PRELIMINARY RESEARCH WORKING DOCUMENT

The Unified Patent Court system is not the best solution for Europe and for innovation, and there are alternative systems to consider after Brexit

The 2013 Unified Patent Court Agreement (UPCA) is still facing difficulties and not yet into force. Many commentators[1] have observed that the UPCA shows substantial deficiencies[2] and constitutes a significant precedent that challenges the democratic processes and institutional balance within the EU[3]. A well-balanced protection of inventions is essential for businesses, including SMEs, but also for supporting innovation to the benefit of all.

The UPCA is part of the so-called Patent Package adopted in 2012 and 2013 with the view of setting a system whereby a new patent protection is created at supranational level for the participating Member States[4]. It comprises a regulation for the creation of a unitary patent protection[5] (the so-called "Unitary patent" [6]), a regulation regarding the language regime[7] and the UPCA signed on 19 February 2013[8]. The UPCA contains important substantive patent law provisions (on the scope of protection and limitations) and defines the framework, including some procedural aspects, for litigating patents before the Unified Patent Court. It is *not* a EU legislative act.

The Patent Package aimed at ensuring a uniform patent protection of the European patent (EP) in the participating EU Member States (the "Unitary patent") while resolving the politically delicate issue of the linguistic regime of this new type of patent. At the time, the specialization of the judges was seen as one of the positive aspects of the patent reform. However, many criticisms of the reform remain valid[9].

Today, the project is facing two main obstacles: Brexit and the withdrawal of the United Kingdom from the UPC Agreement (UPCA), on the one hand, and the annulment by the German Constitutional Court[10] of the law ratifying the UPCA, on the other hand.

The participation of the UK is viewed by many as an essential component of the system. It is questionable whether the withdrawal of the UK makes the ratification or at least the entry into force of UPCA impossible or not[11]. In Germany, even if the ratification bill is adopted by the Bundestag with the required majority of two thirds of the votes, constitutional issues are not definitively resolved.

On top of these question marks, a recent survey suggests that interested parties show much less appetite for the UPCA system than a few years ago, to say the least[12].

The EU democratic process is challenged by the fact that the UPCA leaves a major part of the substantive patent law itself[13] in the hands of a non-EU organization (the European Patent Organization) and of the participating Members States exclusively, without any realistic possibility[14] for the EU legislator (European Parliament and Council) to intervene for amending the substantive patent rules (for instance the scope of patents for software and medicines)[15]. The Member States participating to the negotiation of the UPCA defined the substantive rules setting out the scope of protection of the so-called unitary patents[16] : Articles 25 to 27 determine what constitutes a (direct and indirect) infringement as well as the patent limitations (for instance the medical research exception)[17].

The result of the system is thus as follows : the conditions for obtaining a European patent (unitary or not) are governed by the European Patent Convention (EPC) and the scope and limitations of protection are governed by the UPCA, two international treaties to which the EU is not a party. Moreover, national patent laws are not harmonized and rules national patents (non-European) and some aspects not regulated by UPCA (for instance

the compulsory licenses)[18]. As a consequence, the legal regime of an essential cornerstone of an innovation-focused EU policy falls largely out of EU control[19].

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).[20]

Legal literature illustrates that several alternatives are still worth being revisited or studied more in depth while retaining positive aspects of the Patent Package but without the fundamental legal and democratic pitfalls of the UPCA. Such alternatives should also remedy some substantial deficiencies of the UPCA system pointed out by practitioners.

Times have changed and the global context as well. Also the increased specialization of the national courts and the wider international availability of case law information since early 2010 do justify such re-consideration.

One alternative could consist of a judicial system largely inspired, be it with the amendments required, by the two systems (regulations and directives) existing for more than twenty years for EU trademarks[21] and for a little less time for Community[22] designs[23]. These two systems are generally regarded as satisfactory and do not raise the institutional issues mentioned above. National intellectual property courts[24] have the opportunity to specialize, and this trend is increasingly supported by additional measures adopted by the Member States. Those EU trademark and design courts apply EU and harmonized laws in dialogue with the Court of Justice of the European Union (CJEU).

Such an alternative has also been suggested and already outlined by some commentators[25]. A draft European Business Law Code also emphasizes the need to concentrate the various intellectual property disputes before the same judges, as most cases in practice involve several IP rights[26].

Other alternatives have been suggested or are possible. For instance, the project of a European common appellate court could also be examined again in consideration of the legal and technical developments since the UPCA project was first conceived.

The research should examine all alternatives envisaged by legal commentators, compare them and formulate concrete recommendations.

