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# The unitary patent package

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# Abbreviations

|        |   |
|--------|---|
| CDR    | Community Design Regulation creating RCD <sup>1</sup>                                   |
| CJEU   | Court of Justice of the European Union  |
| CP     | Community Patent created by CPC   |
| CPC    | Community Patent Convention <sup>2</sup>  |
| CPC-89 | Community Patent Convention of 1989 <sup>3</sup>  |
| CTM    | Community Trademark created by CTMR   |
| CTMR   | Community Trademark Regulation <sup>4</sup>   |
| dRoP   | UPC Rules of Procedure (16th draft) <sup>5</sup>  |
| EEUPC  | See PC  |
| EPC    | European Patent Convention <sup>6</sup> (now 15 <sup>th</sup> edition / September 2013) |
| EPO    | The European Patent Office established by EPC   |
| EPUE   | European Patent with Unitary Effect as defined by UPR (also unitary patent)             |
| EUCFR  | Charter of Fundamental Rights of the European Union <sup>7</sup>                        |
| IPRED  | Intellectual Property Rights Enforcement Directive <sup>8</sup>                         |
| PC     | draft European and Community patent Court agreement <sup>9</sup> later renamed EEUPC    |

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<sup>1</sup> Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs OJ [2002] L3/1.

<sup>2</sup> 76/76/EEC: Convention for the European patent for the common market (Community Patent Convention) [1976] OJ L17/1; Text to n 51 in ch 1.2.2.

<sup>3</sup> 89/695/EEC Agreement relating to Community - Done at Luxembourg on 15 December 1989 [1989] OJ L401/1 including protocols.

<sup>4</sup> Council Regulation (EC) 207/2009 of 26 February 2009 on the Community trade mark OJ [2009] L78/1.

<sup>5</sup> Drafting Committee, ‘Preliminary set of provisions for the Rules of Procedure (“Rules”) of the Unified Patent Court’ (16<sup>th</sup> draft Of 31 January 2014) <<http://unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>> accessed 19 May 2014.

<sup>6</sup> European Convention on the Grant of European Patents of 5 October 1973 (EPC).

<sup>7</sup> OJ [2010] C 83/389 “same legal value as the Treaties” (art 6(1) TEU).

<sup>8</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights OJ [2004] L195/16.

<sup>9</sup> Council, ‘Draft Agreement on the European and Community Patents Court and Draft Statute’ doc 7928/09 of 23 March 2009; Text to n 144 in ch 2.5.

|       |   |
|-------|---|
| PCT   | Patent Cooperation Treaty <sup>10</sup>   |
| RCD   | Registered Community Design created by CDR  |
| SME   | Small and Medium-sized Enterprises  |
| SOU   | <i>Statens offentliga utredningar</i> (Swedish Government Official Reports)                         |
| SPC   | Supplementary Protection Certificate  |
| TEU   | Treaty of the European Union <sup>11</sup>  |
| TFEU  | Treaty of the Functioning of the European Union <sup>12</sup>                                       |
| TRIPS | Trade Related rules on Intellectual Property <sup>13</sup>  |
| UPC   | The Unified Patent Court established by UPCA  |
| UPCA  | Unified Patent Court Agreement <sup>14</sup>  |
| UPR   | Regulation (EU) No 1257/2012, creating a unitary patent protection <sup>15</sup>                    |
| UPRL  | Regulation (EU) No 1260/2012, on language regime creating a unitary patent protection <sup>16</sup> |
| WTO   | World Trade Organisation <sup>17</sup>  |

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<sup>10</sup> Patent Cooperation Treaty signed in Washington 1970 creating a single procedure for filing patent application (International application).

<sup>11</sup> Consolidated version of the Treaty on European Union [2008] OJ C115/13

<sup>12</sup> Consolidated version of the Treaty on the Functioning of the European Union [2008] OJ C115/47

<sup>13</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) LT/UR/A-1C/IP/1 <<http://docs.wto.org>>

<sup>14</sup> Agreement on a Unified Patent Court [2013] OJ C175/1.

<sup>15</sup> Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1.

<sup>16</sup> Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89.

<sup>17</sup> Established by the Final Act Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations (15 April 1994) LR/UR/A/1 <<http://docs.wto.org>>

# Abstract

The unitary patent package (Regulation 1257/2012 creating a unitary patent protection (UPR)<sup>18</sup>, Regulation 1260/2012 on language regime creating a unitary patent protection (UPRL)<sup>19</sup>, and the Agreement on a Unified Patent Court (UPCA)<sup>20</sup>) will make it possible to apply for a single patent (European patent with unitary effect or EPUE) at the non-EU European Patent Office (EPO) in Munich. EPUE will cover the territory of the participating Member States and a trans-national court structure (the Unified Patent Court or UPC) will have exclusive jurisdiction regarding inter alia infringement and revocation of EPUE within the UPCA states. UPC will run in parallel to national patent court systems and will ultimately take over jurisdiction regarding traditional European patents within the UPCA states.

The unitary patent package is a compromise. It is complex, unconventional, and elusive. It is wrangled to satisfy many interests, resulting in this unexpected solution. First, not all EU Member States are parties to the cooperation creating EPUE. Secondly, the Regulations lack substantive law. Thirdly, patent granting will be done by the European patent office, outside the Union framework. Finally, the new court will be a new international court, but it will not be a Union court. The solution risks violating legal certainty and granting lacks judicial review.<sup>21</sup>

This unconventional solution calls into question the legal nature of the new patent (EPUE). It is unclear if it is a new *sui generis* right defined at the Union level or if it is a unitary requirement to harmonise European patents at the national level. It might actually be a Union right defined by national and international law. An additional question is if the new court (UPC) shall apply fragmented national patent laws in each member state, if it shall apply Union law, or if it shall apply a new autonomous and super-national *UPC acquis*. In this

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<sup>18</sup> Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1.

<sup>19</sup> Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89.

<sup>20</sup> Agreement on a Unified Patent Court [2013] OJ C175/1.

<sup>21</sup> Text to n 99 in ch 2.4.1 and text to n 126 in ch 2.4.4.

thesis, these questions will be investigated from the point of European Union law and private international law.

UPC will have exclusive competence regarding validation and infringement of European patent, European patent applications, Supplementary Protection Certificates, and EPUE. The court will have jurisdiction when at least one of the Contracting Member States has jurisdiction according to settled Union rules but generally not otherwise. In addition, UPC will have jurisdiction under certain circumstances when the defendant is domiciled outside the European Union.

UPC shall apply the substantive law of the Unified Patent Court Agreement (UPCA), national law, Union law, and international law when making decisions. Union law already regulates designation of applicable law and substantive law to some extent, making the scope for a *UPC acquis* limited.<sup>22</sup> National law will govern patents as an object of property, prior use, compulsory and contractual licensing, employment inventions and shared rights. National law also apply to effect and limitation of patents and damages although UPCA makes efforts to harmonize effects and limitations. Union law will govern supplementary protection certificates (SPCs), translation requirements, minimum requirements on patent enforcement, exhaustion, as well as competition and fundamental rights aspects. The European patent convention (EPC) will regulate patentability, scope of protection, and authentic language.

UPR will primarily contribute by making patent granting and renewal simpler and cheaper by removing national validation and centralizing annual renewals. Efforts to harmonise patent laws are primarily done by UPCA outside the Union framework. It is however likely that the Court of Justice of the European Union (CJEU) will play an important role by ensuring consistent interpretation, both between courts within the cooperation, and between the cooperation and courts in EU states outside the cooperation.

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<sup>22</sup> Text to 304 in ch 5.2.2.

# Acknowledgement

I started my research on the unitary patent package as intern at Awapatent in the autumn 2013. Without the friendly help of the people at the office and especially European Patent Attorney and Partner Sören Giver, who patiently responded to my questions and got me up to date with EPC, I would hardly understand the complexity and many intriguing aspects of European patent law. Professor Michael Bogdan has been a great source of encouragement and knowledge in private international law during the writing of the thesis. I hope my thesis will grasp some of all this knowledge. The contents and opinions expressed herein are entirely mine.



# 1 Introduction

Community trademarks (CTM)<sup>23</sup> have since its introduction in 1994 been a great success when it comes to applications filed and granted.<sup>24</sup> It was in 2002 followed by a registered Community design (RCD)<sup>25</sup> that is gaining appraisal.<sup>26</sup> Now it seems like the two are about to be followed by a third, long awaited Union (EU) intellectual property right. The Regulation<sup>27</sup> creating a unitary patent is however very different from the regulations creating a Community trademark and a Community design.

First, the unitary patent is not a Union property right in the sense of covering the whole Union. Language requirements have always been a contentious issue when it comes to patent harmonisation and was so also during the negotiations leading to the adoption. After several approaches where agreement could not be reached, the enhanced cooperation solution<sup>28</sup> was used to move forward. Spain and Italy could not agree on the language regime and are abstaining for the time being.<sup>29</sup> The result is a Union right with a limited geographical coverage.

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<sup>23</sup> Council Regulation (EC) 207/2009 of 26 February 2009 on the Community trade mark OJ [2009] L78/1 (CTMR).

<sup>24</sup> OHIM, ‘SSC009 - Statistics of Community Trade Marks’ (Until 04/2014) <<https://oami.europa.eu/ohimportal/en/the-office>> accessed 20 May 2014 (OHIM Statistics).

