for a medicinal product for human use that does not meet the definition of a generic medicinal product. They argue that the complex structure of Article 6bis, §1 of the Belgian Medicinal Products Act (which follows the structure of Article 10.6 of Directive 2001/83/EC) logically implies that the Bolar exemption also covers the case in which a third party conducts studies on a patented invention with a view to registering a product for which the patent holder has not (or not yet) registered a reference medicinal product. These authors believe that such an interpretation is in line with the European legislator’s desire to encourage pharmaceutical research and any form of development that may be beneficial to patients.<sup>28</sup>

The Bolar exemption only applies to activities performed on the Belgian territory with a view to registering a medicinal product in the EU, irrespective of whether the registration is made in the framework of a centralised proce-

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wording, which does not seem to have material consequences in practice (see Mireille Buydens, Eric De Gryse, Carl de Meyer, Renaud Dupont, Gabriel Kirouba, Francis Leyder and Benoît Strowel, “The impact of public health issues on exclusive patent rights – Report Q 202 in the name of the Belgian group”, *Ing.-Cons.*, 2008, No 3, p. 318-319).

26 Olivier Mignolet and Vincent Cassiers, “les droits intellectuels « classiques » appliqués au domaine des médicaments” in Olivier Mignolet (ed.), *Traité de droit pharmaceutique. La commercialisation des médicaments à usage humain – droit européen et droit belge*, vol. 1, Waterloo, Wolters Kluwer, 2016, p. 759-761.

27 Voorz. Kh. Bergen en Charleroi (afd. Bergen) 11 July 2014, A/14/501, *Henogen / Theravectys, onuitg.* quoted by Philippe De Jong, Christophe Ronse and Kirian Claeys, “Evoluties in het octrooirecht. Overzicht van rechtspraak 2014-2018”, *R.D.C.-T.B.H.* 2018/8, p. 769.

28 Manuel Campolini and Ignace Vernimme, “Exceptions Bolar et de recherche scientifique – Interprétation et mise en œuvre en droit belge”, *I.R.D.I.* 2015, (5)5.

dure (via the European Medicines Agency, the “EMA”), or is based on mutual recognition or a decentralised procedure via national regulators. Even a purely national registration can be considered for the application of the Bolar exemption. Bolar activities carried out in Belgium with the sole purpose of enabling a medicinal product to be registered outside of the EU are, however not exempted.<sup>29</sup>

Directive 2001/83/EC does not list the type of actions which could fall into the scope of the Bolar exemption with, as a consequence, possible differences in approach among Member States.<sup>30</sup> For instance, in Belgium, preparing the commercialisation of a generic product - including designing advertisement documents in view of a future commercialisation - is authorised under Bolar, but the exemption does not extend to the activity of publishing and distributing said advertisement documents, which remains a prohibited action infringing Article XI.29 of the BCEL.<sup>31</sup>

The question arises whether independent third parties providing active ingredients to generic companies also qualify for the Bolar exemption. To date, no Belgian judgment (nor judgements of the Court of Justice of the EU) has been published yet on this issue. However, a case opposing the same parties and a similar background has been submitted to both Polish and German Courts, which have come to opposite conclusions on that point.<sup>32</sup>

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29 András Kupecz, Kristof Roox, Christian Dekoninck, Denis Schertenleib, Marco Stief, Fabrizio Sanna, Matteo Orsingher, Sergio Miralles, Elena Molina, Trevor Crosse, Mike Gilbert and Will James, “Safe harbors in Europe : an update on the research and Bolar exemptions to patent infringement” *Nature Biotechnology*, vol. 33, pages 710–715 (2015).

30 Mireille Buydens, Eric De Gryse, Carl de Meyer, Renaud Dupont, Gabriel Kirouba, Francis Leyder and Benoît Strowel, “The impact of public health issues on exclusive patent rights – Report Q 202 in the name of the Belgian group”, *Ing.-Cons.*, 2008, No 3, p. 319.

31 Civ. Brussels 8 April 2008, *I.R.D.I.* 2009, p. 31.

32 Michel Vivant (ed.), *European Case Law on infringements of intellectual property rights*, Brussels, Bruylant, 2016, p. 59 and seq, in particular § 8 to 10. The Polish Court interpreted the Bolar exemption narrowly, formulating a general rule according to which under any circumstances *only the manufacturer* of generic medicines can benefit from the bolar exemption (Supreme Court of the Republic of Poland (Sad Najwyzszy), 23 October 2013, IV CSK 92/13). The Düsseldorf Court of Appeal referred preliminary questions to the CJEU, thereby taking the view that the Bolar exception should be granted to all third parties under the condition that their activities are limited to what is strictly necessary for the registration of a medicinal product. Therefore, in its second question, which was conditional upon an affirmative response to the first question, the Düsseldorf Court of Appeal asked the CJEU to clarify what could be additionally required for a supplier to be able to rely on the Bolar exemption (Court of Appeal Düsseldorf (Oberlandesgerichts Düsseldorf), 5 December 2013, Polpharma c. Astellas Pharma, case 1-2

### Amendments introduced by the Amending Act

Article 27 (d) UPCA describes the Bolar exception as follows: *“The rights conferred by a patent shall not extend to (...) the acts allowed pursuant to (...) Article 10(6) of Directive 2001/83/EC in respect of any patent covering the product within the meaning of either of those Directives.”*

The Amending Act does not foresee any modification of the Belgian Bolar exemption but simply includes an express reference to the Belgian Medicinal Products Act in Article XI.34 (d) of the BCEL, which states: *“The rights of a patentee shall not extend to (...) the acts allowed pursuant to Article 6bis, §1, paragraph 12, and § 6, paragraph 13, of the Belgian Medicinal Products Act of 1 May 2006 in respect of any patent covering the product within the meaning of either of those provisions”.*

The Amending Act therefore does not introduce any substantive amendment but only a formal one. Article XI.34 (d) of the BCEL is a literal implementation of Article 27(d) of the UPCA, which is in line with the objective of enhancing consistency and legal certainty.<sup>33</sup>

### 3. Research exemption

#### Current legislation

Belgium has one of the broadest research exemptions in Europe. The original Belgian research exemption was further expanded<sup>34</sup> by a law of 28 April 2005 on the occasion of the implementation of Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions (even though the Directive itself is silent on the question of the research exemption).

Article XI.34, §1 (d) BCEL currently states the following: *“The rights conferred by a patent shall not extend to (...) acts done for scientific purposes on and/or with the object of the patented invention”.*

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U 68/15). However, the request for a preliminary ruling was withdrawn when the case was settled, leaving the questions unresolved.

33 For medicinal products for veterinary use, Regulation (EU) 2019/6 of 11 December 2018 on veterinary medicinal products and repealing Directive 2001/82/EC must be considered. Said Regulation, which applies since 28 January 2022, provides in article 41 (“Patent-related rights”) that “conducting the necessary tests, studies and trials with a view to applying for a marketing authorisation in accordance with Article 18 shall not be regarded as contrary to patent-related rights or to supplementary-protection certificates for veterinary medicinal products and medicinal products for human use.

34 Bernard Rémiche and Vincent Cassiers, *Droit des brevets d’invention et du savoir-faire*, Brussels, Larcier, 2010, p. 310, No 381.

Firstly, the Belgian research exemption covers both research activities which are of pure scientific nature, as well as those pursuing mixed scientific and commercial objectives.<sup>35</sup>

In the parliamentary discussions, it was indicated that mixed research must have a primarily scientific purpose. A mixed nature can be said to exist if the primary scientific research also gives rise to commercial applications. Examples of research activities with mixed scientific and commercial purposes cited in the parliamentary works are acts aimed at developing new applications, improved therapeutic efficacy, more effective production methods, new routes of administration, new fields, etc.<sup>36</sup> Consequently, the research exemption should apply to research activities intended to remove genuine scientific uncertainty and to advance science, for example by demonstrating the efficacy and safety of an improvement or a new application for a medicinal product.<sup>37</sup> Only research with a mere commercial purpose (e.g. marketing research) is excluded from the exemption.<sup>38</sup>

The broad Belgian research exemption ensures that universities, non-profit research institutes and spin-offs (commercial companies working in close connection with universities) can freely use patented inventions in the framework of non-commercial or mixed-commercial scientific research.<sup>39</sup>

Furthermore, since any research activity, regardless of the subsequent use of the results obtained, may benefit from the exemption, it is of little importance in the context of mixed research if the commercial aspect relates to obtaining a registration outside the EU (unlike the requirements of the current Bolar exemption – see above).<sup>40</sup>

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35 Chamber of Representatives, Doc 51-1348/006, 58-59; Mireille Buydens, "Chapitre 11. - Droits et obligations attachés à la demande de brevet et au brevet" in *Droits des brevets d'invention*, 2e édition, Bruxelles, Larcier, 2020, (283)311, par. 676.

36 Chamber of Representatives, Doc 51-1348/006, 59-60.

37 Mireille Buydens, "Chapitre 11. - Droits et obligations attachés à la demande de brevet et au brevet" in *Droits des brevets d'invention*, 2e édition, Bruxelles, Larcier, 2020, (283)312, par. 677 ; Manuel Campolini and Ignace Vernimme, "Exceptions Bolar et de recherche scientifique – Interprétation et mise en œuvre en droit belge", *I.R.D.I.* 2015, (5)8.

38 Nick Van Gelder, "Octrooien en menselijk lichaamsmateriaal – tussen menselijke waardigheid en medische vooruitgang", *T.Gez.* 2012-13, afl. 3, (196)214.

39 Chamber of Representatives, Doc 51-1348/006, 60; Nick Van Gelder, "Octrooien en menselijk lichaamsmateriaal – tussen menselijke waardigheid en medische vooruitgang", *T.Gez.* 2012-13, afl. 3, (196)214.

40 Manuel Campolini and Ignace Vernimme, "Exceptions Bolar et de recherche scientifique – Interprétation et mise en œuvre en droit belge", *I.R.D.I.* 2015, (5)8.

Moreover, according to the current Belgian research exemption, research can be carried out not only *on* the patented subject matter but also *with* the patented object as a research tool or instrument. Article XI.34, §1 (d) BCEL refers to acts done “*on and/or with the object of the patented invention*”, which covers both (i) research to examine the patented invention itself, its activity and functioning (and possibly improvements) (“*on*”), and (ii) the use of the patented invention as a tool (“*with*”) so as to investigate something different, possibly unrelated.<sup>41</sup>

Finally, the scientific research activities carried out by a third party on a patented invention usually involve several independent third parties. Again, as with the Bolar exemption, the question arises whether they qualify for the research exemption.<sup>42</sup>

### **Amendments introduced by the Amending Act**

Article 27 (b) UPCA defines the research exemption as follows: “*The rights conferred by a patent shall not extend to (...) acts done for experimental purposes relating to the subject matter of the patented invention*”.

The Belgian research exemption will be significantly amended with the implementation of the UPCA. The main reason for this modification is the different wording, and thus different scope of the research exemptions concerning, on one side, the Belgian or European patent and, on the other, the Unitary patent. The Belgian exemption will thus be adapted to the wording of Article 27(b) of the UPCA.

The new Article XI.34, §1 (b) BCEL reads as follows: “*the rights of a patentee shall not extend to (...) experiments relating to the subject matter of the patented invention*”.

Under the new law, the research exemption will encompass all experiments *relating to* the subject matter of the patented invention.

Although this is not clarified in the parliamentary works prior to the Amending Act, we believe that the consequence is that unlike under the current law, acts performed with the patented invention will not fall within the scope of the new research exemption.

Another change to the text is the amendment of the wording “*acts done for scientific purposes*” and its replacement by the term “*experiments*” (in Dutch “*proefnemen*”) or “*acts done for experimental purposes*” (in French “*actes accomplis à titre expérimental*”). The notion of “*experiments*” is not further

41 Chamber of Representatives, Doc 51-1348/006, 58-59; Mireille Buydens, *Droit des brevets d'invention*, coll. Création Information Communication, 2nd ed. Brussels, Larcier, 2020, p. 312, No 677.

42 See case law above.



defined in the Amending Act, so that further interpretation is necessary (which will be left to case law).

This interpretation might have important consequences if one would consider that it opens research exemption to purely commercial experimentation as it would reduce the incentive for the industry to cooperate with universities or create spin-offs to benefit from the exemption.<sup>43</sup>

Aside from an adaptation in the new Article XI.34, §1 (b) BCEL, the Amending Act also includes a so-called *clarification* in the new Article XI.34.1/1 BCEL that was not taken from the UPCA. According to the new Article XI.34.1/1 BCEL, “*all acts carried out for the evaluation of medicinal products*” will also, automatically, fall into the scope of the “research exemption” as they will amount to “*experiments/acts done for experimental purposes*”.

According to the parliamentary works, the purpose of this addition is to clarify that the research exemption also extends to acts that aim to obtain an MA for an innovative medicinal product. Currently, such acts are not necessarily exempted as they could possibly be acts with a predominantly commercial purpose and are not (in Belgium) exempted through the Bolar exemption, that only covers generic or biosimilar medicinal products (see above).<sup>44</sup>

The parliamentary works state that encouraging innovative companies in the pharmaceutical sector to develop new, innovative medicinal products will benefit public health as it will result in innovative medicinal products. After all, all “*acts performed for the purpose of evaluating medicinal products*” will be able to be performed before the basic patent expires. This provision is justified, according to the parliamentary preparations, by the objective of general interest, in particular the protection of public health. On the other hand, reference is made to other countries, such as the United Kingdom, which have already incorporated such a provision into their legislation. If Belgium were to lag behind, it would find itself at a disadvantage compared to surrounding countries.<sup>45</sup> In addition to the public health aspect, it appears that there is also an economic aspect involved, namely maintaining Belgium’s ability to compete as a market for clinical trials.<sup>46</sup>

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43 Nicolas Carbonelle and Domien Op De Beeck, “Europe: seeking competitive research exemptions in view of the UPC Agreement - the Belgian example”, *Bird & Bird* 2018, <https://www.twobirds.com/en/insights/2018/belgium/europe-seeking-competitive-research-exemptions-in-view-of-the-upc-agreement-the-belgian-example>.

44 Chamber of Representatives, Doc 54-2755/0001, 15-16.

45 Chamber of Representatives, Doc 54-2755/0001, 15-16.

46 Nicolas Carbonelle and Domien Op De Beeck, “Europe: seeking competitive research exemptions in view of the UPC Agreement - the Belgian example”, *Bird & Bird* 2018, <https://www.twobirds.com/en/insights/2018/belgium/europe-seeking-competitive-research-exemptions-in-view-of-the-upc-agreement-the-belgian-example>.

However, what is portrayed as a *clarification* in the Amending Act, goes much further than that since such a provision is not included in the UPCA. Moreover, this provision is unclear and thus leaves room for discussions and legal uncertainty.

Some of the concepts in the provision are undefined, leaving the scope of the research exemption unclear. For example, it is not defined what is covered exactly by the concept of “*evaluation of medicinal products*”. It does not seem to be limited to the approval of products for regulatory purposes and could thus also cover cases of product evaluation for commercial purposes. This interpretation would be in line with the new Article XI.34, §1 (b) BCEL, which also seems to extend to include acts with a purely commercial purpose.

Also unclear is the scope of the notion “*all acts*”. Once again, it is unclear whether this also refers to the acts of independent third parties involved in the research.

The question can also be raised whether experiments for the purpose of applying for a first MA outside the EU would also fall under the research exemption in the new Article XI.34.1/1 BCEL. These experiments currently fall outside the scope of the Belgian Bolar exemption but Article XI.34 1/1 BCEL does not include such limitation.

According to some authors, another uncertainty regarding the scope of the new Article XI.34.1/1 BCEL relates to whether this provision – in contrast to the new Article XI.34, §1 (b) – allows the use of the patented invention as an instrument or research tool. Such an extensive interpretation, only in the healthcare and life sciences sector, would be detrimental to patent holders in that sector in which inventions play a major role in innovative research to the benefit of patients (by allowing the creation of new medicinal products). It would seriously reduce the value of patents held by the pharmaceutical industry should these patents be affected by this extensive exemption.<sup>47</sup> Such interpretation is also, in our view, not compatible with the text of article XI.34. 1/1 BECL which expressly refers to “*the subject matter of the patent invention, in the meaning of paragraph 1, b)*” of the same provision (underlined by us).

## B. France

In France, the situation differs from the one in Belgium. Despite the existing

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47 Nicolas Carbonelle and Domien Op De Beeck, “Europe: seeking competitive research exemptions in view of the UPC Agreement - the Belgian example”, *Bird & Bird* 2018, <https://www.twobirds.com/en/insights/2018/belgium/europe-seeking-competitive-research-exemptions-in-view-of-the-upc-agreement-the-belgian-example>.

differences between Article L. 613-5 of the French Intellectual Property Code (“IPC”), which governs both the research and the Bolar exemptions and Article 27 of the UPCA, the French provision has not been amended and is not, to our knowledge, going to be modified in the near future.

If such a modification had been envisaged, it would probably already have been considered, as in Belgium. In addition, it seems unlikely that France wants to reconsider the more favourable provisions that support the holding of clinical trials in France.

In view of the above, it is relevant to examine the differences between the texts as well as the interpretation of these exemptions made by the French Courts and scholars in order to see to what extent the French regime could differ from the one provided by the UPCA and what impact this could have on patentees and implementers.

### 1. Research exemption

As regards the research exemption, for once, the situation appears quite simple since no amendment of the French legislation appears to be necessary (as it was the case in Belgium, given the broad scope of the current Belgian provision). Indeed, the text of the French research exemption is aligned with Article 27 (b) of the UPCA:

Extract of Article L. 613-5 of the French IPC (English translation)	Article 27 of the UPCA
<p>The rights conferred by the patent shall not extend to: (...)</p> <p>(b) acts done for experimental purposes relating to the subject matter of the patented invention</p>	<p>The rights conferred by a patent shall not extend to (...)</p> <p>(b) acts done for experimental purposes relating to the subject matter of the patented invention</p>

In a decision dated July 3, 2002, the Paris Court of Appeal clarified the scope of the research exemption.

While one of the parties wanted to benefit from the research exemption in order to legitimise a project called Tulip, which had notably led to the delivery of a descriptive brochure of more than 21 pages, during a meeting held at the International Automobile Center, the Paris Court of Appeal recalled the experimental and not commercial nature of the acts covered by the research exemption: *“in order not to hinder technical progress, the legislator has made the above-mentioned derogation from the patent monopoly, this derogation is to be interpreted strictly and can only be applied to experimental acts whose*

*purpose is to participate in the verification of the technical interest of the invention or in its development for the purpose of advancing knowledge, but not, as in the present case, to acts with a commercial purpose*".<sup>48</sup>

In a recent decision, the Paris Court of First Instance provided further precisions regarding the way one should understand the "experimental purpose". The Court essentially held that the research exemption should apply when the commercial purpose is so remote so that it can only be applied to acts that do not lead directly or in the short term to an offer to a potential customer.<sup>49</sup>

It is clear from these decisions that the research exemption is interpreted strictly under French law. In other words, the research exemption cannot cover acts that would have been performed for mixed scientific and commercial purposes, as this is the case with the current Belgian provision. In the same vein, the French provision could not cover acts with a purely commercial purpose as the new Belgian provision could perhaps permit.

Therefore, the contours of the research exemption, which is aligned with Article 27 (b) UPCA, appear to be fairly clear in French law. In fact, it is interesting to note that case law is not very extensive as regards the interpretation of this exemption. That is not necessarily the case for the Bolar exemption, whose contours are more uncertain.

## 2. Bolar exemption

The French legislator implemented Article 10(6) of Directive 2001/83/EC broadly, so that the French provision goes beyond what is provided for in Article 27 (d) UPCA:

Extract of Article L. 613-5 of the French IPC (English translation)	Article 27 of the UPCA
<p>The rights conferred by the patent shall not extend to: (...)</p> <p>d) The studies and trials required to obtain a marketing authorisation for a <b>medicinal product</b>,<sup>50</sup> as well as the acts necessary for their completion and for obtaining the marketing authorisation.</p>	<p>The rights conferred by a patent shall not extend to (...)</p> <p>(d) the acts allowed pursuant to (...) Article 10(6) of Directive 2001/83/EC in respect of any patent covering the product within the meaning of either of those Directives.</p>

48 CA Paris, 3 July 2002, *Raoul Parienti v. Automobiles Peugeot*.

49 TGI Paris, 11 February 2022, *Snipr Biome v. Eligo Bioscience*.

50 Bold emphasis added.

Indeed, by contrast to the Belgian law of 25 March 1964 (as amended), as well as to Article 27 (d) UPCA, Article L. 613-5 of the French IPC provides for a Bolar exemption which applies to **all** medicinal products: “*The studies and trials required to obtain a marketing authorisation for a medicinal product*”.<sup>51</sup> The French text also refers to an MA in a general way without limiting the scope of the exemption to a certain type of MA.

In addition, French case law brings some clarifications. As regards the nature of the MA applications, it appears that the acts performed with the aim of obtaining a national or an EU MA are covered by the Bolar exemption. In an order dated December 15, 2014, the judge held that Lilly France, which was developing a biosimilar to insulin glargine, marketed by Sanofi, which enjoyed a monopoly due to an SPC, was in particular authorised to “*carry out tests that it may have undertaken to provide to the EMA*” and to “*provide samples that will be requested by the authorities of various countries in which marketing authorisation applications are being examined*”.<sup>52</sup>

The acts carried out in France with a view of getting the regulatory approval for a medicinal product outside the EU also appears to be covered by the Bolar exemption. Indeed, in the above-mentioned order, it has been held that Lilly France was able to conduct “*studies on the transport of BIV products between France and Brazil, in order to complete the MA application in Brazil*”.<sup>53</sup> On this point, the French solution differs from the Belgium case and could also differ from the position that the UPC will adopt.

Directive 2001/83/EC does not directly specify whether or not the Bolar exemption is also intended to cover clinical trials carried out with a view to obtaining an MA outside the EU. However, scholars are of the opinion that the scope of the Bolar exemption as described in Directive 2001/83/CE is limited to clinical trials involving generic and biosimilar medicinal products intended to be authorised by the Member States, which is perfectly consistent with Directive 2001/83/EC that refers to the market of the Member States.<sup>54</sup>

If the UPC adopts such an interpretation, there could be a divergence on this point between the French jurisdiction and the UPC. In other words, a French clinical trial might qualify for the Bolar exemption if the French designation of a European patent is enforced in the French national court but held to infringe if the same patent is enforced before the UPC. However, this possible divergence

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51 Bold emphasis added.

52 TGI Paris, 15 December 2014, *Sanofi Aventis Deutschland v. Lilly France*.

53 TGI Paris, 15 December 2014, *Sanofi Aventis Deutschland v. Lilly France*.

54 Pierre Véron, ‘L’exception d’usage expérimental et l’exception « Bolar »’ (2016) 59 *Propriétés intellectuelles*; European Commission, ‘Study on the Legal Aspects of Supplementary Protection Certificates in the EU’ COM (2018).

must be tempered. It is first difficult to know how Article 27 of the UPCA will be interpreted by the UPC. Second, it is also possible that the French judge would reconsider this solution if he had to decide this question again, given that this is not established case law either.

As mentioned above, the nature and type of acts that may be implemented under the exemption are not described in Directive 2001/83/EC, so that it is difficult to know whether the French/UPC judges will adopt common or divergent positions. In an order rendered by the Presiding Judge of the Paris First Instance Court on 15 March 2016, it was emphasised that the French Bolar provision does not draw up an exhaustive list of the acts included within that exemption,<sup>55</sup> thus leaving room for interpretation to the French Judges. With regard to the wording of Article L. 613-5 of the French IPC, acts carried out prior to the MA are covered by the Bolar exemption, but certain acts subsequent to the grant of the MA also appear to be covered in particular if they are related to the preservation of the MA. For illustrative purposes, the judge recalled in an order dated December 15, 2014, that the “*tests and clinical trials are not completed with the grant of the MA and that Lilly France must still perform clinical trials, stability studies and process validation tests*”.<sup>56</sup>

In addition, the Presiding Judge of the Paris First Instance Court interpreted the scope of the Bolar exemption in the context of a temporary authorisation for use (ATU). In this order, taking into consideration the circumstances in which an ATU is granted, the judge held that nominative and cohort ATUs are equivalents to clinical trials before concluding that the supply of medicinal products prior to the grant of an MA, in accordance with nominative and cohort ATUs, should be considered as falling under the French Bolar exemption.<sup>57</sup>

This order is the first one to discuss the scope of the Bolar exemption in the context of an ATU and appears to confirm the tendency to interpret broadly the French provision governing the Bolar exemption.

As regards to the beneficiaries of the Bolar exemption, scholars argue that companies of the same group carrying out acts in the context of an MA application are protected by the Bolar exemption,<sup>58</sup> which appears to be confirmed by the order dated December 15, 2014, given that Lilly France was authorised

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55 TGI Paris, 15 March 2016, *Ono Pharmaceutical Co. Ltd v. MSD France*; see also TGI Paris, 7 October 2014, *Lilly France v. Sanofi Aventis Deutschland*.

56 TGI Paris, 15 December 2014, *Sanofi Aventis Deutschland v. Lilly France*.

57 TGI Paris, 15 March 2016, *Ono Pharmaceutical Co. Ltd v. MSD France*.

58 Jean-Christophe Galloux, ‘Droits sur les créations nouvelles. Droit des brevets’ [2015] RTD Com.

to carry out acts aimed at obtaining MAs abroad without necessarily being the applicant of these MA applications.<sup>59</sup>

However, it is unclear under French law, as it is under Belgium law, whether third parties could benefit from the Bolar exemption since the French provision does not provide any information in that respect. It seems likely that the position of the Düsseldorf Court of Appeal mentioned above, which authorised a third party to benefit from the Bolar exemption would be followed by the French judges. Indeed, this would be consistent with the spirit of the French law that enshrined the Bolar exemption pursuant to Directive 2001/83/EC, which is intended to promote the entry of generic products on the market. As a result, the supply of active pharmaceutical ingredients should be considered as a necessary act for the implementation of clinical trials legitimised by the European and French legislators.

As a side note, the Bolar exemption was also addressed in an order dated June 7, 2018,<sup>60</sup> very noticeable in French law, as the French judge ordered a preliminary injunction against TEVA with more than 13 million euros of provisional damages, which was later reduced to over 10 million euros. In this decision, while TEVA was notably manufacturing and marketing generic drugs, the judge rejected TEVA's defence, according to which it was authorised to perform these acts based on the Bolar exemption. The judge recognised the alleged acts (including the marketing of the generic drugs) as being infringing and stated that TEVA could not rely on the Bolar exemption noting in particular that TEVA had benefited from an abridged procedure for the MA, which meant that it had intended to benefit from the studies and test carried out by Novartis, the patentee.

This reasoning appears unclear as it could be interpreted as meaning that the acts performed within the context of an abridged application are excluded from the scope of the Bolar exemption, whereas the Bolar exemption is specifically intended to protect generic manufacturers whom themselves benefit from the abridged procedure. However, in any case, marketing acts carried out by TEVA could not have been covered by the Bolar exemption as they do not aim to obtain an MA. A decision on the merits would undoubtedly have provided additional clarification, but as it stands, this order does not provide any additional information on the scope of the Bolar exemption in France.

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59 TGI Paris, 15 December 2014, *Sanofi Aventis Deutschland v. Lilly France*.

60 TGI Paris, 7 June 2018, *Teva Santé v. Novartis Pharma AG*.

#### 4. Conclusion

In view of this comparative study, we can note that the UPCA regime differs at least from the current research exemption regime in Belgium and the current Bolar exemption in France, which are both broader in scope than the exemptions defined in Article 27 UPCA. While Belgium has decided to adapt its national legislation to the UPCA, France has however decided not to (leaving de facto two different regimes coexisting on its territory).

In Belgium, the Amending Act has the effect of both restricting and broadening the current research exemption. On the one hand, activities performed “with” the patented invention will most likely no longer fall within the scope of the research exemption in the new Article XI.34, §1 (b). On the other hand, the change of the term “*scientific purposes*” by “*experiments*” or “*acts done for experimental purposes*” in this article creates further uncertainty at what precisely will be exempted.

The addition of new Article XI.34.1/1 BCEL also has the effect of extending the exemptions beyond the current Belgian Bolar exemption by applying them to innovative medicinal products and possibly to first MAs outside the EU. It also has the potential to take most experiments in the pharmaceutical industry completely outside the scope of patent protection. It seems that the addition of the new Article XI.34.1/1 goes beyond what is provided in the UPCA and, therefore partly negates the harmonisation wished by the Belgian authorities between the local Belgian system and this of the UPCA.

The research exemption in France is already very much aligned with the text of the UPCA. Differences are however to be expected between the application of the French Bolar provision and the one enshrined in Article 27 (d) UPCA.

In addition, given that there is no UPC case law yet and that uncertainties remain as to the full scope of the Bolar exemption in France, as in Belgium, it is difficult to anticipate all the potential differences between the regimes.

The UPC will have to arbitrate between various interests, in particular the protection of patentees and the need to promote scientific research in Europe, which materialises notably, in the healthcare and life sciences sector, in the conduct of clinical trials in the EU.

To interpret the Bolar exemption, the UPC judges will rely on the text of the Directive 2001/83/EC referred to in Article 27 UPCA, but it is not to be excluded that the UPC could interpret Article 27 in a broad manner in order to encourage the conduct of clinical trials in Europe, especially at a time when competition is fierce with Asia, which would be consistent with some existing initiatives in this regard. As an illustration, the new Clinical Trials Regulation No 536/2014 should make Europe more competitive in the clinical trials field.



The influence of national judges may also be exerted on UPC case law insofar as the local divisions will be composed of 1 or 2 national judges when the Contracting Member State hosting the local division concerned has significant experience in patent matters.

In addition, with time, it is legitimate to expect that the solutions between the UPC and the national jurisdictions are likely to tend towards a harmonisation and that the CJEU could also provide answers on the interpretation of Article 10(6) of Directive 2001/83/EC.

In view of these differences and potential differences, it is appropriate to question the possible consequences that could be drawn from it, both for the patentee and for the implementers knowing that the expectation of harmonisation through legislation, as recommended by the scholars, either at the national or European level, for example by means of a more binding directive,<sup>61</sup> now seems remote.

At first sight, if we put ourselves in the shoes of a patentee, they should have more interest in promoting a restrictive application of the research exemption and the Bolar exemption in choosing UPC as jurisdiction in case of litigation of a European patent or in filing a European patent with unitary effect subject to the exclusive jurisdiction of the UPC.

However, such reasoning appears to be somewhat simplistic since the choice of jurisdiction or the choice of the type of patent to be filed will, of course, not only be influenced by the scope of the research exemption and the Bolar exemption. Many other criteria will be taken into account by the applicant when deciding to bring an action before the courts according to the case facts of each matter or when defining a patent filing strategy.

In this respect, it is useful to recall that the decisions of the UPC will cover, in the case of a European patent, the territory of those Contracting Member States for which the European patent has effect pursuant to Article 34 UPCA while one of the main disadvantages for the patentee lies in the risk of a centralised revocation action.

In addition, the patentee or the alleged infringer will not have the choice of jurisdiction if they find themselves involved in a procedure as a defendant since for a European patent, the claimant can choose whether to sue in the UPC or the national courts. The exception is in cases where the two systems are no longer in competition, as it is the case, for example, if the patentee opted out of the UPC system.

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61 European Commission, 'Study on the Legal Aspects of Supplementary Protection Certificates in the EU' COM (2018).

Taking into account the above, if they want to be sure to remain on the safest side, the persons relying on the exemption(s) should, if they carry out activities in France and/or in Belgium, aim at complying with the strictest interpretations of the exemption(s) given that they will not necessarily be able to determine upfront all factors surrounding the possible dispute.

Furthermore, the research exemption, as well as the Bolar exemption, will likely often not be considered the most relevant elements for determining the patentee's opt-in or opt-out strategy. The value of the patent in question, as well as the composition of the patentee's patent portfolio, should be more conclusive factors in the patentee's strategy. However, it is conceivable that the patentee could decide to withdraw its opt-out application to switch back to the UPC jurisdiction in order to avoid the application of more favourable national regimes if factual circumstances were to justify it.

## 23. UPC – SUBSTANTIVE ASPECTS OF COMPULSORY LICENSES

*Alina Wernick*

### **1. The absence of compulsory licenses with unitary effect<sup>1</sup>**

#### *A. Introduction*

Unitary patents entitle their holders to uniform protection in all Member States.<sup>2</sup> Upon finding of a patent infringement, the Unitary Patent Court (UPC) may issue an injunction that has an equal effect across Member States.<sup>3</sup> The unitary patent system provides a strong foundation for protecting unitary patents with a *property rule*<sup>4</sup> that guards the patent holders' right to exclude others from using their patents and decide on their licensees.<sup>5</sup> In contrast, the system offers remarkably little leeway for narrowing the unitary patent protection with a *liability rule* wherein the patent holder must grant access to the patent against a court-determined remuneration<sup>6</sup> either via compulsory license or by means of denying an injunctive relief.<sup>7</sup> The absence of a compulsory licensing instrument with a unitary effect disbalances the patent system in favour of the patent holder at the expense of other legitimate interests in accessing patents. For the unitary patent system to adequately respond to the contemporary challenges impacting the European innovation landscape, not

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1 I would like to acknowledge the assistance of Irma Klünker in the preparation of this article.

2 Regulation (EU) No 1257/2012 of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection (UPP Regulation) [2012] OJ L316/1, art 3.2.

3 Agreement on a Unified Patent Court (UPCA) [2013] OJ C175/1, arts 32 (1), 62.

4 UPCA art 25; UPP Regulation art 3(2)(3), rec 10.

5 Guido Calabresi and Douglas Melamed 'Property rules, liability rules, and inalienability: one view of the cathedral' (1982) 85 Harvard LR 1089, 1092; Daniel Krauspenhaar, *Liability Rules in Patent Law. A Legal and Economic Analysis* (Springer 2015), 20-21. Alina Wernick, *Mechanisms to Enable Follow-On Innovation. Liability Rules vs. Open Innovation Models* (Springer 2021).

6 Calabresi and Melamed (n 5), 1092; Krauspenhaar, (n 5) 22-25.

7 Wernick (n 5) 172.

only it is necessary to introduce compulsory licenses with unitary effect, but also to design the instrument to better account for temporal pressures associated with access to patents.

