

## **Unified Patent Court — a future that dissolves into a pipe dream?**

The patent protection system of the EU, with a Unified Patent Court (UPC) in the center, is an ambitious project, a realization of which has been impeded for a long time by various obstacles. Works in that area have been carried out for more than forty years already and although an agreement on the establishment of the Court was signed on February 19, 2013 by 25 Member States of the EU, the solutions that the contracting parties agreed upon, are still waiting to be put in the practice. In the last weeks, two major developments occurred in this long-running series about the unitary patent protection system in the EU: firstly, on February 28 the United Kingdom withdrew from its previous declarations that despite moving forward with the Brexit procedure, it would seek a participation in the unitary system. Moreover, on March 20 (last Friday) the German Federal Constitutional Court (BVerfG) announced its decision in the case regarding the constitutional complaint questioning the validity of German legislation implementing the UPC system that had been lodged in 2017. The prospect of launching the system seems now even more distant: BVerfG declared that an act wherein Germany consents to be bound by the treaty on UPC is void.

In this issue of the WTS Legal Report we would like to present you the key premises of the proposed unitary patent system in the EU and recap the latest events that are going to shape the future of this project.

### **European Patent and European Union**

It is necessary to begin with underlining that the legal regime in the field of European patents that is currently effective, exists outside of the normative order of the EU. Its functioning is based on the Convention on the Grant of European Patents of 5 October, 1973 (EPC). Among its parties are 38 states, therefore its subjective scope which encompasses i.a. Switzerland, Turkey, Iceland and Serbia, exceeds beyond the Member

States of the EU. European Patent Office (EPO) is not organisationally linked to any institutions, organs and other EU entities. The harmonization achieved through the EPC is however limited specifically to the proceedings of patent granting. The European patent, as rightly noted the Court of Justice of the European Union (CJEU) in its opinion 1/09 of March 8 2011, is nothing more than a “a bundle of national patents, each governed by the domestic law of the States which the holder of the right has designated”.

The Ninth Part of the EPC allows to conclude special agreements; according to Article 142 of the Convention, any group of Contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories, may provide that a European patent may only be granted jointly in respect of all those States. It is in this light precisely that the unitary protection system in the EU shall be perceived. It is a significant a step forward, however it does not mean abandoning the framework designated by the EPC, and above all, it does not harm the crucial role the EPO plays in granting of European patents.

### **Legal grounds for the unitary patent protection system**

The solutions relating to the unitary patent proposed at the EU level are of a hybrid nature. They consist of a combination of different legal instruments that produce specific effects. To begin with, it is necessary to mention two regulations adopted on the 17th of December 2012: the first one being 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; the second — the Council 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 — in particular, translations of texts of European patents (as a side note, it is worth mentioning that issues related to translations are especially neuralgic and they constitute a factor that for several decades has hampered reaching an agreement ).

At this point it is vital to consider how does the enhanced cooperation work. The enhanced cooperation is a mechanism within the EU legal order that offers Member States a certain extant of liberty in deciding whether to deepen their integration in specific areas. It is subject to several conditions — for example it cannot be applied with regard to exclusive competences of the UE (which are, i.a., customs union, and competition within the internal market), it has to be oriented towards reinforcing the goals of the EU, and at least nine Members States should be involved (in this case, there were 25 states), while keeping the cooperation open for other EU states. What is especially important, this mechanism can only be initiated in the last resort, i.e., when particular goals cannot be achieved by the EU as a whole in a reasonable time. The fact that when it comes to the

UPC, the states had to rely on the mechanism of enhanced cooperation, shows quite clearly that even at the point of departure a broad consensus was missing.

The regulations indicate the date from which they shall be applied in quite a peculiar fashion. Even though their entry into force took place, in accordance with the traditional rule of the European law, on the twentieth day following that of their publication in the Official Journal of the European Union, it was decided that they should apply from 1 January 2014 or the date of entry into force of the Agreement on a Unified Patent Court, whichever is the later (Article 18 Sections 1-2). Since we left January 1, 2014 far behind us, we have to keep waiting for the Agreement to become effective.

The Agreement on a Unified Patent Court (2013/C 175/01), as another legal instrument that constitutes a basis for the unitary protection system, is actually an intergovernmental treaty. When examining it, it is worth to begin from the end — namely, from Article 89 that pertains to its entry into force. Again, there are two alternative dates indicated: either January 1, 2014, or the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place (or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement) — likewise whichever is the latest. Thus, for the Agreement to become effective, it is obligatory that it is ratified by 13 Member States, and among them — by 3 states that had the highest number of patents effective in the year preceding the signing. Our point of reference is therefore year 2012, and the three states we need to investigate are France, Germany and the United Kingdom.

