

The Unified Patent Court: A new episode in the long-running series

The Unified Patent Court and innumerable obstacles on the way to its launch have already been featured in our Legal Reports (see: [WTS Legal Report No. 6/2020](#) and [WTS Legal Report No. 7/2020](#)). We decided that, at the beginning of the new year, it is worth to return to this controversial subject and present our take on the recent developments in this series that has already been running for years.

On 26 November 2020 Bundestag adopted with a required majority an act through which Germany consents to be bound by the Agreement on a Unified Patent Court (UPC); and subsequently, on 18 December it was unanimously adopted by Bundesrat (the second chamber of the German parliament). Thus the fault of the earlier vote, which had provided the Federal Constitutional Court (Bundesverfassungsgericht; BVerfG) with grounds to declare the previous UPC legislation void, has been fixed. Various groups of stakeholders and institutions looked forward to that course of action; for instance the President European Patent Office (EPO), António Campinos, expressed his satisfaction, stating in an official communication that it is "an important step closer to the much-anticipated implementation of the Unitary Patent package" and adding that the implementa-

tion of the proposed solutions "will make Europe even more attractive for innovation and investors - and help with economic recovery in light of the COVID-19 crisis". However, it seems that critics of the UPC, numerous as well, have not yet said their last word.

Does the vote actually signify the end of problems hindering the launch of the Unified Patent Court? Has one of the last obstacles preventing the Agreement's on UPC entry into force just been overcome? We kindly invite you to read our analysis of the situation.

We will begin by recapping the key facts concerning the UPC and highlighting the most contentious issues; then we will discuss the recent events, and will attempt to explain why the long-awaited finale to the saga might not be as close as it may seem considering the experts' first enthusiastic comments.

The unitary patent protection system in the EU

Recalling the fundamental information concerning the solutions adopted by the European Union in the field of the unitary patent, we have to emphasize that **the European patent with unitary effect shall have effect in all the participating member states and provide uniform protection**. Thanks to the new regulations, it would be no necessary to undergo a validation procedure provided by the European Patent Convention of 1973 in every state in which the protection is sought: such a patent would automatically be valid within the territory of every state belonging to the system. **Furthermore, the Unified Patent Court competent to settle disputes relating to European patents and European patents with unitary effect shall be established**. It shall consist of a Court of First Instance (with a seat in Paris and sections in London and Munich), a Court of Appeal (with a seat in Luxembourg) and a Registry.

The package of legal instruments establishing the UPC has a hybrid nature: it is a combination of acts producing different effects. On the one hand, we are dealing with two EU regulations: 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; as well as the Council Regulation (EU) No 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. On the other hand, **the foundations for the system are laid by the Agreement on the Unified Patent Court (2013/C 175/01)**, an international agreement — which cannot be stressed enough — existing outside of the European legal system, despite being concluded by the EU member states.

It is the Agreement on the UPC that has generated the most serious complications: under its Article 89, its entry into force is supposed to take place on the first day of the 4. month after the deposit of the 13. instrument of ratification or accession, **including the 3 member states in which the highest number of European patents had effect in the year 2011. Those states are France, Great Britain and Germany.** Only in the case of the first of them major difficulties have been avoided: the ratification documents were submitted by France in April of 2014. The situation of Great Britain has already been extensively covered in our Legal Reports: we discussed earlier statements of will to participate in the UPC system in spite of leaving the EU, doubts whether from the legal point of view such a scenario is even possible, and the ultimate withdrawal motivated by the lack of consent to the jurisdiction of the Court of Justice of the EU. Let us remind you, though, that London as recently as in 2018 officially ratified the Agreement (and officially withdrew its ratification through a note verbal of July 2020). A different conundrum altogether emerged when it comes to the Germany's participation in the system: and as long as it is not solved, the UPC cannot begin to operate.