<sup>25</sup> Council Regulation (EC) 6/2002 of 12 December 2001 on Community designs OJ [2002] L3/1 (CDR).

<sup>26</sup> OHIM, ‘SSC007 - Statistics of Community Designs’ (Until 04/2014) <<https://oami.europa.eu/ohimportal/en/the-office>> accessed 20 May 2014 (OHIM Statistics).

<sup>27</sup> Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1 (UPR).

<sup>28</sup> Text to n 164 in ch 3.1.

<sup>29</sup> Poland changed its mind and has not signed UPCA. Croatia was not a Union state at the time of signing. Italy considers joining, see eg Società Italiana Brevetti ‘Italian government looks favourably on joining unitary patent’ (SIB News 12 July 2013) <<http://www.sib.it/en/news-and-events/news/1007.html>> accessed 20 May 2014.

Secondly, the unitary patent is not granted by a Union institution. The regulation confers on EPO<sup>30</sup> the power to register unitary effects to already granted European Patent. This will be done post-grant and opposition and appeal of EPO decisions will continue to have the Board of Appeal as final instance. A new Unified Patent Court (UPC) is set up under the Unified Patent Court Agreement<sup>31</sup> (UPCA) to handle cases of infringement and validation of the unitary patent, but this only affects the post-grant life of the patent. UPC is not a Union court, but an international court outside the Union framework, that is to be considered a court common to the contracting member states as part of their judicial system.<sup>32</sup> Unitary patent coverage also requires UPCA ratification,<sup>33</sup> limiting the geographical coverage further.<sup>34</sup>

A third difference compared to CTM and RCD is that EPUE lacks substantive law. Articles 5 and 7 UPR refer to the law of the Participating Member States concerning its effect and characteristics as an object of property. In addition there is no corresponding Union directive (like the trademark Directive<sup>35</sup> and the design Directive<sup>36</sup>) harmonizing national patent laws. Substantive intellectual property Union law is therefore more or less unaffected by the patent package. It might seem unconventional, but the Union unitary patent will exist without a unitary patent law.<sup>37</sup>

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<sup>30</sup> European Patent Office for the granting of European patent under the European Patent Convention (EPO).

<sup>31</sup> Agreement on a Unified Patent Court [2013] OJ C175/1 (UPCA).

<sup>32</sup> Text to n 155 in ch 2.5.

<sup>33</sup> Art 18(2) UPR.

<sup>34</sup> Initially thirteen states will be required for UPCA to take effect (Art 18(2)(2) UPR and Art 89 UPCA). Poland is part of the enhanced cooperation, but has of 20 May 2014 not acceded UPCA.

<sup>35</sup> Directive 2008/95/EC of the European Parliament and of the Council of 22 October 2008 to approximate the laws of the Member States relating to trade marks [2008] OJ L299/25.

<sup>36</sup> Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the legal protection of designs [1998] OJ L289/28.

<sup>37</sup> SOU 2013:48 p. 40, 'Bestämmelsen om enhetlighet i artikel 5.2 framstår som överraskande i en direkt tillämplig förordning, särskilt som det inte framgår hur denna enhetlighet ska uppnås'. (The rule on uniformity in Article 5.2 [UPR] appears to be surprising in a directly applicable Regulation, particularly as it is not clear how this uniformity shall be achieved); 'This suggestion requires a positively heroic first step in interpreting Article 10 of the draft Unitary Patent Regulation in such wide and counter-intuitive terms, and in contravention of everything one would expect from the travaux préparatoires, and an equally heroic willingness to accept that the law of the unitary patent is a national law, rather than Community law', Christopher Wadlow, "Hamlet without

Finally, the legal nature of EPUE is not obvious. It is questionable if EPUE is a *sui generis* Union intellectual property right defined at the Union level, or if it is a certain character (a unitary Union effect) applied to nationally defined European patents. The Union law effect is thin and the nature of EPUE elusive due to the deficiency of substantive law in UPR/UPRL.

The concept of territoriality in intellectual property law is based on the concept of the sovereign nation-states. States are free to determine granting and infringements of intellectual property within the borders of the state. The general rule is that a patent right must be connected to a certain state where it is effective and will be effective only in that state. The sovereignty over intellectual property rights is however gradually limited by international agreements. European states have already under EPC given up sovereignty on patent granting to EPO and the WTO/TRIPS agreement requires certain effects of patents. With UPCA, European patents are disconnected from the national states but it is not clear where they are instead connected.

This thesis will investigate the patent package from Union Law perspective. Since the new system is still to develop, EU law will, due to primacy, preliminary reference requirements, and the body of legislation and CJEU case law, serve as a fixed point from where the package will be reviewed.

Choices of law in certain areas will be done at UPC's discretion. UPC might then apply the Hague conventions, the Madrid protocol and national conflict rules. Since these are not binding on UPC, they will be left outside the thesis. The purpose of this thesis is to assemble and analyse how UPC will designate substantive law when deciding cases of patent validity and infringements. A subordinate question is to what extent this law is unified. I will also look at the international jurisdiction of the UPC and its internal division of competence. Since UPC is not up and running yet for some time, the thesis will include description of its major challenges and uncertainties. Analysis throughout the thesis will be based on existing texts, general principles and international and Union law and will include substantial uncertainty, not least since the core documents (UPR and UPCA) are vague on important aspects. The method will be analysis of legal texts and case-law with a focus on Union law. It will include reviews and opinions in doctrines as well as my own reflections.

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the prince”: Can the Unitary Patent Regulation strut its stuff without Articles 6–8?’ (2013) 8 J of Intellectual property law and practice 207, 211.

Chapter one will put the patent package in a historical context. Chapter two will get the reader up to date with the latest development leading to the package and current challenges facing it. Chapter three describes the unitary patent. Chapter four describes the unified patent court in terms of international jurisdiction. Chapter five contains applicable rules on designation of substantive law, and applicable Union and international patent law. Chapter six concludes with an analysis on interpretation and how the system might develop.

## 1.1 Definitions

Since the unitary patent package is complex and some concepts have developed over time, introductory definitions of three recurring concepts are in place.

First, the unitary patent (called European Patent with Unitary Effect or EPUE) is not granted in the traditional sense of the word. This is due to the process of achieving unitary effect, which is done post-grant for an already granted European Patent. The granted patent is *transformed* into a unitary patent after grant.<sup>38</sup> Therefore, European Patents are referred to as *granted*, but EPUE, i.e. the unitary effect of some parts of a European patent is *registered*.

Secondly, there is incoherent usage of the words *exception* and *limitation* in international patent law, which can be of some confusion. ‘Exceptions to patentability’ (Article 53 EPC) is not to be confused with ‘exceptions to rights conferred’ in Article 30 TRIPS<sup>39</sup>, which in UPC is called ‘Limitations of the effects of a patent’ (Article 27 UPC) or simply ‘limitations’ in Article 5 UPR. ‘Limitation’ in EPC is instead the procedure of amending the patent to reduce its scope (Article 105a and 138(2)-(3) EPC). *Exceptions to patentability* are areas of technology exempted from the right to patent. *Exceptions to the right conferred* are acts of third party that patents, although granted, will not confer the right to prevent.

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<sup>38</sup> Text to n 96 in ch 2.4.

<sup>39</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) LT/UR/A-1C/IP/1 <<http://docs.wto.org>> (TRIPS)

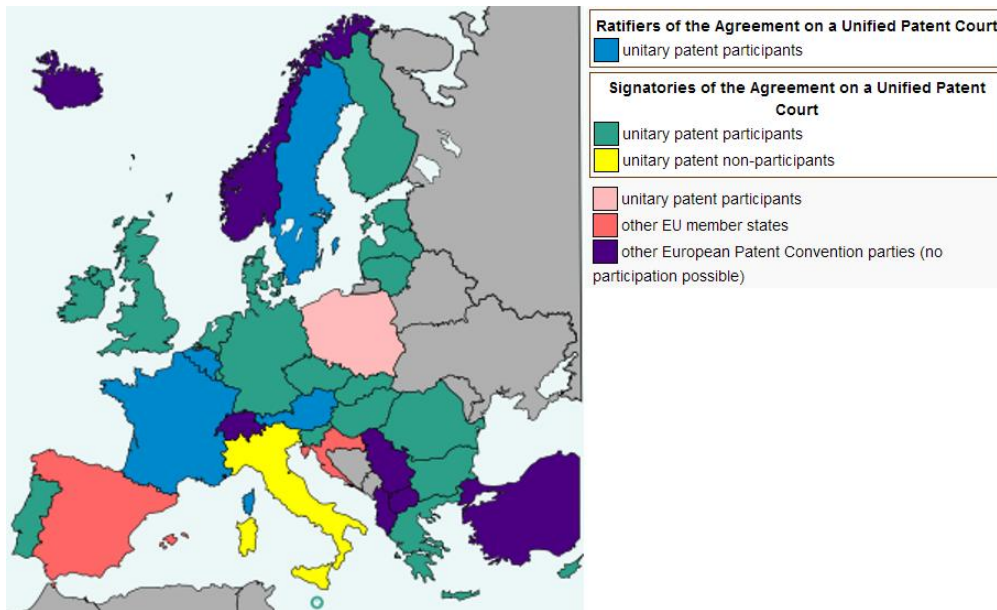


Figure 1 - Participating and Contracting Member States (Wikipedia map)

Thirdly, since the patent package is an enhanced cooperation<sup>40</sup>, not all EU Member States will participate (See Figure 1). In addition, the Member States taking part in the enhanced cooperation on UPR and UPRL are not the same as the parties to UPCA. Enhanced cooperation Member States are therefore in this thesis referred to as *Participating Member States* and the Member states party to UPCA are referred to as *Contracting Member States*. European Union Member States are EU Member States or simply Member States. All EU Member States are also members of the important European Patent Convention (EPC) so there should be no confusion here.