So far 16 instruments of ratification were deposited (Poland has not only refused to ratify the Agreement, but it is one of the three EU states, along with Spain and Croatia, that have not signed the treaty in the first place). France lodged such an instrument in April 2014; when it comes to two other key players, the situation turned out to be far more complicated. Before we proceed to examine the cases of UK and Germany, it is worth to take a closer look at a specific solutions the introduction of which is provided by the aforementioned legal instruments — it might be helpful to identify the sources of substantial controversies that the UPC system raises.

### **The key premises of the UPC system**

According to Article 3 Section 1 of the Regulation (EU) No 1257/2012, a European patent granted with the same set of claims in respect of all the participating Member States shall benefit from unitary effect in the participating Member States provided that its unitary effect has been registered in the Register for unitary patent protection. As Section 2 of the

same article indicates, 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. In other words, such a patent would be exempt from separate validation proceedings in each state – it would be automatically valid in the territory of every state that would belong to the system (in simpler terms, it can be said that the Contracting Member States have agreed to bring about a uniform validation guaranteeing protection that covers territories of each of those states). This solution is expected to be beneficial with regard to saving time and cutting expenses.

The crucial element of the whole package of legal measures is of course the Agreement on the Unified Patent Court. Provision of its Article 1 states that a Unified Patent Court for the settlement of disputes relating to European patents and European patents with unitary effect is hereby established; moreover it 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. It shall possess legal personality in each of the Contracting Member States (Article 4); it shall comprise a Court of First Instance, a Court of Appeal and a Registry (Article 6). The Court of First Instance is further divided into specific divisions: a central one shall have its seat in Paris, and sections shall be based in London and Munich; additionally local divisions shall be set up in a given Contracting Member State upon its request in accordance with the Statute; finally regional divisions can be set up for two or more Contracting Member States, upon their request in accordance with the Statute (Article 7). Meanwhile the Court of Appeal shall have its seat in Luxembourg.

Article 32 of the Agreement enumerates categories of actions relating to unitary European patents that shall fall under the exclusive competence of the UPC: the list includes, among others, actions for actual or threatened infringements of patents and supplementary protection certificates and related defences, including counterclaims concerning licences; actions for declarations of non-infringement of patents and supplementary protection certificates; actions for provisional and protective measures and injunctions; as well as actions for revocation of patents and for declaration of invalidity of supplementary protection certificates.

The Agreement contains also comprehensive regulations concerning procedural, administrative and budgetary matters, along with rules regarding the status of judges. There can also be found a few very important provisions that establish the sources of law that the UPC have to apply when making its decisions; they include: Union law, including Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012 (1); the Agreement on the UPC itself; the EPC; other international agreements applicable to patents and binding on all the Contracting Member States, and national law (Article 24). Primarily, what the Agreement does in that area is to assign the place at the top of the hierarchy of sources for the EU law (Chapter 4).

The provisions of Chapter IV actually proved to be a major bone of contention. Notwithstanding the fact that the CJEU in its opinion 1/09 stated that “it must first be observed that that court is outside the institutional and judicial framework of the European Union. It is not part of the judicial system provided for in Article 19(1) TEU. The PC is an organisation with a distinct legal personality under international law”, it is quite evident that it will not enjoy a total autonomy. According to Article 20 of the Agreement, the UPC shall apply Union law in its entirety and shall respect its primacy. Additionally, Article 21 provides that as a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular. Invocation of Article 267 of TFEU is especially significant — it means that the UPC would be allowed (and in some cases even obliged) to refer preliminary questions to the CJEU. What is more, decisions of the Court of Justice of the European Union shall be binding on the Court. Taking these rules into consideration, it cannot be denied that the Agreement establishes a very tight integration of the UPC with the EU legal system. While making decisions of its own, it would not be allowed to disregard the judgments and decisions of the CJEU.

### **The decision of the British government**

The unitary patent protection system undoubtedly suffered a major blow due to the decision of Boris Johnson’s government. The United Kingdom confirmed multiple times that it is interested in continuing its involvement in the UPC and it declared that its participation shall be independent from the Brexit procedure. In April 2018 the UK ratified the treaty establishing the UPC (contrarily to more than several countries that remain members of the EU), not to mention that a section of the Court of First Instance was supposed to be launched in London. On the other hand, in a white book published just a few months later (July 2018) dedicated to the future of its relationship with the EU, the UK presents a position that was not ambiguous at all. In the section 151 of that document the UK maintains that it is still interested in remaining a part of the UPC System (“The UK will therefore work with other contracting states to make sure the Unified Patent Court Agreement can continue on a firm legal basis”). The document underscores that future agreements concerning intellectual property should be primarily guided by a goal to provide essential protection for right holders, "giving them a confident and secure basis from which to operate in and between the UK and the EU”.

