Still Unifying? The Future of the Unified Patent Court

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Abstract Since its launching, the Unified Patent Court (UPC) project has faced obstacles and scepticism from some EU Member States. When the United Kingdom ratified the UPC Agreement in 2018, it seemed that there was nothing left but to wait for a positive decision of the Federal Constitutional Court of Germany on the ratification by that country, so that finally the UPC could start its activity. Nevertheless, 2020 brought events that make one look back and reflect on the project itself. The UK withdrew its ratification and the Federal Constitutional Court ruled the German ratification process of the UPC Agreement unconstitutional. Then two new complaints were submitted to the Federal Constitutional Court, which this summer finally gave the green light to the ratification, but it seems the UPC project has already split Europe. The question that arises is whether, in the context of last year's events and the fracture between the states, the unitary patent system can still be seen as unifying the European patent litigation system. This article discusses the examples of Poland, Hungary and the UK, as countries that refuse to participate in the system due to its interference in their internal legal systems and sovereignty, and other examples of fractures visible in the UPC.

Keywords Unified Patent Court · Patent litigation · Brexit · Sovereignty · German Constitutional Court Case No. 2 BvR 739/17 · German Constitutional Court Case No. 2 BvR 2216/20 · Hungarian Constitutional Court · SMEs

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1 Introduction

After many years of debate, the acceptance of the patent package¹ eight years ago was perceived as an important step forward in unifying the European patent system. Although enthusiastically welcomed by some as a success of the Member States (MSs) and a big opportunity for the European patent system, the project did also receive some criticism. This mostly addressed the construction of the newly proposed Unified Patent Court (UPC) and its system.

Some legislative measures were taken in response to Opinion 1/09² of the Court of Justice of the European Union (CJEU) in order to recognise the primacy of EU law and incorporate the UPC into the judicial systems of the EU and the respective MSs. These measures were supposed to solve the issues addressed by Opinion 1/09, but instead they produced new obstacles for some countries willing to participate. Poland, initially a supporter of the idea, not only fears the UPC could hamper its economy, but also deems it unconstitutional.³ The Hungarian Constitutional Court (HCC) took the matter even further by deciding the country was not eligible to participate in the project as it would require a major change in the Fundamental Law.

The year 2020 marked a watershed for the UPC. The President of the European Patent Office (EPO) and the UPC Preparatory Committee both called for a speedy implementation of the patent package.⁴ In March, the Federal Constitutional Court of Germany (FCC) ruled the German ratification unconstitutional. In July, the UK – one of the three countries whose ratification is required for the Unified Patent Court Agreement (UPCA) to come into force – officially withdrew from the agreement. Last year, both lawyers and IP professionals pondered on the future and viability of the UPC. It seems that there will be no more obstacles as this summer the FCC dismissed two further constitutional complaints raised in late December 2020. As always there are pros and cons of the project,⁵ but the question that arises is whether, in the context of last year's events and the fracture between the states, the unitary patent system can still be seen as unifying the European patent litigation system. This article attempts to clarify this question based on the examples of Hungary, Poland and the UK – states that chose not to participate on grounds of sovereignty – and other examples of fractures visible in the UPC.

¹ Consisting of Regulation No. 1257/2012, OJ L 361, 31 December 2012, pp. 1–8, Regulation No. 1260/2012, OJ L 361, 31 December 2012, pp. 89–92, and the Agreement on a Unified Patent Court 2013/C 175/01, signed in February 2013, OJ C 175, 20 June 2013, pp. 1–40.

² CJEU Opinion 1/09 of 8 March 2011, ECR 2011, I-01137.

³ Nowicka (2014), p. 27; Du Vall and Du Vall (2017); Nowicka and Skubisz (2013), pp. 21–23. *Contra* Tilmann (2015), pp. 46–49.

⁴ European Patent Office (2020b).

⁵ On this topic, *see* for example Schovsbo, Riis and Petersen (2015).

2 Long Way to Unity

The value of industrial property and innovation, as well as the need to protect them, was recognised a long time ago. The first international agreement intended to protect industrial property was the Paris Convention (1883), later amended in Stockholm (1967). The sphere of industrial property protection could not simply avoid the global impact of World War II. Since then, unifying tendencies in patent⁶ protection at different regional stages have been on the rise, all the way to globalisation of the patent system itself.

A specialised United Nations agency provides one strong proof. The World Intellectual Property Organization,⁷ the case in point, was established with a promise “to promote and protect intellectual property (IP) across the world by cooperating with countries as well as international organizations”.⁸ Another one is the Patent Cooperation Treaty of 1970, which facilitated the pursuit of worldwide patent protection by means of a single international application. At the regional level, the European Patent Organisation (EPOrg) covers all EU Member States, i.e. the majority of all European countries. Hence, its systemic impact in Europe is highly significant.