## 1.2 Brief history of the creation of a Community patent

Creation of a Union patent title and a unified enforcement mechanism is a long time coming. The rules in the Union patent package have been threshed in political, academic, and professional patent circles since the beginning of the European project.<sup>41</sup> The work led to

<sup>40</sup> A subset of Union Member States can under certain conditions move forward under an enhanced cooperation and harmonize an area of shared competence.

<sup>41</sup> For a review of the economical aspects, see Dietmar Harhoff 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System', (EU Tender No. MARKT/2008/06/D, 26 February 2009); Commission, 'Impact Assessment Accompanying document to the Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent

central patent granting and patentability criteria under EPC and accession to TRIPS<sup>42</sup> led to harmonization in substantive law. Union law also include a plant variety right granted by Community Plant Variety Office,<sup>43</sup> Supplementary Protection Certificates extending patent periods for medical and plant protection,<sup>44</sup> and harmonised protection for biotechnological inventions, computer programs and enforcement measures.<sup>45</sup> Until now, there has not been a patent right defined by directly applicable Union rules.

## 1.2.1 Early days

The development can be divided in several phases. The first started in the Council of Europe in 1949.<sup>46</sup> The work resulted in harmonization on patent classification and formalities for granting patents<sup>47</sup> and patentability criteria under the Strasbourg Convention of 1963<sup>48</sup>.

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protection and Proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements' (Staff working paper) SEC(2011) 482 final.

<sup>42</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights (15 April 1994) LT/UR/A-1C/IP/1 <<http://docs.wto.org>> (TRIPS)

<sup>43</sup> Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights [1994] OJ L227/1

<sup>44</sup> Regulation (EC) 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products [2009] OJ L152/1; Regulation (EC) 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products [1996] OJ L198/30.

<sup>45</sup> Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs [2009] OJ L111/16; Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions [1998] OJ L213/13; Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights OJ [2004] L195/16.

<sup>46</sup> Henri Longchambon, 'Creation of a European Patents Office', Parliamentary Assembly of the Council of Europe, Committee on Economic Affairs and Development Report, 6 September 1949, Doc 75.

<sup>47</sup> European Convention relating to the Formalities required for Patent Applications signed in Paris on December 11 1953 and entered into force in 1955 replaced by the Strasbourg Agreement Concerning the International Patent Classification of March 24, 1971.

<sup>48</sup> Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Invention of November 27 1963 (Strasbourg Convention of 1963); Belgium, Denmark, France, Germany, Ireland, Italy,

Following the Strasbourg Convention, work started within the Community to create a Community patent office and a Community patent.<sup>49</sup> It resulted in two proposed conventions, the European Patent Convention (EPC) for the granting of patents widely in use today<sup>50</sup>, and the Convention for the European Patent for the Common Market (CPC) for the creation of a Community patent title.<sup>51</sup> EPC entered into force in 1977 and was open to states outside the Community. As of 2014, 38 states are members to EPC (all EU Member States, the EFTA states, Turkey, Serbia, Republic of Macedonia, Albania, Monaco, and San Marino).<sup>52</sup> EPC is a special agreement within the meaning of Article 19 of the Paris Convention<sup>53</sup> and a regional patent treaty within the meaning of Article 45(1) Patent Cooperation Treaty<sup>54</sup> (PCT). EPC establishes the European Patent Office (EPO) for the granting of European patents. EPC led to significant harmonization in patent application and EPO is considered an authority on EPC interpretation.

## 1.2.2 The creation of a Community Patent

The Convention for the European Patent for the Common Market<sup>55</sup> (CPC) however, never entered into force. It was signed in 1975, but the (then nine) EEC Member States could not

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Liechtenstein, Luxembourg, the Republic of Macedonia, Netherlands, Sweden, Switzerland, and United Kingdom are parties to the Strasbourg Convention.

<sup>49</sup> Pieter Callens and Sam Granata, *Introduction to the Unitary Patent and the Unified Patent Court The (Draft) Rules of Procedure of the Unified Patent Court* (Kluwer 2013) p. 8.

<sup>50</sup> European Convention on the Grant of European Patents of 5 October 1973 (EPC).

<sup>51</sup> 76/76/EEC: Convention for the European patent for the common market (Community Patent Convention) [1976] OJ L17/1 (CPC).

<sup>52</sup> In 2012 the EPO handled 257 744 applications resulting in 65 687 granted European patents: EPO 'Annual report 2013' <<http://www.epo.org/about-us/annual-reports-statistics/annual-report/2013.html>>, accessed 20 May 2014.

<sup>53</sup> Convention for the Protection of Industrial Property, signed in Paris on 20 March 1883 defining national treatment and prior right to patents (Paris Convention).

<sup>54</sup> Patent Cooperation Treaty signed in Washington 1970 (PCT) creating a single procedure for filing patent application (International application).

<sup>55</sup> 76/76/EEC: Convention for the European patent for the common market (Community Patent Convention) [1976] OJ L17/1 (CPC).

find national support for ratification. CPC would have created a community law replacing national patent laws.<sup>56</sup> A Community Patent (CP) would be created replacing previous European Patents in the Community with a single, unitary and autonomous European patent covering the entire territory of the Community. However, the language regime was complicated since the claims had to be translated into an official language of each of the EEC states.<sup>57</sup> National courts would handle infringement<sup>58</sup> but a special revocation division within EPO was given exclusive competence on revocation and validity actions.<sup>59</sup> The revocation division would have an appeal board and CJEU would rule on appeal<sup>60</sup> from this and on preliminary reference<sup>61</sup> from national courts. CPC was opened to accession from EPC states outside the Community.

After the failure of the CPC, the work on a Community patent continued. Apart from the language hurdle, one reason for failure was the separation of jurisdiction of national courts and EPO. The successor, the Luxembourg Patent Convention of 1989 (CPC-89)<sup>62</sup> set out to remedy this under the Protocol on the settlement of litigation<sup>63</sup> by giving national court jurisdiction on counterclaims for revocation<sup>64</sup> and by creating an autonomous Common Appeal Court that would have jurisdiction on appeal both from national courts and from the EPO revision division. Ratification failed also this time and the Convention was finally mothballed in 1991. The two major reasons for failure was the expensive language regime and

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<sup>56</sup> Art 1 CPC.

<sup>57</sup> Art 33 CPC (Italian and Danish apart from English, German and French), CPC provides also for reservation on translation of specifications, Art 88 CPC.

<sup>58</sup> Art 69 CPC.

<sup>59</sup> Art 9 and 76 CPC, subject to dual competence during transitional period (Art 90 CPC). This was the initial purpose of Part IX EPC. See e.g. Visser (n. 307) on Part IX.

<sup>60</sup> Art 63 CPC.

<sup>61</sup> Art 73 CPC.

<sup>62</sup> 89/695/EEC Agreement relating to Community [1989] OJ L401/1 (CPC-89).

<sup>63</sup> Protocol on the settlement of litigation concerning the infringement and validity of Community Patents (the Protocol on Litigation) [1989] OJ L401/34.

<sup>64</sup> The Protocol on Litigation (n 63), art 15(1)(d).



the complex court system giving national courts competence to invalidate the patent for the entire territory.<sup>65</sup>

The language regime was always contentious.<sup>66</sup> The industry would not accept an expensive translation regime in order to achieve validation, and single English, or in combination with German and French, could not be politically acceptable in countries where these are not one of the official languages.

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<sup>65</sup> Commission, 'Proposal for a Council Regulation on the Community patent' (Communication) COM(2000) 412 final , p. 5

<sup>66</sup> Commission, *Study on language and translation in international law and EU law* (Publications Office of the European Union 2012) 130ff.

## 2 Post millennia development

### 2.1 The London agreement

The London Agreement of 2000<sup>67</sup> (London agreement) entered into force on 1 May 2008 and meant a substantial simplification for patent application. The agreement, between currently nineteen<sup>68</sup> Member States of the EPC, aims at reducing cost of translations. First, the London agreement will completely remove any translation requirement for the states having an official language in common with EPO.<sup>69</sup> Currently this is applicable to seven states<sup>70</sup> of which four are EU members. Secondly, the London agreement limits translation requirements for states not having an official language in common with the EPO<sup>71</sup>. Currently these are twelve<sup>72</sup> of which nine are EU Member States. As a result, a European Patent filed in English will directly be valid in six EU states (four parties to the London agreement, Ireland, and Malta) and a patent granted in German will directly be valid in six EU States (the four parties to the London agreement, Austria, and Belgium).

The goal of the London Agreement is to remove barriers to national validation. This might actually also be one of the major advantages with UPR, since a patent registered with unitary effect (EPUE) directly will be valid in all Participating Member States without any need for

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<sup>67</sup> Agreement on the application of Article 65 of the Convention on the Grant of European Patents, OJ EPO 2001, 549 (London Agreement); Art 65 EPC regulates national translation requirements after grant.