The Germany's long way to ratifying the UPC Agreement

It is worth to notice that in 2017 the ratification procedure on the Germany's end has already entered the same phase as it has reached (once again) recently — the sensation of *déjà vu* that observers and pundits can experience is completely justifiable. Soon after the previous German UPC legislation has been adopted, the BVerfG received a constitutional complaint filed by Ingve Stjerna, a lawyer from Düsseldorf. Two years later, on 20 March 2020, the decision was announced. **The Federal Constitutional Court, having reviewed the complaint, shared the plaintiff's opinion and declared the German act expressing the consent to be bound by the UPC Agreement as void.**

As the grounds for invalidity the judges seating in Karlsruhe invoked the lack of required majority in the Bundestag vote — since it was an act leading to major changes in the German constitution and the transfer of sovereign rights, **it had to be approved by the majority of 2/3 deputies** (the requirement which has not been fulfilled in that case). The remedy to this fault seemed fairly straightforward: less than a week after the announcement of the decision the German Minister of Justice, C. Lambrecht, assured that Germany maintains its support for the UPC, declaring that a new project would be submitted

for the vote before the end of the current term of Bundestag. It seems that this goal has been achieved: **in the vote of 26 November the new legislation was approved by 88% of the deputies** representing the governing CDU/CSU and SPD, as well as FDP, Green, and Left. It must be underscored that **the legislation submitted for the vote did not differ in any substantial ways from the previous one**. This is how we reach the question of how the measures undertaken might turn out insufficient to make the happy-end awaited by the proponents of the UPC become reality.

New constitutional complaints

On 18 December (so on the same day when the German act of consent to be bound by the UPC Agreement left the parliament, having secured unanimous approval of Bundesrat), the Federal Constitutional Court received two new constitutional complaints (2 BvR 2216/20 and 2 BvR 2217/20). At the moment when this Legal Report is being written, the details of objections being raised, as well as identity of plaintiffs remain undisclosed. It has not yet been determined what is going to happen next: whether the BVerfG will consider the complaints permissible and will call on president F.-W. Steinmeier to refrain from signing the ratification until the complaints are reviewed. It must be added that this turn of events should not come as a surprise to anyone; moreover, the content of objections can easily be guessed.

One of the main critics of the rules provided by the Agreement on the UPC is an organisation named Foundation for a Free Information Infrastructure (FFII) which has recently issued an [impassioned appeal](#) addressed to the entrepreneurs developing software and the open source community, calling them to join the fundraiser for the preparation of a new constitutional complaint that would target the newly adopted UPC legislation. In this plea a direct declaration is made: "stopping the UPC in Germany will be enough to kill the UPC for the whole Europe".

Numerous problems related to the earlier complaint persist. Namely, as we have already pointed out in one of the previous Legal Reports, **the BVerfG — apparently, guided by the considerations of judicial economy — has settled for the examination of the first objection** (the lack of the required majority) and when the findings in that area proved sufficient to make the definite decision regarding the validity of the legislation, it has not proceeded to the review of other objections. Thus, unfortunately, an opportunity to address other controversial issues and possibly dispel some serious doubts has been wasted.

Other objections raised in the Ingve Stjerna's constitutional complaints were related to the impact of Brexit and the withdrawal of Great Britain on the permissibility of ratifying the Agreement (a substantial change in circumstances) as well as certain personal changes in the EPO posing a threat to its independence (FFII is alarming that the solutions failing to provide a judicial supervision for acts of so-called maladministration committed by the EPO violate the rule of law). The BVerfG did not refer to these aspects of the problem, which cannot be equated with the rejection of those objections. The judgment does not contain its substantial analysis.

The impact of Brexit

Great Britain left the European Union on 31 January 2020, however, the transitional period during which the European law still applied to it lasted for 11 subsequent months. **Within the meaning of the EU law it became a third state on 1 January 2021, which could have some major implications for the future of the Agreement on the UPC.** In order to explain why, it is necessary to refer briefly to the AETR doctrine.

The AETR doctrine originates from a groundbreaking judgment of the European Court of Justice of 31 March 1971 in the case 22/70 Commission v. Council (AETR). The Court concluded that "each time the Community, with a view to implementing a common policy envisaged by the Treaty, adopts provisions laying down common rules, whatever form they make take, the Member States no longer have the right, acting individually or even collectively, to undertake obligations with third countries which affect those rules or alter their scope". **In other words, whenever the Community establishes some common rules in a given field (particularly through the adoption of binding acts of secondary law such as regulations), this competence is automatically transferred to the level of the Community.** This rule is also known as a principle of "the occupied field".