### *B. National compulsory licenses for unitary patents*

According to the UPP Regulation Recital 10, “Compulsory licences for European patents with unitary effect should be governed by the laws of the participating Member States as regards their respective territories.” This is the only mention of the instrument under the Regulation. More generally, the UPP Regulation does not introduce rules on the assignment or licensing of unitary patents.<sup>8</sup> Instead, as objects of property, patents with unitary effect are treated according to the national law in its entirety.<sup>9</sup> Hence, in all the participating Member States a unitary patent is regarded as a national patent of the participating Member State where the applicant had his residence, principal place of business or place of business on the date of filing for the European patent.<sup>10</sup>

The wording of Recital 10 UPP Regulation suggests that while, as a main rule, the national law concerning a unitary patent as an object of property, such as the law determining licensing conditions, is applied across Member States’ jurisdictions, compulsory licensing is meant to have a narrower effect. Under the unitary patent system, compulsory licenses are to be applied following the national procedure, which can be either judicial or administrative<sup>11</sup> and have an effect only within that Member State.<sup>12</sup> As discussed below, the grant of compulsory licenses to unitary patents is subject to considerable legal uncertainty and economic burden to the applicants. This means that ex-ante liability rules, where

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8 Hanns Ullrich, ‘Harmonizing patent law: The untameable Union Patent’ in Marie-Christine Janssens & Geertrui Van Overwalle (eds), *Harmonisation of European IP Law. From European Rules to Belgian Law and Practice. Contributions in Honour of Frank Gotzen* (Larcier, Bruylant 2012), 272-273.

9 UPP Regulation rec 14, Art. 5 (3). For a review of scholarly opinions that may have influenced such a legal design, see Agnieszka Kupzok, ‘Law and economics of the unitary patent protection in the European Union: the rebels’ viewpoint’ (2014) 36 EIPR 7 418, 422-424.

10 UPP Regulation, art 7, rec 14. In the absence of the above-mentioned loci, German law is to be applied. UPP Regulation art 7(3).

11 See Hanns Ullrich, ‘Compulsory Licensing Under Patent Law: European Concepts’ Wulf A. Kaal, Matthias Schmidt and Andreas Schwartze (eds) *Festschrift zu Ehren von Christian Kirschner. Rechet im ökonomischen Kontext* (Mohr Siebeck 2014), 403.

12 For a more detailed discussion, see supra ns 34-39.

the prospective licensee applies for a compulsory license before exploiting the patent in question<sup>13</sup> play a marginal role in the unitary patent system.

### *C. Legal sources for national compulsory licenses*

Traditional substantive justifications for compulsory licenses include conditions ascertaining the *functional efficiency* of the patent system, for example on the grounds of dependency between initial patent and subsequent patent or abusive exercise of a patent and those securing the *public interests*<sup>14</sup> which are typically executed by permitting non-commercial use, governmental use or crown use.

The key international norms regulating compulsory licensing are Art. 5A of the Paris Convention (PC) and Article 31 of the TRIPS Agreement. The Paris Convention addresses compulsory licenses against the abuses which may result from the exercise of the exclusive rights conferred by the patent. It also sets conditions for granting a compulsory license against failure to work.<sup>15</sup> The more recent Art. 31 TRIPS introduced considerably stricter standards for issuing compulsory licenses. The provision focuses mostly on the procedural norms and judicial safeguards<sup>16</sup> for example, establishing a condition of prior effort to obtain a license voluntarily before applying for a compulsory license<sup>17</sup> and determining the scope of compulsory licenses<sup>18</sup> and subjecting the grant to a judicial review.<sup>19</sup> The provisions also set additional conditions for granting a compulsory license for a dependent patent.<sup>20</sup> Finally, it contains norms concerning governmental use, public non-commercial use as well as compulsory licenses granted to remedy anti-competitive practices and in the field of semiconductors.<sup>21</sup> In addition, Art. 31 *bis* TRIPS establishes a compulsory licens-

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13 Wernick (n 5) 172.

14 Matthias Lamping et al, 'Declaration on Patent Protection' (2014) 45 IIC 679, 688. See also TRIPS art 8. Cf. Hanns Ullrich 'Enhanced cooperation in the area of unitary patent protection and European integration.' In (2013) 13 *ERA Forum* 589, 606.

15 PC art 5A (2), (4). The Paris Convention establishes a grace period for applying for a compulsory license against failure to work, allows the patent to justify their inaction by legitimate reasons and mandates such a compulsory license to be non-exclusive and, generally, non-transferable. Paris Convention art 5A(4).

16 TRIPS art 31 (a), (g), (i)-(j).

17 TRIPS art 31(b).

18 TRIPS art (c)-(f).

19 TRIPS art (i).

20 TRIPS art 32 (l).

21 See TRIPS art. 31 1<sup>st</sup> sentence, (b)-(c), (k).

ing doctrine for exporting pharmaceutical products to least developed countries, while Doha Declaration on TRIPS and Public Health reaffirms the flexibility of interpreting the TRIPS Agreement in the light of the right to protect public health, including to enact compulsory licenses.

Generally, the EU Member States have wide discretion with respect to enacting compulsory licenses in patent law. First, neither Art. 5 A PC, nor Art. 31 TRIPS limit substantive grounds under compulsory licenses may be granted.<sup>22</sup> The procedures and grounds for granting compulsory licenses vary between the Member States.<sup>23</sup> Typically, the national compulsory licenses are granted on the basis of failure to work, dependency or public interest.<sup>24</sup> The EU law has little influence on the compulsory licenses in patent law, which are largely unharmonised<sup>25</sup> and permissive of compulsory licenses for public interest.<sup>26</sup> However, compulsory licenses against the insufficiency of local exploitation are treated as quantitative restrictions to imports where local demand can be met with imports from other Member States (Art. 34 TFEU).<sup>27</sup> Otherwise, the CJEU case law focuses on compulsory liability rules competition law, a topic not covered in this presentation.<sup>28</sup>

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22 Lamping et al (n 14) 688.

23 For an overview of examples see, Esther von Zimmeren and Geertrui Van Overwalle, 'A paper tiger? Compulsory license regimes for public health in Europe' (2011) 42 IIC 4; Hanns Ullrich 'Select from Within the System: The European Patent with Unitary Effect' (2012) Max Planck Institute for Intellectual Property & Competition Law Research Paper 12-11, 401-416 and fns 15-92; Katharina Kaesling, 'The European patent with unitary effect—a unitary patent protection for a unitary market.' (2013) 87 UCLJL 87, 108-109.

24 von Zimmeren and Van Overwalle, (n 23) 17-18.

25 Directive 98/44/EC Cross-licenses for plant breeder rights or biotechnological inventions [1998] OJ L213/12; Regulation (EC) No 816/2006 of the European Parliament and of the Council of 17 May 2006 on compulsory licensing of patents relating to the manufacture of pharmaceutical products for export to countries with public health problems [2006] OJ L 157/1, which implements Art. 31 bis TRIPS.

26 Art 36 TFEU; Case C-30/90 Commission v. UK and Northern Ireland [1992] ECR I-829, para 19.

27 Case C-235/89, Commission v. Italian Republic [1992] ECR I-777, para 29; Case C-30/90; Commission v. UK and Northern Ireland [1992] ECR I-829, para 33.

28 Joined Cases C-241/91 and C 242/91 P, RTE and ITP v Magill [1995] ECR 2811; Case C-418/01 *IMS Health v NDC Health* [2004] ECR I-5039; Case C-170/13, *Huawei v ZTE* [2015] 5 CMLR 15; Case T-201/04 *Microsoft v Commission* [2007] ECR 3601. For an overview, see Wernick (n 5) 287-371. On the interfaces of the unitary patent system with EU competition law, see Clement Salung Petersen, Thomas Riis and Jens Schovsbo, 'The Unified Patent Court (UPC), Compulsory Licensing and Competition Law' (2014) NIR 324.

## **2. Legal and economic consequences**

Omitting compulsory licenses from the UPP Regulation and the UPC Agreement plays in the patent holders' interests. Compulsory licenses would have the potential to alleviate the overprotection problems present in the patent system, such as patents' proliferation, the presence of patent assertion entities and hold-up problems.<sup>29</sup> Instead, the current design of the unitary patent systems risks cementing them and creating a perpetual disbalance that hinders innovation.<sup>30</sup> As a consequence, it fails to protect follow-on innovators from the opportunistic behaviour of patent holders.<sup>31</sup> Moreover, under the unitary patent system, gaining a compulsory license in all Member States poses significant costs for the applicant. They would need to deal with the costs of applying for a compulsory license one by one in each Member State and manage the heterogeneous national conditions, procedures, and processing times.<sup>32</sup> This places an undue economic burden on actors with legitimate interests in obtaining a compulsory license – holders of dependent patents, actors facing abusive practices from the patent holder and those who would need access on the grounds of public interest.

Besides economic considerations, prospective licensees would be dealing with considerable legal uncertainty. The omission of compulsory licenses with unitary effect from the UPP Regulation undermines the very unitary effect<sup>33</sup> and counteracts its objective to advance the internal market.<sup>34</sup> Furthermore, it is far from clear whether the Member States even maintain the competence to award compulsory licenses to unitary patents in the light of Art. 2 (2) and 4 TFEU. Attempts to grant such a compulsory license may be deemed as infringing the principle of free movement of goods (Art. 26 TFEU).<sup>35</sup> According to Ullrich, Member States may also be prevented from granting compulsory licenses to unitary patents on the basis of Art. 3(2) UPP-Regulation, as such measure, would feature a limitation interfering with the territorially unitary character of

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29 See Wernick (n 5) 38-51, 59-69.

30 Hilty, Reto M., Thomas Jaeger, Matthias Lamping, and Hanns Ullrich (2012). 'Unitary Patent Package: Twelve Reasons for Concern' Research Paper No. 12-12 Munich: Max Planck Institute for Intellectual Property Research Paper 12-12, 5.

31 Ullrich 'Select from Within the System' (n 23) 35.

32 Kaesling (n 23) 109.

33 Hilty et al (n 30) 4.

34 Kaesling (n 23) 109.

35 Hilty et al (n 30) 4. See also Ullrich 'Enhanced cooperation' (n 14) 607. Cf Hugh Dunlop 'Compulsory Licensing under Unitary Patent' (2017) 39 EIPR 393, taking the view that on certain occasions, a failure to grant a national compulsory license with unitary effect may amount to a violation of Arts 35 and 101 TFEU.

unitary patent protection.<sup>36</sup> Other authors argue that in the light of the distinct wording of Arts. 30 and 31 TRIPS, compulsory licenses should not be deemed as limitations to patent protection and therefore permissible under Art. 3 (2) (3) UPP-Regulation in the same manner as licenses for a part of the territories of the participating Member States.<sup>37</sup>

Even where the grant of a compulsory license would be aligned with the EU law, it may have a very limited effect on correcting imbalances in the other Member States because the grant of a compulsory license does not trigger the exhaustion on the internal market.<sup>38</sup> As a consequence, the patent holder may be entitled to prohibit the importation of products manufactured under a national compulsory license into another UPCA member state without breaching the principle of free movement of goods (Art. 26 (2) TFEU).<sup>39</sup>

Currently, the only means to establish a compulsory liability rule with a unitary effect is to interpret the provisions for granting an injunctive relief in the light of the principle of proportionality and affording the UPC with discretion to opt for granting only monetary compensation instead of an injunction.<sup>40</sup> Given, that courts specialising in patent litigation feature a trend of being patentee-friendly<sup>41</sup> it remains to be seen whether the UPC will pursue such a possibility.<sup>42</sup>

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36 Ullrich ‘Enhanced cooperation’ (n 14) 607.

37 Salung Petersen et al (n 28) 331.

38 Case 19/84 Pharmon v Hoechst [1985] ECR 2281, para 26; Kaesling (n 23) 109.

39 Cf. Case C-15/74 Centrafarm BV v Adriaan de Peijper v Sterling Drug Inc [1974] ECR 1147; Case 187/80 Merck & Co Inc v Stephar BV and Petrus Stephanus Exler [1981] ECR 2063.

40 See UPC Agreement, Preamble, arts 42, 62, 63 and 64 (4). For a discussion, see Mark Marfé, Alexander Reetz, Camille Pecnard, Riccardo Fruscalzo and Ruud van der Velden ‘The power of national courts and the Unified Patent Court to grant injunctions: a comparative study’ [2015] 10 *JIPLP* 180; Winfried Tilmann ‘The UPC Agreement and the Unitary Patent Regulation—construction and application’ [2016] 11 *JIPLP* 545; Vadym Selmenov ‘How will it be? Injunctive relief in UPC practice’ [2020] 15 *JIPLP* 134.

41 Stefan Bechtold, Jens Frankenreiter & Daniel Klerman, ‘Forum Selling Abroad’ (2019) 92 *S Cal L Rev* 487; See also Katrin Cremers, et al, ‘Patent litigation in Europe’ (2017) 44 *Eur J Law Econ* 1, 34-35.

42 Jorge Contreras and Marin Husovec ‘Issuing and Tailoring Patent Injunctions: A Cross-Jurisdictional Comparison and Synthesis’ in Jorge Contreras and M. Husovec (eds.), *Injunctions in Patent Law: Trans-Atlantic Dialogues on Flexibility and Tailoring* (CUP 2022) 338-340. Cf. Clement Salung Petersen, Thomas Riis and Jens Schovsbo, ‘The Unified Patent Court (UPC), Compulsory Licensing and Competition Law’ (2014) *NIR* 324, 333-334 arguing that the UPC could also pursue to expand their competence under Art. 32 (1) to also covers questions involving compulsory licensing in parallel with national courts.



### **3. Historical background and ways forward**

With respect to compulsory licenses, the unitary patent system is less balanced than even the earliest initiatives to instate the community patent.<sup>43</sup> Both Community Patent Convention 1976 and The Agreement relating to Community Patents 1989 harmonised the grounds for compulsory licenses albeit maintained national procedures for obtaining them.<sup>44</sup>

The Proposal for Community Patent Regulation Community featured a wider selection of substantive grounds in comparison to its predecessors mirroring Art. 31 TRIPS.<sup>45</sup> It permitted compulsory licenses on the grounds of non-working, for times of crisis and extreme urgency and dependency as well as to remedy an anti-competitive practice.<sup>46</sup> Furthermore, the exclusive competence to grant compulsory licenses to Community Patents was proposed to be held initially by the Commission, in a subsequent proposal on the Community Patents Court.<sup>47</sup> The proposed compulsory licensing regime for Community patents was deemed balanced.<sup>48</sup> In comparison to unitary and community patent systems relying solely on national compulsory licensing, the proposal would have had a greater effect on facilitating competition and innovation, the legal certainty and the reduction of transaction costs for those applying for a compulsory license. However, the risk of a patent being subject to a community-wide compulsory license was recognised to potentially deter larger patent holders from obtaining community patents.<sup>49</sup>

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43 Ullrich 'Select from Within the System' (n 23) 45.

44 Convention for the European patent for the common market (First Community Patent Convention), O.J. 1976, L 17/1 featured the grounds of non-working (art.47) and dependency (art. 48) and public interest (art. 46 and Preamble); Similarly, the Agreement relating to Community patents (Second Community Patent Convention), O.J. 1989, L 401/1 featured compulsory licenses on the grounds of dependency (art. 47) limitations to compulsory licenses on the ground of non-working on the grounds of non-working (art. 46) and public interest (Art. 45 and Preamble); Ullrich 'Select from Within the System' (n 23) 23 fn 93.

45 Ullrich, "Patent protection in Europe: Integrating Europe into the Community or the Community into Europe?", (2002) ELJ, 433, at 472; Thomas Jaeger 'The EU patent: cui bono et quo vadit?' (2010) 47 CMLR 63, 71.

46 Proposal for a Council Regulation on the Community patent (Regulation 2000), O.J. 2000, C 337E/278.

47 Proposal for a Council Regulation on the Community patent (Regulation 2000), O.J. 2000, C 337E/278 art 21; Council of the European Union 'Draft Agreement on the European and Community Patents Court and Draft Statute' Revised Presidency Text. (23 March 2009) 7928/09, Art. 3.

48 Ullrich 'Select from Within the System' (n 23) 24.

49 Thomas Jaeger (n 45) 71,73.

At the very minimum, the unitary patent system should allow for compulsory licenses with unitary effect on the basis of dependency of the second patent on the initial patent (Art. 31 (k) TRIPS), which by virtue of preventing unjustified refusals to license,<sup>50</sup> is essential for maintaining the internal functional efficiency of the patent system.<sup>51</sup> Yet, if a redesign or a major amendment of the unitary patent system is expected, it is important to give account to the fact that currently, none of the existing compulsory licensing instruments under patent law are well-suited to address the overprotection problems such as hold-ups that may hinder follow-on innovation. Furthermore, the existing compulsory licenses under patent law fail to maintain the functional efficiency of the patents system, most importantly due to the requirement of the prior effort to obtain a license (Art. 31 (b) TRIPS) that is very challenging to fulfil in the context of patent proliferation and increasing complexity of technical products.<sup>52</sup>

#### **4. Future-proofing the unitary patent project?**

If the UPC system is to be re-designed, it would be desirable to assess the fit of the known compulsory liability rules to address both the challenge of maintaining the functional efficiency as well as the contemporaneous pressures of accessing patents on the grounds of public interest. In particular, I propose that the redesign of UPC's compulsory liability rules should be undertaken with closer consideration of the temporal dimension of compulsory licensing, i.e. the point of time that access to patent provided to a willing licensee and the duration of process of providing involuntary access<sup>53</sup> The relevance of timing of the grant of a compulsory license differs depending on whether the instrument is meant to support public interest or enhance functional efficiency.

For compulsory licenses for public interest, the time pressure has traditionally played an important role in justifying the involuntary access to patent. In other words, involuntary access to patents was to be granted in the presence of a "temporal trigger".<sup>54</sup> The international conditions for compulsory licenses for public interest recognize the possibility to waive the requirement of prior effort

50 Ullrich 'Enhanced cooperation' (n 14) 606 and fn 66.

51 Hanns Ullrich 'Mandatory Licensing Under Patent Law and Competition Law: Different Concerns, Complementary Roles' in Reto M. Hilty and Kung-Chung Liu (eds.) *Compulsory Licensing*. (Springer 2014), 341-342, 369.

52 Wernick (n 5) 253.

53 See Liaquat Ali Khan 'Temporality of Law' (2008) 40 *McGeorge LR* 56, 58 on point of time (t) and duration ( $\Delta t$ ) as essential analytical components of the temporality in law.

54 *Ibid*, 87.

in the event of “national emergency or other circumstances of extreme urgency” (TRIPS Art. 31 (b)). Generally, the UPC, as a specialised court, would not be equipped to evaluate the presence of national emergency (Art. 31 (b) TRIPS) or weight on the public interest (Art. 8(2) TRIPS). Considering that the presence of a public interest in access may be territorially constrained,<sup>55</sup> it would not be necessary to establish an access regime with unitary effect for such access grounds. However, the circumstances of extreme urgency with wide transnational effects may occur where also a) a technical solution to alleviate the problem exists and b) where it would be counterproductive to leave access to a relevant patent at the mercy of heterogeneous conditions for public non-commercial or governmental use and unsynchronized national processes of allowing such use. To address such situations, it would be advisable to equip the UPC with powers to grant a compulsory license for public interest with unitary effect in the presence of extreme urgency, where access to technology across Member States is critical for alleviating the crisis. Such solution was already present in the Proposal for a Community Patent of 2000.<sup>56</sup> In this connection, it would be critical to ascertain that the bottleneck in responding to the public interest concern lies indeed in the inaccessibility of a patent and not on know-how or absence of manufacturing capacity<sup>57</sup> and that the patent holder would be adequately remunerated.

The temporal concerns for accessing patents in the interest of functional efficiency is of different nature. Ex post liability rules, such a denial of an injunctive relief, are applied in patent infringement proceedings. They offer access to patents at the later point of time, than compulsory licenses, which do not presuppose an escalation to a patent infringement trial, and can be applied for, with the exception of compulsory licenses for failure to work, at any point of patent life. Making such ex-ante liability rules more attractive to use could enhance the indirect effect of compulsory licensing (i.e. facilitating voluntary licensing negotiations).<sup>58</sup> Where the patent system is accompanied by institutions that facilitate effective patent clearance and licensing negotiations

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55 Cf. Ullrich ‘Enhanced cooperation’ (n 14) 606.

56 Proposal for a Council Regulation on the Community patent (Regulation 2000), O.J. 2000, C 337E/278.

57 Reto Hilty, et al. ‘Covid-19 and the role of intellectual property: position statement of the Max Planck Institute for innovation and competition of 7 May 2021’ (2021) *Max Planck Institute for Innovation & Competition Research Paper* 21-13, 1-2.

58 Wernick (n 5) 379. On the indirect effect, see Annette Kur and Schovsbo, Jens, ‘Expropriation or Fair Game for All? The Gradual Dismantling of the IP Exclusivity Paradigm’ (2009) *Max Planck Institute for Intellectual Property, Competition & Tax Law Research Paper* 09-14, 22.

for example with enhanced transparency<sup>59</sup> and clearinghouses<sup>60</sup>, its design could shift from ex-post conflict resolution exacerbated by the property rule into fostering ex ante licensing. This would enhance dynamic efficiency also by ascertaining that the patent holders obtain a remuneration for the use of their patents and income to reinvest in R&D at an earlier point of time than under a patent system based on ex post liability rule. A patent system, which not only features effective ex ante liability rules but also institutions relieving the transaction costs of voluntary patent licensing, would also harness better the benefits associated with open innovation: enhanced technology transfer and reduced duplicative innovation.<sup>61</sup> This would support also expeditious development of technology to address the large, systemic and time-sensitive crises such as climate change and Covid-19 pandemic that are characterised by urgency<sup>62</sup>, and where the technological solutions are likely to arise from recombination of technology over a longer period of time.<sup>63</sup>

## 5. Conclusion

The absence of ex ante compulsory liability rules under the unitary patent system is one of its most glaring systemic imbalances. While the inclusion of classical grounds for compulsory licenses would already represent an improvement, there is room to explore and implement more systemic changes in the unitary patent system, that on the one hand, would facilitate voluntary licensing and open innovation and on the other hand, support expeditious responses to the modern-day crises. Where timing of access and the pace of innovation matters, ex post flexibilities in accessing patents, such as denials of injunctive relief, do not suffice.

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59 Arina Gorbatyuk and Adrián Kovács, 'Patent Notice (Failure) in the Era of Patent Monetisation' (2022) 53 IIC, 506.

60 Esther van Zimmeren 'Clearinghouse Mechanisms in Genetic Diagnostics. Conceptual Framework.' In Geertrui Van Overwalle (ed) *Gene Patents and Collaborative Licensing Models* (CUP 2009).

61 Wernick (n 5) 379.

62 See Begoña Gonzalez Otero 'IP in Times of Climate Crisis – A Problem or a Solution?' (2022) 53 IIC 502 European Commission 'Eu proposes a strong multilateral trade response to the COVID-19 pandemic' (June 4 2021) IP/21/2801; Georg von Krogh, Burcu Kucukkeles and Shiko M. Ben-Menahem, 'Lessons in Rapid Innovation from the Covid-19 Pandemic' *MIT Sloan Management Review*, (June 1, 2020).

63 Natacha Estèves, Alina Wernick, and Suelen Carls, 'The Potential of Follow-On Innovation Financing Instruments to Support a Sustainable Transition' (2022) *Max Planck Institute for Innovation & Competition Research Paper 22-07*, 2-4.

**PART V.  
SOME IMPROVEMENTS  
AND ALTERNATIVES?**



# 24. HOW TO STRAIGHTEN UP THE SHAKY FOUNDATIONS OF THE UNITARY PATENT SYSTEM: PIERCING THE NON-EU LAW BUBBLE AND REINTEGRATING THE UPC WITHIN THE EU JUDICIARY?

*Luc Desaunettes-Barbero & Alain Strowel*

## **1. Introduction**

In this paper we explore how to address some issues in the design of the European patent with unitary effect (although we will refer to this new exclusive right as the “Unitary Patent”, we do not see it as a truly unitary intellectual property (hereafter IP) right, as further demonstrated below). This new exclusive right will take place and operate within the new patent system resulting from the 2012-2013 Patent Package (i.e. the combination of the Unified Patent Court Agreement (UPCA)<sup>1</sup> and the two EU Regulations, namely the Unitary Patent Regulation (UP-Reg)<sup>2</sup> and the language regime Regulation<sup>3</sup>).<sup>4</sup> Our intent is not to make a further proposition on how to reshape the new patent system from scratch, as, for instance, F. de Visscher, V. Cassiers or T. Jaeger do suggest in their contributions to this book. As a first caveat, we strongly support the emergence of a real Unitary Patent at EU level. However, we remain sceptical about the truly EU character of the forthcoming Unitary Patent, and we expect that the new system intended to start in June 2023 will be challenged before the Court of Justice of the EU (CJEU).

Indeed, there are good reasons to consider parts of the new patent system and the UPC as incompatible with EU law and principles. Such expected challenge will bring legal uncertainty that will have negative consequences for the

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1 Agreement on a Unified Patent Court, 19 February 2013, OJ C 175, 20.6.2013, p. 1–40.

2 Reg. (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ 31.12.2012 - L 361, p. 1.

3 Reg. (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, OJ 31.12.2012 - L 361, p. 89.

4 For a more in-depth description, see the introduction of this book.

innovation and industrial policies in the EU which partly rely on a fine-tuned and, most of all, stable patent system. During the time needed to obtain a ruling of the CJEU, the whole attempt to create a unified patent title and to streamline the process for adjudicating patents in Europe could therefore be jeopardised. If this new delay for a well-functioning patent system in Europe is as such very annoying, a decision of the CJEU declaring parts of the new patent system and the UPC as incompatible with EU law could yet lead to a real disaster, the scale of which would depend on the nature and extent of the illegality recognized. Lastly, if a whole new patent system were to be rebuilt after more than 60 years of discussions and negotiations<sup>5</sup>, it is possible that the integration process would be blocked as several key Member States would likely opt to rely on national and European patents, combined with their existing national judiciary systems. This potential fragmentation, as a by-product of the failed attempt of having a common patent, is not what Europe needs in the present geopolitical context where the advancements and deployment of (digital) technology more and more determine the wealth and power of nations as well as their capability to support their policies and values.

Because of the challenges looming over the future patent system, it appears reasonable to interpret and amend some of its rules and principles without exposing the whole system to a major legal strike-out. How to fix the existing gaps and shortcomings without dismantling the new patent system is what we want to explore here.

We see the wrongly designed patent system as a leaning building, much like the Pisa tower, which might continue to stand despite the wrong foundations, but could as well fall in the absence of consolidation. Some building blocks must urgently be repaired or amended. This will not allow to have the perfectly straight edifice one could have dreamed of, but at least, it might not fall to pieces.

In this regard, we will first highlight the main issues that need to be addressed as a priority, namely those concerning the externalisation of patent law from the EU legal order, its uncertain compatibility with EU law and the risks raised by the Unified Patent Court's design with respect to the right to a fair trial (2), before exploring the solutions that would, first, permit to re-integrate the UPCA within the orbit of EU law with the aim of re-establishing the CJEU as last resort jurisdiction for patent matters and, second, re-empower the EU legislator for determining the substantive rules of the Unitary Patent (3).

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5 See Aurora Plomer, *A Unitary Patent for a (Dis)United Europe: The Long Shadow of History*. *IIC* 46, 508–533 (2015). <https://doi.org/10.1007/s40319-015-0356-6>.



## **2. Foundational weaknesses of the new system**

Several issues were flagged in the other contributions of this book,<sup>6</sup> and there is no need to make a comprehensive inventory of them. However, we like to summarize the most relevant ones that need in priority to be resolved to avoid a collapse of the new system.

### *A. Externalisation from the EU legal order*

The reliance on a technical and highly specialised court in patent matters might be justified by the technical complexity of patented inventions and the need to have non-lawyers involved in the adjudicating process. Yet, this does not mean that the litigation system should be disconnected from the EU legal and judicial framework. Such attempted severance from EU law is one of the most criticisable characteristics of the proposed system. This escape from EU law essentially takes two forms, an internationalisation, and a nationalisation of certain rules. Indeed, some important building blocks for a patent right to be adequately designed (such as its scope, exceptions, or the basic contractual rules) are either integrated in an international instrument or left to be defined by the applicable national law.

#### **1. Internationalisation of the substantive rules**

This externalisation from the EU legal order was made, in theory, possible through the adoption of an international treaty (the UPCA) to which the EU is not a party. As a consequence, the rules of the UPCA are, from a Union's law perspective, formally national law and, therefore, outside the scope of jurisdiction of the Court of Justice. Hence, from an EU law perspective, the UPC is not an 'EU court', but merely, as Article 1§2 UPCA explains, "a court common to the Contracting Member States (...)".<sup>7</sup>

An externalisation of the UPC from the EU legal order would, however, not have worked if the law that this new Court was called upon to interpret and apply would have constituted EU law. Indeed, as Article 1§2 UPCA recalls, as part of the national judicial systems, the UPC is "subject to the same obligations under Union law as any national court", which include a duty to refer questions

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6 See particularly the contributions proposed by Dimitris Xenos, Jean-Christophe Galloux, Heinz Goddar & Konstantin Werner, Rafal Sikorski, Nicolas Binctin, Mathieu Leloup & Sébastien Van Drooghenbroeck.

7 Art. 2§2 UPCA.

related to the interpretation of an EU act to the CJEU.<sup>8</sup> This explains why the drafters of the Patent Package finally decided to remove the substantive patent provisions entailed in Articles 6 to 8 of the draft Unitary Patent Regulation and to include them in the UPCA.<sup>9</sup> These provisions, placed today in Chapter V of the UPCA, include the definition of the patent's owner prerogatives to prevent the direct and indirect use of the invention (Art. 25 and 26), the list of limitations concerning the scope of patent protection, including inter alia, acts done privately or for experimental purposes, the use of biological material for the purpose of breeding, discovering and developing other plant varieties (Art. 27), the condition of the right for prior use (Art. 28), a recall of the rule of exhaustion already existing in Art. 6 UP-Reg (Art. 29), a provision concerning the legal regime to be applied to supplementary protection certificates (Art. 30).

The reasons to disconnect the patent system from the rest of the EU legal order are linked to both historical views and contingencies that are now outdated/not applicable and to an understanding of the role of the patent system that is no more justifiable.

It is indeed well-documented that during the negotiation process, the UK was critical of the role played by the Court of Justice, and that Germany was concerned about the quality of the case law developed by the latter in particular in the field of trademarks and therefore reluctant to let the Court be responsible for a more sensitive, and perceived as more important, domain of IP law.<sup>10</sup> Today, however, the UK is no more part of the EU, and also decided, in 2020, not to participate in the UPC. Regarding the initial German concerns, one can argue that the Court of Justice over the recent years has proven its capability to develop its expertise notably in the area of trademark and copyright law.<sup>11</sup> Then, judges having similar training and experience as the professional and

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8 Art. 267 TFUE, and recalling this obligation for the UPC, Art. 21 UPCA.

9 See in this regard the contributions of Rafal Sikorsky and Nicolas Binctin in this book.

10 See for instance the contribution of Tamar Khuchua and Thomas Jaeger (n°6) in this book. Also Karen Walsh, 'The Unitary Patent Package, the Court of Justice of the European Union, and Brexit:(Ir) Reconcilable?' (2019) 2 Intellectual Property Quarterly 91; Thomas Jaeger, 'Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise' (2013) 44 IIC 389, 391; Winfried Tilmann, 'The Compromise on the Uniform Protection for EU Patents' (2013) 8 Journal of Intellectual Property Law & Practice 78, 79; Fernand de Visscher, "Unitary Patent Package & Unified Patent Court: a (fragile?) progress of the European Union?", *Revue de droit intellectuel – L'ingénieur-conseil*, 2022/3, 523 (527).

11 See: Pier Luigi Roncaglia and Giulio Enrico Sironi, 'Trademark Functions and Protected Interests in the Decisions of the European Court of Justice' (2011) 101 Trademark Rep. 147, concluding that: 'In any case (...) the ECJ's journey (while not always linear) has been in the right direction, and the current state of Community jurisprudence is, on the whole, positive'.

technical judges who will sit on the bench of the upcoming UPC could play a decisive role even if this new court were to be attached to the Court of Justice or if additional patent rules would be subject to the final interpretation by the Court of Justice.

The second reason, more profound, is qualified for instance by Professor Galloux in his contribution to this book as the “very autonomous vision of patent law in relation to the legal system”.<sup>12</sup> This autonomous vision, which often leads to considering this area of law as a *corpus alienum* from the rest of the legal order, results mainly from the technical character of this legal domain and the need and practice of involving non-lawyers. Both the legal instrument (a complex and limited exclusive right to control certain uses of a technical solution) and the assessment of the subject matter of a patent (what constitutes an invention is outside the common understanding of lawyers and requires the expertise of technical experts) do not fit with the training, and areas of interest, of most lawyers. If the technicality of this area of law is undeniable, its alienation from the rest of the legal system cannot be accepted.

The creation of a patent system and the establishment of the conditions under which it should operate involve policy choices made by the lawmaker, which are not neutral since they confer legal privileges to the benefit of the rights owners and thus disadvantage third parties, in particular competitors and users. The right calibration of any IP right hence involves a balancing at all levels of the right: for patent in particular, not only when determining the patent subject matter and the exclusions from patentability, but also when defining and applying the patentability criteria, when constructing and interpreting the claims, when delineating the scope of the granted rights or the exceptions to patent enforcement, when designing the proper remedies, in particular injunctions, etc.<sup>13</sup> These policy choices might further collide with other decisions operated by the lawmaker (for instance, concerning competition law<sup>14</sup> or consumer law) or with other interests protected within the legal order (notably those covered by fundamental rights, including the freedom to operate a business). This tension is for instance particularly apparent in the case law developed by the Court of Justice concerning the interpretation and application of copyright.<sup>15</sup>

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12 See the contribution of Jean Christophe Galloux in this book.