<sup>68</sup> EPO, 'National law relating to the EPC' (2013) 16th edition September 2013 <<http://www.epo.org/law-practice/legal-texts/html/natlaw/index.html>> Chapter IV; Norway is expected to accede the London agreement 1 January 2015.

<sup>69</sup> London Agreement (n 67), art 1(1).

<sup>70</sup> United Kingdom, Germany and Lichtenstein, Switzerland and Luxembourg, and France and Monaco.

<sup>71</sup> London Agreement (n 67), art 1(2) and (3).

<sup>72</sup> Albania, Croatia, Denmark, Finland, former Yugoslav Republic of Macedonia, Hungary, Iceland, Latvia, Lithuania, the Netherlands, Slovenia, and Sweden, nine being EU Member States.

further translation or publication.<sup>73</sup> UPRL goes further than the London agreement both in scope (not even claims have to be translated) and territory (25 states are participating).

## 2.2 Community patent continued

The Commission made new efforts in 2000 by proposing a regulation on a Community Patent.<sup>74</sup> The proposal included the accession to the EPC and so the possibility to designate the Community in the European Patent application. The proposal was in the other end of the pendulum concerning translation. No translation of patent was required, but instead infringers were presumed unknowing and damages could be obtained only after translation into an official language of the infringers' residence and/or notification. In order to preserve legal certainty a centralised Community Intellectual Property Court<sup>75</sup> with exclusive jurisdiction on infringement and validity was to be created. The Court of First Instance of the Court of Justice was not seen as having the required knowledge and experience to take this role and a new Community court was to be created. According to the Commission, a new Community court was necessary in order to guarantee unity and consistency of case law.<sup>76</sup> This effort also failed on language and allegedly 'vested, protectionist interests'.<sup>77</sup>

In 2010, the Commission and Google came up with a language solution.<sup>78</sup> Machines would handle translations of patents into all desirable languages. The translations will have no legal value but provide the necessary legal certainty to be politically acceptable. Patents filed according to the rules of EPO (i.e. in English, German, or French) will not require further manual translation. In order not to discriminate against non-speakers, applicants with an official language other than English, German, or French will be entitled to have translations reimbursed. Spain however, still insisted on Spanish being an official language with legal

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<sup>73</sup> Text to n 112 in ch 2.4.3.

<sup>74</sup> COM(2000) 412 final, (n 65)

<sup>75</sup> COM(2000) 412 final, (n 65) and ch 2.4.5.

<sup>76</sup> COM(2000) 412 final, (n 65) and ch 2.4.5.

<sup>77</sup> Commission, 'Results of the Competitiveness Council of Ministers, Brussels, 11 March 2004 Internal Market, Enterprise and Consumer Protection issues' MEMO/04/58, para 5.

<sup>78</sup> EPO, 'What are the translation arrangements for the new unitary patent?' (Unitary patent - frequently asked questions) <<http://www.epo.org/law-practice/unitary/faq.html#faq-632>> accessed 20 May 2014.

value. This was the starting point of trying to achieve a unitary patent under an enhanced cooperation<sup>79</sup>.<sup>80</sup> In March 2011, the Council decided on the enhanced cooperation to create a unitary patent.<sup>81</sup> Spain and Italy were the main obstructers and duly brought action to annul the cooperation.<sup>82</sup>

## **2.3 C-274/11 and C-295/11 - Spain and Italy v Council**

In *Spain and Italy v Council*, CJEU combined the two cases and rearranged the pleas as five claims:

[F]irst, that the Council lacked competence to establish the enhanced cooperation in question; second, misuse of powers; third, breach of the condition that the decision authorising enhanced cooperation must be adopted as a last resort; fourth, infringements of Articles 20(1) TEU, 118 TEU, 326 TFEU and 327 TFEU and, fifth, disregard for the judicial system of the Union.<sup>83</sup>

In the first plea on lack of competence, CJEU confirmed that Article 118 and the creation of a unitary patent is in the area of ‘internal market’ for the purpose of Article 2-4 TFEU and not in the area of exclusive ‘competition’ competence. Hence, enhanced cooperation is not excluded by not being in the non-exclusive area according to Article 20(1) TFEU.

In the second plea on misuse of power, Italy and Spain argued that the Council was circumventing the unanimity requirement in Article 118(2) TFEU by moving forward under enhanced cooperation. CJEU points out that Article 20 TEU, 326, and 334 TFEU do not prevent enhanced cooperation in areas where unanimity is required, but Article 333(1) TFEU

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<sup>79</sup> Enhanced cooperation is regulated under Union law (art 20 TEU and Art 326–334 TFEU). A limited number of Member States may under certain conditions further integration under enhanced cooperation in a non-exclusive field of Union if agreement cannot be reached within the Union as a whole.

<sup>80</sup> Council Decision of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection (2011/167/EU) [2011] OJ L76/53, preamble 4: ‘... It was confirmed on 10 December 2010 that insurmountable difficulties existed, making unanimity impossible’.

<sup>81</sup> Dec 2011/167/EU (n 80) [2011] OJ L76/53.

<sup>82</sup> Joined Cases C-274 and 295/11 *Spain and Italian v Council* (ECJ, 16 April 2013).

<sup>83</sup> *Spain and Italy v Council* (n 82), para 9.

provided that when enhanced cooperation is used, unanimity is only required among the participating member states.

Regarding the third plea, enhanced cooperation as last resort, CJEU highlights the aim in Article 20 TFEU, which is to ‘further the objectives of the Union, protect its interests and reinforce its integration process’ and must not be used as a mean to escape efforts to search and reach compromises. CJEU noted that the Commission initiated that proposal, which the Parliament approves and the Council adopts. The Council should be in a position to evaluate if there is any real chances of reaching a compromise on the language regime in the Union as a whole and since the negotiations had been going on for such a long time, most available solutions were put on the table.

The fourth plea regards whether the objectives of the enhanced cooperation - to create a higher degree of integration compared to the current situation - is achieved. CJEU notes that EPC does not confer uniform protection, but protection is defined by national law. Therefore, the enhanced cooperation would lead to increased integration compared to the current situation by making protection unified.<sup>84</sup> Things have however changed since the decision and the evaluation might be different today. Although removing national translation requirements and centralizing registration and renewals (be it with EPO as a proxy) is indeed a welcome cooperation among the Participating Member States, UPR and UPRL do not contain substantive law regarding the uniform protection. The protection is instead defined and harmonized by UPCA outside the Union framework and since EPUE will not extend beyond the Contracting Member States of the UPCA, it is questionable what higher degree of integration is really reached by UPR and UPRL compared to UPCA.

The Court did not dwell into potential breach of 326 TFEU by undermining the cohesion of the internal market, by being a barrier or discrimination in trade, or by distorting competition by the language regime being English, German, and French since this was in a preparatory state at the time of the decision. The outcome could potentially be different now after the adoption of UPR and UPRL. CJEU also stressed the requirement in Article 327 TFEU, that nothing in the enhanced cooperation can prejudice any competence, right, or obligation of states outside the enhanced cooperation, including the right to accede at a later stage and of undertakings in these states to be granted unitary patent on the same conditions.

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<sup>84</sup> *Spain and Italy v Council* (n 82), paras 62-63.

CJEU also dismissed the claim on lack of details in how judicial review was to be ensured on the ground that this was not needed in the preparatory stage. Today, UPCA is part of this answer but judicial review of EPO granting is still not solved. CJEU dismissed the claims as unfounded and/or inadmissible and upheld the Council decision to authorise enhanced cooperation in the area of creation of a unitary patent.<sup>85</sup>

Substantial questions are still left open, either because things have changed or because CJEU did not elaborate on it in the preparatory state, notably the actual higher degree of integration reached by UPR and UPRL compared to UPCA, the discrimination, distortion of competition and cohesion of the internal market by the language regime, and regarding judicial review.

## 2.4 C-146-7/13 Spain v Council

Following the adoption of the UPR and the UPRL in December 2012, Spain brought action against the validity of these two regulations in March 2013 in C-146/13<sup>86</sup> and C-147/13<sup>87</sup> respectively. The actions are based on breach of Union law, lack of legal basis, misapplication of the *Meroni*<sup>88</sup> doctrine, and misuse of power.<sup>89</sup> The Advocate-General's opinion is expected on 21 October 2014 end decision towards the end of 2014.

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<sup>85</sup> For an thorough analysis of the case see Pistoia Emanuela 'Enhanced cooperation as a tool to...enhance integration?Spain and Italy v.Council' (2014) 51 CMLR 247–260; Matthias Lamping 'Enhanced Cooperation - A Proper Approach to Market Integration in the Field of Unitary Patent Protection?' (2011) 8 International Review of Intellectual Property and Competition Law 879-925; Matthias Lamping 'Enhanced Cooperation in the Area of Unitary Patent Protection: Testing the Boundaries of the Rule of Law' (2013) 4 Maastricht Journal 589; Ulrich Blumenröder and Julia Peto 'The First Decision on the Unitary Patent: the Court Dismissed the Actions of Spain and Italy' (2013) 4 European Law Reporter 110.

<sup>86</sup> Case C-146/13 *Spain v Parliament and Council* [2013] OJ C171/15, Application.