The claims made by the UK about its intent of remaining in the system, had to raise some serious doubt from a practical point of view: it has been clear for quite some time already that it would not be easy to reconcile its "emancipatory” aspirations with an acceptance of the CJEU’s jurisdiction in the cases connected to the competences of the UPC. The Unified Patent Court would after all, as it was already mentioned, be able to

refer preliminary questions to the CJEU and would be bound by its decisions. It should not therefore come as a great surprise that the unresolvable differences of opinions as to the role of the CJEU are commonly pointed out as the primary rationale for the decision made by the British government on February 28, 2020. It is however worth to notice that the decision has not been announced in any formalized fashion (only through a communication of the government's press office addressed to JUVE Patent); its official reasons have not been disclosed yet.

The question of how exactly the United Kingdom is going to withdraw from the Agreement, remains open at this point. When depositing an instrument of ratification, like the UK did, a state incurs some concrete legal obligations. The Agreement on the UPC does not contain any clauses regarding the withdrawal from the agreement; and in the lack of specific provisions, a state has to take an action in accordance with the Vienna Convention on the Law of Treaties of 1969 — a scenario which right now seems the most plausible. Obviously, one has to remember that a completely different fate awaits the regulations that belong to a package of legal instruments establishing the UPC — once the transitory period is over, they shall no longer be applied to the UK. The participation of the UK in the system would require *de facto* to substitute regulations by other legal acts.

### **The UPC case before the German Federal Constitutional Court**

Another serious drawback on the rocky road to the UPC becoming a reality, came from Germany where Ingve Stjerna, a lawyer from Jugenheim, lodged a constitutional complaint before the BVerfG in which he questions whether a German legislation implementing the UPC system is compliant with the Basic Law for the Federal Republic of Germany. President of Germany, Frank-Walter Steinmeier announced that he would refrain from ratifying the treaty until the complaint is reviewed by the BVerfG. The content of the complaint has not been revealed to the public, but by relying on various sources, it is quite easy to infer what the fundamental objections were: they dealt with transgressions that had allegedly occurred while Bundestag voted on its act of an approval to the Agreement; Brexit as a factor of a substantial change in the circumstances, upending in fact the whole system; as well as personal changes in the EPO raising some doubts with regard to its independence. From the moment when the UK announced its plans to withdraw from the system, the attention of IP professionals turned to the anticipated judgment of the German Federal Constitutional Court. It would be not an exaggeration to claim that the future of a system, that has been shaken to its foundations, was at that moment in the hands of the judges based in Karlsruhe — their decision could either give new momentum to the whole project, or turn out to be a nail in its coffin.

The judgment announced on March 20, 2020 must have disappointed everyone who had put hope in the new system and had been impatient to see it come to life. The

BVerfG reached a conclusion that the German act concerning the state's consent to be bound by the Agreement on the UPC is void; it therefore shared an opinion of the plaintiff. Most of all, the BVerfG determined that the act of approval substantially amends German Basic Law and leads to a transfer of sovereign powers, while the Agreement on UPC belongs to a category of "international treaties that are supplementary or otherwise closely tied to the EU integration agenda" that Article 23 Section 1 of the Grundgesetz specifically invokes. That provision refers directly to Article 79 Section 2, according to which such an act can must be adopted by a majority of 2/3 members of Bundestag — the procedural requirement that had not been fulfilled in this case.

The Federal Constitutional Court elaborated on far-reaching powers that are supposed to be conferred upon the UPC. It highlighted that the Agreement transfers judiciary functions to a supranational court and equips that court with an exclusive competence to make binding decisions on certain legal disputes; moreover, its decisions will be enforced in the Contracting Member States. The BVerfG ascertained that the UPC is closely tied to the European integration, by referring to an involvement of such institutions as the European Commission and the European Parliament in setting up the UPC system; as well as the fact that the European law is binding on it. It also pointed out that even the very selection of the specific procedure to bring about the UPC (enhanced cooperation) was driven by a failure to guarantee an unanimity required by the key provision of Article 262 of the TFEU that allows to confer jurisdiction in the disputes relating to IP on the CJEU.

As we can read in a press release that the Court in Karlsruhe issued on March 20, "without an effective conferral of sovereign powers, each subsequent measure issued by the EU or a supranational organisation would lack democratic legitimation". The BVerfG came to a conclusion that a transgression involving a procedural requirement of such importance, constitutes a violation of a democratic principle of self-determination that is derived from numerous constitutional provisions, including Article 20 Section 1 (The Federal Republic of Germany is a democratic and social federal state) and Article 2 Section 2 (All state authority is derived from the people. It shall be exercised by the people through elections and other votes and through specific legislative, executive and judicial bodies)

## Summary

The UK resigning from participation in the UPC, along with the Federal Constitutional Court's decision declaring the consent of Bundestag to bind Germany by the treaty void, make the prospect of the unitary patent protection system in the EU seem distant and uncertain. Those who wished this series to reach its finale soon, will be disappointed. What seems inevitable right now is the return of contracting states to the

negotiating table. We can assure you that we will be following closely all the developments and we will do our best to keep you in the loop.