Beyond this, the Court of justice of the European Union has an essential role for ensuring a uniform application of the law (including as regards EPO decisions about patentability). More generally the judicial system must be designed in a way that facilitates the practical handling of the cases. This will also benefit the courts and the EUCJ itself. Legal literature has already considered these issues[27].

The Patent Package, in particular the Unified Patent Court Agreement, can be improved to avoid the fundamental legislative and institutional pitfalls outlined above. Some procedural issues that have practical effects for the users should be considered as well.

Of course, the reform should also consider the substantive patent law rules adopted in the UPCA. With a balanced revised system, the positive aspects of the Patent Package can be ensured.

This research project is intended to involve academics and practitioners as well.

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[1] An academic motion dated 13 march 2015 (French and English versions) : < The Union cannot be stripped of its powers by the Member States – the dangerous precedent of the patent package >, to be found *inter alia*: https://alfresco.uclouvain.be/alfresco/service/guest/streamDownload/workspace/SpacesStore/b3527930-e369-49cd-baeb-7208d3da83c4/UPC%20?guest=true The debate has been continued in *Berichten Industriële Eigendom*, 2015, pp. 103-112 and pp. 134-141 (Reaction by W. Pors, Answers by three of the signatories and Comments by W. Pors after the CJEU judgments of 5 May 2015).

[2] In summary and not exhaustively : wide forum shopping possibilities for the patentee when suing an alleged infringer (Art. 33 UPCA) ; territorial effect of the judgments about patent infringement extended to all participating Member States even if the defendant is not domiciled in the country of the local division before which the action was brought (Art. 1, 3, 31, 34 UPCA);

some people in the industry regret the same extended territorial effect regarding the nullity of a (non-opted out) non-unitary European patent (Art. 34 UPCA); possible separation ("bifurcation") of the validity debate and the infringement debate (Art. 33.3 UPCA), possibly in two different languages (Art. 49 UPCA); limited possibility of introducing new facts and new evidences in appeal (Art. 73.4)(which entails huge efforts and costs in first instance); very short time frames in the procedural rules with the consequence of high costs and fees for SME's. See also: R. M. Hilty, Th. Jaeger, M. Lamping and H. Ullrich*, The Unitary Patent Package: Twelve Reasons for Concern*, Max Planck Institute for Intellectual Property and Competition Law, 17 October 2012; Th. Jaeger, "Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise", IIC 2013, 389; N. Binctin, R.D. Bourdon, M. Dhenne, L. Vial, *Feedback on the Intellectual Property Action Plan Roadmap of the European Commission*, Ed. Boufflers, 2020, p. 18 f.

[3] Th. Jaeger, "Zukunft der Investitionsschiedsgerichtsbarkeit, Zugleich ein Beitrag zum Einheitlichen Patentgericht", *Ecolex* 2019, 645; E. Lazega, "Learning from lobbying: Mapping judicial dialogue across national borders among European intellectual property judges", *Utrecht Law Review* 2012, 8(2).

[4] "Participating Member States" : not all EU member States but a vast majority of them; it is reminded that the Patent package is set in the frame of an enhanced cooperation (see Decision 2011/167/UE of 10 March 2011, *OJ* 22.3.2011 – L 76, p. 53 and the EUCJ judgment of 16 April 2013, C-274/11 and C-295/11, about the legality of said decision).

[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.

[6] 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).

[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-patent-court.org/sites/default/files/upc-agreement.pdf).

[9] See *inter alia* : Th. Jaeger, "Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise", IIC 2013, 389; Hilty/Jaeger/Lamping/Ullrich, *The Unitary Patent Package: Twelve Reasons for Concern*, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 12-12; Jaeger, Hieronymus Bosch, EuZW 2013, 15.

[10] A constitutional problem arose as well in Hungary (Judgment of the Constitutional Court, 26 June 2018): see *inter alia* : https://www.twobirds.com/en/news/articles/2018/global/hungarian-constitutional-court-decides-that-the-proclamation-of-the-agreement-on-a-upc

[11] Parliamentary question of Mr. Breyer, dated 8 June 2020, URL : https://www.europarl.europa.eu/doceo/document/E-9-2020-003403_EN.html

Since then, UK formally withdrew from UPCA. It is also noticeable that the UK withdrawal opens the question of the location of the section of the UPC Central Division that was foreseen to be seated in the UK. About the legal consequences of the UK withdrawal, see **:** H. Ullrich, "Le système de protection du brevet unitaire de l'Union après le Brexit: désuni, mais unifié?", *Propriétés intellectuelles 64* (2017), 27-38; M. Lamping, "The Unified Patent Court, and How Brexit Breaks It", in M. Lamping & H. Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, Max Planck Institute for Innovation and Competition Research Paper, No. 18-20, 2018, 117-182; V. W. Tilmann, "The Future of the UPC after Brexit", *GRUR* 2016, 753 ; A. Ohly, R. Streinz, "Can the UK stay in the UPC system after Brexit ?", *GRUR Int.* 2017, 1; Th. Jaeger, "Reset and Go: The Unitary Patent System Post-Brexit", 48 *IIC* 2017, 254.