13 See on this, Rafal Sikorsky's contribution to this book.

14 On this, see the contribution of Julia Zöchling and Bojan Pretnar in the present book.

15 Even if, unfortunately, copyright is not yet a unified title, but remains a bundle of 27 national rights in the EU, see Alain Strowel, *Advocating an EU Copyright Title*, in P. Torremans (ed.), *EU Copyright Law: A Commentary (2<sup>nd</sup> ed.)*, Edward Elgar, 2021, p. 1104-1117; and a revised version in French: *Plaidoyer pour un droit d'auteur unitaire de l'Union européenne*, in *Entre art et technique : les dynamiques du droit, Mélang-*

As underlined by commentators, copyright is indeed more and more viewed by the CJEU as a right protected under Article 17, §2 of the Charter of Fundamental Rights<sup>16</sup> and at the same time always in tension with other fundamental rights protected as well under the Charter (among them the right to freedom of information (Art. 11), the right to freely conduct a business (Art. 16), the right to privacy and data protection (Art. 7-8)).<sup>17</sup> Not only the difficult enforcement of copyright online (with for ex. the liability of intermediaries and platforms), but other issues, such as the subject matter and the scope of the rights and exceptions, are dealt with through the flexible tool of the “fair balance” used by the CJEU to ensure that various interests and rights are well taken into account for each copyright aspect.<sup>18</sup>

Solving these conflicts is precisely the role of the judiciary, which needs to articulate the – potentially contradictory – requirements stemming from different rights or pieces of legislation according to the – admittedly always moving – aim of any legal order. This exercise requires first that the judiciary be (hierarchically) organised for developing a sufficiently coherent case law so as to address the many conflicts between norms (and their underlying policies), and second that none of the legal norms affecting a given legal order escapes the jurisdiction of its judiciary system.

In its current form, the Unitary Patent system, which could be summarized with the motto “leave the patent experts to determine the important patent rules”, is precisely designed in an opposite way that isolates the UPC from the EU judicial system and the patent law provisions contained in the UPCA from the EU legal order. This outcome was not seriously challenged by the European

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es Pierre Sirinelli, LexisNexis, 2022, p. 197-218. <http://hdl.handle.net.proxy.bib.ucl.ac.be/2078.3/266337>.

16 See for ex. Alain Strowel, « Article 17 – La propriété intellectuelle », in F. Picod et S. Van Drooghenbroeck (sous dir. de), *Charte des droits fondamentaux de l'Union européenne. Commentaire article par article*, Larcier, 2022, 3ème éd., p. 429-457.

17 See Julien Cabay and Maxime Lambrecht, Les droits intellectuels, entre autres droits fondamentaux : La Cour de Justice à la recherche d'un 'juste équilibre' en droit d'auteur, in Julien Cabay and Alain Strowel (ed.), *Les droits intellectuels, entre autres droits. Intersections, interactions et interrogations*, Larcier, 2019, p. 181-242 and Julien Cabay, *L'objet de la protection du droit d'auteur - Contribution à l'étude de la liberté de la création*, unpublished PhD, ULB, 2016. See also, Luc Desaunettes-Barbero, „*Proportionality and IP Law: Toward an Age of Balancing?*”, in Franz Bauer and Ben Köhler (eds), *Proportionality in Private Law* (Mohr Siebeck 2023, forthcoming) noting that “the Court apparently feels obliged to engage in an almost systematic fundamental rights discourse”.

18 See for instance, CJEU, 24 Nov. 2011, *Scarlet Extended v SABAM*, C-70/10, CJEU, 15. Sep. 2016, *Mc Fadden*, C-484/14; CJEU, 27 March 2014, *UPC Telekabel Wien v Constantin Film Verleih*, C-314/12.

Parliament and not sufficiently pushed back by the Commission, whose primary aim – transformed sometimes in a “bureaucratic obsession” – was to achieve on paper one of the blocks of the internal market the Commission had put high on its list of priorities.

## 2. Nationalisation of the transactional rules

While the validity, scope and enforcement of patent are hence determined by international law, the rules concerning contractual and broader transactional issues involving patents as economic assets, or as “an object of property” – to use the term of the EU Regulations on unified IP titles<sup>19</sup> – are determined by the applicable national law.<sup>20</sup>

By focusing on the rules that delineate the possibility to block other market operators (even if those rules were internationalised) and by using national rules to regulate the transactional aspects of (unitary) patents, those having influenced the Patent Package clearly had a view of patents as rights to *exclude* third parties from using the protected subject matter, not as a legal asset needed to *conclude* market transactions.<sup>21</sup> This view explains that the legislative process was largely governed by somewhat narrowly defined patent issues (around validity, scope<sup>22</sup> and enforcement). This contradicts an important reality, maybe better grasped by the in-house patent attorneys: in several industrial sectors, the exploitation of patents as intangible assets, which might be traded by way of assignment, licensing, as security, or involve their securization as financial assets, etc., have become increasingly important in practice.<sup>23</sup>

If this focus on patent litigation partly explains why the legislator has underestimated the transactional aspects and relegated them to national law, it is

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19 For ex. Art. 19-27 Regulation 2017/1001 on the EU trademark; Art. 27-34 Regulation 6/2002 on Community designs.

20 Art. 7 UP Reg.

21 This view is at least understandable for the patent judges whose role in the legislative process is underlined by Emmanuel Lazega and François Lachapelle in their contribution to this book.

22 Even if, in this regard, the question of the compulsory licenses’ regime has also been left aside from the UP Regulation, with the result that their regime is in the same way currently the responsibility of national law. See in this regard the contribution of Jean-Christophe Galloux and Alina Wernick in this book.

23 See Hanns Ullrich, *The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?*, Max Planck Institute for Intellectual Property and Competition Law, Research paper No.13-17. Compare also the contribution of Thomas Jaeger (n°6) in this book. See also the study one of us has supervised: *The Use of IP Assets to Access Funding for SMEs*, SPF Economie, UCLouvain-Pierstone, 2022, p. 37 (accessible under <https://economie.fgov.be/fr/publications/guide-pratique-sur>). <http://hdl.handle.net/2078/259474> (19.01.2023).

however in no way a justification for *completely* removing those aspects from the domain of EU law, contrary than what the EU legislator did for the EUTMs and Community designs (see below). Indeed, while the CJEU has underlined that Article 118 TFUE, claimed as legal basis for the UP-Reg, “does not necessarily require the EU legislature to harmonise completely and exhaustively all aspects of intellectual property law”<sup>24</sup>, it is questionable that this legal basis is used for creating an IP right devoid of any EU substantive rules for the patent scope and limitations (see above) *as well as* for all its transactional aspects (see below). By removing all those decisive aspects out of EU law, the European Parliament and the Council did not “*establish* measures for the *creation* of European intellectual property rights to provide *uniform protection* of intellectual property rights throughout the Union”: strictly speaking, and even if the Court of Justice decides to accept the reliance on Article 118 TFUE,<sup>25</sup> there are no measures established in EU law concerning the IP rights, and no uniform protection, neither a true creation of an EU exclusive right by the legislator.

The national regime applicable to patents as assets and objects of transactions is determined by the residence or the principal place of business of the patent applicant, if this is not applicable, the place of business of this applicant, and, in case the applicant has no connection with the territories of the participating Member States, German law will apply as the law where the EPO has its headquarters (Art. 7 Unitary Patent Regulation or UP-Reg). The EU Trade Mark and the Community Design Regulations<sup>26</sup> also consider those EU unitary titles as national (trade mark or design) rights in their entirety, and they provide for similar rules to determine which national law will apply: seat/domicile of the IP holder, if not applicable, its establishment in the EU, and subsidiarily, Spanish law as the law applicable where the EUIPO is located. But despite their similarities, the rules for identifying the applicable national law will have very different effects for those truly unitary rights and for the misnomer Unitary Patent. Regarding Unitary Patents, when the patent owners have some connection with a country participating to the patent reform (Patent Package), the transactional

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24 CJEU, 5 May 2015, *Kingdom of Spain v. European Parliament, Council of the EU*, C-146/13, pt 48.

25 Because according to the Court: “the designation of the national law of a single Member State, which is applicable in the territory of all the participating Member States, and the substantive provisions of which define the acts against which an EPUE provides protection and the characteristics of that EPUE as an object of property, helps to ensure the uniformity of the protection conferred by that patent”: see: CJEU, 5 May 2015, *Kingdom of Spain v. European Parliament, Council of the EU*, C-146/13, pt 46.

26 Reg (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, p. 1–24; Reg. (EU) 2017/1001 of 14 June 2017 on the European Union trade mark, OJ L 154, 16.6.2017, p. 1–99.

aspects will be subject to the national law of the patentee (where it operates), while businesses from non-participating countries without this connection will never have their national law applicable. This rule for determining the national law for the Unitary Patents might create a discrimination between EU nationals, depending on where they have their residence/place of business (contrary than the similar rules for the unitary trade mark and design which treat solely non-EU related entities differently than those connected to an EU country). The different treatment of private parties from non-participating countries could probably be challenged relying on Article 21 of the Charter of fundamental rights or Article 18 TFUE. Although the discrimination results from the decision of “their” Member States not to participate to the enhanced cooperation, it is arguable that, for the firms originated in a non-participating Member State, it constitutes an indirect discrimination based on nationality, and some experts have underlined this.<sup>27</sup> Such covert discrimination is at first sight not justified by any objective ground. Indeed, the choice of a national law whose application is extended to all Member States participating to the Patent Package cannot be justified by the establishment of a Unitary Patent title according to Article 118 TFUE: in reality, the rule on applicable law goes right against the objective of a unitary character by creating as diverse (unitary) effects as there are legal diversities and divergences among the national laws of the participating Member States on the transactional aspects of the Unitary Patents.

True, a nationalisation of the transactional rules is also imposed for other unitary IP titles as the EU Trade Mark and the Community Design Regulations contain similar provisions on IP rights as “objects of property”. But significantly, this nationalisation of the property aspects of those unitary IP rights does not discriminate between the Member States (as those unitary rights cover the whole EU, without distinguishing between participating/non-participating countries). What’s more, some decisive issues are carved out of the applicable national laws for EU trade marks and designs as transactional assets. For example, Articles 20 to 28 of the EU Trade Mark Regulation (EUTMR) provide for uniform EU rules regarding the transfer of the EU trade mark (including evidence of the assignment, rules for the registration of a transfer, its enforcement towards third parties, the claim for assignment in favour of the propri-

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27 See Hans Ullrich, *The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?*, *op cit.*, p. 12, who takes a very clear position on this issue: “This preferential treatment of applicants domiciled in a Member State of the enhanced cooperation group amounts to an indirect discrimination on ground of nationality, because the residence or the principal place of business of a patent application typically corresponds to his/her nationality”. See also on this, the reasoning followed by the CJEU, 30 June 2005, *Tod’s v. Heyraud*, C-28/04.

etor-*versus dominus*, etc.), the licensing of the EU trade mark (including the claims of the holder against a contravening licensee, the conditions for a non-exclusive licensee to bring infringement proceedings, the enforcement of licenses towards third parties (*erga omnes* effect), etc.), the possibility of using the EU trade mark as security, the rules on the levy of execution or insolvency proceedings involving the EU trade mark. Similarly for Community designs, Articles 28-34 of the Regulation provide for EU rules applicable to their transfers or licensing, the use as security, the levy of execution, the involvement of designs in insolvency proceedings, the application for a design right. For the Unitary Patents, there is only a rule on licences of right (Art. 8) that is imposed under EU law, all other issues, including those on transfers and licences, are governed by a national law. Significantly, the rules that take care of the invisibility of patent transactions by limiting their effect towards third parties through the imposition of transparency and good faith requirements (as in the Art. 20, 11 and 27 EUTMR) are not integrated in the core EU rules for patent transactions: this again benefits the patent owners to the detriment of third parties whose interests were not sufficiently taken into account during the legislative process. This is one additional evidence of an unbalanced treatment of some stakeholders, which is otherwise corroborated by the many advantages patent owners enjoy under the UPCA rules (see for example the contribution of François Wéry in this book). Because of the reduction of the EU law component of the transactional rules to the sole regime of licences of right, differences between Member States in the way the contractual aspects of the Unitary Patent are regulated could thus proliferate. In practice, as has been noticed, many countries have somewhat similar rules on the transactional aspects for all IP rights.<sup>28</sup> However, the transactional aspects are not only regulated in national patent statutes, but in general property law, in procedural law, in pledge laws, in general principles of national law, etc. if not in the case law of each country. This reinforces the unbalance to the detriment of firms from non-participating Member States which will be subject to all the applicable national laws, including the case law, from the participating Member States.

Overall, when considering the property aspects, it is quite clear that the Unitary Patent is not an EU-wide right like the EU trade mark or design. On several transactional issues, the Unitary Patent is more governed by national rules than the other EU IP titles, although it is a newly born unitary title

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28 Some countries were expecting that a similar transactional regime as the one provided for the unitary trade marks and designs would apply as it was provided in the initial Community Patent Regulation, but the European legislator, under the pressure of some stakeholders, removed those rules during the legislative process, keeping only the rule of licences of right as EU law.



appearing at a time when EU harmonisation and unification (in the IP field) has intensified and deepened<sup>29</sup>. Thus, while the state of IP europeanization is more advanced today, and the expectations for a common patent law higher today than when the unitary trade mark and design titles were adopted, respectively in 1993 and 2001, a reverse course influences the way the Unitary Patent has been recently shaped.

What are the practical effects of this reversal of the tide favouring the nationalisation of some patent law facets? Rafal Sikorsky in his contribution to the present book has highlighted and considered several consequences of the rules on Unitary Patents as market assets. The fragmentation through nationalisation could affect the functioning of the technology markets, depending on the importance of the discrepancies between the national rules on those transactional aspects. At first sight, the fragmentation would increase the complexity of licensing a bundle of Unitary Patents subject to different national laws, in other terms, the transaction costs (in the economic sense) will be higher for the participants to those licensing deals. On today's markets, it is often required to offer a cluster of inventions and technologies within a patent portfolio (and in relation to a product with various components), not just to licence one singular patent, thus several national laws are likely to apply to many technology transactions. In addition, the role of patent pools has increased over the years, and not only in the field of connectivity and communication technologies, and it is likely that the transactional aspects for offering access to those pools (if they contain Unitary or existing European patents) will be subject to several national laws. Even if the parties to an assignment or licence can opt for a particular law to apply to the contractual aspects, some proprietary aspects, such as the type of licences that can be granted, the possibility to sub-licence and the effects of those contracts on third parties will be governed by the national laws with which the patentee will have connections.<sup>30</sup>

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29 Alain Strowel, Luc Desaunettes-Barbero and Vincent Cassiers, *L'influence du droit européen et de la Cour de justice en propriété intellectuelle : vers un ius commune*, in A. Strowel et G. Minne (eds.), *L'influence du droit européen en droit économique. Liber Amicorum Denis Philippe*, Larcier, 2022, vol. 1, p. 673-699, <http://hdl.handle.net/2078.3/266336>.

30 See the contribution of Rafal Sikorsky in this book.

### *B. Uncertain compatibility of the proposed system architecture with EU law*

As particularly well highlighted by Thomas Jaeger in chapter 6 of the present book, this circumvolved architecture (see above under A) leads to a certain uncertainty on the conformity of the proposed system with EU law. Asked about the compatibility of an initial draft of the UPC (still referring to Community patents) with the EU Treaties, the Court of Justice replied negatively:

[T]he envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law.<sup>31</sup>

This motivation is guided by the general consideration of the need to ensure a cohesive judicial system within the EU under the oversight of the Court of Justice. In this regard, the final version of the UPCA tries to address the criticisms of the Court of Justice, *inter alia* by recalling the primacy of EU law (Art. 20), by imposing on the UPC an obligation to cooperate with the CJEU through preliminary rulings for matters of EU law (Art. 21), and by rendering the Member States liable for the decisions of the UPC that would constitute a breach of EU law (Art. 22 and 23).

While these adjustments are designed to respond to the Court's criticisms, the general approach behind the UPCA system, as explained in the previous section, still runs counter to the establishment of a unified institutional and judicial framework (for EU/patent law) placed under the supervision of the Court of Justice. The core institutional design rule presiding over the architecture of the UPCA, and the policy attempt to make patent law a legal domain out of reach of the "common EU law", clashes with the primacy of EU law principle

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31 CJEU, 8 March 2011, *Opinion Creation of a unified patent litigation system - European and Community Patents Court - Compatibility of the draft agreement with the Treaties*, 1/09, §89.

and the strong and constant reaffirmation by the Court of Justice of its role as ultimate arbiter over EU law.<sup>32</sup>

Until today, the Court of Justice did not have the opportunity to take a stance on these adjustments made to the UPCA. In its decision C-147/13 concerning the action in annulment brought by Spain under Article 263 TFEU against the Unitary Patent Regulation, the Court indeed explained – in a very neutral wording – that “in an action brought under Article 263 TFEU, the Court does not have jurisdiction to rule on the lawfulness of an international agreement concluded by Member States.”<sup>33</sup>

The question of the UPCA legality, in the aftermaths of the adjustments made, remains therefore open. We think this critical issue which could lead to what we call a “central attack” on the UPCA, could resurface, for instance if a broad request for a preliminary ruling of the CJEU on various UPCA provisions is raised by a national court.<sup>34</sup> Although warnings about the development of this “non-EU law bubble” within the EU legal order have been numerous over the years, the patent profession seems to “sleepwalk” in its dream of superb autonomy from other legal – and societal – considerations. This situation presents huge legal risks, with a Damocles sword hanging over the whole institutional enterprise. We hope that the well-intentioned legislative work of several decades will not be definitely ruined, but we expect that critical reviews will be imposed by the CJEU at some stage.

### *C. Design of the Unified Patent Court and the right to fair trial*

The questions raised by the design of the UPC concerning its independence and the respect of the fundamental right to fair trial are intensively discussed in the contribution of Mathieu Leloup and Sébastien van Drooghenbroeck to this book. We will therefore remain concise here.

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32 See connivingly, the contribution of Thomas Jaeger (n°6) in this book concluding that the changes are not sufficient to address the concerns of the Court of justice, as they do not remedy “the lack of functional integration or links to the national judiciaries” and in the end only amount to “changing the court’s doorplate”.

33 CJEU, 5 May 2015, *Spain v Parliament and Council*, C-146/13, §101.

34 More ironically, this issue could actually arise on the occasion of the first preliminary ruling that the UPC would refer to the Court of Justice. Indeed, when considering the receivability of the latter, a debate could take place on the basis of Article 267 TFEU as to whether or not the UPC should be regarded as a “court or tribunal of a Member State”. On this, see for instance the contribution of Heinz Goddar and Konstantin Werner in this book.

The first issue concerns the powers attributed to the Administrative Committee, which according to Article 12 UPCA is composed of one representative of each Contracting Member State. This Committee, hence part of the executive branch, is, however, responsible for the appointment of the judges (Art. 16 UPCA), their reappointment (Art. 4 Statute), as well as for the setting up and discontinuance of local and regional divisions (Art. 7 §4 UPCA, Art. 18 Statute). The powers conferred to the Administrative Committee raise substantial concerns regarding a potential lack of independence of the Court toward the executive. The powers of this Committee are not only a matter of concerns in view of the independence of judges. They also appear problematic in terms of their content and of the lack of democratic control. According to Art. 41 UPCA, the Administrative Committee is for instance responsible for the adoption of the Court's rules of procedure. These rules of procedure – in reality of comprehensive code containing almost 400 provisions – were adopted by a decision of the Administrative Committee on the 8<sup>th</sup> of July 2022,<sup>35</sup> in the absence of any debate by a chamber of representatives that would constitute the legislative power normally required to adopt such essential rules. The second issue concerns the budget of the UPC. According to Article 36(1) UPCA, “[t]he budget shall be balanced” and “be financed by the Court's own financial revenues”. The second paragraph of this provision furthermore states that “[t]he Court's own financial revenues shall comprise court fees and other revenues”. This self-financing obligation again raises questions about the independence of the Court, this time not regarding the executive branch but the parties, which are supposed to be both the users and the financial backers of the Court.

These issues can again mainly be explained as resulting from the above-explained externalisation process. The severance from the EU legal order and, therefore, from its institutions oblige indeed to create from scratch some international administrative body in charge of managing the functioning of the Court. Realistically, this international administrative body was to be kept light: given the size of the Court, it was indeed not conceivable in practice, nor financially sustainable, to attach a complex organisation to the Court itself. As a result, the latter could not be offered the democratic depth or checks and balances existing within the EU institutions. In the same way, the budgetary regime of the Court might also be explained by its stand-alone position, rendering for instance the allocation of the collected fees directly to the budget of the Court itself the most straightforward solution.

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35 The rules are accessible on the website of the Court: [https://www.unified-patent-court.org/sites/default/files/upc\\_documents/rop\\_en\\_25\\_july\\_2022\\_final\\_consolidated\\_published\\_on\\_website.pdf](https://www.unified-patent-court.org/sites/default/files/upc_documents/rop_en_25_july_2022_final_consolidated_published_on_website.pdf).

Here again, we believe that these weaknesses – concerning some core features of the Court – could be questioned in a case of a “central attack” against the new patent system resulting from a preliminary ruling made by a national court.

### **3. Possible consolidation works**

As explained in the introduction, this chapter does not aim at rebuilding the whole patent system from the ground. In the following section we will therefore explore how some of the flaws and issues of the current system could be solved through consolidation works – to straighten up or just maintain the dangerously inclined Pisa tower-like construction of the new patent system.

#### *A. Re-integrating the UPCA as part of EU law and re-establishing the supremacy of the CJEU to ensure the coherency of the EU legal and judicial order*

##### **1. The legislative integration of the UPCA: an in-depth restoration**

The most straightforward way to address the issues previously described would be to transpose the UPCA into an EU Regulation. This transcription would lead to the incorporation of its provisions into the EU legal order, avoiding the alienation in international law of the substantive patent provisions. The UPC would further see its competencies arising from EU law, and it will be required to apply the EU law provisions in accordance with the EU Treaties, under the full control of the Court of Justice as a last resort jurisdiction.

This at first sight easy solution would remedy the isolation of the UPC from the EU judicial system and allow the patent law provisions entailed in the UPCA to become an integral part of the EU legal order. Furthermore, by ensuring the consistency of the EU legal and judiciary orders, it would consequently also address the remaining questions concerning the legality of the UPCA system. Thirdly, this option could also address the criticisms based on the right to a fair trial and the risk of a lack of independence of the UPC from the executive. Indeed, the UPC would then constitute a ‘specialised court’ in the sense of Article 257 TFUE, and it would hence be financed via the budget of the EU<sup>36</sup>, thereby discarding the legitimate concern and legal argument that patent owners are paying for their patent judges. This decoupling of the UPC financing from the UPC’s fees paid by the litigants would remove the understandable suspicion looming over the UPC that it is financially dependent on the pockets of the

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36 Art. 310-319 TFUE.

claimants/patent owners. The collected fees would then, following the principle of universality,<sup>37</sup> be diluted in the European budget. In addition, the powers recognised to the Administrative Committee – especially those concerning the judges' appointment, the set up and discontinuation of divisions or the establishment of the rules of procedure – which raise a legitimate suspicion of lack of independence from the executive could be exercised jointly by the Parliament and the Council under the control of the Commission. This integration within the EU institutional system would enable the decisions adopted to enjoy greater democratic legitimacy because of the involvement of several institutions representing different constituencies. This would decrease the risk of (limited) independence of the UPC. Lastly, this legislative integration could also address the weaknesses of the UP-Reg on the transactional aspects of patents that were shifted towards national law.

If this transposition of the UPCA – admittedly with other, and probably important modifications<sup>38</sup> – constitutes the 'cleanest' way to resolve some of the major issues of the Patent Package, it is however improbable, from a mere political perspective, that the EU legislator will engage in this direction anytime soon. The architecture of the patent system and the resulting externalisation of patent law from the EU legal order are not the result of a lack of focus by the Member States but, on the contrary, the outcome that was sought by them. With the hindsight we have today the position of some of the negotiating States (and of the European Parliament) might have evolved, it makes however little doubt that no one wishes to invest time and efforts in reopening a very uncertain negotiation process.

This solution, at first sight easy from a legal point of view, but politically complicated, should however not be ignored. It could indeed constitute a life-line would the Court of Justice consider the Patent Package as breaching EU Law. In such a case, alternative proposals more elaborated as those exposed in this book could come into consideration. However, in the emergency situation created by a CJEU bar against the UPCA system, such a transposition, constituting the most straightforward solution (without any requirement in principle to renegotiate the content and wording of the exported provisions) would seem appealing.

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37 See Reg. 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union, OJ L 193, 30.7.2018, p. 1–222, Art. 20.

38 See notably III. B. of this contribution.

## 2. The integration within the EU legal order by a jurisprudential interpretation of the UCPA: between tinkering and high precision work

The second solution to avoid the above documented transfer of patent rules out of EU law could consist in integrating the UPCA within the EU legal order, this time not by way of a legislative modification but via the interpretation that the Court of Justice could make of the Agreement. Indeed, beyond the risk of seeing the UPCA declared incompatible with the EU treaties, the attempt to side line the Court of Justice for a Unitary IP right - established on the basis of Article 118 TFEU - appears rather naïve. As noted by Jager: “As cases as old as *van Gend* and *Costa* already tell us, (...) the ECJ actually has more room for proactive law-making where an act contains blanks than where it states guidelines.”<sup>39</sup>

In this regard, it is worth recalling, briefly, by means of two examples, the role that the Court already played in the area of IP law, to measure the ingenuity it can deploy at the service of the European integration. Considered from the viewpoint of the Court of Justices negative integration jurisprudence, IP rights could first be seen as strong obstacles to the integration of the internal market due to the territoriality and apparent immunity conferred to these rights, notably by Article 36 of the Rome Treaty.<sup>40</sup> Accordingly “[t]he provisions of Articles 34 and 35 [prohibiting the quantitative restrictions on imports and exports and all measures having equivalent effect]<sup>41</sup> shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of (...) the protection of industrial and commercial property”. To avoid these rights to constitute a strong impediment to the emergence of the internal market, the Court first reduced the immunity to prerogatives relating to the “existence” of these rights, thus opening up the possibility of controlling their “exercise”.<sup>42</sup> It then offered a restrictive definition of these prerogatives by limiting them to those relating to the “specific subject matter” of these rights, which it identified as essentially involving the “exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time”.<sup>43</sup> Lastly, the Court imposed a community wide exhaustion of these

39 Thomas Jaeger, ‘Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise’ (2013) 44 IIC 389, 391. Compare also the contributions by the same author in this book.

40 See also Article 345 TFEU according to which: “The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership”. For a more in depth analysis, see: Alain Strowel, Luc Desauettes-Barbero and Vincent Cassiers, *L’influence du droit européen et de la Cour de justice en propriété intellectuelle : vers un ius commune, op. cit.*

41 Added by the authors of this chapter.

42 CJEU, 8 June 1971, *Deutsche Grammophon v. Metro SB*, C-78/70, §11-12.

43 CJEU, 31 October 1974, *Centrafarm and Adriaan de Peijper v. Sterling Drug*, C-15/74, §

rights hence refusing to an IP holder the possibility to oppose the marketing within the EEA of products put into circulation with its authorisation in one of the Member States.<sup>44</sup>

The Court of Justice's role has not been more limited when it comes to the interpretation of substantive IP law. In this regard, the example of copyright is enlightening. Concerning this domain, the Court first identified several concepts as being "autonomous concepts of Union law", therefore requiring a uniform interpretation throughout the Union and placing the Court almost in the position of a co-legislator to fill gaps existing in the EU legal framework.<sup>45</sup> The most visible example undoubtedly concerns the notion of work under copyright law. In the absence of an express definition in the relevant EU copyright directives, the CJEU, in its *Infopaq* decision,<sup>46</sup> treated the notion of work as an autonomous concept of EU law, requiring therefore a uniform interpretation throughout the EU (point 27), and has since then fine-tuned in a praetorian way the interpretation of the conditions of protection derived from the formula "the author's own intellectual creation" (point 37).

In view of this voluntarist interpretation, one can only be sceptical towards the belief that, confronted with the schoolboy trick in propelling the substantive provisions of the Unitary Patent title to the sphere of international law (and relegating other issues to national law), just to avoid its jurisdiction, the CJEU will simply bow down.

This is even more so since the Patent Package, which, thanks to the reliance on an international agreement, is supposed to constitute an impregnable fortress for the Court of Justice, presents a significant weakness... namely the UP Regulation. This regulation could constitute the entry door for the Court of Justice. As an EU secondary piece of legislation, the Court of Justice has jurisdiction to interpret it and its rulings will be binding for national courts. The UP Regulation, which formally establishes the new European IP right, i.e. the Unitary Patent, is often considered an empty shell because it is cross-referencing other pieces of legislation. However, these references could be exploited by the Court to drag the UPCA into its jurisdiction. Indeed, Article 5 UP-Reg imposes that the right conferred by and limitations to the Unitary Patent be applied in a uniform way in all Member States participating to the enhanced cooperation. Accordingly:

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9; see also CJEU, 31 October 1974, *Centrafarm and Adriaan de Peijper v. Winthrop*, C-16/74, § 8.

44 CJEU, 8 June 1971, *Deutsche Grammophon v. Metro SB*, C-78/70, §12.

45 This was, for instance, the case for the notion of parody, see CJEU, 3 Sep. 2014, *Deckmyn*, C-201/13 or equitable remuneration, see CJEU, 8 Sept. 2020, *RAAP*, C-265/19.

46 CJEU, 16 July 2009, *Infopaq*, C-5/08.



1. The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect, subject to applicable limitations.
2. The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

The Court of Justice is therefore the only one responsible for ensuring this uniform application since the UP-Regulation is part of EU legislation. In this regard, the Court could then explain, as in the *Infopaq* decision and many other IP cases, that “*the need for uniform application of Community law and the principle of equality require that [...] provisions of Community law [...] must normally be given an autonomous and uniform interpretation throughout the Community*”<sup>47</sup>. The brackets are not entirely innocent – we come to them at the end of this section. From there, it would not be a considerable effort for the Court to explain that the notions entailed in Article 25 to 30 UPCA, such as ‘direct use’, ‘indirect use’, ‘acts done privately and for non-commercial purpose’, ‘acts done for experimental purposes’, ‘prior use’, ‘exhaustion’, need to be considered as autonomous notions of European law, such a reading being necessary to ensure the ‘effet utile’ of Article 5 UP-Reg. Indeed, all those notions related to the scope of patents are just more precise determinations of what the “right to prevent any third party” means in practice, and how far it can be stretched.<sup>48</sup>

This reading of the UPCA as being ‘incorporated’ in the UP Regulation could be further substantiated by the fact that the UPCA is expressly mentioned in the 9<sup>th</sup> recital of the Regulation:

The European patent with unitary effect should confer on its proprietor the right to prevent any third party from committing acts against which the patent provides protection. [...] In matters not covered by this Regulation or by Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of unitary patent protection with regard to the applicable translation arrangements, the provisions of the EPC, *the Agreement on a Unified Patent Court*, including its provisions defining the scope of that right and its limitations, and national law, including rules of private international law, should apply.<sup>49</sup>

47 CJEU, 16 July 2009, *Infopaq*, C-5/08, §27. Compare also CJEU, 6 Febr. 2003, *SENA*, C-245/00§ 23, and CJEU, 7 Dec. 2006, *SGAE*, C-306/05, §31.

48 See also proposing an equivalent reading: Karen Walsh, ‘The Unitary Patent Package, the Court of Justice of the European Union, and Brexit:(Ir) Reconcilable?’ (2019) 2 *Intellectual Property Quarterly* 91, 18–19.

49 Emphasis added.

This express referral, within the recitals of the UP Regulation, to the UPCA provisions, as setting the relevant law “in matters not covered by this Regulation” establishes a direct link between the two acts and requires the Court of Justice to incorporate the UPCA within its interpretation of the UP-Regulation to ensure the consistency between the two pieces of legislation.

In this regard, the Court of justice has already flagged this recital as potentially playing a decisive role. Indeed, in its decision C-146/13, concerning the action for annulment brought by Spain against the UP-Reg, the Court, at the end of its reasoning supporting the rejection of the second plea attacking the reliance on Article 118 as a legal basis of the Regulation, states that:

50. Moreover, in recital 9 of the contested regulation, the EU legislature stated that in matters not covered by that regulation or by Regulation No 1260/2012 the scope and limitations of the right conferred on the proprietor of a European patent with unitary effect to prevent any third party from committing acts against which that patent provides protection in the territory of all the participating Member States in which it has unitary effect should apply.

This paragraph of the Court’s reasoning is interesting for two reasons. First of all, the Court feels obliged to trigger the recital 9 to support the fact that the Regulation indeed ensures some form of uniform protection and can therefore rely on Article 118 TFUE as a legal basis.<sup>50</sup> Second, the college of judges probably realised the potential implications that such reasoning could imply concerning the jurisdiction of the Court toward the two international agreements cited within this recital. Indeed, if the Regulation was valid, as offering sufficient uniform protection to be adopted under Article 118 TFEU, as a result of the material content of the two agreements, this by way of consequence means that the Court was considering the law of these two treaties as integrated within the Regulation... This far-reaching implication might have raised some debate among the judges and likely led to a certain amount of back and forth concerning the wording to be given to this point of the decision. The result can be qualified as a Freudian slip with a formulation that is partly based on Recital 9, but without making an express mention of the two agreements and... the final sentence does not really make sense. (The grammatical subject of the verb “should apply” can only be “the scope and limitations of the right conferred on the proprietor of a European patent”, which results in a sentence not having any meaning.... In reality the verb “should apply” is missing its actual subject, namely “the provisions of the EPC, the Agreement on a

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50 See also Fernand de Visscher, “Unitary Patent Package & Unified Patent Court: a (fragile?) progress of the European Union?”, *op cit.*, 534.

Unified Patent Court, (...), and national law” and, in accordance with Recital 9 UP-Reg, the whole paragraph should have read: “Moreover, in Recital 9 of the contested regulation, the EU legislature stated that in matters not covered by that regulation or by Regulation No 1260/2012 [, *the provisions of the EPC, the Agreement on a Unified Patent Court, including its provision defining*]<sup>51</sup> the scope and limitations of the right conferred on the proprietor of a European patent (...) should apply.”<sup>52</sup>

The only difficulty for the Court of Justice to expand its jurisdiction over the UPCA could lie in the 3<sup>rd</sup> paragraph of Article 5 UP-Regulation:

3. The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

This reference to national law could indeed be understood as impeding a reading of the notions entailed in the UPCA as autonomous concepts of European law. When citing the *Infopaq* decision, we indeed hid a part of its reasoning according to which the need to give a specific notion an autonomous and uniform interpretation throughout the Community only applies where the “provision of Community law make no express reference to the law of the Member States for the purpose of determining their meaning and scope”.<sup>53</sup>

We however do not believe that the entailed reference will constitute an insurmountable barrier. Indeed, the reference *to the Member States’ law* should be made *to determine the meaning and scope* of the provision. The purpose of this limitation is for the Court of Justice to respect the margin of appreciation that a given EU legislation might leave to the national legislators. Yet, Article 5(3) UP-Reg does not intend to open any policy margin at the disposal of the national legislator. Such a margin would indeed contradict the

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51 The part in square brackets is added by the authors, and is a copy/paste from Recital 9 UP-Reg.