An aspiration to create a unitary patent has been present in European politics since the 1950s.⁹ The first significant step towards that goal was the Strasbourg Convention on the Unification of Certain Points of Substantive Patent Law¹⁰ in 1963, which provided the basis for the European Patent Convention¹¹ (EPC) and the further unification process. In 1975, the European Economic Community (ECC) attempted to bring a Community patent to life and concluded the Community Patent Convention,¹² which never materialised.¹³ However, work on the Community patent did not cease. Unfortunately, none of the consecutive attempts found a true consensus among the European states. Unification of patent litigation surfaced as a possible alternative solution. In this category, therefore, we need to mention the European Patent Litigation Agreement (EPLA)¹⁴ coordinated by the EPO. The EPLA was a similar idea to the UPCA, but was designed as an optional agreement to all EPC contracting states.¹⁵ The project was finally dropped in 2007 after the

⁶ According to Plomer, it was one of the top priorities for the Council of Europe after WWII: Plomer (2020), p. 791.

⁷ Convention Establishing the World Intellectual Property Organization signed at Stockholm on 14 July 1967, entered into force in 1970, amended in 1979, WIPO Lex.

⁸ Paragraph 2 of the Preamble.

⁹ Jaeger (2010), p. 63; according to Plomer, even earlier: Plomer (2015), pp. 508–533.

¹⁰ Strasbourg Convention on the Unification of Certain Points of Substantive Patent Law, ETS No. 047, <https://bit.ly/3nUN4KM>. See also Wadlow (2010).

¹¹ Convention on the Grant of Patents signed at Munich on 5 October 1973, entered into force in 1977, revised in 1991.

¹² Convention for the European patent for the common market, 76/76/EEC, OJ L 017, 26 January 1976, pp. 1–28, <https://bit.ly/3qwhJ2A>.

¹³ Du Vall and Kostański (2017).

¹⁴ Text of the draft available here: <https://bit.ly/35YVUkv>

¹⁵ European Patent Office (2006).

legal service of the European Parliament issued an opinion that stated it would breach EU law.

Today, an applicant pursuing patent protection can choose whether it wants to do so through a national, European or international procedures. Patent protection is territorially limited. The designation of countries relevant from a marketing standpoint becomes an important business decision. The European and international procedures were developed in order to facilitate the process of application in more than one country. As for the cost of patent protection in Europe, it is calculated that if an applicant wants to cover three or more countries,¹⁶ it might be more beneficial (and procedurally easier) to apply at the European level rather than to seek such protection in each country separately. One may apply via the EPO or via national offices. A successful application translates into an applicant becoming the owner of “a bundle of patents”.

For many years this system has been thriving and working efficiently, yet it is not fully consistent as the EPC preserves some independence for its 38 contracting states.¹⁷ The effect of the European patent, as was mentioned before, is valid only in the countries selected by the applicant. Later, its future is subject to the national law of these countries. This fact leads to the idea of the so-called “unitary patent package”.

The first drafts of the current European patent with unitary effect, including the agreement on the European and Community Patent Court (ECPC), were published in 2009. The compatibility of the agreement with EU law was then questioned by the European Council, which referred the matter to the CJEU.¹⁸ The CJEU decided the ECPC agreement was incompatible with EU law on the grounds that it would have established a juridical personality that exceeded the systemic limits of EU jurisdiction.¹⁹ Moreover, the ECPC agreement did not guarantee the primacy of EU law and was intended to replace national courts within its own exclusive jurisdiction.

Shortly thereafter, in 2010, the enhanced cooperation procedure²⁰ was set in motion by 12 EU MSs and was authorised by the Council of the EU in 2011.²¹ The procedure allows advanced cooperation between at least nine MSs in the area of EU structures, in order to establish a unitary patent in this case. Twenty-five MSs welcomed the idea and declared their willingness to participate. The two remaining countries – Spain and Italy – applied for an annulment of the authorisation. The CJEU dismissed both applications.²² Unitary patent protection also required a

¹⁶ European Patent Office (2020a), para. 2.4.011.

¹⁷ Art. 64(3) EPC.

¹⁸ CJEU Opinion 1/09 of 8 March 2011, ECR 2011, I-01137.

¹⁹ More about the CJEU Opinion 1/09 in the light of CETA: Bosek and Żmij (2020).

²⁰ Arts. 326–334 TFEU. See Lamping (2015) on the enhanced cooperation procedure regarding the UPC.

²¹ Council decision 2011/167/EU of 10 March 2011, OJ L 76, 2011, p. 53.

²² CJEU Joined cases C-274/11 and C-295/11, *Spain and Italy v. Council of the European Union*, ECLI:EU:C:2013:240.

unified litigation system, able to respond to the needs and expectations thus created. The European Community, yet again, tried to create such a court.

Whatever the first impression, the UPCA is anchored in international law and not in EU law. The UPC is a peculiar institution: placed within the EU patent package, but outside EU law. Unlike the previous project – the ECPC – the UPCA was signed by and between the EU MSs; the European Union itself is not a party to the agreement, hence the agreement is not part of the *acquis communautaire*. As a consequence, the interpretation of the UPCA lies outside the CJEU's jurisdiction.²³ The new proposal of the UPCA indeed incorporated many provisions of the ECPC and addressed the allegations made in Opinion 1/09 of the CJEU;²⁴ however, some authors claim that the mere change of provisions cannot change the legal nature of the UPC.²⁵

The UPC is supposed to be a common court for the contracting MSs and to have exclusive jurisdiction in several patent-related matters. This means that the courts of the contracting MSs would no longer have jurisdiction in this sphere. Thanks to this solution, the decisions of the UPC are supposed to be binding in the territory of those contracting MSs where the European patent is in force. The first instance of the court consists of a central, a local and a regional division. Originally, the central division had its seat in Paris, with sections in Munich and London and a court of appeal in Luxembourg. According to Art. 20 UPCA, the UPC shall apply Union law in its entirety and respect its primacy.