[12] See the JUVE Patent survey (published on 17 April 2020) : https://www.juve-patent.com/market-analysis-and-rankings/courts-and-patent-offices/patent-community-losing-appetite-for-unified-patent-court/ . On the consequences of the unitary patent on European SMEs, see: D. Xenos, "The Impact of the European Patent system on SMEs and National States", 36(1) *Prometheus*, 2020, 51- 68.

[13] And also the national patent laws insofar applicable to the non-unitary European patents.

[14] It has been argued that the EU could still adopt rules about the scope of protection and the enforcement of patents through regulations of directives and these instruments will have to be applied by UPC under the control of EUCJ. However, this is theoretical because of the existence of the law created by the EPC and UPCA which contain their own autonomous revision mechanisms. Further, one can hardly see the EU legislator, the Council in particular, to adopt substantive patent rules while the Member States will want to maintain such rules in international treaties under their control.

[15] A. Plomer, "The EPO as patent law-maker in Europe", *European Law Journal*, Vol. 25, Nº. 1, 2019, 57-74. ; D. Xenos, "Unconstitutional Supranational Arrangements for Patent Law: Leaving Out the Elected Legislators and the People's Participatory Rights", 28(2) *Information & Communications Technology La*w, 2019, 131-160.

[16] And also the scope of the non-unitary European patents because Art. 25 to 27 UPCA also apply to those European patents that will be submitted to the jurisdiction of the UPC (if not "opted-out" during the transition period, and after said period). These rules in UPCA are the national patent rules to which Reg. 1257/2012 refers via its article 5 (which refers itself to art. 7 defining the applicable law to the unitary patent as regards the law of property). Reg. 1257/2012 does therefore not contain EU rules regarding

the scope of protection (infringement and limitations) : this domain belongs to the national laws as harmonized by UPCA (an international treaty to which the EU is not a party and on which the EU has no say).

[17] This issue remains debatable even after the 2015 judgment of the Court of justice of the European Union (CJEU) as the CJEU did not examine the UPCA itself, *inter alia* under art. 118 TFEU; only Reg. 1257/2012 was the subject-matter of its judgment (EUCJ, 5 May 2015, C-146/13, para. 100-102 ; only Reg. 1257/2012 as such was and could be challenged under Art. 263 TFEU).

[18] 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 (unitary EP or non-opted out EP, on 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.

[19] For an 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, 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.

[20] The recent decision of the Enlarged Board of appeal ensuring an application of the Biotech directive about patenting plants and animals has been welcomed but there is no legal mechanism at all ensuring that such compliance with EU law will be systematic in the future (see Decision G 3/19 of 14 May 2020 of the EPO Enlarged Board of Appeal (http://documents.epo.org/projects/babylon/eponet.nsf/0/23058E3B167A4A93C1258569003634A3/$File/G0003_19_Opinion_of_the_EBoA_of_14.05.2020.pdf) with reference to Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions.

[21] Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, OJ L 154, 16.6.2017, pp. 1-99; Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks, OJ L 336, 23.12.2015, pp. 1-26; Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, pp. 1-24; Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs, OJ L 289, 28.10.1998, pp. 28-35 (Amendments and corrections to be completed : Eur-Lex).

[22] « Community » because Reg. 6/2002 still dates from a period where the "European Union" wording was not adopted yet.

[23] V. Di Cataldo, "Competition (or confu-sion) of models and co-existence of rules from different sources in the European patent with unitary effect: Is there a reasonable alternative?", 4 *Queen Mary J. Int. Prop.* 195, 2014, 195-212.

[24] Acting as EU courts in the relevant field when the litigation is about a EU trademark or a Community design. Also for patent litigation, specialized courts are put in place in a large number of Member States

[25] See *inter alia* : F. de Visscher, "European Unified Patent Court : Another More Realistic and More Equitable Approach Should be Examined", *GRUR Int.*, 2012, pp. 214-224. F. de Visscher, « Juridiction européenne des brevets (Unified Patent Court) : il est urgent d'examiner une autre approche, plus réaliste et plus équitable », *Propriété Industrielle*, April 2012, pp. 13-24.

[26] The draft Business Law Code is in the process of being drafted by several experts under the aegis of, a. o., the Fondation Capitant.

[27] See the references above.