52 As a matter of precision, this slip cannot be regarded as resulting from a translation mistake. The version in French, which is the working language used within the CJEU for drafting its decisions, contains the same error: “50. Au demeurant, le législateur de l’Union a exposé, au considérant 9 du règlement attaqué, que la portée et les limitations du droit, conféré au titulaire du BEEU, d’empêcher tout tiers de commettre des actes contre lesquels ce brevet assure une protection sur l’ensemble du territoire des États membres participants dans lesquels il a un effet unitaire *devraient s’appliquer* aux matières non couvertes par ce règlement ou par le règlement no 1260/2012”.

53 CJEU, 16 July 2009, *Infopaq*, C-5/08, §27. Compare also CJEU, 6 Feb. 2003, *SENA*, C-245/00§ 23, and CJEU, 7 Dec. 2006, *SGAE*, C-306/05, §31.

very purpose of enacting the UPCA. The provision is merely a rule allowing the identification of the national law (among those of the participating Member States) applicable to the dispute, and hence acting as an operative receptacle of the substantial rules entailed in the UPCA. This function does not open any space for the national lawmaker to decide on the meaning and scope of these rules. The formulation of Article 5(3) is in this regard telling. Article 5(3) does not refer *to* the law of a Member State but to the acts defined “*by the law applied to European patents with unitary effect in the participating Member State*”. The participating Member State is not granted any express room for policy margin but is merely acknowledged as the necessary implementer of the law applicable to European patents with unitary effect, as defined in the UPCA.

Hence, if the Court of Justice decides not to declare the UPCA as incompatible with the EU legal framework, it would have the possibility, through an interpretation, admittedly audacious, to extend its jurisdiction over the substantive patent provisions entailed in the UPCA. This reading of the Patent Package would reduce the externalisation effect and allow the Court of Justice to reinstate its position at the top of the EU judicial order and ensure the coherence of the European legal order. For the sake of completeness, such an interpretation would also be possible under the same conditions for the EPC...

### *B. Re-empowering the EU legislator as head architect of patent law policy in the EU*

In the aftermath of the entry into force of the Patent Package, while the transactional aspects will be governed by diverse national laws, the core of substantive patent law will turn out to be regulated by two international treaties in which the EU is not a party: The EPC for the subject matter’s conditions and the UPCA for the rules concerning the scope of protection. This double shift of norms, towards internationalisation and nationalisation, presents several flaws. First, the enacted rules are not monitored by a dedicated administration, such as the European Commission for EU law, which is supposed to ensure that over time these rules still fit their purpose, and in the negative case, to introduce legislative initiatives aiming at reforming them. With the UPCA (and the EPC), patent law risks to be solidified forever in stones that the EU legislator cannot turn over. Second, if there is a need for reform of the norms entailed within the international agreements, the reform of these two instruments will require the unanimity of the participating States to be modified, which renders a swift adaptation more complex.<sup>54</sup> Third, the participating States in the two agree-

<sup>54</sup> To be precise, both the EPC and UPCA contain provisions in their final dispositions to

ments are not the same: hence a shift in policy both for the subject matter and the scope of patent protection would need to obtain unanimity within the two groups of countries – something totally unlikely. Lastly, the EU lawmaker, confronted with this circumvolved architecture, might feel disempowered, even though the EU treaties recognize its competency to regulate this area.

Such resignation is however not justified, and the EU lawmaker should not be intimidated by this double shift towards internationalisation and nationalisation.

First of all, the EU legislator still has full competencies to remediate the nationalisation shift of the rules on the transactional aspects. The latter could hence enrich the UP-Regulation with specific rules relating to the conditions for the transfer or licensing of patent rights, allowing to reduce the transaction costs associated with these agreements. This could also allow to solve the discrimination issue previously mentioned between the nationals of the participating and non-participating Member States.

Second, from an EU law perspective, the existence of the two international agreements does not affect the EU capacity or legitimacy to legislate on patent matters if they affect the internal market. Additionally, to enact some EU secondary legislation in an area in which international agreements are already binding the Member States would not be a novum: irrespective of the fact that it might result in a fragmented (i.e. non-consolidated) legal framework, the EU lawmaker already relied on this solution for the Biotech Directive.<sup>55</sup> This Directive was in fact enacted to harmonise the conditions of protection for biotechnological inventions, an area where the differences in the protection offered by the law of the different EU Member States was considered by the European legislator as responsible for the creation of barriers to trade and hence as an obstacle for the well-functioning of the internal market.<sup>56</sup> As with any directive, this piece of EU secondary legislation was directed at the Member States that were compelled to ensure the alignment of their legal order with its

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facilitate their amendment. Thus, according to its article 87, the UPCA can be amended by a decision of the Administrative Committee. However, each State has a veto right against this decision, leading to the convening of a Review Conference where the unanimity rule is restored. Article 172 EPC is more original. Accordingly, the Convention might indeed be revised at a majority of three-quarters of the Contracting States, and the States refusing the modification shall cease to be parties to the EPC. This mechanism, which raises concerns from a democratic point of view, nevertheless presents a certain efficiency likely to overcome the difficulties of adapting international agreements.

55 Dir. 98/44/EC of 6 July 1998 on the legal protection of biotechnological inventions, OJ L 213, 30.7.1998, p. 13–21.

56 See, in this regard, recital 5 of the Biotech Directive.

provisions (Art. 288 TFEU). The fulfilment of this obligation, which led to the EPC synchronisation with the Biotech Directive's requirements, was challenging from an institutional perspective. If the EU Member States were compelled to ensure that the delivery, on their behalf, of patents by the EPO followed the requirements of the Directive, more than a third of the States participating in the EPC were not EU Member States and therefore not obliged to accept these changes. Eventually, the provisions of the Biotech Directive were incorporated in a literal manner in the Implementing Regulations to the EPC (See rules 26 to 29).<sup>57</sup> These Implementing Regulations, which are considered as integral parts of the EPC (Art. 164 EPC), may be adopted by the EPO Administrative Council (Art. 33(1)(b) EPC) at a majority of three-quarters of the votes of the Contracting States (Art. 35(2) EPC). As a matter of fact, the Court of Justice had the opportunity to clarify, in the decision concerning the action for annulment lodged by the Netherlands against the Biotech Directive, that this way of proceeding – i.e. the enactment of secondary legislation that might be in contradiction with international obligations accepted by the Member States – does not raise any issue about the EU legality of that said legislation.<sup>58</sup> The institutional difficulties go however beyond synchronising the international agreements with EU legislation: interpreting and implementing the provisions might raise further challenges. In this regard, and still looking at the Biotech Directive, the interpretation given by the Court of Justice in the decision *Brüstle v. Greenpeace* of the notion of “human embryos” under the provision of the Directive,<sup>59</sup> was, for instance not in line with the interpretation provided by the Board of Appeal of the EPO<sup>60</sup>. Yet, if nothing constrained the Board of Appeal to overrule its case law in the aftermath of the CJEU decisions, its non-respect would, however, have constituted a violation of EU law by the EU Member States, and the patent granted could have been revoked in national proceedings. In the absence of an institutional connection between the two legal orders and in an attempt to solve potential frictions, the EPO Examination Guidelines were therefore amended in 2012 to align them with the CJEU decision.<sup>61</sup> This solution saves appearances from an institutional point of view

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57 According to Art. 164 EPC Implementing Regulations “shall be integral parts of this Convention”.

58 CJEU, 9 October 2001, *Netherlands v Parliament and Council*, C-377/98, §52 “It is common ground that, as a rule, the lawfulness of a Community instrument does not depend on its conformity with an international agreement to which the Community is not a party, such as the EPC”.

59 CJEU, 18 October 2011, *Oliver Brüstle v Greenpeace eV*, C-34/10.

60 EPO Board of Appeal, G2/06, OJ EPO 2009, 306.

61 See T 1441/13 (Embryonic stem cells, disclaimer /ASTERIAS) of 9.9.2014, p. 6; also: Kur, Dreier, Luginbuehl, *European IP law*, second ed., p. 126.

since a *de facto* alignment is made possible via an internal decision of the EPO. However, this also presents a significant weakness from a legal point of view: contrary to the Implementing regulation, the guidelines which are adopted by the President of the EPO (Art. 10(2)(a) EPC) constitute only general guidance which is not binding for the Board of appeal.<sup>62</sup>

The example of the Biotech Directive enactment and implementation highlights that the EU lawmaker should not refrain from legislating in patent law because the matter is today regulated in international conventions.<sup>63</sup> However, this way of legislating raised several difficulties, especially because it requires to continuously patching up the international framework, which might turn into a tug of war, especially when non-EU Member States are concerned. In comparison with the EPC, the situation should be less problematic in the case of the UPCA. First, because all UPCA parties are Member States of the EU, which reduces the risk of potential conflicts. Second, because the UPCA recognizes expressly the primacy of EU law (Art. 20) and acknowledges that the UPC will be bound by the decisions of the Court of Justice (Art. 21 UPCA).

#### **4. Conclusion**

The way the Unitary Patent and the UPC have been shaped through legislation shows the intention of the major political actors behind the new patent system to sever patent law from the rest of the EU legal order. Many patent professionals have probably dreamed of cutting off the links with sometimes annoying rights and principles, among others the fundamental right to freely conduct a business and the proportionality principle, and to mainly argue and engage within the bubble of patent specialists focusing for example on the patentability criteria. It is not the prerogative (or “apanage” we would say in French) of this profession, but the reluctance of some (in particular those trained in clear cut disciplines) to engage in complex balancing exercises between various interests and rights, and the natural attraction of the comfortable realm of exclusivity and property, explain this. Ironically, this attempt to isolate patent

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62 For an exhaustive list of the decisions recalling this absence of binding effects of the guidelines, see: [https://www.epo.org/law-practice/legal-texts/html/caselaw/2019/e/clr\\_iii\\_w\\_1.htm](https://www.epo.org/law-practice/legal-texts/html/caselaw/2019/e/clr_iii_w_1.htm) (19.01.2022).

63 In this respect, the legislative initiative launched by the European Commission on compulsory licences can be welcomed as a sign showing the intention of the European legislator not to remain passive in patents matter. See in this regard the website of the Commission on this initiative: [https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13357-Intellectual-property-revised-framework-for-compulsory-licensing-of-patents\\_en](https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13357-Intellectual-property-revised-framework-for-compulsory-licensing-of-patents_en) (31.01.2023).

law from the European legal order is likely to lead to the paradoxical effect that much of the litigation before the new UPC will be plagued by thorny EU law and institutional issues.

Such severance is moreover not justifiable because of the role played by patents in our society and because of the questions raised by the balancing between patent protection and other fundamental interests. Beyond these considerations, the stubborn desire to isolate patent matters from the rest of the legal and judicial system has led the designers of Unitary Patent Package to go as far as opting for a structure that in several aspects could well be declared as incompatible with EU law and relies on a court that does not present all the guarantees necessary to ensure its independency. Remedying this situation of isolation must be a priority to avoid the collapse of the whole system. This chapter therefore proposes potential levers to reintegrate the UPCA as part of EU law and to reestablish the Court of Justice as last resort jurisdiction.

We believe that an integration within the EU legal order by a jurisprudential interpretation of the UPCA could allow the Court of Justice to save the system while reaffirming its authority and the integrity of the European legal order. Such a solution would furthermore avoid the full invalidation of the UPCA and its devastating consequences. In case of annulment, only a legislative integration could reboot the proposed system. In any event, any form of re-integration should go hand in hand with the EU legislator's re-empowerment. Indeed, in the view of the policy decisions implied in the shaping of any patent system, democratic control is a necessity. Furthermore, the loopholes in the current system, notably the transactional rules, could only be solved by adopting the missing rules at EU level.



## 25. OUTLINE OF SOME ALTERNATIVES TO THE UNITARY PATENT PACKAGE, AND IN PARTICULAR TO THE UNIFIED PATENT COURT

*Fernand de Visscher*

Other contributions in this book point out the shortcomings, problems, and even possible illegalities of the so-called “Unitary Patent Package” system. Some of them try to provide some solutions.

It is in the wake of these that we would like to submit for discussion three possible avenues, global and quite radical no doubt, but realistic in our view, to remedy several defects, among which the following fundamental one: the abandonment - in practice - by the European Union (“EU”) itself of its powers to regulate patent law from now on, leaving to the European Patent Organisation (“EPO”) the field of patentability and the centralised granting of titles of protection, and to the *Unified Patent Court* (“UPC”) Agreement (UPCA) the whole field of infringement of the so-called Unitary Patent and the European Patent (“EP”) as well as litigation related to them (in addition to the - definitive? – pause in the harmonisation of national laws in this field).

### ***1. Issues and concerns to be dealt with***

First of all, it is a question of reintegrating and standardising (or at least harmonising) substantive patent law in the law of the European Union: a globally coherent and effective innovation policy cannot be deprived of the powers to regulate in particular the protection of inventions in its conditions and limits. While the granting of patents is essentially a technical assessment in the light of legal criteria (in particular novelty and non-obviousness) of a relatively neutral nature from an economic and societal point of view, which can be left to an administration outside the Union (the European Patent Office, hereinafter “EPO”), most of the other aspects, which concern the use to be made of these titles constituting exclusive rights, are quite different: the scope of protection with regard to the needs of the holder, his competitors and society in general, and therefore its limits, exceptions, conditions of implementation, concrete measures attached to the exclusivity of exploitation, derogations for the benefit of certain third parties or the community, fees to be paid for maintaining

the patent, etc., all questions whose solutions, in themselves and through their interactions, affect the common good in the broad sense (economic, health, ethical, environmental, etc.). Can the European Union, in practice<sup>1</sup>, leave all this to national or international law? Equally, the Internal Market was recognised from the outset as requiring harmonisation in this area, which calls for the European Union itself to take a strong hold on it.

Our proposals also aim at a less controversial and more comprehensive application of Article 118 TFEU.<sup>2</sup> Indeed, it seems to us, contrary to the opinion of some<sup>3</sup>, that the question of the compatibility of Regulation 1257/2012 with Article 118 TFEU has not been exhausted by the judgment<sup>4</sup> of the Court of Justice of 15 May 2015 ruling on the action for annulment brought by Spain against that Regulation. The plea for annulment under Article 118 TFEU criticised the Regulation for not containing the legal regime for the protection attached to the patent with unitary effect, this regime being contained in the UPC Agreement and thus left to the Member States and not to Union law. In view of the limited *res judicata* attached to a judgment rejecting an application for annulment<sup>5</sup>, another question remains whether the Regulation complies with the requirement of Article 118 TFEU to *create a European IP right*, a concept which clearly refers to a *European (Union) law* title<sup>6</sup> and not to

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1 It is true that the *Unitary Patent Package* does not deprive the European Union of the power to legislate in these matters, as it did with the Directive 98/44/EC of 6 July 1998, the so-called Biotech Directive. But it is doubtful that the Council will agree to this, as it is made up of the Member States: through the UPC Agreement, the latter have added their control of the unitary effect to their national control of these matters, and we hardly see them giving it up!

2 Consolidated Version of the Treaty on the Functioning of the European Union [2016] OJ C202/49 (TFEU). For the record, Article 118 TFEU states: "In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements. The Council, acting in accordance with a special legislative procedure, shall by means of regulations establish language arrangements for the European intellectual property rights. The Council shall act unanimously after consulting the European Parliament."

3 Wouter Pors, 'Unitary Patent Package, the Court of Justice, Union Law and a further response to the academics' [2015] BIE 134.

4 Case C-146/13 *Kingdom of Spain v. European Parliament* EU:C:2015:298.

5 Melchior Wathelet and Jonathan Wildemeersch, *Contentieux européen* (2<sup>nd</sup> edn, Larcier 2014) paras 189 to 198, and para 230; Koen Lenaerts, Ignace Maselis and Kathleen Gutman, *EU Procedural Law* (OUP 2015) para 7.227.

6 "...the European Parliament and the Council... shall establish measures for the creation

a title which does not fall as such under European Union law. On the contrary, the patent with unitary effect is subject to Union law only in its unitary effect, which is recognised as *incidental*<sup>7</sup> and it remains a title subject to opposition before the European Patent Office still in its nature of a European patent and to a decision of cancellation by the UPC, an institution of public international law.<sup>8</sup> Thus, Union law does not give rise to or in any way affect the patent with unitary effect as a *title*.

Furthermore, the legality of the UPC Agreement and thus of the UPC itself remains uncertain. The above-mentioned judgment of the Court of Justice did not rule on this question, which is unrelated to the legality of the contested regulation, which was the only subject of the action brought by Spain.<sup>9</sup>

Finally, some shortcomings of the UPC itself as a court need to be addressed. One of the difficulties lies in the absence of a single court setting case law, in particular on the subject of validity requirements. This, together with the lack of harmonisation of national laws, further fragments patent law in Europe.

Other contributions to this book focus on these aspects.

## **2. Realities and hypotheses common to our proposals**

Certain realities, necessities and developments must be taken into account.

National patent systems will continue to exist. It is hard to imagine Member States giving them up.

The European Patent Office (EPO) has proved to be an efficient and good institution, even if some improvements need to be made, particularly with regard to the excessive length of procedures. Its role of granting patents is reconcilable, as it is today with the States participating in the European patent

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*of European intellectual property rights to provide uniform protection... “.* This must therefore result from a legislative act of the Union creating the title of protection. The focus of this provision is the creation of a Union law title while ensuring uniform protection can be achieved under Article 114 TFEU by harmonisation directives concerning national titles of protection (or similar: European patents). Article 118 TFEU is on a different level and concerns new titles of a different nature; this can only be Union law. See our contribution to be published in the forthcoming *Research Handbook on European Patent Law* (eds. Duncan Matthews and Paul Torremans).

7 Recital 7 *in fine*, Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1 (Reg 1257/2012).

8 The European Union is not a party to the UPC Agreement.

9 Case C-146/13 *Kingdom of Spain v. European Parliament* EU:C:2015:298, paras 100 to 109.

system, with a system that allows the European Union *a posteriori* control as well as legislative and judicial autonomy in this area. Extended participation on its part in a patent system for the European Union is possible, as was originally provided for by the Luxembourg Convention of 15 December 1975 on the Community patent.<sup>10</sup>

Moreover, there will always be some “competition” between national patents, most often granted without examination, and European patents; recourse to the latter should not be discouraged in view of the useful filtering obtained by the EPO examination and opposition procedures.

There is also a growing specialisation of national courts in the Member States, increased dialogue between judges<sup>11</sup> and considerable technical progress concerning translations and access to national case laws, all of which make maximum centralisation of litigation much less necessary today than it might have been a good ten years ago.

Finally, the coherence of the system requires the adoption of directives for the harmonisation of national laws concerning national patents but also European patents. It also requires unity of interpretation by the Court of Justice, also with regard to Union law in general, including vis-à-vis the EPO insofar as the latter would participate in the system of a patent under European Union law.

Any reform should certainly retain various positive aspects of the *Unitary Patent Package* in terms of costs and concentration of litigation in particular. Success requires a very comprehensive approach but with the practical concern to limit the adaptations to be made to existing institutions at national and EU level, as well as the excessive appeals in litigation. The rules adopted should not penalise small and medium-sized enterprises, in particular those which innovate and which are, by this very fact, more exposed to the risks of patent infringement.

Our proposals are also based on some common hypotheses which seem to us realistic at least in law and, let us hope, at the political level, provided that by a finally recovered farsightedness and taking into account the various societal stakes of this matter, the legislator of the Union has the will to take in hand the protection of inventions by patents, and in particular the extent of the protection, the exceptions and the questions related to the use of these monopolies by their holders.

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10 Convention for the European Patent for the Common market (Community Patent Convention) [1976] OJ L17/1.

11 One thinks in particular of the judges' *symposia* organised by the EPO and the so-called Venice meetings.

On the one hand, the Munich Convention on the Grant of European Patents provides (Article 142) that a group of States may agree that the European Patent Office shall grant a European patent of a unitary character on all their territories. This anticipated the creation of the Community patent, the subject of the 1975 Luxembourg Convention. There seems to us nothing to prevent the Member States of the Union from agreeing to this by application of a Union regulation creating the European Union Patent.<sup>12</sup> Moreover, Article 143(2) of the Munich Convention allows the creation, within the EPO, of certain special bodies common to a group of States. In our view, there is nothing to prevent the decisions of these bodies from being subject to appeal under Union law and judged by EU courts. Furthermore, in the context of the possible “additional tasks” to be carried out by the EPO (Article 143(1) of the Munich Convention), there seems to us to be nothing to prevent the granting and opposing authorities from being given the task of ruling on applications and oppositions relating to a joint title for a group of States.

Likewise, the 1975 Luxembourg Convention on the Community patent provided for the grant of the Community patent<sup>13</sup> by the EPO (Articles 1 to 3), the creation of Revocation Divisions and Revocation Boards (appeals) within the EPO and the possibility of a further appeal to the Court of Justice of the European Communities against decisions of the Revocation Boards (Articles 4 to 12 and 56 to 63).<sup>14</sup> This Convention did not enter into force, not because it was contrary to Articles 142 and 143 of the Munich Convention which it was intended to implement, but for other reasons.

On the other hand, certain adaptations are possible to the Statute and Rules of Procedure of the Court of Justice of the European Union (Court of Justice and General Court) without having to amend the founding treaties (TEU and TFEU).

Finally, the directives for the harmonisation of substantive patent law should be able to include, or at least be accompanied by, certain measures relating to national courts (centralisation, specialisation, exchange of information and decisions, advisory intervention of foreign colleagues, etc., as suggested below).

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12 In the same way as the States participating in the UPC system must do so under Article 9 of Reg 1257/2012.

13 It was not yet a patent under Union law as proposed here but a title under international law like the European patent. At the time, Article 118 TFEU, introduced in 2007 (Lisbon Treaty), did not exist.

14 See (n10).

### ***3. Shared features of the three proposals***

Our proposals comprise three pillars: (i) creation of a European Union Patent (“EU Patent”) and harmonisation of national patent laws, (ii) adaptation of the role of the European Patent Office in granting EU Patents with possible appeals to an EU court, and (iii) strengthening of cooperation between national jurisdictions. It is also a question of (iv) settling the delicate issue of litigation relating to “classic” (or “standard”) European patents.

The **first pillar** would firstly include a regulation (“the EU Patent Regulation”) creating the EU Patent and regulating the conditions of patentability, infringement, exceptions, and many other issues of substantive law, as well as the settlement of disputes concerning this patent and aspects related to the various roles to be played by the EPO in relation to it. At the request (and therefore the choice) of the applicant, the European patent would be granted, for the Member States of the European Union, as a title under Union law, i.e., as an EU Patent (in addition to this patent also being granted as a European Patent for other States). It would therefore be a regulation very similar to those which exist today for the European Union trade mark and the Community design. In addition to the adaptations required by its particular subject matter (the EU Patent), various refinements would have to be considered, in particular as regards certain measures relating to the enforcement of rights and the national legislation which may be applicable.

This would be followed by directives harmonising patent laws at national level, including European patents (EPs), and consistent with the EU Patent Regulation. A first directive should at least include the substantive law provisions of the European Patent Convention and the UPCA. Thereafter, it will be necessary to address more sensitive issues such as the exact contours of the research exception, compulsory licences, arbitration and many others.

A step-by-step work plan will therefore be necessary. However, there is nothing to prevent, as a first step, the consolidation in EU law (regulations and directives) of at least the texts that have already been adopted, even if, on certain points, such as whether or not the order to cease infringing (“injunction”) is automatic, a more immediate discussion may be necessary in view of the major developments in this area.

Furthermore, certain questions relating to patent litigation (European and national) in the Member States should be regulated, by a directive or otherwise, without affecting their autonomy in this respect but essentially in order to centralise and specialise the courts and to encourage their cooperation and dialogue. We return to this point below.

Finally, the Court of Justice would exercise its role of unifying the law by answering the preliminary questions put by the national courts as regards the European Union Patent, governed by a regulation, as well as national patents and European patents, taking into account the harmonisation effected by the directives.

The **second pillar** common to our proposals concerns the role of the EPO as granting authority for European patents and the EU Patent.<sup>15</sup> It is at the latest at the time of grant that the applicant would choose, as far as the EU Member States are concerned, between the EU Patent and one or more European patents (the EU Patent would therefore not be imposed on him). As with the European patent, the refusal to grant the EU Patent would be subject to appeal to a Board of Appeal of the EPO. But, unlike the European patent, the decision of the Board of Appeal - in so far as it concerns the EU Patent - would in turn be subject to appeal to an EU court.

The same approach would be followed with regard to the opposition.

In addition, in our first proposal, the EPO could include Revocation Divisions and Revocation Boards to hear, at first instance and on appeal respectively, main applications for revocation of an EU patent.

In any event, if and to the extent that a decision of a Board of Appeal relates to an EU patent (or the application for such a patent), it will be subject to appeal for annulment to an EU court. The details of this involvement of the EPO in the EU Patent system are set out below in relation to each of the proposals.

This could result in the EPO adopting different solutions for the EU patent and the “classic” European patent due to specificities of EU law (regulations, directives, or case law), so that the same patent application could lead to patents with different scopes or that the two patents, initially identical, could suffer different fates following an opposition or an action for revocation. We have no objection to this in principle, since it is already possible today for a European patent to be granted with different claims in the various countries concerned, due to differences in the prior art to be considered.<sup>16</sup> Furthermore,

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15 Hopefully, the issue of translations should no longer raise the passions of the past. Recourse would therefore be had to Part 9 of the Munich Convention (Articles 142 to 149a), which is possible, as did Reg 1257/2012, as soon as a group of States decides to make use of the first authorisation given by Article 142(1) (the second being that of obliging to obtain a patent common to all these States, which this Regulation does not do). See on this subject Winfried Tilmann, ‘Introduction to this Commentary’ in Winfried Tilmann and Clemens Plassmann (eds), *Unified Patent Protection in Europe: A Commentary* (OUP 2018) para 128.

16 This situation, which is admittedly not very frequent, occurs when the EPO has to take account of an unpublished earlier national right (Articles 54(3) and 139(2) and Rule 138 of the Munich Convention). It should be noted in this respect that Article 3(1) of

one will recall the saga of the application by the EPO of Directive 98/44 of 6 July 1998 on biotechnological inventions, in which the EPO ended up aligning itself with the interpretation of this directive in order to amend Rule 28(2) of the Munich Convention.<sup>17</sup> This amendment concerns all the States bound by this Convention, and therefore also States that are not members of the European Union. *Vis-à-vis* the latter, is it not more consistent to be clear and to adopt, if necessary, solutions specific to the EU Patent rather than to impose on them legal solutions in the development of which they have not participated?<sup>18</sup>

The **third approach** common to our proposals is to improve dispute resolution.

On the one hand, this would enable the courts, with full jurisdiction in these matters, to be better adapted to dealing with these disputes, the technical aspects of which often call for special skills, while at the same time preserving the necessary integration of this litigation into different and broader legal perspectives.

At least at the level of the Court of Justice, it would be good if the judge of the European Union could obtain the opinion of a specialised Advocate General, alongside or together with the conclusions of his Advocate General according to the usual procedure. We propose the creation of a list of highly experienced national judges (a “pool of advising judges”) who could thus give opinions<sup>19</sup> on patent matters to the General Court and the Court of Justice as well as to the national courts.

In our first proposal the General Court should have specialised chambers; in the second proposal this does not seem to be necessary as the court would

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Reg 1257/2012 makes the grant of unitary effect conditional on the European patent being granted with the *same* claims for all participating Member States. Moreover, it is known that the same European patent may suffer very different fates before the national courts (a situation which would be avoided in the case of the European Union patent, which is a unitary title).

17 EPO Enlarged Board of Appeal, case G3/19 *Pepper* OJ EPO 2020, A119 (URL: <https://www.epo.org/law-practice/legal-texts/official-journal/2020/10/a119/2020-a119.pdf>) (accessed 6 June 2022).

18 This does not prevent these States from accepting Union law solutions, as was seen in the case of the new Rule 28(2) adopted almost unanimously by the EPO Member States (*cf.* point XXVI.5 of the above-mentioned decision).

19 Its role would be limited to giving an opinion on the dispute, which would then be submitted to the adversarial debate of the parties. This role would in no way consist of participating in the decision itself. The limited nature of this role would make it possible to provide for this system without difficulty in national proceedings, where national courts would thus retain their sovereignty; it would also enable an advising judge to give his opinion before a court in a Member State of which he is not a national.



only deal with patent matters as a judge of cassation and with the compulsory assistance of an advising judge.

On the other hand, litigation at national level would be entrusted to specialised courts, as is already the case in many Member States. Cooperation and dialogue between national courts could take various forms. For cases to be tried, the national court could call on an advising judge from the above-mentioned “pool” to give an opinion on the case, which would then be subject to contradiction by the parties, as is generally the case with the opinion of the public prosecutor in some civil cases in some Member States. Training and meetings between judges should continue, as they do today, as should mutual access to national case laws. Such improvements, which do not affect the independence of national courts or their procedures, could be the subject of a directive.

A **fourth point** common to both proposals concerns the delicate question of the fate of the European patent<sup>20</sup> before national courts. A priori, in the European Union, the choice would be left to the applicant among one or more national patents, one or more European patents and an EU Patent. In this approach, it is desirable, in the absence of the choice of the EU Patent, that the European patent remains attractive compared to the national patent not only in terms of costs and quality but also as regards the risk of its invalidation. On this last point, the solution adopted by the UPCA (in the long term)<sup>21</sup> has been criticised because it exposes the proprietor to the revocation of his European patent in all the countries of the participating States, contrary to its nature commonly described as a “bundle” of national patents. It seems to us, however, that a fair balance must be struck for the benefit of third parties facing infringement actions based on the same European patent in several Member States; the multiplication of proceedings between the same parties (in the strict or broad sense) in respect of the same European patent is costly and undesirable.

Under the general rules of jurisdiction,<sup>22</sup> the defendant in an infringement action may be sued in the country of his seat (or domicile) or in the country where the alleged infringement is located. In the first case, the infringement action may be extended to countries other than the country of the defendant’s seat; it would then be logical that the counterclaim for invalidity of the European patent may be directed against the latter also in the other countries covered

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20 Not the EU patent, but the “classic” European patent.

21 See UPC Agreement 2013, articles 34 and 83.

22 Regulation 1215/2012 of the European Parliament and the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (so-called Brussels 1a Regulation: BR1a (recast)) [2012] OJ L351/1 (Reg 1215/2012), art 4.

by the infringement action (or even all the other countries of the European Union in which this patent is in force). If the defendant is sued in the country where the alleged infringement takes place,<sup>23</sup> it seems to us to be balanced that only the defendant can choose to extend the debate to all the Member States in which the European patent is in force, but then on both the invalidity and the infringement. Such a system would apply at least in related cases, which would be presumed where the parties involved belong to the “same undertaking” (within the meaning of competition law) or where the allegedly infringing product comes from the “same undertaking”, in which case the court first seized would have jurisdiction.

It is also conceivable that the parties to proceedings relating to the same European patent in various Member States could agree to group the various disputes in progress before a single national court of their choice, which would have jurisdiction to judge both the infringements complained of, and the validity of, the European patent in question for all the countries concerned (or even for all the Member States where this European patent is in force).

A similar approach could be followed in relation to the main action for revocation of a European patent.

For the cases mentioned above, it would therefore be *inter alia* a question of amending Article 24 (4) of the “Brussels1a (recast)” Regulation to give a national court the power to declare the European patent invalid, at least *inter partes*,<sup>24</sup> not only for its country but also for the other countries concerned.

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23 BR1a (recast), art 7(2).

24 This amendment to Article 24(4) of Reg 1215/2012 (BR1a (recast)) would be substantial and it is bold to propose it. But the current wording of this provision certainly goes too far in asserting, even between the litigants only (“*inter partes*”), the exclusive competence of the State which granted (or is supposed to have granted) the patent. It is true that the patent is the title of an administrative act, and therefore an act of public authority. But this act is in no way the result of a *discretionary* power of the authority. It is well known that, for a long time now, the patent is no longer the title of a monopoly that the Prince granted according to his goodwill or his economic or fiscal policy. The Prince was forced to grant it only under certain conditions and under the control of the courts. Fundamentally, the patent is first and foremost the expression, albeit optional, of a *unilateral and private* will (“the patentee makes his own law”; this is also what justifies the doctrine of *file history estoppel*): one asks for a monopoly that the authority is *obliged to grant or refuse*, in whole or in part, according to precise legal conditions, *ex officio* or at the request of a third party and under judicial control. Thus, protection and its limits are defined solely by law. It is therefore unjustified to make patents sacred as if they were a true act of authority, the cancellation of which would undermine the sovereignty of the State. If this were the case, it should be forbidden to renounce a patent, to limit it, to assign it, to license it, to compromise on it, etc. A minimum of legal (and economic) realism today obliges to recognise patents as essentially

This amendment and the jurisdictional rules proposed here would not apply to national patents.

#### **4. A first proposal inspired by the EU trade mark system**

Our first proposal,<sup>25</sup> clearly inspired by the EU trademark and Community design rules, has already been outlined.<sup>26</sup>

The centralised and specialised national courts, and they alone,<sup>27</sup> would have jurisdiction over patent litigation, whether it concerns an EU Patent, a European patent or a national patent. In the first case, the national court would have the status of an EU Patent Court. The rules of territorial jurisdiction relating to the latter would be the same as those in force for unitary titles of the same nature, i.e. the European Union trademark and the Community design. Therefore, for the EU Patent, in summary, the infringement action would be brought, at the choice of the patentee, before the court of the defendant's country of establishment or before the court of the Member State on whose territory the alleged infringement is located.<sup>28</sup> As is well known, this choice has consequences as to the territorial scope of the jurisdiction of the court seized.<sup>29</sup>

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private monopolies, objects of commerce. Moreover, healthy competition implies that unjustified monopolies are not maintained, either between the parties to the dispute or towards third parties. As soon as a patent is declared invalid by a judge, this invalidity must benefit everyone. Limiting invalidity to the parties to the dispute ("*inter partes*") amounts to sharing a monopoly, which is nonetheless a monopoly..., at least apparent, but which third parties must still dare (and pay) to challenge. Our proposed amendment should offend national sensitivities all the less as it concerns, by hypothesis, patents granted by the EPO and not by a national authority. At the very least, it should be accepted *inter partes*.