To enter into force, in accordance with Art. 84 UPCA, the UPC (and the strictly related EU Unitary Patent Regulations) requires a minimum of 13 instruments of ratification or accession, including three MSs with the highest number of effective European patents in the year preceding the year in which signature of the agreement takes place. Until July 2020, these three MSs had been France, Germany and the UK.

3 Germany

France was the first of the three required Member States to ratify the UPCA in 2014, later joined by the UK, the Brexit perspective notwithstanding. The milestone for the UPCA's entry into force was the German ratification, halted by three constitutional complaints.

The German government commenced the process of ratification on 20 June 2016 by presenting a draft of the ratification act for approval.²⁶ The decision to ratify the

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²³ Nowicka (2014), p. 18.

²⁴ See Ohly and Streinz (2017), p. 250; and Szpunar (2017), pp. 132–134.

²⁵ Nowicka (2014), p. 19.

²⁶ Entwurf eines Gesetzes zu dem Übereinkommen vom 19. Februar 2013 über ein Einheitliches Patentgericht, BTDrucks 18/8826; and Entwurf eines Gesetzes zur Anpassung patentrechtlicher Vorschriften auf Grund der europäischen Patentreform, BTDrucks 18/8827.

UPCA²⁷ was adopted on 10 March 2017 by the parliament and on 31 March 2017 by the Federal Council. Shortly thereafter, the first complaint was submitted to the FCC, requesting the Federal President to refrain from acting upon the corresponding laws for the duration of the proceedings. Thus, the complaint effectively halted the German ratification process.

The complainant made several allegations, including a breach of the requirement for a qualified majority arising from Art. 23(1), third sentence, in conjunction with Art. 79(2) of the Basic Law.²⁸ The proceedings took three years and finally, on 13 February 2020, the FCC produced a decision accompanied by the dissenting opinions of the justices König, Langenfeld and Maidowski.²⁹ The FCC decided that the act of approval's Art. 1(1), first sentence, violated the complainant's equivalent of a fundamental right derived from Art. 38(1), first sentence, Art. 20(1) and (2), as well as Art. 79(3), in conjunction with Art. 23(1), third sentence, and Art. 79(2) of the Basic Law, due to the act having been passed non-procedurally. The FCC also decided that this article of the act of approval was incompatible with Art. 23(1), third sentence, in conjunction with Art. 79 (2) of the Basic Law, which renders it void.

As determined by the FCC:

An act of approval to an international treaty that is supplementary to or otherwise closely tied to the European Union's integration agenda (*Integrationsprogramm*) must be measured against Art. 23(1) of the Basic Law (Grundgesetz-GG). Insofar as such an act amends or supplements the Basic Law in substantive terms, or makes such amendments or supplements possible, it requires a two-thirds majority in the legislative bodies pursuant to Art. 23(1) third sentence in conjunction with Art. 79(2) GG.³⁰

The act of approval of the UCPA is effectively a substantive amendment of the Constitution by virtue of a transfer of the patent-related judicial competences to an international court while superseding German courts.³¹ It also interferes with the judiciary system of Germany and requires a majority of two-thirds in order to be adopted by parliament, which was not attained. Furthermore, a breach of the abovementioned requirements of Art. 23 exposing German citizens to a supranational public authority violated their equivalent to a fundamental right derived from Art. 38(1), first sentence, and Art. 20(1) and (2), in conjunction with Art. 79(3) of the Basic Law.³² The FCC declared that the parliamentary act of approval to the UPCA was void, having been adopted without the required majority, and therefore further allegations were not examined.

²⁷ Entwurf eines Gesetzes zu dem Übereinkommen vom 19. Februar 2013 über ein Einheitliches Patentgericht BTDrucks 18/11137.

²⁸ See Bausch (2017).

²⁹ Federal Constitutional Court, 13 February 2020, Case No. 2 BvR 739/17.

³⁰ Federal Constitutional Court (2020).

³¹ *Ibidem*. The same opinion is shared by Bosek and Žmij (2020), p. 258.

³² Federal Constitutional Court (2020).