In this case, since the EU has already exercised its competence through the adoption of the regulations concerning the unitary patent, while Great Britain became a third state, in accordance with the AETR case-law, **the subject that is competent to conclude an agreement with London is not this or other member state, but the EU itself.**

Questions on those issues were referred to the European Commission in May 2020 by the German deputy P. Breyer. Two months later, T. Breton, the European Commissioner for the Internal Market, submitted his response: in the letter dated 15 July 2020 he affirmed his conviction that the withdrawal of Great Britain from the EU does not affect the ratification procedure. He pointed out that it remains crucial that Great Britain signed and ratified the Agreement on the UPC while it still was a member of the EU, furthermore, due to Bre-

xit, it would not belong to the system after the end of the transitional period — therefore the rule prohibiting the participation of states other than member states would not be violated.

Representatives of the German Ministry of Justice responded to those objections in a similar tone. They claim that the withdrawal of Great Britain does not affect the binding force of the rules concerning the Agreement's entry into force. Their statement could be understood to imply that as long as the condition that three key states ratify the Agreement has been met, it shall become effective, regardless of potential future changes of the status of those countries.

This interpretation might seem quite troublesome, considering that at the moment when Germany finally ratifies the Agreement (if and whenever it actually happens), there will remain one state that has withdrawn its ratification — therefore it will be possible to argue that the requirement is not fulfilled. It might be worth adding that the members of the FFII try to demonstrate in that context that a violation of the Vienna Convention on the Law of Treaties of 1969 (VCLT) has occurred. They point out that for the purpose of the VCLT Great Britain shall be considered a negotiating State, meaning a State which took part in the drawing up and adoption of the text of the treaty. According to Article 24(1), a treaty enters into force in such manner and upon such date as it may provide or as the negotiating States may agree. Since, as they claim, the manner prescribed by the treaty cannot be applied, it is necessary for **all negotiating states** to reach proper agreements.

The replacement for London

Under Article 7(2) of the Agreement on the UPC, one of the sections of the Court is supposed to be based in London. Taking into account the withdrawal of Great Britain, it will be necessary to revise the treaty which *de facto* has not yet entered into force. Although it is widely speculated that Milan is the frontrunner to replace London, there is not scarcity of volunteers and a possibility of finding a seat in France or Netherlands is also discussed.

The German Ministry of Justice expressly advocates to leave this problem to be solved at some later time. **In the new circumstances, the revision of Article 7 of the Agreement is necessary — the amendment requiring at this moment all the contracting states to ratify the UPC Agreement all over again.**

W. Tilmann, one of the UPC founders, [in an interview with JUVE Patent](#), says that a discussion on that matter at this point would be rather inconvenient; he suggests that **it is**

better to wait until the phase of provisional application of the Agreement on the UPC starts and only then determine the legal consequences of the loss of the London section within the competent Administrative Committee.

For the sake of clarity, let us add that the grounds for the establishment of the Administrative Committee are provided by Article 12 of the Agreement — it shall be composed of one representative of each contracting member state, while the European Commission shall be represented at the meetings of the Administrative Committee as observer (Section 1); each state shall have one vote (Section 2); and decisions shall be adopted by a majority of three quarters of the member states represented and voting, unless the Agreement or the statute provide otherwise (Section 3). **This is the Administrative Committee that is responsible for making decisions regarding the revisions to the Agreement.** Under article 87(2), the Administrative Committee may amend the Agreement to bring it into line with an international treaty relating to patents or Union law; at the same time there is a characteristic opt-out clause that the contracting states are entitled to use: a decision shall not take effect if a given state declares within 12 months of the date of the decision, on the basis of its relevant internal decision-making procedures, that it does not wish to be bound by it — in this case a Review Conference of the Contracting Member States shall be convened (Section 3). Should Germany be successful in ratifying the UPC Agreement, it will enter into force, the transitional period will commence and all the future revisions to the Agreement will be adopted in that manner, far simpler than ratification of the treaty once again by all the states which are parties to it.

What's next?

As we can see, **the ball is once again in the court of the German Constitutional Court:** the BVerfG has to decide whether it is going to admit the complaints and call on the president not to sign the ratification before the review is complete. Nevertheless, if the complaints are rejected, the prospect of the launch of the UPC will become much closer to the fruition. One of the recurring opinions in the commentaries of experts is that **in 2021 the transitional period provided by Article 83 of the Agreement could start, with the official launch of the UPC taking place as soon as in 2022.**

Right now, however, Karlsruhe remains in the center of attention for all the interested parties. We can assure you that we will closely follow future developments and offer you our coverage of any possible progress that might be achieved, as well as any obstacles that might yet emerge on that long and twisting road to the establishment of the Unified Patent Court in Europe.