- 25 Referred to as proposal A during the online seminar of 28 January 2022 organised by the CRIDES (UCLouvain) and skillfully commented on by Annette Kur in this book. We are very grateful to our colleague for her critical reflections which led us to better explain, qualify and justify our proposals.
- 26 Fernand de Visscher, 'Esquisse d'une solution alternative à la Juridiction unifiée du brevet (Unified Patent Court)' (2020) 4 RIDE 409.
- 27 With the possible assistance of an advising judge, as suggested *supra*.
- 28 Regulation 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark [2017] OJ L154/1 (Reg 2017/1001), art 125, and Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs [2002] OJ L3/1 (Reg 6/2002), art 82.
- 29 See Reg 2017/1001, art 126 and Reg 6/2002, art 83. But if there is a counterclaim for invalidity, the unitary nature of the EU patent will mean that, if the counterclaim is well founded, the invalidation will obviously produce its effects on the patent as such and therefore for the whole territory of the European Union.

This system, which may be perfectible in some respects,<sup>30</sup> is generally fair to the defendant and largely meets the needs of practice without creating an undue multiplication of litigation between the same or related parties. There may be inconsistencies in decisions, especially in the case of jurisdiction limited to each country where the infringement is alleged. But they seem to us to be very rare (no doubt due to unreasonable arrogance on the part of litigants when, very generally, the successive stages of the same proceedings should lead them to follow only one) and the courts should make greater use of their power to suspend proceedings where related actions are pending.<sup>31</sup>

A counterclaim for invalidity of the EU Patent would necessarily relate to that unitary title as such, i.e. for the whole territory of the European Union.

On the other hand, and as for the unitary titles mentioned above, the main application for cancellation of the European Union patent should be brought before the European Patent Office. Within the European Patent Office, the Revocation Divisions (of the EU Patent) would therefore have jurisdiction, with a possible appeal to a Revocation Board.

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30 See in particular Annette Kur, 'Easy Is Not Always Good - The Fragmented System for Adjudication of Unitary Trade Marks and Designs' (2021) 52 IIC 579.

31 Reg 1215/2012, art 30. Such a related character would be all the more obvious as the matter is "technical" and relates to one and the same legal title.

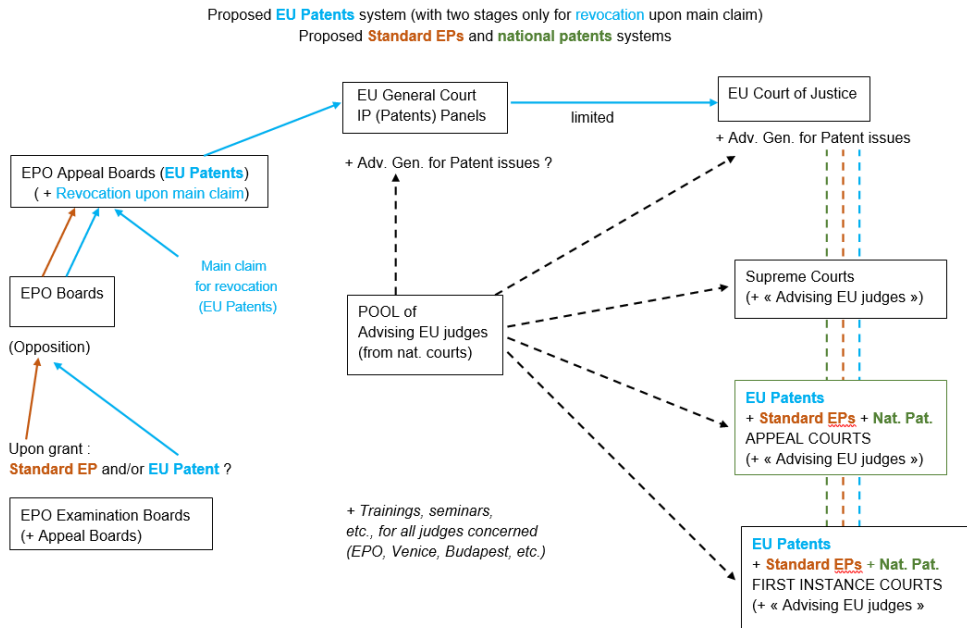


Fig. 1 – First proposal "A"

In order to avoid too many successive appeals, it could even be envisaged that the main invalidity action should be brought directly before a Revocation Board, functioning as an EU Patent revocation court, which would then make the creation of Revocation Divisions superfluous. This particular variant is illustrated in Figure 1.

Then, an action for annulment would be brought before the General Court of the European Union. As already explained, there should be a number of specialised chambers within the Court of First Instance which could (or should?) receive the opinion of an advising judge from a *pool of* national magistrates. Finally, an appeal in cassation would be available, but within strict limits, to the Court of Justice.<sup>32</sup>

<sup>32</sup> As is the case today in relation to EU Trade Marks and Community Designs. See TFEU, arts 256(1) and 263, Consolidated Version of Protocol (No 3) on the Statute of the Court of Justice of the European Union, annexed to the Treaties, art 58a, and Consolidated Version of the Rules of Procedure of the Court of Justice of 25 September 2012 (OJ L265/1, 29.9.2012), as amended on 18 June 2013 (OJ L173/65, 26.6.2013), on 19 July 2016 (OJ L217/69, 12.08.2016), on 9 April 2019 (OJ L111/73, 25.4.2019) and on 26 November 2019 (OJ L316/103, 6.12.2019), arts 170a and 170b.

As already indicated, this would mean giving the European Patent Office complementary functions in relation to the EU patent: granting, opposition and cancellation.

In summary, the national patent and the ‘classic’ European patent<sup>33</sup>, harmonised in their conditions and regimes of protection by directives, and the EU Patent would have their judicial fates settled by the national courts as today, with the possibility, sometimes the obligation, of preliminary questions to the Court of Justice. The EU Patent would also be subject to a main application for revocation to the European Patent Office, with an appeal to the General Court (of the European Union).

## ***5. Second proposal: the UPC becoming an EU court***

### *A. Overview: an EU Patent Court*

Our second proposal, inspired by the same motives as the first, takes as its starting point the existence of the *Unified Patent Court* and consists in considering giving it the status of a European Union court in place of its current status under international law (as much by the nature of its constitutive texts as by the authority and the process of appointment of the judges), a status which raises questions.<sup>34</sup>

This court, integrated into the EU legal order, would essentially retain its structure of first instance divisions, a court of appeal and a registry while its rules of procedure would remain largely the same. It would have jurisdiction over all litigation (including main applications for revocation) concerning the EU Patent, which is governed by a regulation adopted under Article 118 TFEU. Further, the Court of Appeal would hear appeals against decisions (examination, opposition) of the EPO Boards of Appeal relating to EU Patents. In any event, the decisions of the Court of Appeal would be subject to an appeal in cassation to the General Court (of the European Union).

As far as national patents and “classic” European patents are concerned, the system would be organised as proposed above: harmonisation in line with the substantive law defined for the EU Patent, specialised national courts, preliminary rulings by the Court of Justice, adapted rules of jurisdiction as far as “clas-

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33 It should be recalled that in relation to this patent, we have suggested above special jurisdictional rules to join the actions.

34 Under TEU, art 19(1) subpara 2 and TFEU, art 267 (see in this respect i.a. the contribution of Thomas Jaeger (n°6) in this book) and under ECHR, art 6 (see in this respect the contribution of Mathieu Leloup and Sébastien Van Drooghenbroeck in this book).

sic” European patents are concerned, possible assistance of the national court by an advising judge from a European *pool* of judges specialised in patent law.

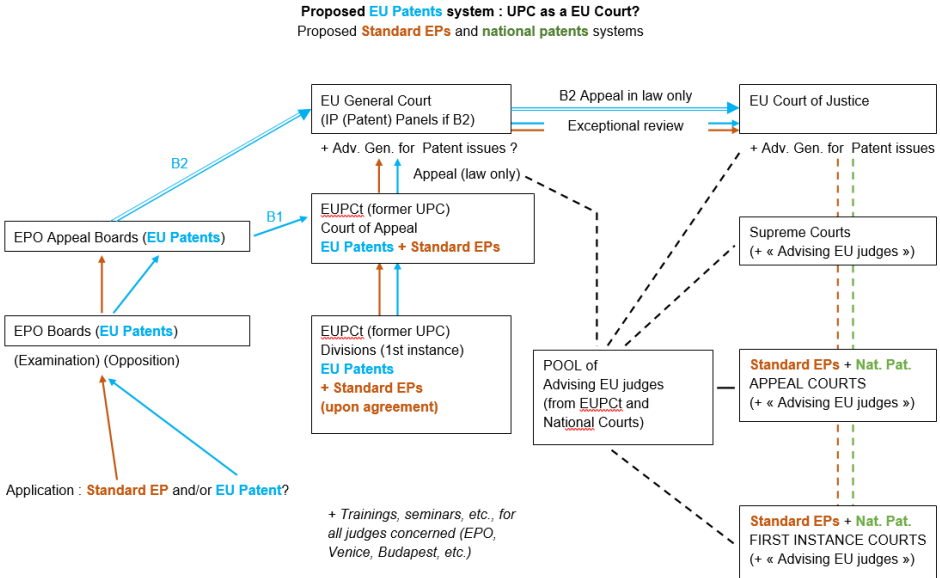


Fig. 2 – Second proposal “B” (with variants B1 and B2)

These are the main lines of this second proposal (illustrated in Figure 2).

### B. The legal bases

The legal bases for the insertion of such a European Union Patent Court (let us call it the *EU Patent Court*, abbreviated to “*EUPCt*”) are to be found in Articles 118, 256, 257 and 262 of the Treaty on the Functioning of the European Union (TFEU).

Without being explicit on this subject, Article 118 TFEU does not seem to be opposed to the creation of a common court under Union law for disputes relating to European IP rights, since it provides that the ordinary legislator shall supplement the creation of such titles by setting up “centralised control systems at Union level”, a concept which is probably general enough to include a court to be created by Union law.<sup>35</sup>

35 Article 118 TFEU is reproduced in (n2) at the beginning of this contribution.

But the real sources - with their constraints - for integrating this jurisdiction into the Union's judicial system are to be found in the other three articles of the Treaty mentioned above:

**Article 256(2) (ex Article 225(2) TEC):**<sup>36</sup>

"The General Court shall have jurisdiction to hear and determine actions or proceedings brought against decisions of the specialised courts.

Decisions given by the General Court under this paragraph may exceptionally be subject to review by the Court of Justice, under the conditions and within the limits laid down by the Statute, where there is a serious risk of the unity or consistency of Union law being affected."

**Article 257 (ex Article 225a TEC):**<sup>37</sup>

"The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may establish specialised courts attached to the General Court to hear and determine at first instance certain classes of action or proceeding brought in specific areas. The European Parliament and the Council shall act by means of regulations either on a proposal from the Commission after consultation of the Court of Justice or at the request of the Court of Justice after consultation of the Commission.

The regulation establishing a specialised court shall lay down the rules on the organisation of the court and the extent of the jurisdiction conferred upon it. Decisions given by specialised courts may be subject to a right of appeal on points of law only or, when provided for in the regulation establishing the specialised court, a right of appeal also on matters of fact, before the General Court.

The members of the specialised courts shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office. They shall be appointed by the Council, acting unanimously.

The specialised courts shall establish their Rules of Procedure in agreement with the Court of Justice. Those Rules shall require the approval of the Council.

Unless the regulation establishing the specialised court provides otherwise, the provisions of the Treaties relating to the Court of Justice of the European Union and the provisions of the Statute of the Court of Justice of the European Union shall apply to the specialised courts. Title I of the Statute and Article 64 thereof shall in any case apply to the specialised courts."

**Article 262 (ex Article 229a TEC):**

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36 We indicate in brackets the corresponding articles in the Consolidated Version of the Treaty establishing the European Community [2006] OJ C321 E/37 (TEC).

37 In the TEC, these were 'judicial panels', not 'specialised courts', and a Council decision rather than a regulation.



“Without prejudice to the other provisions of the Treaties, the Council, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice of the European Union in disputes relating to the application of acts adopted on the basis of the Treaties which create European intellectual property rights. These provisions shall enter into force after their approval by the Member States in accordance with their respective constitutional requirements.”

The link between Articles 262 and 118 is clear. In Article 262 and in accordance with the terminology adopted by the Lisbon Treaty,<sup>38</sup> the term “Court of Justice of the European Union” refers to the combination of the Court of Justice, the General Court and the specialised courts provided for in Article 257. There is currently no specialised court, the only one that has existed as such being the *EU Civil Service Tribunal*.<sup>39</sup> But it was on the basis of these two Articles<sup>40</sup> that the creation of a Community Patent Court as a “judicial panel”<sup>41</sup> was envisaged in 2003 (this denomination later replaced by “specialised court”).

It therefore appears possible to create a specialised court dealing with EU Patent litigation in accordance with these provisions.

However, in the current state of the texts mentioned above, there are two issues to be discussed.

On the one hand, Article 262 by designating the Court of Justice of the European Union seems to allow litigation on the EU patent (presumably created under Article 118) to be referred only to the Court of Justice itself, the General Court, or a specialised court (Article 257). For obvious practical reasons it is not conceivable to bring all private litigation relating to the EU patent immediately before the General Court or the Court of Justice. A specialised court in the sense of Article 257 must be envisaged. The decisions of the latter would thus be subject to either an appeal limited to questions of law or to an appeal

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38 François-Xavier Priollaude and David Siritzky, *Le Traité de Lisbonne* (La documentation française 2008) 341.

39 Established by Decision 2004/752 of 2 November 2004 and incorporated into the Court of First Instance on 1 September 2016 (Regulation 2016/1192 of the European Parliament and the Council of 6 July 2016 on the transfer to the General Court of jurisdiction at first instance in disputes between the European Union and its servants [2016] *OJ L200/137*).

40 At the time, TEC, arts 225a and 229a.

41 Proposal for a Council Decision establishing the Community Patent Court, 23.12.2003, COM (2003) 828 final (see also COM (2003) 827 final and the opinion of the Court of Justice in Council document 14349/04 of 8 November 2004). As is well known, the Community patent project was abandoned mainly because of the absence of a political agreement on its language regime.

also on questions of fact to the General Court (Article 257(3)) with exceptional review by the Court of Justice (Article 256(2)). However, these texts do not seem to allow the specialised court itself to be the court of appeal for other courts, since Article 257 provides that the specialised courts are responsible for ruling “at first instance”.<sup>42</sup> Should the latter expression be understood as restrictive or only, for reasons of legislative consistency, as a reminder of the possibility of appeal to the Court of First Instance itself, as provided for in Article 256(2) and the third paragraph of Article 257 TFEU? We favour the second reading; the specialised court could accordingly be an appeal court.

This is where Article 118 TFEU could also come into play, since it provides, at the same time as the creation of unitary intellectual property rights, for the creation of “*centralised authorisation, coordination and control systems at Union level*”. This terminology seems to be broad enough to include courts of first instance as well as a court of appeal. It should therefore be possible, on the basis of Articles 118, 257 and 262 in combination, to assign to the *EU Patent Court (EUPCt)* (replacing the current *Unified Patent Court*) this litigation which will thus take place successively before a division of first instance, before the Court of Appeal as an EU specialised court and then, on appeal, before the General Court.

Of course, under Article 262 TFEU, this approach requires the approval of the Member States in accordance with their respective constitutional rules, a lengthy step no doubt, but one that may be facilitated by the fact that, beforehand, the Member States will all have agreed, since the regulation provided for in this article must be adopted unanimously.

On the other hand, a second difficulty, this time of a practical nature but unavoidable in the current state of the texts, arises from the fact that under Article 256(2) of the TFEU, the decisions of the General Court concerning the decisions of the specialised tribunal must be “*exceptionally be subject to review by the Court of Justice, under the conditions and within the limits laid down by the Statute, where there is a serious risk of the unity or consistency of Union law being affected*”. Thus, there is the possibility of a fourth level of jurisdiction, which seems cumbersome and undesirable in practice (even if this possibility is entirely justified by the need to ensure consistency in the application of Union law).

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42 Although the French text refers to the specialised court hearing certain categories of “recours”, which seems to counterbalance the notion of “première instance”, it should be noted that the term “recours” does not appear to be decisive in the light of some other language versions, which rather suggest that the provision refers to actions or proceedings in general.

However, we do not believe that this risk can be exaggerated. Firstly, because the possibility of a review is not open to the parties themselves but only to the First Advocate General of the Court of Justice when he considers that such a risk exists, his proposal having to be formulated and accepted (or rejected) within a very short time.<sup>43</sup> Secondly, because a somehow similar pattern in relation to EU Trade Marks and Community Designs has not led to an increase in the number of appeals, quite the contrary: after two levels of litigation within the Office (EUIPO) followed by an appeal for annulment to the General Court, the possibility of an appeal in cassation to the Court of justice (fourth level) does exist, but the admissibility of such appeal is very strictly regulated in the light of the analogous requirement that there may be a risk of undermining the unity, coherence or development of EU law.<sup>44</sup>

### *C. Jurisdictional issues*

In this second proposal, the jurisdiction of the *EU Patent Court (EUPCt)* would cover all disputes relating to this patent, similar to what is foreseen for the *Unified Patent Court* concerning the European patent with unitary effect: infringement actions, main claims and counterclaims for revocation, declarations of non-infringement, etc.

The second instance (court of appeal) of the *EU Patent Court* would also hear appeals against decisions of the EPO's Boards of Appeal in so far as they concern the application for an EU Patent, or the opposition filed against it. There would therefore be two levels of jurisdiction before the EPO and one level of jurisdiction before the *EU Patent Court* (variant "B1" in fig. 2). Another possibility is an appeal directly to the General Court (thereby reducing the number of possible stages), but then with specialised patent panels (variant "B2" in fig. 2), which looks less realistic in the presence of a specialised court (EUPCt).

In any case, the possibility of an appeal to the General Court against decisions of the Court of Appeal would be reduced to an appeal limited to points of

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43 Consolidated Version of Protocol (No 3) on the Statute of the Court of Justice of the European Union, arts 62 to 62b, Consolidated Version of the Rules of Procedure of the Court of Justice, arts 191 to 193 and 195.

44 Under Article 58a of the Statute of the Court of Justice of the European Union, an appeal against a decision of the General Court ruling on an appeal against a decision of a Board of Appeal of the EUIPO is only admissible if the appeal "raises an important question as to the unity, consistency and development of the law of the Union". The procedure is governed by Articles 170a and 170b of the Rules of Procedure of the Court of Justice. The case law is very strict in allowing an appeal. See for a recent example the order of 5 May 2021 in case C-29/21 *Tinnus Enterprises v EUIPO* EU:C:2021:357.

law, as provided for in Article 257(3) TFEU. It does not appear necessary in this scheme to provide for specialised panels within the General Court. However, the General Court would then have to obtain the opinion of an *ad hoc* Advocate General from the pool of advising judges referred to above.<sup>45</sup>

It is true that the decision of the General Court may in turn be subject to review by the Court of Justice but, as we have seen, this scenario should remain exceptional.

To the competence relating to the EU Patent, one could add the jurisdiction to hear disputes relating to a “classic” European patent where the parties so agree. The agreement conferring jurisdiction would have to meet certain conditions, in particular that this jurisdiction extends to all EU Member States as regards both the infringement and the validity of the patent concerned.

For their part, the specialised national courts would hear all disputes relating to national patents and “classic” European patents,<sup>46</sup> with the possibility or the obligation to refer questions to the Court of Justice for a preliminary ruling, and with the possibility of obtaining the opinion of an advising judge from the *pool* already mentioned.

It should be noted that in this second proposal, the unification of case law by the Court of Justice can appear less obvious.

Indeed, when the General Court rules on an appeal against a decision of a specialised tribunal (the appeal body of the *EU Patent Court*), its decision is not subject to an appeal in cassation by either party, but only to an exceptional review at the request of the First Advocate General at the Court of Justice.<sup>47</sup> Consistency with the answers given by the Court of Justice in preliminary rulings can thus be ensured, but less directly and probably less often than in our first proposal (even if, in the latter following the example of the trade mark and design system, a party’s appeal is subject to strict conditions of admissibility).

## **6. A third proposal: combination of national courts and UPC as an EU court**

The two proposals thus outlined are not the only possibilities for a solution to the defects of the *Unitary Patent Package* and the *Unified Patent*

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45 In this second proposal, this *pool* could include judges from the *EU Patent Court* in addition to national judges. However, for obvious reasons of independence, the *ad hoc* Advocate General, whose opinion the General Court will have to seek, cannot belong to the *EU Patent Court*.

46 For these, the special rules on jurisdiction proposed above would also apply.

47 TFEU, art 256(2).

*Court*.<sup>48</sup> They may look radical. However, we believe them to be coherent and realistic in order to achieve a genuine patent policy in the hands of the European Union, to ensure that this area of economic law, an important part of the Internal Market, is applied as uniformly as possible, or at least harmonised, and to put in place an efficient disputes resolution system.

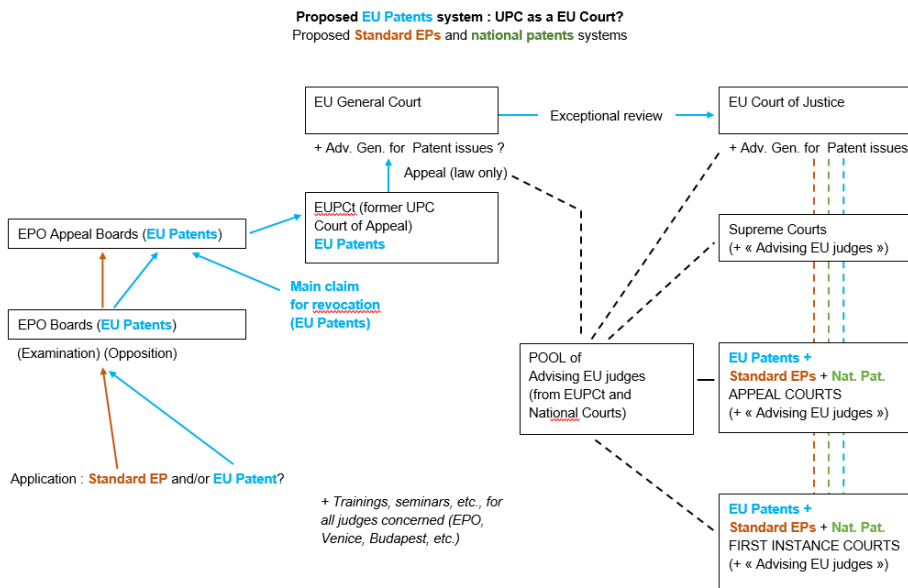


Fig. 3 – Third proposal

A third proposal, to which these reflections lead, could combine these two approaches. It could consist, on the one hand, of adopting a system inspired by that of the EU Trade Marks and Community Designs, and leaving to the national courts alone all disputes relating to all patents (European, EU and national). On the other hand, one could keep in the Unified Patent Court only the Court of Appeal (merged with the Central Division?) and turn it into a specialised court (*EU Patent Court*) (article 257 TFEU) ruling only on appeals against decisions of the EPO Boards of Appeal (examination, opposition) and relating to the EU patent, with the possibility of an appeal (in law only) to the Court of First Instance (followed exceptionally by a review by the Court of Justice)<sup>49</sup>. In one variant (see Figure 3), the main application for revocation of the EU Patent

48 See the other contributions in this book, part 3.

49 In this approach, the first difficulty discussed above in relation to our second proposal is avoided.

would be brought before a Revocation Board of the EPO and appealed to that EU Patent Court (in the same capacity of a specialised court).

### ***7. Final considerations***

Whatever the content, any reform of some magnitude will require from the European legislator firstly the necessary foresight to measure the stakes and the shortcomings of the current situation, secondly the will (quite legitimate, and not audacious as some seem to think) to impose on the European Patent Office the role of granting unitary titles of Union law with the appropriate controls by the European Union, and finally the necessary agreements to elaborate a unified and modern substantive patent law.

However, the magnitude of the task should not be exaggerated, as many texts already exist, national experiences are important, the trade mark and design systems at EU level have proven their worth despite minor shortcomings, and time has allowed critical thinking to mature.

# 26. AN IMPROVED EU TRADEMARK SYSTEM? – COMMENTS ON A EU TRADEMARK INSPIRED ALTERNATIVE TO THE UPC SYSTEM

*Annette Kur*

## **1. Introduction**

After decades of efforts, drawbacks and frustration, the UPC system has finally reached the stage of (provisional) enactment.<sup>1</sup> However, even for supporters of the system, this is no moment of pure joy. Too much is still uncertain, including the resilience of the system against legal challenges that are pending or may be threatening in the future.<sup>2</sup> Furthermore, the withdrawal of UK as a main actor giving the system its current shape has given a massive blow to the attractiveness of the unitary patent which, together with the UPCA, forms part of the patent package, putting the entire scheme into jeopardy.<sup>3</sup> And last but not the least, there are the serious concerns of those who have opposed the UPC from the beginning as being incompatible with the very essence of European Union law.<sup>4</sup>

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1 The Protocol to the Agreement on a Unified Patent Court on provisional application (PPA) was enacted on 19 January 2022; see <https://www.consilium.europa.eu/de/documents-publications/treaties-agreements/agreement/?id=2015056>. According to current information (November 2022), the UPC system will finally enter into full force on 1st April 2023.

2 Still pending are complaints filed with the German Constitutional Court, see Tilmann, GRUR 2021, 435 (after a first complaint has been rejected in 2020 and a request for preliminary injunction was denied in case of the pending complaints in June 2021); complaints to the CJEU may follow. For more details expounding on the deficiencies of the system rendering its compatibility with primary EU law precarious see other contributions to this volume.

3 Thomas Jaeger, Reset and Go: The Unitary Patent System Post-Brexit (2017) IIC 254 – 285; Gandía Sellens: The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court (2018) IIC 136 – 152; Tilmann, The UPC without the UK: Consequences and Alternatives (2020) IIC 847 – 851.

4 See among many others, the critical appraisal of the UPCA in The Unitary Patent Package: Twelve Reasons for Concern, position paper by the MPI for Innovation and Competition (Reto Hilty, Thomas Jaeger, Matthias Lamping and Hanns Ullrich), 17 October

From the standpoint of those steadfast critics – whose thoughts and misgivings are compiled in this volume – the question naturally arises whether it would not have been better from the beginning to opt for a judicial system corresponding to that implemented for other intellectual property (IP) rights with union-wide effect, namely the European Union trade mark (EUTM) and the Community design<sup>5</sup>. The charm of that solution lies in its simplicity. National courts are designated as ‘EU courts’ for the sake of adjudication on claims for infringement and counterclaims for nullity of union-wide rights,<sup>6</sup> with the option (and in case of court of highest instance: the obligation) to refer unclear issues concerning the interpretation of harmonised or unified provisions to the CJEU.<sup>7</sup> No new court structure needs to be developed, and compatibility of the scheme with primary EU law is under no doubt. Practitioners appreciate the system as workable and efficient; problems rarely arise.<sup>8</sup>

Nevertheless, this contribution argues that the proposition to follow the broad lines of the EUTM/Community design system also in the case of unitary patents does not present a sensible alternative to the UPCA. First, for historical reasons, the patent environment in Europe is very special as compared to that for other Union rights, which prevents a simple adaptation of solutions devised for the latter (2). Second, the EUTM/CD system itself is far from ideal and should not be adapted *tel quel* already for that reason (3). Measures aimed at correcting the shortcomings like those proposed by Fernand de Visscher in this

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2012, available at [https://www.ip.mpg.de/fileadmin/ipmpg/content/stellungnahmen/mpi-ip\\_twelve-reasons\\_2012-10-17\\_01.pdf](https://www.ip.mpg.de/fileadmin/ipmpg/content/stellungnahmen/mpi-ip_twelve-reasons_2012-10-17_01.pdf). See also Fernand de Visscher, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, GRUR Int. 2012, 214 – 224, already arguing for an alternative solution like the first one proposed in his contribution for this volume.

- 5 To be listed as union-wide IP rights are also the Community plant variety right (CPVR; see Reg. (EC) No. 1994/2100) and geographical indications, designations of origin and traditional specialties guaranteed which are registered and protected under Reg. (EU) No. 2012/1151). The judicial system for CPVRs corresponds to that for EUTMs and CDs (without special courts having to be designated as Community plant variety courts), whereas no specific rules apply regarding quality schemes protected under Reg. (EU) No. 2012/1151).
- 6 See Art. 123 of the European Union Trade Mark Regulation (Reg. (EU) no. 2017/1001; EUTMR) and Art. 80 of the Community Design Regulation (Reg. (EC) no. 2002/6; CDR).
- 7 Art. 267 TFEU.
- 8 A certain exception needs to be made with regard to provisions concerning jurisdiction and applicable law; however, these have been solved in the meantime. See Annette Kur: Easy Is Not Always Good – The Fragmented System for Adjudication of Unitary Trade Marks and Designs, IIC 2021, 579 – 594. The case of *Acacia v. BMW* which was pending at the time of writing was decided as forecast in the article; see CJEU decision of 3 March 2022, C-421/20, *Acacia v. BMW*, ECLI:EU:C:2022:152.



volume are therefore welcome; however, they would result in profound changes which, though legally feasible, might diminish the acceptability of a re-conceptualized system from a political perspective (4). Nevertheless, such proposals may be needed in case that the UPC should finally fail for legal reasons (5).

## **2. Differences between the patent and trade mark/design systems**

### *A. Brief comparison*

#### **1. A genuine EU system vs. a system established outside and beyond the EU framework**

Harmonisation of trade mark and design law in the EU proceeded in a two-tier fashion. Together with directives obligating Member States to align their laws with the provisions set forth therein,<sup>9</sup> union-wide rights were created that correspond in their substantive aspects to the former.<sup>10</sup>

In case of patents, the “European” system currently applying is not based on EU law, but on an international treaty, the European Patent Convention (EPC),<sup>11</sup> extending over 38 states, including inter alia Switzerland, Norway, and the United Kingdom. With some exceptions,<sup>12</sup> there is no “first tier” of national harmonisation based on EU directives. In spite of some degree of alignment of substantive provisions deriving inter alia from the (failed) efforts in the 1970s to create a Convention on the Community patent,<sup>13</sup> national laws may diverge on

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9 In case of trade marks: First Harmonisation Directive 104/1989/EEC, replaced by Directive 2008/95/EC, recast as Directive (EU) 2016/2436; in case of designs: Harmonisation directive 71/1998.

10 In case of trade marks: Regulation on Community Trade Marks, (EC) no. 40/1994, replaced by Regulation 2009/207, recast as European Union Trade Mark Regulation (above note 6); in case of designs: Community Design Regulation (above, note 6).

11 Convention on the Grant of European Patents of 5 October 1973, as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000 (EPC 2000). For a regularly updated version of the Convention see <https://www.epo.org/law-practice/legal-texts/html/epc/2020/e/index.html>.

12 See in particular Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions (Biotech Directive); of relevance for pharmaceutical patents is also Directive 2001/83/EC Directive 2001/83/EC on the Community code relating to medicinal products for human use (as amended by Directive 2004/27/EC).

13 Convention for the European Patent for the Common Market (Community Patent Convention), concluded in 1975, published in [1976] OJ L 17/1. The CPC could not enter into force for lack of ratification by all Member States.

points of substance even between EU Member States. That concerns national patent rights as well as European patents which have been validated in the respective states.<sup>14</sup>

## **2. Differences regarding the institutional design**

EU trade marks and Community designs are granted by the European Union Intellectual Property Office (EUIPO), an EU agency created for the purpose.<sup>15</sup> The EUIPO is also competent to decide on requests for declaration of invalidity or revocation filed after grant. Appeals against rejection of applications or against decisions on invalidity or revocation are directed, first, to the Boards of Appeal within the Office, with further appeal to the General Court and, provided that allowance to proceed is given, to the Court of Justice (CJEU).

The European Patent Office (EPO) as the central granting authority in the European patent system was not established, and does not operate, under EU law. While opposition can be filed against European patents, there is no possibility to lodge claims for invalidation at the EPO after grant of the patent and after validation in individual Member States. Appeals against decisions taken by the EPO are decided by the Boards of Appeal, including in special cases the Grand Board of Appeal.

## **3. Consolidated vs. fragmented jurisdiction**

In case of union-wide trade mark or design rights, international jurisdiction of courts designated as Union courts is specifically regulated in the respective instruments. Claims – in particular infringement claims<sup>16</sup> – pertaining to several or all EU Member States can be brought primarily at the place where the defendant is domiciled. Fall-back options are provided to ensure that a venue with union-wide competence can be determined irrespective of whether the defendant, or, in case of default, the plaintiff is domiciled or has an establishment in the EU (Art. 125(1) to (4) and Art. 126(1) EUTMR; Art. 82(1) to (4) and Art. 83(1) CDR). As an alternative, infringement claims including counterclaims for invalidity can be brought in the Member State where an act of infringement has occurred. In that case, the competence of the court seized with the case is restricted to infringements occurring in the territory where the court is located (Art. 125(5) and Art. 126(2) EUTMR; Art. 82(5) and Art. 83(2) CDR), whereas

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14 See however Art. 69 EPC on “extent of protection” of European patents which has a certain harmonising effect (based on the EPC, not on EU law).

15 For details see Art. 142 et seq. EUTMR.

16 That encompasses also counterclaims for infringement. The full list of claims for which the EU courts are exclusively competent is provided in Art. 124 EUTMR and Art. 81 CDR respectively.

decisions on counterclaims for invalidity issued in such proceedings become valid throughout the EU. Regarding issues which are not specifically regulated in the EUTMR or the CDR, the Brussels Regulation on enforcement and recognition (Reg. no. 2012/1215; BR1a) applies.

The Brussels 1a Regulation also determines international jurisdiction in regard to national rights, including European patents, provided that the defendant is domiciled in the EU; otherwise, the issue is decided under national law. Pursuant to Art. 24(4) BR1a, courts in the country where a registered IP right has been, or is deemed to have been, registered are exclusively competent to adjudicate on matters of (in)validity, irrespective of whether the issue is raised in isolation, as a counterclaim or as a defence in infringement proceedings. It is therefore not possible (other than in preliminary proceedings<sup>17</sup>) to consolidate claims involving invalidity at the place where the defendant is domiciled,<sup>18</sup> or where the causal action resulting in infringement has been committed.<sup>19</sup>

### *B. Consequences*

The most profound difference between the Community design and EU trade mark systems on the one hand and that of European patents on the other concerns the breadth of coverage. No third countries are involved in the former; the pertinent structures were fully and exclusively developed under EU law. Contrary to that, the European patent system owes its existence and success to institutional and conceptual features allowing for participation of third countries. Standard European patents without unitary effect are a legitimate offspring of that system, which by now represents a mainstay of the European innovation environment. Opting for a judicial system established in the narrower framework of “pure-bred” EU rights leaves European patents, together with national patents, to the current situation and its inefficiencies.