Until recently, uncertainty loomed in two further constitutional complaints³³ presented to the FCC shortly after the parliament passed the new act of approval of the UPC, this time by proper majority, followed by the Federal Council's unanimous decision in December 2020.³⁴ It was assumed that complaints could have been made against the UPCA's provision that violates the Basic Law by establishing the primacy of EU law.³⁵

Considering the decisions and opinions of the FCC in the case of the European Central Bank³⁶ and the UPC, it seemed that the FCC was rather sceptical towards the unlimited primacy of EU law and this cast a shadow on the UPCA once again. Paul M. Huber, the judge rapporteur in both cases, stated clearly that

[...] Germany and most other Member States of the European Union would not have been allowed to join the European Union at all if the unrestricted primacy of European law over the Basic Law, as assumed by the CJEU, would exist. We made this clear once again in the decision on the Unified Patent Court in January.³⁷

He also confirmed that the openness of the Member States to the primacy of EU law may be set with limits.³⁸

Nevertheless, this summer, the FCC rejected two applications for a preliminary injunction directed against the new act of approval because of their inadmissibility.³⁹ The FCC found the allegations insufficiently substantiated. The complainants in particular failed to demonstrate why and how the UPCA, in its organisational structuring of the UPC and in the legal status afforded judges, could violate the principle of the rule of law; and how the supremacy of EU law could violate their fundamental rights. Addressing the second issue, the FCC pointed out that giving absolute precedence to EU law would not be compatible with the Basic Law. However, in case an act of approval is adopted in accordance with Art. 23(1), second sentence, of the Basic Law, the supremacy to apply EU law over domestic law is granted. Yet this precedence only applies to the extent that the Basic Law and the domestic act of approval permit or provide for a transfer of sovereign rights. According to the FCC it must be assumed that Art. 20 of the UPCA aims to provide compatibility with EU law and has no bearing on the status quo in the relationship between EU law and national constitutions. This, together with the official publication of the new act of approval in the Federal Gazette,⁴⁰ enabled Germany to ratify the UPCA.

³³ Case No. 2 BvR 2216/20 and No. 2 BvR 2217/20.

³⁴ Klos (2020).

³⁵ Pickney (2020).

³⁶ Federal Constitutional Court, 5 May 2020, Case No. 2 BvR 859/15.

³⁷ Mussman (2020).

³⁸ Chazan et al. (2020).

³⁹ Federal Constitutional Court (2021); *see* full text of the judgment: Federal Constitutional Court, 23 June 2021, Case No. 2 BvR 2216/20 and No. 2 BvR 2217/20.

⁴⁰ Federal Gazette 2021, Part II, No. 18, 12 August 2021, <https://bit.ly/3A9DLxu>.

4 Hungary and Poland

The constitutional discussions in Germany were not an isolated incident, albeit the most significant for the UPC to enter into force. Another ratification issue arose in Hungary. Poland also raised some objections; however, in this case the decision not to join the UPCA was motivated mainly economically.⁴¹

The Minister of Justice, on behalf of the government, asked the HCC to interpret Art. E, paras. (2) and (4); Art. Q, para. (3); and Art. 25 of Hungary's Fundamental Law. On 26 June 2018, the HCC ruled that the promulgation of the UPCA would be incompatible with Hungary's Fundamental Law.⁴²

The first issue the HCC had to decide upon was whether the promulgation of the UPCA falls within the scope of said Art. E or Art. Q, i.e. whether the UPCA is EU law or rather an international-law-based treaty. In the reasoning, the HCC reiterated its previous decision⁴³ which concerned the problem of international treaties that are not included among the EU founding treaties. In that earlier decision, the HCC expressed the presumption of "maintained sovereignty". This means that, by joining the EU, Hungary merely allowed for a joint exercise of certain powers.⁴⁴ The presumption requires that any international agreement not comprised within the *acquis communautaire* is examined from the standpoint of application of Art. E or Art. Q of the Fundamental Law.⁴⁵

As for the unitary patent, the HCC argued that there was no doubt that Regulation 1257/2012 and Regulation 1260/2012 were sources of EU law. Therefore, Art. E was their basis. Nonetheless, it was uncertain whether this logic applied to the UPCA as well, even though it was concluded within the enhanced cooperation framework. The HCC distinguished between two types of enhanced cooperation and responded that, if the basis to establish an institution is in the EU founding treaties, then the legal basis for promulgating a pertinent international treaty shall be provided by Art. E; otherwise, Art. Q applies.⁴⁶

The answer to the first issue was derived from the judgment of the CJEU made on 5 May 2015.⁴⁷ The CJEU decided that it was not competent to determine the lawfulness of an international agreement concluded by a Member State. This means that the CJEU perceives the UPCA as an international agreement concluded by MSs. As such, the UPCA cannot be qualified as a source of EU law. The ruling implies that the UPCA shall be treated as yet another international agreement outside EU law; therefore its promulgation by Hungary falls within the scope of Art. Q.

⁴¹ See Deloitte Polska (2012); and critical opinion of Tilmann (2015).

⁴² Hungarian Constitutional Court, 26 June 2018, Case No. 9/2018 (VII. 9.), English: <https://bit.ly/35Wip9C>, Hungarian: <https://bit.ly/31XZN6Q>.

⁴³ Hungarian Constitutional Court, 8 May 2012, Case No. 22/2012 (V. 11.) AB.

⁴⁴ *Ibidem*, point 60.

⁴⁵ Hungarian Constitutional Court, 26 June 2018, Case No. 9/2018 (VII. 9.), point 32.