<sup>87</sup> Case C-147/13 *Spain v Council* [2013] OJ C171/16, Application.

<sup>88</sup> Case 9/56 *Meroni* [1958] ECR-133, see also Case C-301/02 P *Tralli v ECB* [2005] ECR I-4071, para 43.

<sup>89</sup> For a critical review of the prospect of the survival, see Thomas Jaeger 'All back to square one? – An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives' 2011 Max Planck Institute for Intellectual Property and Competition Law Research Paper <<http://ssrn.com/abstract=1973518>> accessed 20 May 2014; but see Winfried Tilmann 'Spain's action against the EU patent package - arguments and counter-arguments in case C-146/13' (2014) 36 European Intellectual Property Review 4.

C-146/13 contains six pleas:

1. Breach of the values of the rule of law in so far as a regulation has been established on the basis of a right granted by the European Patent Office, whose acts are not subject to judicial review.
2. Non-existence of an act of the European Union and, in the alternative, lack of a legal basis for Regulation No 1257/2012 in that it does not introduce measures guaranteeing the uniform protection envisaged in Article 118 TFEU.
3. Misuse of power through the use of enhanced cooperation for purposes other than those provided for in the Treaties.
4. Infringement of Article 291(2) TFEU and, in the alternative, misapplication of the Meroni case-law in the regulation of the system for setting renewal fees and for determining the ‘share of distribution’ of those fees.
5. Misapplication of the Meroni case-law in the delegation to the European Patent Office of certain administrative tasks relating to the European patent with unitary effect.
6. Breach of the principles of autonomy and uniformity in the application of European Union law, as regards the rules governing the entry into force of Regulation No 1257/2012.<sup>90</sup>

C-147/13 contains five pleas:

1. Infringement of the principle of non-discrimination by introducing a scheme to the detriment of persons whose mother tongue is not English, French or German, the scheme being disproportionate to the objective pursued.
2. Lack of legal basis for Article 4 by regulating translation in the event of a dispute, which does not directly affect the language arrangements for the intellectual property right referred to in the second paragraph of Article 118 TFEU.
3. Infringement of the principle of legal certainty.
4. Failure to have regard to the case-law in Meroni by delegating the administration of the compensation scheme (Article 5) and the publication of the translations (Article 6(2)) to the European Patent Office.
5. Infringement of the principle of the autonomy of European Union law by making the application of the Regulation dependent on the entry into force of the Agreement on a Unified Patent Court.<sup>91</sup>

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<sup>90</sup> *Spain v Parliament and Council* (n 86).

<sup>91</sup> *Spain v Council* (n 87).

## 2.4.1 Judicial review

The lack of judicial review of EPO, expressed in the first plea of C-146/13 is problematic. Granted patent are subject to national (maybe soon UPC) review once granted. Courts of each state have exclusive jurisdiction regarding the validity of the patent granted for that state, and regarding that state only.<sup>92</sup> National case laws are not binding on EPO or other EPC states. However, there is no national judicial review of a denial<sup>93</sup> of a right to a European patent.<sup>94</sup> The problem is that subjecting EPO decisions to national judicial review risks breaching the unity of the European patent application in EPO proceedings and the uniform EPO jurisprudence.<sup>95</sup> Subjecting EPO to Union court review would only partially remove this problem since ten EPC Member States are not part of EU. One could imagine a Union patent granted by EPO in parallel to European patents, and the procedure regarding the Union patent would then be subject to judicial review. This would create a parallel procedure and two types of patent granted by EPO, the traditional European patent and a Union patent. This is not the solution opted for.

EU will not be party to EPC and can therefore not confer power to EPO. Instead, UPR requires the Participating Member States to do so (Member States are all parties to EPC and can give special duties to EPO). The power conferred is what Advocate General Kokott refers to as *La théorie de la transformation* (the patent will be transformed into the Union legal system solely through the effect of the Regulation) as opposite to *La théorie de la délégation* (the EPO will grant patents instead of and in the place of a European Union agency).<sup>96</sup> The post-grant registration solution minimises the delegation of power and makes it possible to slice out registration of EPUE (which is under EU judicial review) from the traditional granting tasks of EPO (which is not under EU judicial review). The solution also means that

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<sup>92</sup> Within three month, a European patent is also open for central opposition in EPO.

<sup>93</sup> Including decision stating that the application is refused, not dealt with, or deemed to be withdrawn.

<sup>94</sup> This also apply to EPUE. Judicial review under Art 32(1)(i) UPCA is limited to the registration as such and do not extend to pre-grant decisions of the EPO.

<sup>95</sup> Regarding unity of European patent application see art 118 EPC.

<sup>96</sup> UPR art 3(1) and art 4(2); Juliane Kokott 'Prise de position des Advocats Généraux présentée le 2 juillet 2010 Avis 1/09' <[http://www.eplawpatentblog.com/2010/August/2010-07-02\\_Opinion\\_AG\\_FR%5B1%5D.pdf](http://www.eplawpatentblog.com/2010/August/2010-07-02_Opinion_AG_FR%5B1%5D.pdf)> accessed 20 May 2014, para 69.



revocation of EPUE will not be governed by Union law (only the registration of Unitary effect can be challenged under Union law). EPC defines patentability requirement of EPUE and the two most fundamental characters of EPUE, the object of property, and effect are delegated to national law.

It is questionable however, if EPUE is a mere character of a European patent<sup>97</sup> and individual rights are limited to a unitary character, or if EPUE also extends rights to be granted the EPUE based on innovative achievements. The precondition on the prior is the ‘same set of claims’ required for EPUE registration in Article 3 UPR while the condition for the later is ‘novelty’, ‘inventive step’, and ‘industrial application’ as described by EPC.<sup>98</sup> Effectiveness of EU law and effective judicial protection of Union rights must apply regardless if power is transferred by way of delegation or transformation.<sup>99</sup>

The current solution with EPO granting of the Union patent without judicial review prevents future Union integration in this field and is not sustainable.

## 2.4.2 Legal base for UPR

UPR and UPRL are based on Article 118 TFEU, under the approximation of law provisions to create European intellectual property rights. Due to the special legislative procedure provided in Article 118(2) TFEU, language regimes of unitary intellectual rights must be handled separately, as is done in UPRL. Article 118 TFEU is new in the Lisbon treaty and previous unitary intellectual property rights are based on the provision of last resort (Article 352 TFEU).<sup>100</sup>

Incorrect or lack of legal base is potentially disastrous since it invalidates the entire Regulation and will put into question the enhanced cooperation. CJEU will primarily review

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<sup>97</sup> Art 3(2) UPR: ‘[EPUE] shall have a unitary [Union?] character’.

<sup>98</sup> Primarily arts 52-57 EPC.

<sup>99</sup> Kokott (n 96), para 70; Regarding transformation see Joined Cases C-402 and 415/05 P *Kadi v Council and Commission* [2008] ECR I-6351, para 284.

<sup>100</sup> CTMR and CDR are based on art 308 TEC (now 352 TFEU). Supplementary protection certificate and Directives harmonizing national trade mark and design protection laws are based on art 114 TFEU (approximation of laws).

legal base by looking at aim and content of the act.<sup>101</sup> CJEU will make sure there is sufficient Union competence<sup>102</sup> and that correct Parliament participation and Council voting rules during the legislative procedure are applied.<sup>103</sup>

The aim of UPR can be read from the title and the preamble. UPR shall create a unitary patent protection in order to:

foster scientific and technological advances and the functioning of the internal market by making access to the patent system easier, less costly and legally secure. It will also improve the level of patent protection by making it possible to obtain uniform patent protection in the participating Member States and eliminate costs and complexity for undertakings throughout the Union.<sup>104</sup>

UPR contains rules requiring unitary protection, but does not contain substantive rules to such effect.<sup>105</sup> UPR also requires EPUE to have the same set of claims and to be limited, transferred or revoked, or lapse, in respect of all the participating Member States.<sup>106</sup> UPR further requires Member States not to give EPUE effect as a national patent.<sup>107</sup> EPO shall administer the registration of the unitary effect and the annual the renewal fees.<sup>108</sup>

First, it should be evaluated if UPR furthers the objectives of the establishment and functioning of the internal market.<sup>109</sup> EPUE is an additional option to the already existing European patent. It is not an independent Union patent but a unitary Union character, added to

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<sup>101</sup> Kieran St Clair Bradley, 'Powers and Procedures in the EU Constitution' in Paul Craig and Gráinne de Búrca (eds), *The Evolution of EU Law* (2nd edn, OUP 2011) 91; Case C-300/98 *Commission v Council* [1991] ECR I-2867 (Titanium dioxide).

<sup>102</sup> Case C-376/98 *Germany v Parliament and Council* [2000] ECR I-8419 (Tobacco Advertisement).

<sup>103</sup> Purely formalistic defects will not make measures void, see Case 165/87 *Commission v Council* [1988] ECR 5545 19.

<sup>104</sup> Preamble 4 UPR.

<sup>105</sup> The unitary effect, as well as EPUE as an object of property shall be handled by the law of one of the Participating Member States; Text to n 173 in ch 3.1.

<sup>106</sup> Art 3(2)(2) UPR.

<sup>107</sup> Art 4(2) UPR.

<sup>108</sup> Art 9 UPR.