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17 C-616/10, *Solvay v. Honeywell*, ECLI:EU:C:2012:445, para 50, 51,

18 Art. 4 BR 1a. Apart from claims for which another court has exclusive jurisdiction, all claims against a defendant domiciled in the EU can be brought, and thereby consolidated, in the courts of the Member State where that person is domiciled

19 Actions pertaining to multi-state damages can be consolidated at the place where causal event occurred, while the competence of courts seized at the place where the harm arises is restricted to the forum state; established case law since CJEU C-68/93, *Shevill v. Presse Alliance*, ECLI EU:C:1995:61, para 30 et seq.; for applicability of that principle to IP rights see C-523/10, *Wintersteiger v. Products 4U* (trade marks), ECLI:EU:C:2012:220 para 21 et seq, para 30 et seq.; C-441/13, *Hejduk v. EnergieAgentur NRW*, ECLI:EU:C:2015:28, para 23 et seq. (copyright).

Of relevance in that regard is in particular the aspect that under Art. 24(4) BR1a it is not possible to consolidate jurisdiction in multi-state infringement cases before one competent court, if (in)validity is involved as an incidental matter.<sup>20</sup> The issue has caused concern,<sup>21</sup> bolstering efforts to establish a more user-friendly system. The UPC, for all its flaws, is meant to offer a solution to the problem, encompassing European patents and patents with unitary effect alike. Jurisdiction is allocated to a single court with extensive competence, instead of compelling costly and time-consuming litigation in several national jurisdictions. If European patents were excluded from the system by imposing a strictly EU-centred scheme, the solution to the problems addressed above would lose its breadth and thereby much of its practical value, unless complementary measures take care of European patents as well.

Apart from that, an alternative solution strictly modelled on the EU trade mark and design systems would not yield fully satisfactory results for unitary patents either. It is true that under a system adapted from EU trade mark or Community design law, consolidation of multi-state infringement cases would not pose a problem; as pointed out above, appropriate venues can always be identified on the basis of provisions corresponding to Art. 125 (1) to (4) EUTMR and Art. 82 (1) to (4) CDR respectively. However, the adjudicative power of the courts identified by those provisions does not extend to invalidity claims as such; unlike the UPC, EU design or trade mark courts can only hear invalidity claims brought as counterclaims in infringement proceedings. Isolated invalidity claims can only be filed directly at the EUIPO.

Under the current structure of patent law, a similar division of tasks is not feasible. The EPO as the granting authority for European patents has no mandate to adjudicate on validity after grant. If the model of EU trade mark and design courts were applied in unaltered fashion also to national courts designated as EU patent courts, it would therefore not be possible to invalidate an EU patent except by way of counterclaim in infringement proceedings. It seems obvious that this would be a serious deficiency resulting in a lopsided system. Alternative proposals must take account of that.

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20 See above, 1.c).

21 For the economic consequences of a fragmented v. unified litigation system see Harhoff et al., *Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System*, available under [https://www.researchgate.net/publication/267839173\\_Economic\\_Cost-Benefit\\_Analysis\\_of\\_a\\_Unified\\_and\\_Integrated\\_European\\_Patent\\_Litigation\\_System](https://www.researchgate.net/publication/267839173_Economic_Cost-Benefit_Analysis_of_a_Unified_and_Integrated_European_Patent_Litigation_System). For the negative consequences of fragmented litigation leading to different results see Klaus Grabinski: *Can and May Determination of the Extent of Protection Conferred by a European Patent in Different Countries Lead to Different Results?* IIC 1999, 855 – 874.

### 3. *Lacunae in the EUTM/Community design system*

There is no doubt in principle that the union-wide IP rights established by the EU trade mark and Community design Regulations function smoothly in practice.<sup>22</sup> Nevertheless, the system remains incomplete in spite of its basically unitary character; it contains certain loopholes when it comes to judicial enforcement. This follows from the fact that courts designated as EU trade mark or Community design courts are European Union courts by name, but not by constitution and structure. They remain part of the national judiciary, with cases brought before them being decided and appealed within the national court hierarchy. As a consequence, the various national “EU court” systems are unconnected with each other as well as with the administrative system at the EU level. This can lead to the situation that one and the same issue litigated between the same parties is evaluated differently in the courts of different Member States seized with the relevant conflicts. The same can happen in opposition proceedings before the EUIPO on the one hand and infringement proceedings brought before an EU trade mark court in a Member State on the other.<sup>23</sup>

It is true that the EUTMR and the CDR contain mechanisms which ensure consistency of jurisprudence at least to some extent. In trade mark law this concerns infringement proceedings on the basis of an EUTM which are brought after a counterclaim for invalidity of that mark has already been filed in another lawsuit pending in another Member State, or if a request for invalidity has been filed with the EUIPO (Art. 132 EUTMR). Furthermore, the risk of inconsistent rulings is contained under the principles of *lis pendens* and *res iudicata* enshrined in Art. 29 and Art. 45(1)(d) BR1a, with a parallel rule in the EUTMR (Art. 136) and the CDR (Art. 95) ensuring that corresponding principles apply in case of parallel or subsequent proceedings brought on the basis of national

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22 De Visscher (supra note 4), 221.

23 As a practical example for that situation see the conflict between the (then) CTM application ‘ZIRH’ and the trade mark ‘SIR’ protected in Germany for identical and similar goods: While likelihood of confusion was denied in opposition proceedings before the EUIPO (then: OHIM), with the decision being confirmed by the General Court (3 March 2004, T-355/02, *Mühlens v OHIM*, ECLI:EU:T:2004:62) and the CJEU (13 March 2006, C-206/04 P, *Mühlens v OHIM* EU:C:2006:194), while in the parallel infringement proceedings before the Hamburg district court, the junior trade mark was found to be infringing; district court (Landgericht – LG) Hamburg, 6 May 2004, 315 O 158/03 (though the result was changed later-on in appeal proceedings). See Alexander v. Mühlendahl, *Rechtsstreitigkeiten über Gemeinschaftsmarken: Eintragungsverfahren und Verletzungsverfahren dargestellt am Fall SIR/ZIRH*, in Annette Kur, Stefan Luginbühl & Eskil Waage (eds.), “...und sie bewegt sich doch! Patent Law on the Move”, Essays in honour of Dieter Stauder and Gert Kollé.

rights which are identical in their content and scope with the EU trade mark (and vice versa). However, those rules do not prevent the possibility of different outcomes in proceedings concerning the same unitary right litigated in different fora. The CJEU explained in *Merck*<sup>24</sup> and subsequent judgments<sup>25</sup> that a court seized with a dispute concerning the same unitary right (or a unitary right and an identical national right) as in proceedings between the same parties pending in a different Member State must only decline jurisdiction under the principle of *lis pendens* if and to the extent that the dispute pertains to the same territory. This means that plaintiffs may choose bringing proceedings against the same defendant on the basis of one and the same EUTM or a Community design in different Member States, claiming redress for infringement occurring in the territory of each one of those states. Courts seized with those claims would be under no obligation to stay the proceedings,<sup>26</sup> let alone to decline jurisdiction.<sup>27</sup>

Without questioning the correctness of the reasoning, the risk remains that litigating the same dispute in various Member States might lead to skewed results. It is true that formally, such multiple litigation cannot result in inconsistent judgments, because, and as long as, it does not concern the same subject matter (in the meaning of *lis pendens*) due to the different territories to which it pertains. It is also true that concerns do not arise as long as divergences between judgments handed down in different Member States concern aspects to which – in absence of a harmonised solution – national law applies,<sup>28</sup> for instance, regarding sanctions for actions affecting (solely) the pertinent territory.<sup>29</sup> Where, however, substantive issues of unitary law are concerned – for instance, the assessment of “individual character” in case of Community designs or likelihood of confusion in case of EUTMs – the issue is more precarious. In spite of the formal separation of the subject matter in terms of territory, diverging results would sit awkwardly with the concept that the rights concerned, are, after all, supposed to be unitary in substance, having the same legal effect throughout the entire Union.

24 C-231/16, *Merck v. Merck*, ECLI:EU:C:2017:771, para 42

25 C-24/16 and C-25/16, *Nintendo v. BigBen*, ECLI:EU:C:2017:724, para 42; C-421/20, *Acacia v. BMW*, ECLI:EU:C:2022:152 para 50.

26 Even without an obligation applying under the *lis pendens* principle, courts in such cases can make use of the option to stay the proceedings due to the fact that the actions are “related” in the meaning of Art. 30 BR Ia; see also the text below.

27 That an option exists for applying such “piecemeal” strategies on the basis of Art. 125(5) EUTMR was confirmed by the CJEU in *Nintendo v BigBen* (supra note 25).

28 See Art. 129 (2) EUTMR; Art. 88(2) and Art. 89(1)(d) CDR.

29 That was the case in the dispute underlying *Acacia v. BMW* (supra, note 25).

It is true that those situations are not likely to occur very often. Furthermore, where they occur, courts second seized may be ready to stay the proceedings in spite of not being obliged to do so, in accordance with Art. 30 BR1a. Nevertheless, the considerations expressed above do reveal a serious systemic lacuna, which would also compromise a judicial system for unitary patents built after the same model. The frictions might even be more palpable there than in trade mark law. Regarding the latter, different outcomes concerning for instance likelihood of confusion might be explained by different ways of perception by the different sets of relevant public, thereby diminishing the unease caused by diverging judgments. For patents, however, such explanations do not exist; the appraisal of technology does not depend on national specificities of perception and understanding. Implementing a ‘limping’ system such as the one established for EUTMs and Community designs is therefore even less commendable for patents than for the former. Without a single, unifying court operating at least at the appeal stage, the problem of fragmented litigation leading to diverging results that was a main driver of the reform plans might persist.

#### **4. Changing the model – what about feasibility and acceptability?**

##### *A. Proposals for change submitted by Fernand de Visscher<sup>30</sup>*

As was argued above, the current model of national courts acting as EUTM/Community design courts is neither suitable nor recommendable for unitary patents. First, adopting the scheme *tel quel* necessarily excludes standard European patents without unitary effect, leaving them without a realistic option for consolidation of infringement claims. Second, due to the absence in the current legal framework of a central authority competent to hear and decide on invalidity, alleged infringers would lack efficient means of pro-active defence. Third, the absence of a unifying judicial body might invite decisions by different national courts which are not inconsistent *de iure*, but which would appear to be so *de facto*.

The proposals submitted in Fernand de Visscher’s contribution undertake to devise an alternative system which maintains the positive elements of the UPC

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30 These comments were written in response to de Visscher’s proposal as presented at an online workshop on 22 January 2022. Those proposals were slightly changed and clarified for the contribution to this volume, *inter alia* based on the comments presented here (see de Visscher’s contribution, note 24). Furthermore, in addition to the proposals submitted in de Visscher’s contribution also see the proposal by Thomas Jaeger in his second contribution (n°27) to this book, which is not addressed in these comments.

while avoiding its institutional defects. Furthermore, to the extent that one of the proposals is modelled after the EUTM/Community design system (“proposal A”<sup>31</sup>), it also targets the deficiencies set forth above.

As a central step, both proposals involve full harmonisation and unification of EU patent law in all its aspects, transposing the law from international instruments into legislative acts in the form of an EU Regulation and Directives. While the EPO as well as its Appeal Boards remain competent for the granting process including appeals regarding unitary patents as well as standard European patents, they are supposed to act in the capacity of EU institutions when dealing with the former.

Furthermore, the main features of proposal A can be summarized as follows. In order for requests for invalidation of unitary patents being rendered possible apart from raising counterclaims in infringement proceedings, the EPO and its Appeal Boards should be competent, acting as organs of EU law, to rule on post-grant invalidity of such rights; Revocation Divisions and Revocation Boards should be established for the purpose<sup>32</sup>. Under Art. 256(1) in conjunction with Art. 263(1) TFEU, this would have the consequence that appeals against decisions taken by the EPO and its Appeal Boards in invalidity proceedings (as well as in the granting procedure) would have to be directed to the General Court, with an option for exceptional further appeal to the CJEU. As the General Court is currently not considered to have special competence in issues of patent law, specialised chambers would have to be established for the purpose. Furthermore, the suggestion is made that the General Court should have access to advice by a group of highly experienced national judges (a ‘pool of advising judges’) who could give opinions on patent matters.<sup>33</sup>

Litigation in case of infringement would be conducted before national courts designated as EU patent courts. Like in EU trade mark and design law, the national systems would run parallel, being connected only by the option - or obligation<sup>34</sup> - to refer contentious issues to the CJEU. The chance of nation-

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31 This is the first one of the proposals submitted by de Visscher in his contribution). In the slides prepared for the workshop on 20 January 2022 (on which this contribution is based), the proposal was designated as “proposal A”, which is why that name is retained here.

32 De Visscher, this volume, *sub* III (second common pillar).

33 De Visscher, this volume, *sub* III (third common approach). In addition to advising the General Court, members of the pool thus created should also assist the decision-making of national court (see below). Furthermore, it is suggested advice should be given in patent matters to the Court of Justice by a specialised Advocate General “alongside or together with the conclusions of his Advocate General according to the usual procedure”.

34 See Art. 267 TFEU: courts of lower instance may courts of highest instance must refer



al unitary patent courts to develop specific expertise would depend inter alia on the frequency of relevant cases they get to decide, which may vary greatly among the different Member States. To ameliorate this and other disparities possibly caused by the layout of the system, an option should be given to unitary patent courts to request assistance from a member of the 'pool of advising judges' addressed above. In addition, the already ongoing practice of mutual information and exchange of opinions of national patent judges should be continued and encouraged. Ideally this would reduce the risk of frictions possibly resulting from the 'limping' character of a system which entrusts a bundle of national courts with the task of adjudicating on unitary rights instead of establishing a genuine EU judiciary. However, it is certainly inferior in its effects than establishing a common judiciary (as provided by de Visscher's proposal B<sup>35</sup>) or at least a common appeal instance.

Regarding standard European patents, proposal A envisages changes to the current situation so that consolidation of infringement claims would be possible in certain situations, depending on the pleas made by the defendant, and on the connectivity of the claims filed.

## *B. Comments*

### **1. Critical issues**

#### **a. A friendly (or hostile) takeover of the EPC system?**

Proposal A (as well as proposal B which is not considered in detail here) is an interesting and ambitious attempt to join the 'best of two worlds', that is, some features of the UPC and the EU-law-compatible structure of the jurisdictional system established for EUTMs and Community designs.

A crucial element in both proposals lies in the transformation of currently international law-based structures and provisions into those of the EU. Although this may raise questions of primary EU law insofar as the role of the EPO is concerned, the legal obstacles can be overcome, if certain conditions – in particular the supremacy of EU law and full oversight of the CJEU – are met.<sup>36</sup> It is much less certain, however, whether the project would also be palatable on the political level. Regarding substantive harmonisation, the EPC as well

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issues to the CJEU if they are decisive for the dispute at stake and are not clear (*acte clair*) or have already been clarified (*acte éclairé*) in the meaning of CJEU Case C-283/21, *CILFIT v Ministero della sanità*, ECLI:EU:C:1982:335.

35 That is, de Visscher's second proposal.

36 See in particular CJEU Case C-9/56 *Meroni v Haute autorité*, ECLI:EU:C:1958:7.

as the provisions on contents and scope of protection including sanctions set forth in the UPCA could serve as a model for complementing the Regulation on the unitary patent as well as, commendably, a directive aligning national patent laws with each other and the unitary patent system. It is unclear, however, whether Member States would be able to agree, in a quick and smooth harmonisation process, on contentious issues such as prior users' rights or compulsory licenses.<sup>37</sup> Also, re-opening the patent package might lead to re-surfacing of other issues potentially causing discord among Member States, such as biotechnological inventions or software protection.

Apart from that, submitting the entire body of patent law, including the requirements for protection, to the umbrella of EU law has the potential for disrupting the very scheme of European patent law with its pointedly supranational layout. True, in dealings with standard European patents filed from non-Member states including Switzerland and the UK, the EPO would continue to apply the EPC in its current form, without being bound in its actions and decisions by the specifics of EU provisions and by decisions of the General Court or eventually the CJEU interpreting them. However, this could hardly conceal the fact that the re-shaping of the European patent landscape undertaken by the changes proposed barely stops short, in its practical effects, of a friendly – or, in the view of others, hostile – takeover of the EPC system by the EU. It could hardly be doubted that EPO practice would be massively impacted by EU law even where the Office continues to act as an independent international authority.<sup>38</sup> Applying different standards on the basis of identical provisions – one being anchored in the EPC, the other forming part of an EU Regulation, which is subject to interpretation by the General Court and the CJEU - would not only appear as schizophrenic, but it would also risk compromising the efficiency of the system.<sup>39</sup> Furthermore, it cannot not be excluded in the longer run that the

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37 In particular the latter aspect is of considerable concern for some critics of the UPCA; see e.g., the “Twelve Points for Concern” articulated by the MPI (*supra*, note 4). With a view to such contentious issues, de Visscher proposes a step-by-step approach that harmonises ‘easy’ matters first and leaves the contentious issues for later; de Visscher, this volume, sub III (first pillar).

38 The issue is already pertinent in the field of biotechnology. Until now, this has resulted in the EPO rather smoothly adapting to requirements set forth in EU legislation and spelled out in decisions by the CJEU (on that point see de Visscher, this volume, *sub* III, note 16). Of course, from an EU perspective that arrangement appears as preferable over the situation when law and practice in the EU are determined by a non-EU actor (de Visscher, *ibid.*). However, with a pointedly critical attitude now prevailing in particular in the UK, it is by no means guaranteed that such silent “EU-nification” of European patent law would be tolerated in the longer run.

39 This is a different situation from that addressed in de Visscher’s contribution (this

EU legislature decides to part ways with the EPC by implementing changes that are not shared by the governing bodies of the EPC, creating another rift in an until now quite well-functioning scheme. It is not clear whether from a political point of view, and also from the perspective of practitioners who may be less critical of the deficiencies of the UPC than the editors and most authors of this volume, that price appears too high.

**b. The General Court – an appropriate forum?**

Caution is also advisable concerning other elements of the proposal. For instance, the proposal correctly states that the General Court does not enjoy a reputation of expertise in patent law. Arranging for special chambers for hearing appeals against decisions taken at the EPO and its appeal boards is therefore crucial for making the system work. However, the nomination of judges sitting at an EU court follows particular rules which do not necessarily favour choices based on expertise. In other words, replacing international structures by those of the EU does not always stand for guaranteeing more quality and efficiency. Whether the proposed establishment of a pool of advising judges would be able in practice to offer redress remains open to doubt.

**c. Reform of the Brussels I bis Regulation – a realistic prospect?**

Another feature rendering full realisation of Fernand de Visscher's proposal precarious concerns the suggestion to implement changes in the Brussels 1a Regulation so that patent litigation involving standard European patents can be consolidated under certain circumstances, even when validity becomes an issue. As pointed out above, that would be an important feature, given that a unitary-right centred solution would exclude standard European patents, leaving them with the current situation and its deficiencies. However, finding and implementing a satisfactory solution might prove a thornier exercise in practice than on paper. Practical experience extends a warning: After the CJEU declared in *GAT v LuK40* that irrespective of the somewhat ambiguous wording of Art. 16(4) Brussels Convention<sup>41</sup> disputes involving invalidity as a defence could only be adjudicated before the courts in the Member State(s) where the right has been, or is deemed to have been registered, proposals were ventilated *inter alia* by academia to change the provision so that consolidation would remain possible. The gist of those proposals was that an incidental finding of invalidity

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volume, *sub III*), that European patents may differ in the width of claims pertaining to different territories, and that they may be subject to different fates under the jurisprudence of national courts.

40 *C-4/03, GAT v LuK*, ECLI:EU:C:2006:456, para 25.

41 Later-on Art. 22(4) Reg. (EC) no. 2001/44 (BR1a); now Art. 24(4) BR1a.

in disputes for cross-border or multi-state infringement brought in the courts of the infringer's domicile should be admissible under the reservation that the decision only has *inter-partes* effect.<sup>42</sup> This was done in order to avoid interfering with the 'act of state' doctrine which bars courts of one state from annulling, with effect *erga omnes*, rights or privileges granted by public authorities of another state.<sup>43</sup> The proposal was however squarely rejected by the legislature, which chose instead to change the wording of Art. 24(4) BR 1a so that it clearly reflects the message sent by *GAT v. LuK*. It is unlikely that another reform could be instigated which embraces a different concept.

Unabashed by that experience, the suggestions for reform submitted by Fernand de Visscher postulate that in infringement proceedings brought at the defendant's domicile (Art. 4 (1) BR1a), it should be possible to bring counterclaims for invalidity of the European patent in all countries embraced by the infringement claim, or even in all EPC Member States where the patent exists.<sup>44</sup> If proceedings are brought in the country where the infringement takes place (Art. 7(2) BR1a),<sup>45</sup> it shall be for the defendant to "extend the debate" on invalidity, but also on infringement, to other Member States. This should apply at least in related cases when the parties involved belong to, or the allegedly infringing products originate from, the same undertaking.<sup>46</sup> Furthermore, the option is ventilated that parties to proceedings involving the same European Patent should be able to agree on the venue where such proceedings shall be brought.

Obviously, all of that would require substantial changes in Art. 24(4) BR1a,<sup>47</sup> which are likely to face general reluctance on the political level. This applies all

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42 See in particular Art. 2:401 of the CLIP Principles elaborated by the International Max-Planck Group on Conflicts of Law in Intellectual Property, Oxford University Press (2013), with comments by Paul Torremans, pointing inter alia to corresponding initiatives by the American Law Institute and in Asia.

43 For details as well as for putting the *GAT v. LuK* decision in the context of that doctrine see Christian Heinze, and Esther Roffael: Internationale Zuständigkeit für Entscheidungen über die Gültigkeit ausländischer Immaterialgüterrechte, GRUR Int. 2006, 787 – 789.

44 De Visscher, this volume, sub III (fourth point).

45 No distinction is made in de Visscher's proposal between the "place where the harmful event occurs" and the "place where the harm arises". For the relevance of that distinction in CJEU jurisprudence see supra, note 19.

46 De Visscher, this volume, sub III (fourth point).

47 Under current law, courts seized in infringement claims brought in, or pertaining to, other countries than that where the right is registered or is deemed to be registered must declare themselves incompetent once the invalidity defence is raised (Art. 27 in conj. with Art. 24(4) BR 1a), even when the parties have agreed on the venue (Art. 25(4) BR 1a). The necessity for changes is also emphasized by de Visscher, *ibid*.

the more because, different from the more modest proposals submitted during the debates after *GAT v. Luk*, the effect of counterclaims raised before, and decided by, courts in other countries than the country of registration (in the case of European patent: of validation) shall not be restricted to effects *inter partes*, thus openly clashing with the “act of state” doctrine.

## 2. An alternative to the alternative?

Given the difficulties addressed above under aa) and bb), one might ask whether implementing a genuine EU system would not be easier if national unitary patent courts were simply given the option to decide on isolated invalidity claims, instead of involving the EPO and, in its tow, the General Court. That solution as well would necessarily imply a full unification (plus harmonisation) of granting requirements, resulting in the same schism between unitary and European patents as was addressed before (under a) aa)); however, it would not be as visible, due to the respective provisions being applied in different fora. Nevertheless, allocating the task to decide on invalidity of unitary patents to national unitary patent courts (without the alternative option being given to engage a central granting authority with the task) appears suboptimal for several reasons, in particular as the expertise of those courts may vary considerably.<sup>48</sup> That raises the question of the appropriate venue for such claims. Should courts in any Member State where an infringement occurs be competent to adjudicate on validity, with the decision being effective in the entire EU (as is the situation with regard to counterclaims brought in EU trade mark and design cases)? Such a solution might invite forum shopping, which is generally considered as undesirable. On the other hand, being able to “forum-shop” in the sense that a forum may be chosen for union-wide invalidity claims whose expertise is not subject to doubt may be preferable over a system under which such claims may only be brought in fora identified by the “cascade” of judicial competence applying in infringement disputes.

Furthermore, whatever route is chosen, it would not cure the most serious pitfall of the “alternative to the alternative” sketched here. Granting competence to national unitary patent courts to hear isolated invalidity claims would not solve the fundamental problem that decisions taken during the granting procedure at the EPO are not subject to scrutiny of EU courts, but remain within the EPO hierarchy. Solutions not providing a remedy for that lack of EU control over an important element of the system are basically useless, as they would leave one of the main deficiencies of the UPC system untouched. Involving the

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48 This could of course be ameliorated to some extent by Fernand de Visscher’s proposal to offer special training to the judges concerned. However, if the case load in certain countries would remain minimal, such training would not necessarily achieve much.

EPO (or another central authority) in the system is therefore an indispensable feature of any true alternative. Trying to take the easy route instead will not work.

### **5. *Brief Résumé***

Summing up, while realisation of Fernand de Visscher's proposals would be legally feasible,<sup>49</sup> implementation would not be simple and smooth. From a political perspective, that could be a fatal flaw. Initiatives proposing replacement of the UPC by another, truly unitary system are unlikely to succeed at this late stage of a decades-long struggle if the legal changes they imply reach a level of complexity that makes a quick and easy decision process improbable. In addition, such last-minute changes might be discouraged by the risk for disruption of the admittedly imperfect, but functioning arrangement of the EPC, as was addressed under IV.2 a) aa).

However, that does not mean that elaborating and discussing such proposals is a futile exercise. While they may not gain immediate political traction, they may be urgently needed further down the road, when (or if) it turns out after all that the current arrangements under the UPCA are incompatible with primary law and cannot be upheld.

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49 While the present contribution primarily discusses proposal A, it is submitted that the same applies with regard to proposal B, given that Art 262 TFEU establishes a basis in primary law for establishing an EU court dealing with intellectual property rights.

## 27. ALTERNATIVES TO THE UP AND THE UPC

*Thomas Jaeger\**

Preparations for entry into force of the UP and UPC are by now far advanced. The system is poised to become a reality. Nonetheless, alternatives exist and should be contemplated seriously, given that both the UP and UPC are riddled by serious deficiencies affecting both their functionality and legality. The system will require reform in some way or another in the years to come. From the ample range of potential alternatives to the current system, this submission limits itself to outlining just one each for both the design and overhaul of the substantive patent right and the enforcement and court system. There is indeed plenty of room and urgent need for improvement.

### **1. Context: TINA or TATA?**

The 2012 patent package<sup>1</sup> for the EU is all about compromise: After more than 60 years of trying in vain, of devising and dismissing a multitude of different

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\* The author is grateful to Ms *Julia Zöchling* and Mr *Johannes Lukan* for their valuable work on the manuscript.

1 Consisting of Council Decision 2011/167/EU of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection [2011] OJ L76/53; Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1; Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] L361/89; Agreement on a Unified Patent Court (adopted on 19 February 2013, entry into force on 1 June 2023, cf n 49) OJ C175/1.

options and solutions,<sup>2</sup> and 40 years after the first major compromise<sup>3</sup> to overcome the stalemate for the European patent system, i.e. 40 years after the European Patent Convention and Patent Office (EPC and EPO) had become operative, the crown jewel of IP protection in the internal market was finally to be set at the tip of the EU's IP system. From the (Council's and Commission's) political perspective at the time, success was to be ensured at whatever cost.<sup>4</sup>

And that cost was indeed high: Participating states are trimmed down to EU-only, the UK and Switzerland, in particular, are permanently outside of the system, the internal market is fragmented by enhanced cooperation and the exclusion of some EU members, patent law and patent jurisprudence remain essentially unconsolidated and backwards-oriented, bifurcation and strategic patenting remain in place, the costs of management and enforcement most likely remain high, while legal and economic certainty for users of the system are at a low. The same is true as regards democratic participation and debate over the merits and perspectives of a system that now has been paralysed for ten years.<sup>5</sup>

As is customary with compromises in life, people seem to arrange and come to terms with them. A compromise is gradually accepted as the new normal. Memory as well as courage fade that alternatives and improvements are possible and that reality could just as easily be entirely different. Compromise and time combined wreck ambition for change. Once a compromise becomes operative and institutionally entrenched, moreover, switching costs explode. Once operational, institutions also develop a self-interest for survival and expansion.

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- 2 For an account of historic proposals, cf Anna Wszolek, 'Still Unifying? The Future of the Unified Patent Court' [2021] IIC 1143, 1145ff; Aurora Plomer, 'The Unified Patent Court and the transformation of the European patent system' [2020] IIC 791, 792; Thomas Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' [2017] IIC 254, 255ff; Aurora Plomer, 'A Unitary Patent for a (Dis)United Europe: The Long Shadow of History' [2015] IIC 508, 510ff; Thomas Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (Springer 2013) 583-588; Thomas Jaeger, 'The EU Patent: *Cui Bono et Quo Vadit?*' [2010] CMLRev 63, 63-68.
  - 3 On the EPO's compromise character following early stalemates in the negotiations over a patent for the EEC common market, cf Plomer, 'A Unitary Patent for a (Dis)United Europe' (n 2) 518ff; Justine Pila, 'The European Patent: an Old and Vexing Problem' [2013] ICLQ 917, 926ff; Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 583ff; Jaeger, 'The EU Patent: *Cui Bono et Quo Vadit?*' (n 2) 65ff.
  - 4 Illustrative, eg, European Council's legally questionable detailed directives for the EU legislator in the Presidency Conclusions 2012, EUCO 76/12, para 3; cf Thomas Jaeger, 'Nach l'Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u. a.' [2015] EuR 461, 462ff; Jaeger, 'Reset and Go' (n 2) 254 and 282.
  - 5 Cf Thomas Jaeger, 'Delayed Again? The Benelux Alternative to the UPC' [2021] GRUR Int 1133, 1133.



For all these reasons, mediocre or even inferior legal and institutional systems across the board may *de facto* prove a startling capacity to drag on and persist, thereby also blocking the path to progress and innovation.

Nonetheless, hardly anything in life is truly '*alternativlos*' (without any alternative). This term was infamously coined by the long-time German chancellor *Angela Merkel* in defence of her controversial policy choices in the context of (in particular) the Euro crisis. While *alternativlos* was designated as the 2010's most inappropriate German word ('Unwort des Jahres') by the Association for the German Language, *Merkel* was neither the only nor the first to disguise political tunnel vision as leadership: Already *Margaret Thatcher* had been nicknamed TINA, the acronym for her notorious slogan 'there is no alternative'.<sup>6</sup> Words and phrases like *alternativlos* and TINA represent '*basta*'-politics at their best: Their protagonists exclude any need for pluralism, discussion and reasoning and indeed discredit the very essence of the democratic process.

TINA is a jealous, deceitful and depressing companion. She hides her inherent weaknesses by asserting and commanding exclusivity. She is self-righteous and strong-headed. She doesn't wish to hear your hopes and aspirations and dismisses them as utterly meaningless.

TINA's natural enemy is TATA (acronym for 'there are thousands of alternatives', expressed in response to TINA politics). Therefore, in the context of this contribution, let us briefly look at some TATAs for the EU patent system. There may not be a thousand, but still a good number of alternatives. This is especially true, if the numerous models devised and rejected in the past already<sup>7</sup> are counted in.

The discussion below is kept short and remains strictly focused on the future, however. It limits itself to describing one alternative in each case, namely the one deemed most desirable for the substantive patent and its enforcement system respectively. They are preceded by an ultra-brief recount of the flaws that merit a re-visitation and re-opening of the existing patent package and in relation to which the proposed alternatives should constitute precise improvements.

## **2. Substantive patent**

The substantive patent and its enforcement system are discussed separately hereunder. Yet, it is to be pointed out that these two levels are, of course, interlinked, both in terms of the effects of deficiencies of the existing model and of possible remedies.

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6 Cf Christian Neuhäuser, 'TINA' (2018) 38(2) *Krisis Journal for Contemporary Philosophy* 160, 160.

7 Cf the works cited in n 2.

### A. *Flaws of the Unitary Patent*

The substantive patent, as created under the Unitary Patent (UP) Regulation 1257/2012, essentially suffers from a number of flaws (territorial truncation and fragmentation, legal uncertainty, the relationship between the EU and the EPO, judicial remedies etc).<sup>8</sup> It is argued, however, that its most damaging deficiencies from a functional perspective are twofold. First, it fails to effectively unify patent law in Europe. Second, it is both unbalanced and unmodern.

#### 1. No unitary character

The lack of substantive unity is owed to the UP Reg.'s unusual, hybrid regulatory approach. It heavily relies on third (ie, non-EU) law provisions. This applies both to the pre-grant and the post-grant life of the patent.<sup>9</sup> As was just pointed out, the substantive lack of unitary character is aggravated on the enforcement level through the absence of a single unifying jurisdiction.<sup>10</sup>

Pre-grant, the UP is defined as “[a] European patent granted with the same set of claims in respect of all the ... Member States [participating in the enhanced cooperation]”.<sup>11</sup> At the EPO stage, therefore, patent applicants apply for regular national patents. Only upon the grant of those patents (with the same set of claims) do a unitary effect and EU law kick in: Under this ‘transformation fiction’,<sup>12</sup> cleared by the CJEU in 2013,<sup>13</sup> the entire pre-grant procedure is located outside of the sphere of EU law, in public international law. So are, consequently, the available remedies against any EPO decisions pre-grant (as well as against the grant itself). In these contexts, therefore, no EU law-based remedy and no CJEU jurisdiction exist.

Post-grant, the hybrid regulatory technique is used even more extensively, thereby multiplying reliance on third law regimes. By virtue of art 3(2) UP

8 Cf Reto M. Hilty and others, *The Unitary Patent Package: Twelve Reasons for Concern* (Max Planck Institute for Intellectual Property and Competition Law Research Paper 12/12, 2012) *passim*.

9 Cf already Jaeger, ‘Reset and Go’ (n 2) 261ff; Plomer, ‘A Unitary Patent for a (Dis)United Europe’ (n 2) 528.

10 Cf also Vincenzo Di Cataldo, ‘Competition (Or Confusion?) of Models and Coexistence of Rules from Different Sources in the European Patent with Unitary Effect: Is There a Reasonable Alternative’ (2014) 4 Queen Mary J Intell Prop 195, 202; Franklin Dehousse, *The Unified Court on Patents: The New Oxymoron of European Law* (Egmont Paper 60, 2013) 23ff; Hilty and others, *Twelve Reasons for Concern* (n 8).