⁴⁶ *Ibidem*.

⁴⁷ C-146/13, *Spain v. Parliament and Council*, ECLI:EU:C:2015:298.

The second matter to decide was about the conditions of validity of promulgating the UPCA. According to Art. 21 of the UPCA, the UPC shall constitute a part of the judicial systems of the MSs, with exclusive competence in patent law disputes enumerated in Art. 32. The HCC noted that this means that the UPC shall also apply Hungarian law. Article 25(4) of Hungary's Fundamental Law allows establishing a special court for specific groups of cases. An act of parliament may authorise other organs to act in specific legal disputes. The HCC admitted that domestic cases may sometimes be resolved by external courts, as Hungary has acknowledged the jurisdiction, for instance, of the European Court of Human Rights, the International Court of Justice, etc. However – crucially – such external organs usually serve as appeal instances that examine questions of international law or EU law. When they are to rule on a case on the merits and issue a binding decision, a state may participate in the proceedings as a party.⁴⁸

In case of the UPC, an entire group of cases, including the most basic cases and even if both parties are Hungarian, would be removed from the national judicial system; the HCC would be precluded from providing a constitutional review of these cases. According to Art. 25(2)(a) of Hungary's Fundamental Law, national courts shall rule in all domestic disputes of private law (including patents), with no exceptions. The aforementioned authorisation by an act of parliament, as explained by the HCC, provides constitutional grounds for an alternative domestic dispute settlement procedure. Therefore, it does not apply to international organs.⁴⁹ Considering these provisions from the standpoint of external sovereignty, the HCC decided that the UPCA interferes with the Fundamental Law and may not be promulgated.

Both Germany and Hungary signed the UPCA and then their respective constitutional courts ruled on ratification, while Poland – initially one of the strongest supporters of patent cooperation – withdrew even before the signing stage. Several Polish authors criticised the form of the UPCA: for the lack of patent translations into national languages, which would aggravate the situation of Polish entrepreneurs forced to translate documents at their own risk; for serious costs of defence before a non-Polish speaking court; as a threat to the economy and innovation by welcoming a flood of foreign patents; and finally, for its unconstitutional character.⁵⁰

Similar to Hungary, an argument was raised that the UPC cannot become part of the Polish judiciary system; it simply does not suffice to introduce a provision to an international agreement that a court established by that agreement must become part of a country's judiciary system. Apart from structural difficulties in incorporating the UPC into the national court system, there are several objections from the standpoint of sovereignty and protection of the constitutional rights of citizens.

⁴⁸ Hungarian Constitutional Court, 26 June 2018, Case No. 9/2018 (VII. 9.), points 48–50.

⁴⁹ *Ibidem*, point 52.

⁵⁰ Du Vall and Du Vall (2017); Nowicka and Skubisz (2013), pp. 19–23; Nowicka (2014), pp. 13–27; Zawadzka (2014), p. 383 *et seq.* List otwarty w sprawie jednolitej ochrony patentowej i Jednolitego Sądu Patentowego, <https://bit.ly/36JRwGH>.

Like Hungary's Fundamental Law, the Polish Constitution allows for the delegation of competences of state authorities to an international organisation or body in certain matters.⁵¹ However, this can only happen under specific conditions and in a limited number of matters.⁵² According to the Polish Constitutional Court (PCC), judicial power as a competence is an essential component of sovereignty. The sovereignty of the Republic of Poland is expressed in non-transferable competences of state authorities that compose the constitutional identity of the state.⁵³ Therefore, judicial power as such may not be freely taken away from internal authorities, i.e. courts and tribunals;⁵⁴ however, no official decision by the Polish Constitutional Court has been made to date.

Again, similar to the HCC decision, Polish doctrine also underlines that the status of the UPC is incomparable with other international courts, e.g. the International Criminal Court, the jurisdiction of which is recognised by Poland. This is because the UPCA requires the signatory states to relinquish jurisdiction over an entire category of patent cases.⁵⁵ Moreover, the UPCA acknowledges the primacy of EU law, which stands against the principle of primacy of the Constitution.⁵⁶ As for the language of patent proceedings and translations, some assume that the position of parties using a different language from English, French or German as their mother tongue (e.g. Polish) is less favourable than that of other parties. This is a violation of the basic right to defence and a fair trial, manifested in the right to be heard or in the equality of parties.⁵⁷

When compared, the decision of the HCC and the objections in Polish doctrine demonstrate some similarities in the context of the unconstitutionality of the UPC provisions for both countries. The most significant one, however, based on different assumptions in each of these cases, is a violation of sovereignty by partially surrendering judicial power to an international court. It must be said that neither of the two countries is against the unification of the European patent system, as they initially both expressed their support for the patent package. Nonetheless, further developments have shown that the current shape of the UPC and the provisions of the UPCA make it legally difficult or impossible for Hungary and Poland to participate in the project, even though they are willing to, without reforming their fundamental laws.

⁵¹ Art. 90 of the Polish Constitution.

⁵² Polish Constitutional Court, 24 November 2010, Case No. K 32/09, point III.2.1.