<sup>109</sup> Art. 118(1) TFEU.

the existing European patent. A unitary character is welcomed since national law varies as to right conferred, scope of protection, and limitations.<sup>110</sup> However, the actual substantive law of EPUE is contained in UPCA and UPCA will also harmonize the existing European patents. The additional furtherance of the objectives of the internal market within UPR is therefore limited. One way to look at it is that since UPCA was not signed at the time of the adoption of UPR, UPCA could from a Union perspective be seen as Member States fulfilling the requirements of unitary effect in UPR. From this perspective, UPR could be seen as furthering the internal market by harmonizing national laws and setting up a European-wide enforcement mechanism, albeit not a Union one and albeit not according to Union provisions. That achievement is only indirect. The solution is not contained in the directly applicable Regulation, but by Member States' acts to achieve the unitary prescribed by it. UPR contributes by making it simpler and cheaper to renew a patent in all Participating Member States, but central renewal administration and a rebate on the entire territory could be achieved without creating EPUE.

Although the intention of Article 118 TEEU was to create a Union patent defined at the Union level, it is neither clear that the Union has exceeded its competences, nor that the legislative procedure or Council voting rules have been violated.<sup>111</sup>

### **2.4.3 Legal base for UPR and the language regime**

UPRL removes any need for national validation or translation, 'where the specification of a European patent, which benefits from unitary effect has been published in accordance with Article 14(6) of the EPC, no further translations shall be required'.<sup>112</sup> Article 14(6) EPC further states 'Specifications of European patents shall be published in the language of the proceedings and shall include a translation of the claims in the other two official languages of

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<sup>110</sup> Text to n 84 in ch 2.3.

<sup>111</sup> n 103.

<sup>112</sup> Council Regulation (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements [2012] OJ L361/89 (UPRL) Art 3(1).

the European Patent Office'.<sup>113</sup> The official languages of EPO are English, German, and French. In case of disputes, however, the defendant can require a full translation into the Member State either of the alleged infringement, or of the defendant's domicile.<sup>114</sup> UPC can also require a full translation into the language of the proceedings. The damages shall be adjusted when the infringer could not reasonably be aware of infringement before being provided with a translation.<sup>115</sup> Authentic language for European patents is the EPO language of proceedings and it will be so also for EPUE.<sup>116</sup>

UPRL will further the objectives of the internal market by making it simpler and cheaper to validate patents in all participating Member States. The London agreement already reduces some translation and validation requirements but requirements on translation of claims remain in states where one of the official languages is not English, German, or French. UPR goes further by ultimately removing all manual translation requirements other than what is prescribed by EPC.

#### **2.4.4 Discrimination on language and legal certainty**

The current language regime during European patent granting is regulated by EPC. European patent application can be filed by any natural or legal person in any language (e.g. even in Chinese, Dutch or Latin).<sup>117</sup> It must however be translated into one of the official EPO languages (English, German or French). The translation will be the language of proceedings and it will also be the authentic language of the European patent.<sup>118</sup> Written proceedings can be made in any of the official languages and documents can be submitted in any language as long as it is translated into one of the official languages.<sup>119</sup> Oral proceedings shall preferably

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<sup>113</sup> EPC requires patent to be translated into one of the official languages of EPO (English, German, or French). This is the language of proceedings. Upon grant, the applicant must file a translation of the claims into the other two languages. (R. 71(3) and Art 14(6) EPC). This will also apply to EPUE (Art 3(1) UPRL).

<sup>114</sup> Art 4(1) UPRL.

<sup>115</sup> Art 4(4) UPRL.

<sup>116</sup> Art 70 EPC.

<sup>117</sup> Arts 14(2), 58 and 133(1) EPC.

<sup>118</sup> Art 70(1) EPC, If filed in other language, that shall be the application as filed (art 70(2) EPC).

<sup>119</sup> Art 14(4) and Rule 3 EPC.

be made in the language of proceedings or an official EPO language.<sup>120</sup> The claims of the patent have to be translated into the other two official languages during grant, and national laws have various rules on translation and/or publication in order for European patents to have effect within its territory. In most countries, translation into an official language will be considered authentic if the claims express a more narrow scope than the in language of proceedings.<sup>121</sup>

With UPRL, it will be possible to file a registration for unitary effect of a European patent at the EPO within a month after grant. Once registered as a European patent with unitary effect (EPUE), no further translations are required. EPUE will directly have affect in the territory of the cooperation. EPUE registration shall be made in the language of proceedings<sup>122</sup> and the EPUE register will be maintained in the three EPO languages.<sup>123</sup> SMEs, natural persons, non-profit organisations, universities and public research organisations located within the Union, and filing an EPO application in a language not an official EPO language, are entitled to have translation costs reimbursed.<sup>124</sup> During a transitional period, the applicant is required to file a translation into one other official Union language.<sup>125</sup> This translation will be without legal effect. No further translation is required from the applicant.<sup>126</sup>

EPUE will from start only be available in two languages of which one is English. The authentic language will be one of the available languages and either English, German, or French.<sup>127</sup> The claims will also always be available in English, German, and French.<sup>128</sup> The

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<sup>120</sup> Rule 4(1) EPC.

<sup>121</sup> All except Germany and Belgium have made use of art 70(3). See also Art 70(4) EPC and EPO, ‘National law relating to the EPC’ (2013) 16th edition September 2013 <<http://www.epo.org/law-practice/legal-texts/html/natlaw/index.html>> Chapter V.

<sup>122</sup> Art 3(2) UPRL, this is a derogation from the general rule in ECP where any official language can be used, art 17(1) EPO, ‘Draft Rules relating to Unitary Patent Protection’ SC/16/13 updated by SC/22/13 (draft EPO Rules).

<sup>123</sup> draft EPO Rules (n 122), art 12(2).

<sup>124</sup> Art 5 UPRL.

<sup>125</sup> Art 6 UPRL.

<sup>126</sup> Art 3(1) UPRL.

<sup>127</sup> The other version will be for information purpose only, Art 6(2) UPRL.

<sup>128</sup> These could still be used in accordance to art 70(3) EPC.

objective of the language regime is to provide an easier, cost-effective, and legally secure solution, which ensures legal certainty and stimulates innovation, especially for SMEs.<sup>129</sup> The aim is to achieve a ‘balance between the interests of economic operators and the public interest, in terms of the cost of proceedings and the availability of technical information’.<sup>130</sup> UPRL refers to a high quality machine translation that will translate patents into all official language of the Union. This solution is currently not available but is expected to be in reach within 12 years.<sup>131</sup> The reasons stated for setting up machine translations and not settling for one language solution is said to be the availability of patent information throughout the Union and the dissemination of technological knowledge.<sup>132</sup> This is in contrast to national translation requirements that shall ensure legal certainty. It is implied that machine translations from the start will only give some indication of the content of the patent and that a person skilled in patent interpretation and the language of proceedings will have to be consulted in order to assess the full impact of the patent.<sup>133</sup>

Multilingualism is enshrined in articles 3(3) and 4(2) TEU and article 22 EUCFR and non-discrimination and equal treatment in articles 2 and 3(3) TEU, article 18 TFEU and articles 20-21 EUCFR. Procedures for Union acts on language regimes are found in 118(2) TFEU for intellectual property, and in Article 342 TFEU for Union institutions.

Acceptable languages for communication were considered in *Kik v OHIM*.<sup>134</sup> CTMR requires applicants to state a secondary language (limited to English, German, French, Italian, and Spanish) other than one of the official Community languages for written communication other than procedural documents and for *inter partes* procedure where the parties cannot agree on language.<sup>135</sup> CJEU pointed out that although Article (now 55 TEU) give all language versions of the Treaties equal legal value, and Article (now 24(4) TFEU) allows individual to write to

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<sup>129</sup> Preamble 4-5 UPRL.

<sup>130</sup> Preamble 6 UPRL.

<sup>131</sup> Preamble 11-13 UPRL.

<sup>132</sup> Preamble 11 UPRL.

<sup>133</sup> The court ‘shall assess and take into consideration’ whether the alleged infringer knew he was infringing (Art 4(4) UPRL).

<sup>134</sup> Case C-361/01 P *Kik v OHIM* [2003] ECR I-8283.

<sup>135</sup> Art 119 CTMR.

the institutions of the Union, and get reply in their own language, there is no general principle allowing individuals to get translations of all acts of bodies of the Union in their own language. Hence, Article 24(4) TFEU does not apply to OHIM and the Council is free to decide on language regime in specific cases according to Article 342 TFEU.<sup>136</sup> The general rule is that documents of general application shall be translated into every language. Individual decisions do not have to be drawn up in every official language even if it affects third parties, e.g. competitors.<sup>137</sup> Union law does not require more than one language to be authentic.<sup>138</sup> CJEU acknowledges the balancing between the interest of the economic operator and the general public regarding operational costs involved, as well as between the applicants and other economic operators regarding access to translation.<sup>139</sup> CJEU will assess the interests using the proportionality test and make sure derogations from full translation requirements are justified and based on legitimate, objective, and reasonable grounds.<sup>140</sup> Having a secondary language as recourse in *inter partes* proceedings pursues such an objective, since it aims at solving difficulties when parties disagree on language. Limiting the number of secondary language to the five most widely known was proportionate. Notably written communication other than procedural documents must be interpreted strictly, not to interfere with the legal interest of the applicant in using his/her own language.