11 UP Reg. 1257/2012, art 3(1).

12 Cf Jaeger, ‘Reset and Go’ (n 2) 264.

13 Cf Case C-146/13 *Spain v Parliament and Council* [2015] ECLI:EU:C:2015:298, paras 28-32.

Reg., the substantive UP is one right across the EU: “A European patent with unitary effect shall have a unitary character. It shall provide uniform protection and shall have equal effect in all the participating Member States. It may only be limited, transferred or revoked, or lapse, in respect of all the participating Member States. It may be licensed in respect of the whole or part of the territories of the participating Member States.” Consequently, the UP is an EU law-based right, subject to CJEU jurisdiction and individual rights protection. So far, so good.

However, the UP’s unitary character does not also extend to accompanying aspects governing the shape and effects of the right. Much rather, it is an empty shell, a ‘stub patent’:<sup>14</sup> The Regulation does not even lay down the minima for determination of the type of right, in particular as regards the scope of protection afforded and the applicable property rules. Instead, the scope of protection is indirectly determined through the rights and remedies laid down in the UPC Agreement (UPCA), ie, an act of international law transposed into the national laws of the participating Member States. The property aspects of the patent, eg, transfer, mortgaging and use as security, etc, in turn follow the non-harmonised provisions in the various Member States’ civil laws. In that regard, the UP Reg. adopts a per-patent approach, under which the civil law regime of the Member State where the patent applicant was domiciled at the time of the application is applicable (subsidiarily German law).

The UP is thus fraught by a high degree of legal fragmentation. It fails to furnish patent holders with one single and coherent EU-wide right. The hybrid approach does not just mean that the system becomes complex and costly. Yet even more importantly, it is unclear which outcomes the hybrid method will produce in terms of the ultimately applicable law: The hybrid mix leaves the hierarchies between the regimes open. Under the general principle of primacy, EU law takes precedence over national and public international law. When the CJEU will be called upon to interpret the Regulation’s rules, it is highly unlikely that the Court will consider the UP limited, or its own interpretation of the UP Reg. bound, by rules of public international law, such as the EPC (concerning issues of patent validity) or the UPCA (regarding the substantive scope of patent rights), or the interpretation given to those rules by third tribunals (ie the EPO’s Boards of Appeal or the UPC). Anything else would mean inverting or neglecting the primacy rule, thereby jeopardising the autonomy of the EU legal order, the safeguard to which the CJEU has devoted particular attention in recent jurisprudence.<sup>15</sup>

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14 Cf Jaeger, ‘Reset and Go’ (n 2) 261.

15 Cf, eg, Case C-638/19 P *Commission v European Food and Others* [2022] ECLI:EU:C:2022:50, paras 137ff; Case C-109/20 PL *Holdings* [2021] ECLI:EU:C:2021:875,

The idea behind this complex setup, which had been to keep the CJEU off limits as regards the interpretation of patents,<sup>16</sup> might thus backfire: The UP Reg. is in fact a door-opener for the CJEU's competence to speak out on issues of validity (and therefore: patentability) post-grant. The UP Reg. indirectly brings the core of the EPC within the scope of EU law and thus under the jurisdiction of the CJEU in a similar way as was the case with the Biotechnology Directive 98/44/EC, which had a significant impact on national and EPO patent practice.

The hierarchies between the various layers of law involved are not yet transparent to users of the system and will likely bear some surprises in the years to come. The system remains complex and fragmented, leading to all the negative side effects associated therewith for businesses in terms of costs, legal and economic certainty and access to protected knowledge. Fragmentation is present at all levels: territorial scope, substantive patent law and patent enforcement.

## 2. No modern system

It has been criticised at other occasions<sup>17</sup> that in relying on the EPC's existing, largely static rules, the UP Reg. imported an anachronistic patent concept into EU law. The same applies to the exceptions and limitations as laid down in the UPCA, which in no way respond to the modern challenges to patent law. Issues such as, for example, a general research exception, compulsory licenses in general or, more specifically, a specific license for biotechnological research tools, or prior user rights are not addressed and missing. Other patent systems

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para 46; Case C-741/19 *République de Moldavie* [2021] ECLI:EU:C:2021:655, paras 43-46 and 62-63; Case C-621/18 *Wightman* [2018] ECLI:EU:C:2018:999, paras 44-45; Case C-248/16 *Achmea* [2018] ECLI:EU:C:2018:158, paras 32ff.

16 Cf Jaeger, 'Delayed Again?' (n 5) 1137; Thomas Jaeger, 'Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise' [2013] IIC 389, 391; Dehousse, *The Unified Court on Patents* (n 10) 37ff.

17 Cf Hilty and others, *Twelve Reasons for Concern* (n 8) 2; Jaeger, 'Reset and Go' (n 2) 261; Plomer, 'The Unified Patent Court and the Transformation of the European Patent System' (n 2) 794-795.

have shown much more ambition in those respects over the recent years, eg, Belgian<sup>18</sup> or Swiss<sup>19</sup> patent law.

The UP's backward-looking approach has become all the more untenable in view of today's pressing global pandemic and climate change challenges and the according shift in political priorities on the EU level in particular.<sup>20</sup> Due to its lack of suitable exceptions and limitations, the UP insufficiently supports and stimulates research and stifles third party access to knowledge. COVID-19 is just a current example of why a modern approach to patent law is needed, but climate change will arguably pose an even more pressing challenge.

Arts 27(2), 30 and 31 TRIPS accord states some leeway to respond to these challenges on the level of exceptions and limitations.<sup>21</sup> In particular, art 27(2) TRIPS includes leeway for potentially wide exceptions from patentability "to protect human, animal or plant life or health or to avoid serious prejudice to the environment". The limits of these possibilities are yet to be tested, but a lot could be imagined here. Examples range from a potential exclusion from patent protection of environmentally harmful technologies or specific rules for dependent patents and compulsory or statutory licenses with respect to innovation directed to green or other technologies. Similarly, on the level of EPO procedures, certain desirable technologies might be fast-tracked or be subjected to lower fees. Before the UPC, to state another example, the relevance of a

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18 Cf Belgian Code of Economic Law of 28 February 2013 (Code de droit économique), arts XI.34 §1er(b) (general research exception), XI.36 (prior user rights). XI.37ff (compulsory licenses), XI.126 (biotechnological research); for more details, see Thomas Jaeger and Johannes Lukan, 'A System Fit for Innovation? Part II: (Dis)advantages for follow-on inventors in the UP legal framework' in Duncan Matthews and Paul Torremans (eds), *Research Handbook on European Patent Law* (de Gruyter, forthcoming 2023) paras 2.3.4.1. and 2.3.4.2.

19 Cf Swiss Federal Act on Patents for Inventions of 25 June 1954 (Status as of 1 April 2019), arts 9(b) (research exception), 40-40e (compulsory licenses in various fields and biotechnological research tools), 35, 48 (prior user rights); for more details, see Jaeger and Lukan (n 18) para 2.3.4.1.

20 Cf Jaeger, 'Delayed Again?' (n 5) 1133-1134; Axel Metzger and Herbert Zech, 'COVID-19 als Herausforderung für das Patentrecht und die Innovationsförderung' [2020] GRUR 561, 562.

21 Cf, eg, the following articles in Hanns Ullrich and others (eds), *TRIPS plus 20 – From Trade Rules to Market Principles* (Springer 2016): Nari Lee, 'Revisiting the Principle of Technological Neutrality in Patent Protection in the Age of 3D Printing Technology and Cloud Computing' 361ff; Agnieszka A. Machnicka, 'TRIPS and Climate Change in the International Economic Order' 415ff; Klaus D. Beiter, 'Establishing Conformity Between TRIPS and Human Rights' 445ff; for a more detailed, general overview of the margin of manoeuvre that TRIPS leaves in this regard, see Jaeger and Lukan (n 18) para 2.4.4.

patent for health or climate change issues might be made a compulsory part of the Court's assessment when granting injunctions.

The COVID-19 pandemic has given rise to calls for a serious trim-down or at least a partial waiver of patent protection.<sup>22</sup> A modern patent system should counter these dynamics and reinforce its legitimacy by showing that it is capable of self-modernisation and of producing balanced outcomes beneficial for society.<sup>23</sup> The UP currently does not live up to any of this.

### 3. Persisting EU law incompatibility

The transformation fiction, which the CJEU accepted at the occasion of the review of the UP Reg.'s legality,<sup>24</sup> fails to explain and resolve one conundrum. This concerns an issue that was neither addressed nor examined in the CJEU's legality review of the UP Reg.

Under art 4(1) of the UP Reg., the UP takes "effect ... on the date of publication by the EPO of the mention of the grant of the European patent in the European Patent Bulletin." However, that publication is not the end of the granting procedure or EPO competences in respect of the patent: Under arts 99 and 101 EPC, the EPO remains competent to hear notices of opposition that are brought within nine months of the mention of grant in the Bulletin and revoke the patent if the opposition is well-founded. Both art 68 EPC and art 3(3) UP Reg. stipulate that in case of revocation, the patent is deemed not to have had any effects from the outset. Still, since the EU law-based right comes into existence at the time of publication of the grant in the Bulletin according to art 4(1) UP Reg., there may be a short window of time during which EPO decisions have a direct impact on EU law-based rights granted to individuals. Any subsequent revocation by the EPO is an act potentially affecting, modifying or nullifying that EU law-based right. From an EU law perspective, this seems to be a blatant

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22 Cf Metzger and Zech, 'COVID-19 als Herausforderung' (n 20) 562 with references to the letter signed by 62 organisations on 'The fight against COVID-19: let's make public investments count for people', published on 25 March 2020 and available at <<https://medicinesalliance.eu/the-fight-against-covid-19-lets-make-public-investments-count-for-people/>> and a declaration of 40 MEP supporting the demands for patent waivers, published on 27 March 2020 and available at <<https://haiweb.org/wp-content/uploads/2020/03/MEP-Covid-Letter-March-2020.pdf>> both online sources accessed 18 March 2022.

23 Cf also Metzger and Zech, 'COVID-19 als Herausforderung' (n 20) 568ff.

24 Cf Case C-146/13 *Spain v Parliament and Council* [2015] ECLI:EU:C:2015:298, paras 28-32; opposing, however, Statement of Position by the Advocates General on Opinion 1/09 *European and Community Patents Court [2010]* not reported in the ECR/ECLI, paras 70 and 72, available at <[https://eplaw.org/wp-content/uploads/2015/12/2010-07-02\\_Opinion\\_AG\\_EN\\_translation\\_full.pdf](https://eplaw.org/wp-content/uploads/2015/12/2010-07-02_Opinion_AG_EN_translation_full.pdf)> accessed 18 March 2022.

infringement of the principles of autonomy of the EU legal order, the complete system of remedies and the rule of law.

This poses a serious legality problem that seems to have been overlooked in the drafting of the UP Reg. It was also not part of the CJEU's scrutiny of the UP Reg., which did not look at the functioning and effects of opposition and revocation at all.<sup>25</sup> However, it would be surprising, should this issue not resurface in litigation, once the system is operational and oppositions against UPs arise.

### *B. Alternative: an EU patent sui generis*

The alternative here is evident and simple: Replace the hybrid and truncated law mix of the UP Reg. with a complete and coherent piece of legislation that determines all aspects of patent protection, from the requirements of protection via exceptions and limitations on to the property and licensing aspects. Comprehensive IP legislation of this kind exists, as is well known, for each and every other existing EU *sui generis* right, ie, in particular, the rights in trademarks, designs and plant varieties. Also in the context of the EU's patent ambitions, all of the legislative proposals<sup>26</sup> up to the UP Reg. 1257/2012 envisaged a complete *sui generis* right in line with the approach in those other IP areas.<sup>27</sup>

When shaping a complete EU patent right *sui generis* in a democratic, open and pluralistic debate, involving the European Parliament in particular, the EU legislator can be expected to take account of the need for modernisation of the patent system and deliver results in line with the EU's current policy priorities and capable of giving balanced answers to the challenges ahead. Whatever the outcome of such a legislative process, and to whatever detail the various levers of patent system modernisation would actually be pulled, it would reflect the current state of democratic debate and societal compromise. By contrast, the current UP reflects the state of mind of ten years ago.

This would, of course, amount to an, at least partial, divergence of the conditions for the grant of patents between the new (modernised) EU system and the current EPC conditions. But even without modernisation of the patent regime, a *sui generis* EU system would base the grant of patents on the patent regulation instead of, as is currently the case, on the EPC. From the points of

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25 Cf Case C-146/13 *Spain v Parliament and Council* [2015] ECLI:EU:C:2015:298, in particular paras 28ff and 100ff.

26 Cf, eg, Commission, 'Proposal for a Council Regulation on the Community patent' COM (2000) 412 final.

27 Cf Jaeger, 'Reset and Go' (n 2) 261; Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 623ff; Jaeger, 'The EU Patent: *Cui Bono et Quo Vadit?*' (n 2) 63.

view of transparency, simplification, coherence and the autonomy of EU law, this would be good news.

Nonetheless, such a system could still rely on the EPO for the grant of patents and would not need to involve the creation of a separate EU patent office: Provided that the EU acceded to the EPC (something that appears necessary already for the implementation of the UP system),<sup>28</sup> a sub-division within the EPO could be created to specifically deal with procedures for EU patents. Such ideas are neither novel nor unrealistic: They were already part of the aforementioned older legislative proposals for *sui generis* EU patent rights.<sup>29</sup>

EU accession to the EPC might require a minor amendment to art 166 EPC, which currently only refers to the accession of state parties. However, there were concrete plans for such an amendment and EU accession in the past.<sup>30</sup> Therefore, the actual reason behind the UP Reg.'s awkward hybrid and truncated approach does not lie in problems of accession or of fitting a fully-fledged *sui generis* EU patent into the EPO's procedures: Much rather, the reason for this simply lay in the desire of policymakers and stakeholders at the time to minimise the CJEU's influence and say over patent law and policy, eg, its involvement in issues of patentability.<sup>31</sup> As was explained before, however, the UP Reg. will probably not be able to achieve that aim after all, since these questions are likely to end up at the CJEU in the guise of post-grant challenges to patent validity.

### 3. Patent Courts

As was equally pointed out before, some of the flaws of the substantive patent, eg, its lack of actual content and of proper stipulations regarding requirements of protection, exceptions, limitations and civil law aspects, including the odd transformation fiction, are reflected in deficiencies in enforcement and, in turn, are themselves reinforced by the setup of the enforcement system. Conversely, if the patent's unitary character was indeed strengthened by the creation of a fully-fledged *sui generis* right, as just suggested above, this would also remedy key deficiencies of the current court and cross-border enforcement system for the patent.

28 Cf Jaeger, 'The EU Patent: *Cui Bono et Quo Vadit?*' (n 2) 112-113; similarly, Ullrich, 'Patent protection in Europe: Integrating Europe into the Community or the Community into Europe?' [2002] ELJ, 433, 459ff.

29 Cf the references in n 27.

30 Cf Commission, 'Proposal for a Council Regulation on the Community patent' COM (2000) 412 final.

31 Cf Jaeger, 'Delayed Again?' (n 5) 1137; Thomas Jaeger, 'Shielding the Unitary Patent from the ECJ' (n 16) 391; Dehousse, *The Unified Court on Patents* (n 10).



### A. *Flaws of the Unified Patent Court*

There is ample criticism of the UPC in literature for its deficiencies both in terms of intrinsic dysfunctionalities (lack of consolidation and setup) and an incompatibility with EU law.<sup>32</sup> Therefore, absent the need to explain these diverse flaws here extensively, only a reminder of the respective main points shall briefly be given.

#### 1. No single supreme court

As regards dysfunctionalities, these can be found on three levels. The first level consists of the aforementioned lack of consolidation of patent jurisprudence in Europe: Due to the legally complex and non-transparent compromise that was struck to set up the system as a whole, the UPC fails to consolidate patent jurisprudence in Europe. There is no unifying apex, no mechanism of consolidation for that jurisprudence. Instead, the UPCA just adds one more layer of patent jurisprudence of last instance. This invites strategic patenting and torpedo litigation and may have the effect of increasing instead of decreasing enforcement costs for users of the system and third parties.

More specifically, the persisting fragmentation of jurisprudence is due to a proliferation of courts or tribunals of last instance in patent matters.<sup>33</sup> In fact, that fragmentation will be more severe in quality than before: Whereas now, patent jurisdiction is evenly distributed across national courts, thereby naturally including some better qualified courts and preferred jurisdictions

32 Cf Jaeger, 'Delayed Again?' (n 5) 1134ff; Douwe de Lange, 'EU patent harmonization policy: reconsidering the consequences of the UPCA' [2021] JIPLP 1078, 1088ff; Plomer, 'The Unified Patent Court and the Transformation of the European Patent System' (n 2) 794; UCLouvain, *Position paper on the Unified Patent Court* [2020] *passim* <<https://uclouvain.be/fr/instituts-recherche/juri/crides/actualites/upc-alternatives.html>> accessed 18 March 2022; Thomas Jaeger, 'Zukunft der Investitionsschiedsgerichtsbarkeit' [2019] *ecolex* 645, 648ff; Thomas Jaeger, 'Gerichtsorganisation und EU-Recht: Eine Standortbestimmung' [2018] *EuR* 611, 643ff; Dehousse, *The Unified Court on Patents* (n 10) 24ff, 37ff; Hilty and others, *Twelve Reasons for Concern* (n 8) *passim*; Hans Ullrich, *Select from Within the System: The European Patent with Unitary Effect* [2012], Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-11, 36ff.

33 Cf Jaeger, 'Delayed Again?' (n 5) 1137ff; de Lange, 'EU patent harmonization policy' (n 32) 1084ff; Federica Baldan and Esther van Zimmeren, 'The Future Role of the Unified Patent Court in Safeguarding Coherence in the European Patent System' [2015] *CMLRev* 1529, 1548ff; Mauricio Troncoso, 'European Union Patents: A Mission Impossible? An Assessment of the Historical and Current Approaches' [2013] *Marq Intell Prop L Rev* 231, 262; Hilty and others, *Twelve Reasons for Concern* (n 8) 2; Jaeger, *The EU Patent: Cui Bono et Quo Vadit?* (n 2) 74ff.

for litigation as well as courts and jurisdictions less versed in patent matters, the enforcement system after the entry into force of the UPCA will have a few large players remaining. Different lines of jurisprudence and practice emerging among them will have a more significant impact and are more likely to become entrenched than where a large number of smaller courts is involved. With the UPCA in force, the patent jurisdiction of last instance would lie at four different institutions, namely 1) the UPC in respect of infringements and validity of EPC patents for the EU Member States participating in the UPC system, and 2) the CJEU in respect of UPs via preliminary references from the UPC regarding all matters concerning EU law (ie potentially any issues of validity and infringement of UPs, but also of EPC patents, where overlaps with EU law exist, such as in the areas of biotechnology, fundamental rights etc), 3) the national courts of EU Member States not participating in the UP/UPC system as well as the courts of all of the non-EU members of the EPO (eg the UK, Switzerland, Spain, Poland ...) regarding the validity and infringements of EPC as well as purely national patents and 4) the EPO's Boards of Appeal in all matters of registration and opposition for EPC and UP patents. These systems are not mutually consolidated, so that differing patent practice is very likely to emerge, similarly to what is already the case (eg between the EPO and the German BGH),<sup>34</sup> but now with additional layers and actors.

As regards the EPO's involvement and the final jurisdiction of its Boards of Appeal in particular, the current qualms<sup>35</sup> over the insufficiency of legal protection afforded are imported into the UP and UPC system. This is thus yet another detail or footnote in a system that is inadequate on many levels. The EPC's provisions on institutional and legal protection are in dire need of reform and modernisation. The UP's and UPC's reliance on the EPC/EPO imports those problems into the EU's legal system. More importantly, in practice, due to that importation exercise into EU law, let us not forget that the CJEU will enter the arena as an adjudicator regarding the overall legality or deficiencies of the EPO's setup.

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34 Cf Markus Petermann, "Essentially" – EPO does not always set the highest standards for clarity of patent claims [2020] <[www.paustian.de/all/petermann-blogeintrag-im-wesentlichen/](http://www.paustian.de/all/petermann-blogeintrag-im-wesentlichen/)> accessed 18 March 2022; Baldan and van Zimmeren, 'The Future Role of the Unified Patent Court' (n 33) 1548ff; Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 787; Klaus Grabinski, 'Can and May Determination of the Extent of Protection Conferred by a European Patent in Different Countries Lead to Different Results?' [1999] IIC 855, 861.

35 Cf the cases pending with the German Federal Constitutional Court, 2 BvR 2480/10, 2 BvR 421/13, 2 BvR 786/15, 2 BvR 756/16 and 2 BvR 561/18. For a discussion of the issues at stake cf Jaeger, 'Delayed Again?' (n 5) 1134; Horst Vissel, 'History repeating – A court decision to trigger a European patent law reform?' [2019] GRUR Int 25, *passim*.

## 2. Ineffective organisation and procedure

The second flaw consists in a second aspect of the inherent dysfunctionality of the UPC, which has just been mentioned above. It concerns the actual setup of the UPC and its competences and procedural rules.<sup>36</sup> While these flaws are diverse in detail, they may, in broad terms, be sub-divided into three groups. Those are imbalances regarding 1) the scope of jurisdiction (as discussed for the substantive patent, such as the absence of UPC jurisdiction over compulsory licenses, territorial limitation to EU Member States participating in the enhanced cooperation and having ratified the UPCA etc), 2) the division of jurisdiction among the first instance divisions (eg the remaining compromise on bifurcation, the competences reserved to the central division etc) and 3) the details of organisation of the UPC (eg a predominantly national composition of the bench in large decentralised divisions like those in Germany, the language regime etc). These features add to the fragmentation of patent jurisdiction, miss a fair balance in the rights and remedies available to patent holders and third parties and open the system to strategic patenting and continued forum shopping by plaintiffs.

## 3. Incompatibility with EU law

The third fundamental flaw of the UPC's setup is its questionable legality:<sup>37</sup> The UPC is very likely in breach of EU law, as is indicated by a considerable amount of recent CJEU case law.<sup>38</sup> In particular, that line of case law clearly states that a court based on international law like the UPC (or the EEUPC before it) must not have jurisdiction to apply EU law directly. The direct and indirect application of the UP Reg. as well as other EU law, both primary (eg, the CFR, general principles of EU law like effectiveness, protection of legitimate expect-

36 Cf Jaeger, 'Delayed Again?' (n 5) 1138; Baldan and van Zimmeren, 'The Future Role of the Unified Patent Court' (n 33) 1562, 1567; Dehousse, *The Unified Court on Patents* (n 10) 17, 30ff; Hilty and others, *Twelve Reasons for Concern* (n 8) 3.

37 Cf Jaeger, 'Delayed Again?' (n 5) 1134ff; de Lange, 'EU patent harmonization policy' (n 32) 1088ff; UCLouvain, *Position paper on the Unified Patent Court [2020] passim* <<https://uclouvain.be/fr/instituts-recherche/juri/crides/actualites/upc-alternatives.html>> accessed 18 March 2022; Jaeger, 'Zukunft der Investitionsschiedsgerichtsbarkeit' (n 32) 648ff; Jaeger, 'Gerichtsorganisation und EU-Recht' (n 32) 643ff; Hilty and others, *Twelve Reasons for Concern* (n 8) *passim*.

38 Cf Case C-109/20 *PL Holdings* [2021] ECLI:EU:C:2021:875, paras 44ff; Case C-741/19 *République de Moldavie* [2021] ECLI:EU:C:2021:655, paras 45ff and 62-63; Opinion 1/17 *CETA* [2019] ECLI:EU:C:2019:341, paras 123 ff; Case C-248/16 *Achmea* [2018] ECLI:EU:C:2018:158, paras 43ff; Opinion 2/13 *Accession to the ECHR* [2014] ECLI:EU:C:2014:2454, paras 176ff; Opinion 1/09 *European and Community Patents Court* [2011] ECLI:EU:C:2011:123, para 74ff.

tations, etc) and secondary (eg, the IP Enforcement Directive), is, of course, an essential and necessary feature for the UPC to perform its tasks. In this respect, the UPC is essentially a copy of the previous EEUPC model, which was declared incompatible with EU law by the CJEU in its Opinion 1/09.<sup>39</sup> The adaptations made when converting the EEUPC into the UPC remained restricted to formal and cosmetic changes, such as the removal of both the EU as such as well as all non-EU states from the UPCA or the artificial designation of the UPC as a “court of the Member States” in the amended Brussels Regulation.<sup>40</sup> Of course, these formalistic changes cannot alter the fact that the UPC is not substantially different from the former, incompatible court model. Its functioning and jurisdiction remained the same.

For these reasons, the UPC is just as incompatible with EU law as its predecessor. The CJEU might establish this incompatibility once the UPC is operable, as parties to patent proceedings could raise the issue of the competent forum either before a national patent court whose competences were transferred to the UPC, or before the UPC itself. From both fora, the question of whether this model of jurisdiction is in conformity with primary law requirements would necessarily need to be referred to the CJEU by way of a reference for a preliminary ruling. This could lead to the toppling of that system once it becomes operative. Until the CJEU has had a chance to pronounce on the legality of the UPCA, it seems risky for patent holders to make widespread use of the system or to entrust it with valuable patents.

### *B. Alternative: BX-plus, a supranational direct appeals court*

As regards changes to the patent court and enforcement model needed to remedy their functional and EU law-related flaws, there is some good and some bad news. The bad news is that the very foundations of the court will have to be rethought and that minor cosmetic changes will not do the trick. On the other hand, the good news is that as regards possible court models that are both (albeit each to differing degrees) functional and compatible with EU law, some choice exists. Moreover, those models need not be elaborated from

39 Opinion 1/09 *European and Community Patents Court* [2011] ECLI:EU:C:2011:123, para 74ff.

40 Cf Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2012] OJ L351/1, art 71a(2), inserted by Regulation (EU) 542/2014 of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice, [2014] OJ L163/1.

scratch, as the essentially conceivable forms of centralised cross-border patent enforcement have all been suggested and elaborated in the past in a debate that has been ongoing for decades.<sup>41</sup>

Possible models range from strong EU law integration (ie, tribunals and jurisdiction based on arts 257 and 262 TFEU) via medium EU law integration (ie, the existing trademark model) to no EU law integration at all (ie, a revived and revised EPLA-type model). All of these solutions have their functional and political advantages and disadvantages<sup>42</sup> and, accordingly, proponents and opponents. None of them could secure majority support in the past. From among that range of potentially conceivable models, only one is selected and briefly<sup>43</sup> explained here as the author's preferred alternative to the UPC.

That alternative court model is inspired by the example of the Benelux Court of Justice, to which the CJEU has repeatedly hinted as an international IP court that is compatible with EU law,<sup>44</sup> while it is at the same time optimised to enhance its effectiveness in cross-border patent litigation. It is therefore referred to as the Benelux-plus court model (in short: BX-plus). The 'plus' seeks to indicate that a more progressive approach is adopted as compared to the Benelux Court. It has been elaborated in detail elsewhere<sup>45</sup> and is concisely described here regarding its main setup and cornerstone features.

The Benelux Court of Justice is essentially linked to national courts (and to the CJEU) via references for preliminary rulings.<sup>46</sup> This has the advantages of immediately linking it to national procedure and of keeping national courts in the driver's seat regarding the implementation of the Benelux Court's ruling and the final decision of the case. These immediate procedural links with the

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41 For an overview of models, cf Jaeger, 'Delayed Again?' (n 5) 1138ff; Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 680ff, 716ff; Fernand de Visscher, 'European Unified Patent Court : Another More Realistic and More Equitable Approach Should be Examined' [2012] GRUR Int 214, 218ff, 221ff; Jaeger, 'The EU Patent: *Cui Bono et Quo Vadit?*' (n 2) 79ff.

42 Cf Jaeger, 'Delayed Again?' (n 5) 1138ff; Annette Kur, 'Easy Is Not Always Good – The Fragmented System for Adjudication of Unitary Trade Marks and Designs' [2021] IIC 579, *passim*; Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 720ff, 754ff.

43 Cf, more extensively, Jaeger, 'Delayed Again?' (n 5) 1138ff.

44 Cf Case C-196/09 *Miles* [2011] ECLI:EU:C:2011:388, paras 40ff; Opinion 1/09 *European and Community Patents Court* [2011] ECLI:EU:C:2011:123, para 82ff; Case C-337/95 *Dior* [1997] ECLI:EU:C:1997:517, paras 21ff.

45 Cf already Jaeger, 'Delayed Again?' (n 5) 1142-1143.

46 On the Benelux Court of Justice, cf Jaeger, 'Delayed Again?' (n 5) 1140ff; Thomas Jaeger, 'Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives' [2012] IIC 286, 299ff.

national courts are what, in the eyes of the CJEU, allow to include the Benelux Court of Justice in the concept of courts of the Member States according to arts 19 TEU and 267 TFEU.<sup>47</sup> However, the preliminary ruling procedure's disadvantage consists of the procedural delay caused until the final decision is handed down and the inability of the Benelux Court to render such a final and immediately binding decision.<sup>48</sup> The latter issue is unfavorable not only for parties seeking a quick decision, but also for the unity of patent law due to a margin of discretion of the national court when applying the preliminary ruling to the case at hand.

However, the Benelux Court of Justice is not just a preliminary rulings instance entirely: It also has jurisdiction for direct appeals against decisions of the Benelux Office for Intellectual Property (BOIP). Therefore, to address and overcome the downsides of preliminary rulings, the key concept of a BX-plus patent court is to elaborate and expand the Benelux model's already existing direct appeals tool to become a complete appeals procedure *ex* the national patent courts. From an EU law point of view, direct appeals would make no difference for the system's compatibility therewith. The CJEU has also highlighted the Benelux Court's compatibility with EU law both in judgments from the time when the latter was essentially still a preliminary reference court and after that, when it already exercised its direct appeals functions. Direct appeals would even seem to strengthen the link required by the CJEU between the BX-plus Patent Court and the national judiciary as envisaged by art 267 TFEU.

Some national constitutional systems might find it difficult, for reasons of sovereignty, territoriality, democratic legitimacy or separation of powers, to allow direct appeals against national court decisions to an international tribunal. This was, after all, also not the model chosen for EU law in general. In view of these concerns, while appearing and functioning in essence like an appeals procedure, the legal tool to render a full case review by the BX-plus court over national court decisions would possibly be a form of procedure called successive jurisdiction or successive competence: Successive competence means that

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47 Cf Case C-196/09 *Miles* [2011] ECLI:EU:C:2011:388, paras 40ff; Opinion 1/09 *European and Community Patents Court* [2011] ECLI:EU:C:2011:123, paras 82ff; Jaeger, 'Delayed Again?' (n 5) 1135-1136; Jaeger, 'Zukunft der Investitionsschiedsgerichtsbarkeit' (n 32) 649; Jaeger, 'Gerichtsorganisation und EU-Recht' (n 32) 644ff; Thomas Jaeger, 'Institutionelle und funktionsinhaltliche Aspekte der Rechtsdurchsetzung: Gerichtsbarkeit', in Reto M. Hilty and Thomas Jaeger, (eds), *Europäisches Immaterialgüterrecht* (Springer 2018) 641, 648ff; Jaeger, 'Back to Square One?' (n 46) 296ff; Roberto Baratta, 'National Courts as "Guardians" and "Ordinary Courts" of EU Law: Opinion 1/09 of the ECJ' [2011] *Legal Issues of Economic Integration* 297, 307ff.

48 Cf Jaeger, *System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte* (n 2) 744ff.

a case is transferred from one body or court to another for a fresh, second review from scratch. The findings of the first court do not bind the second court undertaking the review (eg as regards facts, evidence etc), nor is the second court allowed to invalidate or lift the decision of the first court. Instead, the second court's decision simply replaces that of the first court (which must thus be disapplied, similarly to the functioning of EU law's primacy principle). Successive competence is known in some national procedural laws, eg, in Austria to allow civil court review of cases initially decided by an administrative body or court. The jurisdiction of the ECtHR is set up in a similar manner that resembles successive competence: The ECtHR has the competence to review an application for a fresh, separate review of the ECHR aspects of a national judgment. Through successive competence, the national and international law spheres could be kept formally separate without incurring the disadvantages of a preliminary ruling procedure.

Therefore, the successive competence-based appeals mechanism envisaged for the BX-plus Patent Court would mean that the judgment of a national patent court could be subjected to a second, formally separate and comprehensive review. When an appeal is brought, the national judgment should cease to apply *ex lege* under national law or, at least, its enforceability should be blocked. Upon transfer of a case to the BX-plus court, that court could exercise full jurisdiction over all aspects of the case and would not be bound by the findings or dispositions of the national court. While its final judgment would not involve a direct annulment of the national judgment, that judgment would have direct effect on the national level and enjoy direct enforceability, similarly as is the case with judgments of the CJEU as a court of last instance in the sense of art 267(3) TFEU.

Applications to the BX-plus court could already come from the first patent litigation instance or, in the alternative, be limited to patent court judgments of second instance. That design is flexible. However, too many instances are to be avoided. Where, for example, appeals would come *ex* the second national instance, the BX-plus Patent Court should only constitute a single review instance. In turn, if the appeals possibility was set immediately after the first national patent court instance, the BX-plus Patent Court might be composed of a two-instance system.

The successive competence would arguably allow to qualify the BX-plus model as a Member State court in the sense of art 267 TFEU. For matters of EU patent law and other issues of EU law, it would thus be under an obligation to request preliminary rulings from the CJEU.

Similarly to what was envisaged for the EEUPC and what is now planned for the UPC, the BX-plus court could and should have jurisdiction over both EU

(Unitary) and EPC (European) patents and cover both infringement and invalidity issues. In this respect, the BX-plus model would also allow a re-inclusion of non-EU members of the EPC in the system: the BX-plus court would essentially take all patent cases for which national courts are competent. Insofar as those cases have an EU law dimension, the BX-plus court would, like any court of an EU Member State, be able to request a preliminary ruling from the CJEU. In turn, the fact that only some cases and/or some aspects of pending cases involve an EU law dimension does not bar Member States courts from exercising a larger jurisdiction, beyond the scope of EU law. Therefore, the BX-plus court could also be equipped with jurisdiction over disputes from non-EU members of the EPC without depriving the BX-plus court of its art 267-type court character.

For the same reason, the BX-plus court could be made competent to hear and decide upon direct appeals *ex* the EPO and/or *ex* national patent offices, subject to a political choice that the system should be opened for this. Also for such 'office-appeals', the tool of successive competence might be used to overcome issues concerning the separation of powers.