⁵³ *Ibidem*, points III.2.1 and III.2.2.

⁵⁴ Arts. 173–175 of the Polish Constitution.

⁵⁵ Nowicka and Skubisz (2013), pp. 19–20.

⁵⁶ Art. 8 of the Polish Constitution.

⁵⁷ Nowicka and Skubisz (2013), pp. 22–23; Nowicka (2014), pp. 26–27. A similar conclusion, although not in relation to Poland, may be found in Xenos (2020), p. 63.

5 The UK's Withdrawal from the UPCA Agreement

The UK is yet another country that will not participate in the project. As soon as the results⁵⁸ of the Brexit referendum were announced in 2016, IP experts in Europe asked themselves about the future of the UPCA. For quite some time it was believed that the UK would be able to remain a party to the UPCA.⁵⁹

In a document in March 2020, the JURI Committee of the European Parliament argued that it was still conceivable to accept a change to the legal regime by allowing the UK to continue to participate in the UPCA and “it would have meant the UK accepting that EU law takes ultimate precedence over UK law in patent related matters”.⁶⁰ A different point of view was that, in the case of participation in the UPCA after Brexit, the UK would not necessarily have to accept the precedence of EU law, as the UPC remains separate from the British judiciary system. The court itself is bound by EU law, but the participating states are not.⁶¹ Another obstacle seemed to be Art. 84(4) UPCA, which precludes a non-EU Member State from participating. According to Ohly and Streinz, this rule did not apply in the British case, as it had acquired UPCA party status through ratification. The UK did not lose this status automatically after Brexit, which concerned only EU law.⁶²

In its considerations, the JURI Committee indicated several aspects of the UPCA relevant for the eventuality of the UK's withdrawal. Among them were the ratification by the UK's successor, necessary for the UPCA to enter into force, and the need to move the divisions of the court out of London.⁶³ The fourth country with the highest number of European patents in force in the year preceding the year of signing the UPCA was Italy. However, Italy was not a party to the UPCA at that moment. Whether Italy should be the third country foreseen by Art. 89 UPCA for ratification is not entirely obvious,⁶⁴ as it is also not clear whether the article refers to all EU Member States, or only to those Member States that were parties to the UPCA at that moment.

Last summer (July 2020) the pipe dream eventually faded when the UK deposited its withdrawal notification with the Council Secretariat.⁶⁵ The UK Minister for Science, Research and Innovation explicitly stated that “In view of the United Kingdom's withdrawal from the European Union, the United Kingdom no longer wishes to be a party to the Unified Patent Court system. Participating in a court that applies EU law and is bound by the CJEU would be inconsistent with the

⁵⁸ 51.9% in favour and 48.1% against Brexit with a 72.2% turnout. Results taken from: <https://bbc.in/39NkdD6>.

⁵⁹ See among others: Ohly and Streinz (2017); and Tilmann (2016).

⁶⁰ Bux (2020).

⁶¹ Ohly and Streinz (2017), p. 247, see the whole paper for a detailed analysis of the UK participation in the UPCA after Brexit.

⁶² *Ibidem*, p. 255.

⁶³ Bux (2020); see also Ohly and Streinz (2017), p. 251.

⁶⁴ Mansour Fallah et al. (2021), pp. 664–665. In contrast, Tilmann argues that it happens automatically: Tilmann (2020), p. 850.

⁶⁵ Unified Patent Court (2020).

Government's aims of becoming an independent self-governing nation".⁶⁶ In terms of Brexit, it seems that the UK resigned from being a part of the unitary patent system once and for all.

A question may be raised as to the legal compliance of the UK's withdrawal from the UPCA,⁶⁷ especially since the UPCA itself does not have a withdrawal clause. Earlier, some authors⁶⁸ considered whether it would automatically cease to be binding when the UK officially exited the EU, based on Art. 50 TEU. The UPCA is an instrument of international law, not EU law; therefore, this article does not apply to the agreement. In this case, it seems that withdrawal should be ruled by the law of treaties (Vienna Convention on the Law of Treaties, VCLT).⁶⁹

In principle, one cannot withdraw from a treaty that does not foresee a withdrawal, unless the conditions of Art. 56 VCLT are met. However, the VCLT does provide some special conditions for withdrawal in Arts. 61 and 62. For their potential application to the UPCA, the exclusions of applicability of Art. 45 VCLT would be significant, especially the fact that – in the knowledge of the Brexit referendum's results – the UK government still expressed the intention of participating in the UPCA. Moreover, the government had ratified the UPCA in 2018, being aware that at the time of its entry into force the UK might have left the European Union.

All VCLT provisions stated above use the term "party", which implies that they refer to treaties in force.⁷⁰ This is not the case of the UPCA, however. According to Tilmann, this actually allowed the UK to leave the UPCA by notifying the depositary accordingly. He expected the UK to use that opportunity, which may be derived from Art. 25 VCLT.⁷¹ A provisional application is characterised by the possibility of unilateral termination of commitments, without limitations to withdrawal and expiry of an international agreement.⁷² This would mean that the UK's "withdrawal" complied with international law and is therefore binding. Bearing in mind the considerations of Ohly and Streinz, at that moment the UK lost its UPCA party status and cannot remain in the system under current conditions.