Although citizens have a legitimate expectation to have legislation drawn up in an official language of their domicile, the right is not absolute. CJEU case-laws are drafted in French but only the language of proceedings is authentic and cases are not always translated into all official languages. In support of the regime, ‘nearly all stakeholders rejected’ a solution requiring translation into all official languages as too costly and creating legal uncertainty due to the legal effect given to translations.<sup>141</sup> In addition, patents exist only relative to the state of the art, and most technological development is published in English. Having only one

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<sup>136</sup> *Kik v OHIM* (n 134), paras 82-84.

<sup>137</sup> *Kik v OHIM* (n 134), para 85.

<sup>138</sup> *Kik v OHIM* (n 134), para 87.

<sup>139</sup> *Kik v OHIM* (n 134), para 92.

<sup>140</sup> Case C-566/10 P *Italy v Commission* (CJEU 27 November 2012).

<sup>141</sup> Preamble 4 UPR and Commission ‘Proposal for a Council Regulation (EU) on the translation arrangements for the European Union patent’ (Communication) COM(2010) 350 final 4.

authentic language and limiting it to one of the three most used languages must therefore be proportionate.

UPR does not solve, or even deal with the issue of legal certainty in not having patents translated into the official languages of the member states. In contrast to CTM, which is published in all official languages of the Union, EPUE will only be published in two languages.<sup>142</sup> All EPUE will be available in English, either as authentic version or required translation. It is unlikely that the availability of an English version will fulfil the high requirement of legal certainty required by Union standards, especially since patent infringement is criminal in many Member States.

It is neither clear why communication regarding registration of EPUE is limited to the language of proceedings when EPO otherwise accepts communication in any official EPO language. The staff of the registration division of EPO should represent the population of the Union and be able to write in the official languages, although the working languages of the office for practical reasons are limited to three and matters regarding the wording of the patent are in the language of procedure. The same applies to the EPUE registry.

## **2.5 Opinon 1/09 and a European and EU Patent Court**

In July 2009, the Council of the European Union requested the Court of Justice for an opinion<sup>143</sup> regarding the predecessor of UPC called ‘European and Community patent Court agreement’<sup>144</sup> (PC) later ‘European and EU Patent Court’<sup>145</sup> (EEUPC) on its compatibility with Union law. PC was a mixed agreement<sup>146</sup> and allowed EPC states outside the Union to accede. By acceding to EPC, EU would make it possible for patent applicants to designate EU

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<sup>142</sup> Art 120 CTMR; Until machine translations are available, only one, manual translation is required.

<sup>143</sup> *Opinion 1/09* [2011] ECR I-01137.

<sup>144</sup> Council, ‘Draft Agreement on the European and Community Patents Court and Draft Statute’ DOC (2009) 7928/09.

<sup>145</sup> The request was based on the Treaty establishing a European Community but the answer was given on the post-Lisbon Union law Treaties; *Opinion 1/09* (n 143), para 58.

<sup>146</sup> Both the Union, and its Member States would be party to the agreement.



as a European patent state, creating a European patent (CP at the time)<sup>147</sup> based on Union law with effect in the territory of the Union.

CJEU reviewed the agreement in the light of Article 262 and 344 TFEU and concluded that there is nothing in these articles preventing Member States from settling on a patent court solution different from the one offered by the Treaties.<sup>148</sup> However, since PC would be an international court outside the legal structure of the European Union it would challenge the fundamental elements of the legal order and judicial system of the European Union (Primacy, direct effect, and autonomy of Union law). Unlike the Benelux court<sup>149</sup> (which was given as an example<sup>150</sup>), PC would not be a ‘court common to some member state of the European Union’<sup>151</sup> as described by the system set up by Article 19(1) TEU. It was not bound by the sincere cooperation under 4(3) TEU and could neither ensure the autonomy and full effectiveness of Union law nor ensure the protection of individual’s rights.<sup>152</sup> Although it would have the power to refer questions on interpretation of Union law to CJEU and those decisions would be binding on it under the agreement, there would be no way for individuals to subject PC to proceedings under Article 258 and 260 TFEU or to hold any state liable for violation of Union law.<sup>153</sup> The PC agreement was on these grounds found violating Union law.

UPCA, as signed, inherits much of the structures and paragraphs from PC, but UPCA is changed and amended according to the complaints made by CJEU in Opinion 1/09.<sup>154</sup> UPCA

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<sup>147</sup> Community Patent (PC); Council, ‘Revised proposal for a Council Regulation on the Community patent’ DOC (2009) 8588/09.

<sup>148</sup> *Opinion 1/09* (n 143), paras 60-63.

<sup>149</sup> The Benelux Court of Justice Treaty of 31 March 1965 amended by a protocol signed 15 October 2012 allowing the court further jurisdiction.

<sup>150</sup> *Opinion 1/09* (n 143), para 82.

<sup>151</sup> *Opinion 1/09* (n 143), para 71.

<sup>152</sup> *Opinion 1/09* (n 143), paras 76 and 84-88.

<sup>153</sup> *Opinion 1/09* (n 143), para 88.

<sup>154</sup> MCA Kant ‘A specialised Patent Court for Europe? - An analysis of Opinion 1/09 of the Court of Justice of the European Union from 8 March 2011 concerning the establishment of a European and Community Patents Court and a proposal for an alternative solution’ (2012) 2 *Nederlands Internationaal Privaatrecht*; Jaeger (n 89), 10ff.

stresses that UPC is to be considered a court common to member states, part of their judicial system and, just as the Benelux court, is subject to the same obligations under Union law as any national court.<sup>155</sup> It will hence not be possible for non-Union states to accede.

Individual Union rights should be fairly well protected by UPC. Chapter IV (Articles 20-23) UPCA titled ‘The primacy of Union law, liability and responsibility of the Contracting Member States’ requires UPC to respect the primacy of Union law. Article 21 UPCA requires UPC to request preliminary ruling on interpretation of Union law and decisions of CJEU shall be binding on UPC. Further, Contracting Member States are jointly and severally liable for breach of Union law by UPC, including for the purpose of Articles 258-260 TFEU. In addition, an Administrative Committee may amend UPCA in order to bring it in line with Union law, facilitating compliance.<sup>156</sup>

There is no second opinion requested from the CJEU regarding the final UPCA as signed and although some aspects were corrected, others may remain.<sup>157</sup>

## 2.6 Current state of affairs

So far, Austria, France, Sweden, and Belgium have deposited UPCA ratification.<sup>158</sup> Malta, United Kingdom and Belgium have completed parliament procedures<sup>159</sup> and Denmark voted yes in referendum on May 25<sup>th</sup>.<sup>160</sup> Five more, including Germany, need to ratify, in order for

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<sup>155</sup> Art 1(2) and ch IV UPCA.

<sup>156</sup> Art 87(2) UPCA.

<sup>157</sup> An important difference between the Benelux Court and UPC is that UPC is disconnected from the national court systems. The Benelux court was an initiative of the states while UPCA is an initiative of the Union.

<sup>158</sup> Commission, ‘Unitary patent – ratification progress’ <[http://ec.europa.eu/internal\\_market/indprop/patent/ratification/index\\_en.htm](http://ec.europa.eu/internal_market/indprop/patent/ratification/index_en.htm)> accessed 20 May 2014.

<sup>159</sup> Benoît Battistelli, ‘Unified Patent Court (UPC) ratification moving forward’ (*Blog*, 21 February 2014) <<http://blog.epo.org/unitary-patent-2/upc-ratification-moving-forward/>> accessed 20 May 2014.

<sup>160</sup> European Commission, ‘Commissioner Barnier welcomes yes vote in Denmark's referendum on Unified Patent Court’ (*Press Release* 26 May 2014) <[http://europa.eu/rapid/press-release\\_STATEMENT-14-172\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-14-172_en.htm)> accessed 26 May 2014.

it to apply.<sup>161</sup> After UPCA applies, it will also be possible to register EPUE.<sup>162</sup> A recent official estimate is that UPC will be up and running at the end of 2015 at the earliest.<sup>163</sup>

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<sup>161</sup> UPCA art 89.

<sup>162</sup> UPR art 18.

<sup>163</sup> Preparatory Committee of UPC, 'Fifth meeting of the Preparatory Committee 18 March 2014' (News 19 March 2014) <<http://www.unified-patent-court.org/news/73-fifth-meeting-of-the-preparatory-committee-18-march-2014>> accessed 20 May 2014.

# 3 The content of the unitary patent

## 3.1 Regulation (EU) 1257/2012

UPR<sup>164</sup> is an enhanced cooperation<sup>165</sup> under Union law<sup>166</sup>, but it is also a special agreement under EPC.<sup>167</sup> Part IX EPC allows Member States (to EPC) to agree that ‘European patent granted for those States has a unitary character throughout their territories’<sup>168</sup>. Such special agreement can exclusively allow for joint designation<sup>169</sup>, like the implementation of the special agreement between Switzerland and Lichtenstein<sup>170</sup> or allow applicant to choose between joint and individual designation<sup>171</sup>, like the previous proposed Community Patent Regulation<sup>172</sup>. UPR provides for a choice between a *bundle of patents* designating each Member State and EPUE registration creating one patent covering the entire territory.

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<sup>164</sup> Regulation (EU) 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection [2012] OJ L361/1 (UPR).