Thus, in sum, the following features would make up the organisation and competence of a BX-plus Patent Court:

1. Jurisdiction regarding...
  - direct appeals *ex* national patent courts (of first or second instance) as well as appeals *ex* the national patent offices and the EPO, all based on successive competence;
  - actions concerning patent infringement and patent invalidity;
  - EU (Unitary) and EPO (European) patents;
  - the adoption of binding, final judgments with direct effect and enforceability on the national level.
2. Setup comprising...
  - art 267-type character as a court of the Member States via direct and actual links to national procedures;
  - entitlement as well as obligations to refer questions of interpretation or validity of EU law to the CJEU;
  - either one instance (where appeals come from the second national instance) or two instances (where appeals come from the first national instance).

#### **4. Summary**

The preparations for the entry into force of the UP and UPC are by now far



advanced.<sup>49</sup> Nonetheless – TATA! – alternatives exist. There may not exactly be thousands, but a handful of viable, systemically functional and legally safe options can be identified without any trouble. What stood and is still standing in the way of their implementation, and thus in the way of a functional and overall better system, are only politics.

Any alternatives, be it the ones briefly outlined here or others not elaborated here, should also be contemplated and assessed seriously. This applies even now. Let us not be bamboozled by the rhetoric of TINA politics: If the UP and UPC become operative, it is far from certain that they will last. In particular, EU law incompatibilities may bring down the UPC or at least command a major reform.

Similarly, as regards the UP, its anachronistic approach to patentability, exceptions and limitations particularly may soon warrant some legislative action in the face of climate change and other pressing sustainability issues. Such reforms may come from within the EPO, although this seems unlikely in view of a generally rather conservative and cautious attitude at the EPO and a lack of both democratic legitimacy and accountability of the EPO's management. However, and this seems much more likely, reform might as well be forced upon the EPO by the EU legislator in a similar manner as it was done by means of the Biotechnology Directive 98/44/EC.

In the same vein, UP reform may be prompted as a result of the EPO's intrinsic legal deficiencies of organisation and setup that are currently (again)<sup>50</sup> at the focus of public and judicial attention.<sup>51</sup> Those deficiencies that affect the EPO may ultimately prompt a rethinking and readjustment of the EU's (ie, the UP's) administrative reliance on that external patent office. Not least, the CJEU will also have a say in this respect, since the UP indirectly imports the EPC (including the EPO's structural flaws) into the EU's legal system. The transformation

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49 The deposit of the Austrian instrument of ratification of the Protocol on Provisional Application on 18 January 2022 triggered the start of the provisional application period. During that period, preparatory work such as the finalisation of the recruitment of judges to the UPC was conducted. By February 2023, the state parties were confident about the UPC's functionality and Germany deposited its instrument of ratification of the UPCA. This, in turn, triggered the UPCA's entry into force and the start of the UPC's operations on the first day of the fourth month after that date, i.e. on 1 June 2023 (art 89 UPCA). Cf <[www.unified-patent-court.org/news/austria-closes-loop-protocol-provisional-application-upc-agreement-has-entered-force](http://www.unified-patent-court.org/news/austria-closes-loop-protocol-provisional-application-upc-agreement-has-entered-force)> accessed 18 March 2022.

50 Cf, already, Baldan and van Zimmeren, 'The Future Role of the Unified Patent Court' (n 33) 1529ff; Rüdiger Zuck, 'Die verfassungsgerichtliche Kontrolle von Entscheidungen der Großen Beschwerdekammer des Europäischen Patentamts wegen Verletzung des rechtlichen Gehörs' [2011] GRUR Int 302, 304ff.

51 Cf the references cited in n 35.

approach does not change this indirect importation effect, given the intrinsic legal (EPC as the basis and container of a right granted to individuals under EU law) and factual (renewal, fees, administration etc) links. This is particularly true given that, as was pointed out in the context of the UP's legal deficiencies, there is a time window during which the EPO's competences and the existence of an EU law-based right overlap in the context of opposition and potential revocation. The effects of revocation on the EU law-based right of individual patent applicants can be sure to resurface in litigation when the system is operational and will require fixing by the EU legislator.

The more time passes and the better we understand the patent package, the more does the scale of its deficiencies emerge into the light. The emergency patchwork approach<sup>52</sup> adopted, hiccup after hiccup, to push the package through and keep it going at any cost and the problems resulting from this, will keep undertakings worrying and their legal counsels busy for many years to come. It is to be hoped, however, that the EU legislator and Member States will be equally busy in terms of amending, fixing and reforming that ailing system. It can be done: TATA!

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52 Cf Jaeger, 'Reset and Go' (n 2) 282, 284; Thomas Jaeger, 'Half in, half out? Brexit und hybride Regelungsmethoden am Beispiel Einheitspatent' [2017] ZÖR 419, 426ff; Thomas Jaeger, 'Hieronymusch Bosch am Werk beim EU-Patent?' [2013] EuZW 15, 16ff; Jaeger, 'Back to Square One?' (n 46) 286.

## 28. REMEDYING DISUNITY THROUGH THE EUROPEAN CODE OF BUSINESS LAW

*Vincent Cassiers*

### **1. Introduction**

Intellectual property, which is open to creation, innovation, and the future, has been one of the most avant-garde branches of the law. Few of them have experienced such early internationalisation, if not international harmonisation, with the exception of a few intrinsically international fields (e.g. public and private international law and the law of the sea). Intellectual property was also “revolutionary”: it was at the heart of both the English and French revolutions, considered to be the guarantor of freedom of creators and inventors and the tool for their emancipation.

This avant-garde and revolutionary dynamic was still at work in the landmark cases of the Court of Justice of the European Union, which, as much as the EU Treaties, Directives and Regulations, boldly contributed to the advent of the internal market. The TRIPS Agreement also had a revolutionary character by shaping globalisation based on intellectual property.

Today, intellectual property faces a thousand challenges and needs to rethink itself in the face of the many current revolutions such as technological transformation and climate change and their far-reaching consequences on the economy, culture, technology, society, etc. Far from being part of this aspiration to renewal, the European patent with unitary effect constitutes a form of regression by adding a layer of superfluous complexity to the European patent system instead of simplifying it, by opening the doors and windows of the European innovation economy to foreign companies and multinationals at a time when the EU institutions declare that they want to promote technological and industrial sovereignty and by establishing a supposedly “unitary” patent on the basis of a dynamics of disintegration of the European Union law.

The European patent with unitary effect does not seem to be adapted to the contemporary challenges, nor to those already announced for tomorrow. Fortunately, without waiting for the difficulties to arise, European lawyers from many Member States are already writing the future by proposing a European code of business law.

## 2. *Disunity in the Union*

### A. *The essential characteristics of a European Union Patent*

Since the beginning of the “Community patent” project, then of the “European Union patent”, all legislative proposals have been characterised by the “unitary” but also “uniform” character of the EU patent. There was no question of tolerating different “European” regimes within the Union: the European Union patent would be applicable in all Member States. All these proposals enshrined the rules of the EU patent in EU law: the EU patent had an “autonomous” character in that it was governed solely by EU law. Finally, all these proposals, even though numerous variants were envisaged regarding the system of EU patent litigation, were placed under the single dome of the Court of Justice of the European Union and, depending on the case, in the hands of national jurisdictions<sup>1</sup>, possibly supervised by a common court of appeal<sup>2</sup>, or in the hands of a centralised court: “the Community intellectual property court”<sup>3</sup>.

Without going into detail about the proposals made and the texts adopted during the last century concerning the “Community patent”, it seems appropriate to recall some of the provisions of the proposal at the origin of the UCPA so that everyone can measure the regress made in the course of the preparatory work and the gap between the initial intention and the final result.

The Proposal for a Council Regulation on the Community patent of 1 August 2000<sup>4</sup> was published on 28 November 2000 and provides the following:

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- 1 Treaty of Luxemburg on the Community patent of 15 December 1975. The provisions of this Treaty are presented in L. Gruszow and B. Remiche, *La protection des inventions*, Bruxelles, Larcier, 1978, p. 26.
  - 2 Agreement relating to Community patents done at Luxembourg on 15 December 1989, 89/695/EEC, *O.J. L 401*, 30 December 1989, p; 1-27.
  - 3 Proposal for a Council Regulation on the Community patent of 1<sup>st</sup> August 2000, COM(2000) 412 final, *O.J.*, C 337 E, 28 November 2000, p. 278-290.
  - 4 Proposal for a Council Regulation on the Community patent of 1<sup>st</sup> August 2000, COM(2000) 412 final, *O.J.*, C 337 E, 28 November 2000, p. 278-290. B. Remiche and V. Cassiers, “Brevet Communautaire et modifications à la Convention sur le brevet européen », in *Droits intellectuels : à la rencontre d'une stratégie pour l'entreprise. Rapport du 52<sup>ème</sup> séminaire de la Commission Droit et Vie des Affaires des 11 et 12 octobre 2001*, Bruxelles, Bruylant, 2002, p. 173-225.

**Article 1. Community patent law.**

This Regulation establishes a Community law on patents. This law shall apply to all patents granted by the European Patent Office [...] throughout the entire area of the Community.

**Article 2. Community patent.**

1. The Community patent shall have a unitary character. It shall have equal effect throughout the Community and may only be granted, transferred, declared invalid or lapse in respect of the whole of the Community.

2. The Community patent shall have an autonomous character. It shall be subject only to the provisions of this Regulation and to the general principles of Community law. [...]

**Article 30. Actions and claims relating to the Community patent - Exclusive jurisdiction of the Community intellectual property court.**

1. The Community patent may be the subject of invalidity or infringement proceedings, of action for a declaration of non-infringement, of proceedings relating to the use of the patent or to the right based on prior use of the patent, or of requests for limitation, counterclaims for invalidity or applications for a declaration of lapse. It may also be the subject of proceedings or claims for damages.

2. The Community patent may not be the subject of actions in respect of threatened infringement.

3. The actions and claims referred to in paragraph 1 come under the exclusive jurisdiction of the Community intellectual property court. In the first instance, they are brought before the Chamber of First Instance of that court. [...]

In light of these elements of the original Proposal, one can only conclude that the end point has nothing in common with a “European Union Patent”. The Unitary Patent Package does not create a European Union Patent. The European Union Patent is still to be created.

The UPP does not create any unity within the EU and therefore has nothing in common with the ambition behind the “Community Patent” project. Instead of a single patent based on Union law, applicable in all EU Member States, the UPP adds two additional patent regimes to the existing ones, relies heavily on interstate law and not on Union law and fails to deliver a single patent, applicable in all EU Member States.

*B. The problem of the enhanced cooperation*

Even if it is based on enhanced cooperation, the dynamics of which aims at progressively integrating all the Member States into the common system, the system of the EPUE will probably never lead to a system common to all Member States. The enhanced cooperation has not, in this case, been estab-

lished with a common harmonising intention shared by all Member States but, on the contrary, it has been used by a majority of Member States because they have not been able to convince a minority of Member States of the relevance of the proposed system.

It should be recalled that the Commission's Communication of 3 April 2007<sup>5</sup> proposed to solve the issue of patent translation. On 7 December 2009, the Council adopted "Conclusions on an Enhanced Patent System in Europe" in which the Council stated that:

The EU Patent Regulation should be accompanied by a separate regulation, which should govern the translation arrangements for the EU patent adopted by the Council with unanimity in accordance with Article 118 second subparagraph of the Treaty on the Functioning of the European Union. The EU Patent Regulation should come into force together with the separate regulation on the translation arrangements for the EU patent<sup>6</sup>.

Pursuant to these "Conclusions", the Commission submitted a Proposal under which the translations of the EU Patents would be limited to that prepared by the EPO, with a derogation in case of litigations<sup>7</sup>.

During the Council meeting of 10 December 2010, it was concluded that there was no unanimity on the Commission's proposal and that such unanimity was not foreseeable in the near future. This is the reason why it was decided to establish enhanced cooperation in the area of the creation of unitary patent protection<sup>8</sup>.

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5 Communication from the Commission to the European Parliament and the Council - Enhancing the patent system in Europe - COM/2007/0165 final – 3 April 2007.

6 Council document nr. 17229/09, 7 December 2009, §36.

7 Articles 3 and 4 of the Proposal for a Council Regulation (EU) on the translation arrangements for the European Union patent - COM/2010/0350 final – 30 June 2010.

8 Council Decision 2011/167/EU of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, *O.J.*, L 76, 22 March 2011, p. 53: "(4) At the Council meeting on 10 November 2010, it was recorded that there was no unanimity to go ahead with the proposed Regulation on the translation arrangements. It was confirmed on 10 December 2010 that insurmountable difficulties existed, making unanimity impossible at the time and in the foreseeable future. Since the agreement on the proposed Regulation on the translation arrangements is necessary for a final agreement on unitary patent protection in the Union, it is established that the objective to create unitary patent protection for the Union could not be attained within a reasonable period by applying the relevant provisions of the Treaties. (5) In these circumstances, [25] Member States [indicated] that they wished to establish enhanced cooperation between themselves in the area of the creation of unitary patent protection on the basis of the existing proposals supported by these Member States during the negotiations and that the Commission should submit a proposal to the Council to

The reason for resorting to enhanced cooperation to create the EPUE constitutes the first blocking point towards the creation of a common patent for all the Member States of the Union, as it seems obvious that the linguistic and cultural reason, which yesterday prevented Spain from joining the common system, is not likely to disappear in the future.

Of course, technological advances in automatic translation systems could put the issue in a new light tomorrow. However, the problem remains structural: enhanced cooperation helps to create an optional regime that eight Member States have not wished to join, and François Wery's contribution to this book shows that it is not in the interest of these States to join the common system. This is the paradox of the EPUE: this regime seems to be more beneficial to the States (including non-Member States) that are not part of it than those in it.

### *C. The non-uniform protection conferred by non-EU law*

Beyond enhanced cooperation, the most objectionable element of the European patent with unitary effect is Regulation 1257/2012<sup>9</sup>. The legal basis for this Regulation is Article 118 of the Treaty on the Functioning of the European Union:

#### **Article 118**

In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to **provide uniform protection** of intellectual property rights **throughout the Union** and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements. (we highlight)

Obviously, the UPP and Regulation 1257/2012 in particular do not "provide uniform protection throughout the Union". Article 5 §3 of Regulation 1257/2012 confirms this by providing that:

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that end". Spain and Italy's actions for annulment of the Council's decision have been rejected by the Court of Justice of the European Union: Cases 274/11 and C-295/11, Kingdom of Spain and Italian Republic v Council of the European Union, 16 April 2013, ECLI:EU:C:2013:240.

9 Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, *O.J.*, L 361, 31 December 2012, p. 1-8.

**Article 5. Uniform protection**

3. The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

Pursuant to that provision, the “uniform protection” depends on the national law of each participating Member State. The protection of EPUE is not uniform throughout the Union because it only concerns the “participating Members States” and in each of these Member States, the protection is not determined by European Union law provisions but by national law.

This complex and “innovative” architecture has been established to circumvent Opinion 1/09 of the Court of Justice of the European Union about a former proposal to create an international Patent Court which would have exclusive jurisdiction (including by replacing national courts) for European and Community Patents.

In its Opinion 1/09, the Court indicated that:

Consequently, the envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law<sup>10</sup>.

As a matter of fact, the UPP substantially creates this international court that the CJEU declared non-compliant with the Treaties, with the sole exception that it will not interpret and apply European Union law but national law.

This architecture endangers EU integration and harmonisation and, ultimately, the EU itself. In its detailed analysis of this problem, Fernand de Visscher mentions that:

This optical illusion could no doubt be repeated without difficulty in other areas provided for in the Treaties and where, as in Article 118 TFEU, the ordinary legislative procedure is to be followed. “Unification” by referring

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10 CJEU (Plenary), Opinion 1/09 of 8 March 2011, ECLI:EU:C:2011:123, para. 89.



to a national law corresponding to an international treaty controlled by the Member States is a simple recipe for giving a Unionist veneer to an integration which, in reality, has escaped and will continue to escape the Union. This is a regrettable precedent for integration by the Union as such.<sup>11</sup>

The EPUE is not an EU patent, and its very architecture is a threat to EU integration. Other solutions are possible. Among these, creating a European code of business law seems to be an opportunity to be taken.

### **3. The European Code of Business Law (ECBL)**

#### *A. The necessity of the ECBL*

The project of the European Code of Business Law is the result of work carried out under the aegis of the Association Henri Capitant, which has been published in a trilingual book (French, German and English), with a preface by President Valéry Giscard d'Estaing<sup>12</sup>.

This book, as well as the works that preceded and followed it, draws up an inventory of the rules of European Union law and its contribution to twelve fields of law that are relevant to business activities: market law, e-commerce law, company law, securities law, enforcement law, law governing companies in difficulty, banking law, insurance law, financial market law, intellectual property law, social law and tax law.

It emerged from this inventory that European Union law in the field of business law was made up of scattered, extremely numerous and difficult-to-read standards.

This will come as no surprise to any specialist in intellectual property law. For example, there are now more than fifteen directives concerning copyright, which have given rise to innumerable landmark cases of the Court of Justice of the European Union. The contribution of the case law of the Court of Justice of the European Union is, moreover, fundamental in the creation of Union law,

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11 F. de Visscher, "Unitary Patent Package & Unified Patent Court: a (fragile?) progress of the European Union?", *I.C.I.P.*, 2022/3, p. 535-536. See also : H. Ullrich, "Le futur système de protection des inventions par brevets dans l'Union européenne : un exemple d'intégration (re-)poussée ?", Max Planck Institute for Innovation and Competition, Discussion Paper No. 2, <https://dx.doi.org/10.2139/ssrn.2464032>.

12 X., *La construction européenne en droit des affaires : acquis et perspectives*, Paris, LGDJ, 2016, 400 p.

particularly in the field of intellectual property<sup>13</sup>, so that it is essential to integrate this contribution into a codification exercise.

This legislative architecture - or rather its absence - characterised by a multiplication of Directives, Regulations, Decisions and Judgments, is not adapted to the addressees of the norms in question: the actors of the business world, of which SMEs constitute the largest part in the European Union. The latter need a clear, accessible, and readable legal framework, which is currently lacking.

The following example given by Philippe Dupichot seems quite revealing:

European business law formally suffers from a major lack of accessibility and intelligibility. The 'Eur-Lex' website - which aims at 'Access to European Union law' - is proof of this, as it is so difficult for anyone wishing to find out about European business law. The 'Summaries of EU law', which are intended for a non-specialist audience, are 'classified into 32 policy areas (sic)'. However, these areas are deeply fragmented and more than half of them are relevant to business law. In particular, the entry for 'Enterprise' is completely lacking, as it merely refers incompletely to other policy areas ('Internal Market', 'Competition', 'External Trade', 'Taxation', 'Customs').<sup>14</sup>

The absence of such a framework hinders the completion of the Internal Market, hampers investment and limits the dynamics of harmonisation. In particular, the unification of business law would stimulate economic growth in the internal market by facilitating intra-Community trade for SMEs, which

13 A. Strowel, L. Desauettes-Barbero and V. Cassiers, "L'influence du droit européen et de la Cour de Justice en propriété intellectuelle : vers un *ius commune* », in A. Strowel et G. Minne (coord.), *L'influence du droit européen en droit économique. Liber Amicorum Denis Philippe. Vol. 1*, Bruxelles, Larcier, 2022, p. 673-699 ; V. Cassiers and A. Strowel, « Intellectual property law made by the Court of justice of the European Union », in C. Geiger, C. Allen Nard and X. Seuba (dir.), *Intellectual Property and the Judiciary*, Cheltenham, Edward Elgar, 2018, p. 175-206.

14 P. Dupichot, « Dessiner un droit des affaires commun », *Groupe d'études géopolitiques*, Décembre 2021, <https://geopolitique.eu/articles/dessiner-un-droit-des-affaires-commun> (3 janvier 2022). Free translation of : « Le droit des affaires européen souffre formellement d'un déficit majeur d'accessibilité et d'intelligibilité. La consultation du site 'Eur-Lex' – qui tend pourtant à 'L'accès au droit de l'Union européenne' – en est la preuve, tellement est-elle malaisée pour quiconque souhaite se renseigner sur le droit européen des affaires. Les 'synthèses de la législation de l'UE', destinées pourtant à un public non spécialisé, sont 'classées en 32 domaines d'action (sic)'. Or, ces domaines sont profondément éclatés et plus de la moitié d'entre eux intéressent le droit des affaires. En particulier, l'entrée 'Entreprises' est d'une parfaite indigence puisqu'elle se contente de renvoyer incomplètement à d'autres domaines d'actions ('Marché intérieur', 'Concurrence', 'Commerce extérieur', 'Fiscalité', 'Douanes') ».

would be able to carry out their activities anywhere in the internal market as they do in their domestic markets.<sup>15</sup>

This observation led the Henri Capitant Association to extend its work towards the drafting of a European Code of Business Law.<sup>16</sup> This drafting work was carried out under the leadership of the Henri Capitant Association in partnership with the Fondation pour le droit continental, with which the Robert Schuman Foundation, EuropaNova, Confrontations Europe and the Stiftung Mercator were associated.

### *B. The drafting of the ECBL*

A group of lawyers, academics and practitioners, led by a Franco-German pair, was formed in each of the twelve branches of law concerned by the Code. Each group had to carry out the codification work in its branch to draw up a code intended to form an integrated volume in the European Code of Business Law.

This was an ambitious task. Each working group had to consult interested parties, including businesses and public authorities, and to identify areas that were already harmonised as well as areas that remained under the control of national law and in which harmonisation appeared desirable. The “codification” work thus consisted, on the one hand, of combining numerous existing standards of European Union law, as well as the teachings of the Court of Justice of the European Union concerning these standards, in a single text and, on the other hand, of proposing new harmonising standards on which the working group had reached a consensus.

The task is immense. In legal terms, the area of legislation covered by the European Code of Business Law is considerable. It extends from the law on companies in difficulty to the patentability of living organisms and the creation of a simplified European commercial company. On the political level, any actor or observer of the work carried out within the EU institutions will understand that such an ambitious project will take several years to become EU law.

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15 V. Aussilloux, Ch. Emlinger, L. Fontagné, « Y a-t-il encore des gains à l’achèvement du marché unique européen ? », *Lettre du CEPII* 2011, n° 316.

16 P. Dupichot, « Du Brexit au Code européen des affaires », *Dr et patr.*, 2016, n° 262; L. Bélanger, « Un code européen des affaires, le droit au cœur de la consolidation de l’Europe », *JCP*, 2017, 790; L. d’Avout, « L’étonnante initiative en faveur d’un code européen des affaires », *JCP G*, 2019, 559; L. d’Avout, « La France et l’Allemagne en quête d’un droit des affaires commun », *JCP E*, 2019, 1276.

### C. *The political relays*

The first steps have already been taken. In its White Paper on the future of Europe, published in 2017 in the context of the celebrations around the 60th anniversary of the Treaty of Rome, the European Commission already envisaged the drafting of a “‘common code of business law’ unifying company law, commercial law and related areas, which helps companies of all sizes to operate easily across borders”.<sup>17</sup>

Similarly, Article 20 of the Treaty between the French Republic and the Federal Republic of Germany on Franco-German cooperation and integration of 22 January 2019 states that the two driving forces of European integration will promote “the bilateral harmonisation of their legislation, particularly in the field of business law”.<sup>18</sup>

As an extension of this Treaty, a Franco-German Parliamentary Assembly has been set up. This assembly comprises fifty French and fifty German deputies. At its third meeting, on 6 February 2020, it adopted a “Deliberation establishing a working group on the harmonisation of French and German business and bankruptcy law” and “set itself the concrete objective of drawing up a legally binding Franco-German business code”.<sup>19</sup>

In France, the deputy Valérie Gomez Bassac led a “temporary parliamentary mission to draw up a European business code” which led her to hold nearly

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17 White paper on the future of Europe: The way ahead, European Commission, COM (2017) 2025, 1 March 2017, p. 21

18 The “Franco-German Treaty on Franco-German Cooperation and Integration” was signed in Aachen on 22 January 2019. Article 20 § 1 of the Treaty states: “(1) The two States shall deepen the integration of their economies in order to establish a Franco-German economic area with common rules. The Franco-German Economic and Financial Council shall promote the bilateral harmonisation of their legislation, in particular in the field of business law, and shall regularly coordinate economic policies between the French Republic and the Federal Republic of Germany in order to promote convergence between the two States and to improve the competitiveness of their economies”.

Free translation of: « (1) Les deux États approfondissent l’intégration de leurs économies afin d’instituer une zone économique franco-allemande dotée de règles communes. Le Conseil économique et financier franco-allemand favorise l’harmonisation bilatérale de leurs législations, notamment dans le domaine du droit des affaires, et coordonne de façon régulière les politiques économiques entre la République française et la République fédérale d’Allemagne afin de favoriser la convergence entre les deux États et d’améliorer la compétitivité de leurs économies ».

19 Quoted by P. Dupichot, « Dessiner un droit des affaires commun », *Groupe d’études géopolitiques*, Décembre 2021, <https://geopolitique.eu/articles/dessiner-un-droit-des-affaires-commun> (3 January 2022).

eighty hearings in France and in the main European capitals and to submit a 166-page report in which she formulates very concrete and operational proposals for the creation of a European Business Law Code.<sup>20</sup>

The European code of business law, however necessary this tool may be, will undoubtedly take many years to become a reality. The project emanates from civil society in a “bottom-up” dynamics and already has many political relays. Various steps are being taken to ensure its promotion and implementation. It is not possible at this stage to predict how and in what form the European Code of Business Law will become a reality. A Franco-German initiative is already underway, which will, in due course, be taken up at the European level. In the meantime, it is up to the academic world to broaden the existing consensus and the circles supporting the Code and, in the not-too-distant future, to make the text of the Code available to lawyers and businesses so that they can appropriate the tool and use this Code as a common reference within the European Union.

#### *D. Patent litigation in the ECLB*

##### **1. Patent law in the ECLB**

Within the framework of this contribution, it seemed important to us to identify the proposals formulated in the European Code of Business Law about patent law and, more particularly, for the aspects relating to litigation.

The provisions of the European Code of Business Law on intellectual property are set out in Book X of the Code, entitled “Intellectual Property Law”. This Book is subdivided into ten Titles: (i) Common Elements; (ii) Patent; (iii) Supplementary Protection Certificates; (iv) Plant Variety Certificates; (v) Semi-conductor Topography; (vi) Designs; (vii) Trade Marks; (viii) Copyright and Neighbouring Rights; (ix) Enforcement of Intellectual Property Rights; and (x) Intellectual Property Office of the European Union.

Substantive patent law in the ECLB is mainly governed by Title 2 of Book X of the Code. This title almost exclusively incorporates the substantive law provisions of the European Patent Convention (Article 52 et seq.) and, as regards the rights conferred by the patent, the provisions of the TRIPS Agreement. These provisions of the ECBL are not innovative, which is normal due to the already existing harmonisation of this area of patent law by international conventions.

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20 V. Gomez Bassac, « Rapport sur l'élaboration d'un Code européen des affaires », 8 juillet 2019. The report is available at <https://www.vie-publique.fr/rapport/271228-rapport-sur-lelaboration-dun-code-europeen-des-affaires> (4 February 2023).

## **2. A (truly) unitary patent**

In the field of patent law, the main contributions of the European Code of Business Law are to be found in Title I “Common Elements” and in Title IX “Defence of Intellectual Property Rights”.

Article 10.1.1.3 of the Code states that all the intellectual property rights it governs are unitary:

Each intellectual property right in the European Union shall have a unitary character.

It shall produce the same effects throughout the European Union. Ownership may be constituted, transferred, waived or declared void and its use may be prohibited only for the whole of the European Union.

It may be exploited exclusively for part of the territory of the European Union, subject to compliance with the exhaustion of the right.

This provision is applicable to all intellectual property rights, including patents.

## **3. The Courts of Intellectual Property Rights of the European Union**

As far as enforcement is concerned, the provisions laid down by the Code are common to all intellectual property rights and are included in Title IX. Article 10.9.1.1 provides for the creation of “Courts of Intellectual Property Rights of the European Union”. In accordance with this provision, it will be up to the Member States to designate on their territories as few national courts of first and second instance as possible to hear disputes concerning the intellectual property rights governed by the Code.

Article 10.9.1.2 of the Code specifies that these Courts will have exclusive jurisdiction:

- (a) for actions for infringement and threatened infringement of an EU intellectual property right;
- (b) for actions for a declaration of non-infringement;
- (c) for actions for a declaration of invalidity of an unregistered EU intellectual property right; and
- (d) for counterclaims for invalidity of an EU intellectual property right brought in the context of the actions referred to in (a).

Actions for declaration of invalidity of registered EU intellectual property rights such as patents will have to be brought in front of the Office.

Without going into detail, Article 10.9.1.3 sets out a series of alternative and subsidiary criteria for determining the Court’s jurisdiction. As a rule, the jurisdiction of the Courts of Intellectual Property Rights of the European Union (CIPREU) will be determined by the territory of the Member State in which

the defendant is domiciled or, if the defendant is not domiciled in any of the Member States, of any Member State in which he has an establishment. Failing that, the CIPREU of the Member State in which the plaintiff is domiciled or, failing that, has an establishment, shall have jurisdiction. Where the dispute is between two persons who are neither domiciled nor established in the territory of a Member State, the proceedings shall be conducted in the CIPREU of the Member State in which the Office has its seat.

It is also foreseen to apply three additional rules: (i) the parties may agree on the jurisdiction of another CIPREU; (ii) actions based on an infringement of an intellectual property right may also be brought before the CIPREU of the Member State on whose territory the infringing act has been committed or is threatened to be committed<sup>21</sup>; and (iii) Articles 25 and 26 of Regulation (EU) No 1215/2012 remain applicable. These jurisdictional rules are already customary in Union law.

#### **4. Procedural rules**

As regards the procedural rules, Articles 10.9.1.4 and 10.9.1.5 ECBL provide that the procedural rules of the national law of the Member State in which the CIPREU has its seat shall essentially be applied. More generally, Article 10.9.1.5.2 of the Code states that:

For all matters relating to European Union intellectual property law which do not fall within the scope of this Book, the competent Court of Intellectual Property Rights of the European Union shall apply the applicable national law.

The national supreme courts will also be able to hear appeals in cassation against decisions of the CIPREU of second instance established in their Member State.

#### **5. The application for invalidity of the patent**

As far as the invalidity of the patent is concerned, the regime set up by the European Code of European Business Law is largely inspired by the regime already applicable to trademarks and designs in the European Union.

According to Article 10.9.2.8.3 of the Code, once an intellectual property right has been declared null and void, it is deemed to have lost all its effects from the outset in all Member States since this right has a (real) unitary character.

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21 In this case, the court's jurisdiction is limited to "acts of infringement committed or threatened to be committed in the territory of the Member State in which that court is situated" (Article 10.9.1.9 of the Code).

From a procedural point of view, it should first be noted that Articles 10.9.1.11 and 10.9.3.1 of the Code establish a mechanism for the settlement of related actions which, as a rule, gives priority to the CIPREU first seized (or to the Office if it is the first seized) of an application for invalidity. This court will normally be called upon to rule on the validity of the patent while the CIPREU seized subsequently are invited to stay the proceedings until the invalidity application has been decided. It is noteworthy that this system is also applicable between the CIPREU's and the national courts when there is, in respect of the same subject-matter, a combination of protection by a national title and by a title governed by the Code.

The European Code of Business Law does not totally rule out the bifurcation system in the context of counterclaims for invalidity of intellectual property rights. Article 10.9.2.10.7 of the Code provides that a CIPREU hearing a counterclaim for a declaration of invalidity of a registered European Union intellectual property right may, at the request of the holder of the registered European Union intellectual property right and after hearing the other parties, stay the proceedings and invite the defendant to submit an application for a declaration of invalidity to the Office within a time limit set by the Court. If such an application is not filed within that period, the proceedings shall continue, and the counterclaim shall be deemed to be withdrawn. If the application for a declaration of invalidity is submitted to the Office, the Court will have to stay the proceedings pending the decision of the Office.

More generally, the European Code of Business Law aims at strengthening the role of the Court of Justice of the European Union in the field of patents, as patent law would be fully governed by EU law. It goes without saying that the European Code of Business Law in no way weakens the role of the Court of Justice of the European Union, on the contrary.

#### **4. Conclusion**

We can conclude this contribution with this pertinent observation made by President Giscard d'Estaing:

[Company law] is a powerful vector of economic, fiscal and social convergence. This convergence is essential to the consolidation of the Euro, which is today the backbone of European construction. (...) this law, which governs the daily life of companies, has not been sufficiently taken into account by European leaders.

Applied to the field of patents, this observation seems all the more relevant since in the context of an economy based on innovation, control of the lever



constituted by patent law is an essential element of any serious political ambition. The European patent with unitary effect constitutes a renunciation in this respect. The institutions of the European Union have, for the time being, abdicated their power to rule on patent law.<sup>22</sup>

The European patent with unitary effect will come into force on 1 June 2023. This system will exist; it is a reality. However, this system might only be transitory and the European Union should have the will and the insight to reappropriate patent law, in all its aspects, in order to create a truly unitary and autonomous law within the framework of the European Code of Business Law.

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22 V. Giscard d'Estaing, *Préface à La construction européenne en droit des affaires : acquis et perspectives*, Lextenso, 2016.



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As of 1<sup>st</sup> of June 2023, after years of negotiations, setbacks and postponements, the Unitary Patent Package (UPP) enters into force: the European patent with unitary effect (EPUE) becomes a reality and the Unified Patent Court (UPC) starts its activities.

Regrettably, the patent regime put in place is not a genuine EU system. Adopted through an enhanced cooperation procedure, it firstly does not include all EU Member States. Secondly, the conditions and the procedure for granting EPUE is in the hands of the European Patent Office, an international organization to which EU is not a party. Lastly, the substantive provisions and the litigation proceedings are defined by an international treaty (the UPC Agreement) to which EU is not a member, and by national laws for the remaining aspects. Such system carves patent law out of the EU legal and judicial orders and reduces the roles of the EU Parliament and Court of Justice. Challenges are numerous in terms of complexity, harmonization objectives, legality, business advantages and wider societal, economic and legal concerns, to name a few.

With twenty-eight contributions from academics and practitioners, this book starts with putting the new system into historical, comparative and institutional contexts (Part I) before highlighting some issues under EU law and the perspective of EU integration (Part II). The institutional, jurisdictional and procedural questions raised by the UPC are then addressed (Part III), as well as the innovation and markets issues (Part IV). The last contributions discuss possible improvements and alternatives to the Unitary Patent Package (Part V).

*Foreword by Melchior Wathelet, former Judge & former First Advocate General CJEU, professor of European Law.*

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