6 Still Unifying? The Future of the UPC

One of the main roles of the patent system is to boost innovation and enhance competition. The value of a common patent system is obvious: legal certainty, clear administrative procedure, time efficiency and cost-effectiveness. Plomer pointed out that "[...] the new, centralised court and unitary patent must be perceived as

⁶⁶ UK Parliament (2020).

⁶⁷ Mansour Fallah et al. (2021), p. 664.

⁶⁸ Examples of authors and papers on this topic: Tilman (2020), p. 848, fn. 11.

⁶⁹ Vienna Convention on the Law of Treaties of 23 May 1969, entered into force on 27 January 1980, United Nations, Treaty Series, Vol. 1155, p. 331, Arts. 42 and 56.

⁷⁰ Tilman (2020), p. 848.

⁷¹ *Ibidem*.

⁷² Frankowska (1997), p. 73.

conferring economic benefits not only to applicants but to the (citizens of the) participating States too.” and “The difficulty lies in designing a streamlined court structure which is accessible and fair to patentees whilst encouraging and supporting European innovation”.⁷³ She claims that the UPC does not meet these expectations as it exacerbates existing judicial fragmentation and serves strong users (i.e. transnational corporations outside Europe⁷⁴) that are interested in simplified and unified effects of their actions. There is a growing number of voices against the current shape of the UPC, including a position paper circulating among IP practitioners and academics.⁷⁵ Fragmentation is visible at several levels:⁷⁶ between EU MSs and non-EU states, among EU MSs, between large and small entities and even within the double-layered patent system itself.

The examples of Hungary, Poland and the UK (and also Spain) support this conclusion. These countries have already decided not to participate in the UPC. The situation of Germany remained unclear for a very long time, although it changed last summer. This throws new light on the ratification of the UPCA by Germany, but what else might happen cannot be predicted. Some other countries have postponed the ratification process pending the outcome.⁷⁷ According to some opinions, France, aware of the problems in Germany, should assume the leadership in the UPC coming into force, with Paris as a capital city of patent jurisdiction.⁷⁸ The Constitutional Court of France confirmed that the constitution occupies the absolute top position in France’s domestic legal order and established the rules and limits of applying EU law and conferring competences to the EU.⁷⁹ However, France did not face issues like those of the countries mentioned in this article and it successfully ratified⁸⁰ the UPCA in an accelerated procedure as one of the first states to do so. Nevertheless, some comments appeared regarding the costs of litigation before the UPC.⁸¹ Finally, the act⁸² adjusting internal patent law was adopted by the National Assembly in order to prepare French law for a new patent litigation system.

Regarding the case of the UK, all speculation has finished and there is no doubt that the country does not want to subordinate itself to the supremacy of EU law and

⁷³ Plomer (2020), p. 796.

⁷⁴ Plomer (2020), p. 796; *see also* Xenos (2020), pp. 58–59.

⁷⁵ UCLouvain (2020).

⁷⁶ On this topic, *see* De Lange (2021).

⁷⁷ One of them being Ireland, waiting for the referendum necessary for the ratification process: Irish Legal News (2020).

⁷⁸ Dhenne (2021).

⁷⁹ French Constitutional Council, 20 December 2007, Case No. 2007-560 DC; French Constitutional Council, 30 November 2006, Case No. 2006-543 DC; French Constitutional Council, 27 July 2006, Case No. 2006-540 DC; French Constitutional Council, 31 July 2017, Case No. 2017-749 DC.

⁸⁰ Loi n° 2014-199 du 24 février 2014 autorisant la ratification de l’accord relatif à une juridiction unifiée du brevet, JORF n° 0047 du 25 février 2014.

⁸¹ Association des Avocats de Propriété Industrielle; Compagnie Nationale des Conseils en Propriété Industrielle; L’Association Française des Spécialistes en Propriété Industrielle de l’Industrie.

⁸² Ordonnance n° 2018-341 du 9 mai 2018 relative au brevet européen à effet unitaire et à la juridiction unifiée du brevet, JORF n° 0107 du 10 mai 2018.

will not join the UPC, which is an important loss⁸³ for the project. The JURI Committee itself argued that the whole unitary patent system would be less attractive without the UK. Applicants will have to make two separate applications, one for the EU and one for the UK, which will exacerbate the costs. This also applies to potential litigation. Most probably, the place of the UK will be taken by Italy. It will also be necessary to change the seat of the London division and British citizens will no longer be allowed to become judges of the UPC.

Many considerations regarding UK participation in the UPC post-Brexit were made based on the fact that the UK ratified the UPCA and had the status of a party. The situation radically changed when the UK decided to withdraw. De Lange claims that theoretically it is possible for non-EU MSs to become parties to the UPCA;⁸⁴ however, it would be a tedious process. Apart from amendments to the UPCA itself, like the definition of a court, the requirement of EU MS status in order to participate, clarifying matters of liability, etc.,⁸⁵ a separate agreement with the UK would be required, in which the UK would recognise the supremacy of EU law in patent matters. Another aspect to consider would be the recognition of foreign judgments in alignment with Brussels Regulation 44/2001. Whatever considerations there may be, the most important fact is that the UK does not want to give up its sovereignty and to participate in the system under the auspices of the EU and the CJEU.

Furthermore, the fracture is also visible in the modification of the classic patent status, which would fall under the UPC. For now, “classical” European patents are based on the EPC and the national laws of the contracting states. Under the UPCA, the rights arising from classical patents would put a limit on national jurisdiction. This would translate into a two-speed system, differently affecting the countries participating in the UPC and those not participating.

The impact that the European patent system has on SMEs, which represent 99% of all businesses in the EU (almost 93.5% of which are micro entities)⁸⁶ and account for more than half of Europe’s GDP, cannot be left without comment.⁸⁷ One issue that hinders intellectual property protection for SMEs (especially micro and small entities) is their lack of capital for expensive and time-consuming registration and litigation.⁸⁸ It is criticised that the current European patent litigation system is fragmented and might expose its users to parallel procedures finalised with divergent decisions in different countries.⁸⁹ Another identified weakness – expensiveness – is a potential risk of the development of patent assertion entities (PAEs), also known as “patent trolls”.⁹⁰ The question is whether the new UPCA

⁸³ Johnson (2019).

⁸⁴ De Lange (2021), p. 4.

⁸⁵ Ohly and Streinz (2017), pp. 254–256.

⁸⁶ Data from: <https://bit.ly/2YRHrpW>.

⁸⁷ Data from: https://ec.europa.eu/growth/smes_en.

⁸⁸ Bayliss (2014), pp. 440–443

⁸⁹ Haft (2017); Gougé and Torrecilla (2017). De Lange (2021) claims that the UPCA also creates “a complicated interdependent system, with potential fragmentation issue”.

⁹⁰ Gougé and Torrecilla (2017), p. 163.

really serves SMEs better. It does not seem evident that the UPC would solve the SMEs' issues and make them more active users of the patent system. As reflected by statistics, more than half (54%) of current European patents belong to entities outside Europe, 81.7% belong to large companies and only 10.3% to EU-based SMEs.⁹¹ This shows that the beneficiaries of the patent system are mostly large companies.

Normally, from a business perspective, SMEs do not act in the whole EU, but in one or a small number of countries, and therefore pursuing a UP to cover all the EU territory might not be within their strategy. It is more probable that small entities would seek a national patent or alternatively a current European patent to cover the states where they actually run their business. It has been shown that by choosing the UP an applicant may save 5–8% of costs⁹² in comparison with a European patent validated and maintained in four countries.⁹³ Considering an average 10-year patent, the difference is €200⁹⁴ which can indeed be beneficial for big companies acting in the whole of Europe and applying for many patents, but probably not for the vast majority of SMEs.⁹⁵ In planning their business strategies, such entities also bear in mind the potential legal costs of enforcing the patent right, which in case of the UPC can reach €11,000–20,000.⁹⁶ If an SME has not sought a European patent with a precisely tailored territory of protection and the possibility to protect it before a particular national court, it is unlikely it would invest in a UP and risk a central revocation, even with a 40% discount on fees.⁹⁷

The UPC indeed prevents some negative effects of fragmented jurisdiction like divergent decisions in parallel proceedings and the “Italian torpedo”⁹⁸ effect; however, these do not seem to be the real issues due to the fact that SMEs are more likely to be sued than to sue. The costs of proceedings and legal assistance in a foreign country, as foreseen in the UPCA, might be economically disruptive and cumbersome for SMEs, especially for those based in the poorer countries of the EU. The limitation of proceedings to the three official languages of the EPO does not help either. Such a situation exacerbates the gulf between large companies and SMEs. It could be that the UPC, which is meant to enhance competitiveness within the EU and to serve the internal market, would instead foster the activity of large firms from the most developed areas within the EU and from external economies.

One of the strongest points of the EPC and the classical European patent was the unification of patent prosecution outside the EU. This enabled European countries to cooperate and made the European patent system truly competitive worldwide. Apart from attracting external users, the system should primarily be beneficial for its contracting states and their respective markets. Currently, a shadow of uncertainty

⁹¹ Xenos (2020), pp. 57–58.

⁹² Depending on how long the patent would be maintained.

⁹³ Data from: <https://bit.ly/3z7Lbjk>.

⁹⁴ *Ibidem*.

⁹⁵ Similar observations may be found in Xenos (2020), p. 58.

⁹⁶ Gougé and Torrecilla (2017), p. 165.

⁹⁷ *Ibidem*, p. 164.

⁹⁸ See Cuonzo (2013).

has been cast over the attainment of these goals. From the very beginning, the project has struggled against many significant obstacles. Today, the UPC divides rather than unifies, even more than it used to. Even though the FCC gave the green light to ratification, this could be a good opportunity to take a step back and reconsider the structure of a litigation system; perhaps one that would not raise any red flags and could be beneficial, as much as possible, for all parties. In a world where innovation plays such a significant role, it is vital to build a patent system on rock-solid ground.

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