<sup>165</sup> Under art 20 TEU and 326-334 TFUE, a limited number of Member States may further integration under *enhanced cooperation* in a non-exclusive field of Union competence as last resort only, if agreement cannot be reached within the whole Union.

<sup>166</sup> The creation of a Unitary Patent is based on art 118 TFEU and hence based on competence attached to the objectives of art 26 TFEU (establishing the internal market/shared competence); *Spain and Italy v Council* (n 82), paras 16-26; It is part of Union law but not part of the *acquis* required for EU accession.

<sup>167</sup> UPR, art 1(2); It might also be considered a *regional patent agreement* under art 45 PCT, although EPUE is technically neither applied for nor granted.

<sup>168</sup> EPC, art 142.

<sup>169</sup> See art 8a EPC Working Party Text (BR/6/69) Brussels, 25 July 1969 and Travaux Préparatoires (EPC 1973).

<sup>170</sup> Art 2 of the Treaty between the Swiss Confederation and the Principality of Liechtenstein on Patent Protection of 22 December 1978 [1980] OJ EPO 407.

<sup>171</sup> EPC, art 149(1).

<sup>172</sup> Text to n 74 in ch 2.2.

Registration must be done within one month after grant<sup>173</sup> and the European patent is then transformed<sup>174</sup> into an EPUE.

The core Article of EPUE is 3(2) UPR, which states that it shall have *unitary effect* and a *unitary character*. It shall provide *uniform protection* and have *equal effect* in all the participating Member States. In addition, it might only be 'limited, transferred or revoked, or lapse', in respect of all the participating Member States. UPR is however quite brief and does not contain any substantive patent law to such effect. Instead, designation of substantive law is referring to the law of the Member States. The cornerstone in this regard is Article 7 UPR titled 'Treating a European patent with unitary effect as a national patent'. It states that EPUE as an object of property shall be treated as a national patent of the Participating Member State where:

- a) the applicant had his residence or principal place of business on the date of filing of the application for the European patent; or (b) where point (a) does not apply, the applicant had a place of business on the date of filing of the application for the European patent.<sup>175</sup>

If no such place is found EPUE shall be treated as a German national patent.<sup>176</sup>

Article 5 UPR titled 'Uniform protection' further contains rules on the effects of EPUE and its limitations. Articles 5(1) and (2) again stress that the effect of EPUE shall be uniform in all Participating Member States and Article 5(3) states:

The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

A *prima facie* interpretation of this would be that UPR require only unified effect *within* an EPUE, but not *between* EPUEs. This is the *prima facie* conclusion of designating different legal bodies to different EPUEs. For example, if an EPUE has its first applicant resident in France, French law will, according to Article 5 and 7 UPR regulate the effect of it and its limitation in a uniform way throughout the Participating Member State. However, if another

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<sup>173</sup> UPR, art 3(1) and 9(1)(g).

<sup>174</sup> Text to n 96 in ch 2.4.

<sup>175</sup> cf Art 16 CTMR.

<sup>176</sup> Art. 7(3) UPR.

EPUE has its applicant resident in Spain, German law<sup>177</sup> will according to the same Articles, regulate its effect throughout the territory.<sup>178</sup> This interpretation is however not satisfying. It is neither the intended interpretation of the *unitary character* in Article 3 UPR and Article 142 EPC, nor satisfying the requirement of harmonisation and *uniform protection* in Article 118 TFEU on which UPR and UPRL are based.

The result is then the odd Union Regulation that requires uniformity of law, without interfering in how Member States choose to shape the substantive rules of this uniformity.<sup>179</sup> It is likely that the legislator implicitly refers to the substantive rules of the UPCA. This is supported by that the rules were initially included in UPR, but later removed in order to escape CJEU review. In addition, Article 18(2) UPR requires UPCA ratification for its effect and UPC is granted exclusive jurisdiction on infringement of EPUE within the Contracting Member States.<sup>180</sup> Preamble 9 UPR states that the unitary right protected by EPUE shall be ensured by UPC. It further states that in all matters not governed by UPR and UPRL shall be governed by EPC, UPCA, ‘including its provisions defining the scope<sup>181</sup> of that right and its limitations, and national law, including rules of private international law’. UPCA is however not Union law.

UPC will have exclusive competence regarding EPUE within the Contracting Member States. Outside the Contracting Member States, national courts still have competence to rule on infringement of EPUE according to applicable private international law.<sup>182</sup> Revocation of EPUE and appeal on EPO registration will be exclusive UPC competence.

Article 18 UPR regulates the entry into force and application of UPR. Article 18(2) states that (by way of derogation of the unitary effect) it will only extend to the Participating Member

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<sup>177</sup> If there is no applicant with place of business within the Contracting Member States, Article 7 designates German law.

<sup>178</sup> Different language version of UPR might be more, or less clear on this point.

<sup>179</sup> It is likely that Article 118 TFEU is not the right legal base for such a construction since uniform protection for the purpose of this article should be a Union one, supervised by CJEU.

<sup>180</sup> Art 32(1)(a) UPCA.

<sup>181</sup> Scope of protection (art 69 EPC) is not regulated in UPCA and one would assume this is right conferred (art 25-26 UPCA) (footnote added).

<sup>182</sup> Text to n 212 in ch 4.1.

States that have ratified UPCA at time of EPO registration of the unitary effect. Hence, granted EPUEs will not (as CTM and RCD), expand territorially with the expansion of the territorial jurisdiction of the law granting that right. Consequently, the territorial effect of EPUE will be different depending on when it is registered.

UPR obliges the participating Member States to give EPO additional tasks. These include the administration of requests for unitary effect of European Patents, the administration of a register, the administration of licenses according to Article 8 UPR, the publication of the transitional translations according to Article 6 UPR, and the collection of renewal fees of European Patents with unitary effect, as well as registering transfers, licensing, and revocations.<sup>183</sup>

No post-grant (validation) fee will be levied for the registration of a unitary effect.<sup>184</sup> Today, many national patent offices charge a fee on validation and publication of European Patents. Removing the national validation barrier to validate patents is the one major efficiency and cost gain with the unitary patent.

EPO will handle the annual renewal fees for EPUEs.<sup>185</sup> This is a substantial improvement of patent maintenance compared to traditional European patents renewal, where each national patent office manages renewals in different ways. This improvement can however be a disadvantage for proprietors that today can manage costs by letting some parts of a European patents lapse and keeping the most important ones. This option will not be available to EPUE since it can only be lapsed in respect of all the participating Member States.<sup>186</sup>

Discrimination on nationality due to the law defining EPUE as an object of property being regulated by German law if the first applicant is from a state outside the Participating Member States has been highlighted.<sup>187</sup> For applicants within the enhanced cooperation EPUE as an object of property will be handled by country of nationality. It is true that patents are handled

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<sup>183</sup> Art 9 UPR.

<sup>184</sup> Chapter V UPR.

<sup>185</sup> Art 9(1)(e) UPR.

<sup>186</sup> Art 3(2)(2) UPR.

<sup>187</sup> Reto Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' [2012] Max Planck Institute for Intellectual Property & Competition Law Research Paper <<http://ssrn.com/abstract=2169254>> accessed 20 May 2014, point 7.

differently depending on if the applicant is from one of the Participating Member States or if the applicant is outside one of those states (notably Spain). This could potentially lead to a less favoured position for Spanish citizens than for e.g. German and so could be discriminatory. However, when applying for a patent in a foreign state the foreign patent as an object of property will be regulated by the law of that foreign state. An example would be if a Spanish applicant applied for a Swedish patent. This in itself is not discriminatory. It would indeed be strange if EPUE would be handled as a Spanish object of property when the patent does not cover Spain. The different treatment must hence be considered proportional, and there is no less discriminatory alternative unless rules on object of property are of Union origin. This applies for CTM and RCD although a similar fallback rule exists for matters not governed by the Union law.<sup>188</sup>

### **3.1.1 Effects on national law**

EU Member States have given UPR different impact on national law. In the Netherlands, the articles of UPCA will due to the monistic culture,<sup>189</sup> have direct effect and priority over any diverging national law. In Sweden, the proposal is to include Article 25-30 UPCA in their original form and language in the legal text (incorporation) but application of these articles is limited to when UPC uses and interprets Swedish law regarding the effects and limitations of EPUE,<sup>190</sup> i.e. it will affect neither European patents nor Swedish national patents. In the UK, the proposed legislative changes are adjusted to achieve UPCA consistency.<sup>191</sup>

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<sup>188</sup> Art 16 CTMR and art 27 CDR.

<sup>189</sup> The Dutch Constitution, art 120.

<sup>190</sup> Swedish Prop. 2013/14:89 <<http://www.regeringen.se/sb/d/17854/a/236374>> (18 March 2014) accessed 20 May 2014.

<sup>191</sup> Gill Jennings & Every LLP, 'Amended UK Exemption for Medicinal Product Assessments on the Horizon' (News and Features 9 May 2014) <<http://www.gje.com/news-43-amended-uk-exemption-for-medicinal-product-assessments-on-the-horizon.html>> accessed 20 May 2014.



## 3.2 EPO Rules (draft)

EPO Rules relating to Unitary Patent Protection<sup>192</sup> contain draft rules that EPO will use in the task conferred to it via UPR and UPRL. Part I contains the institutional provisions for the handling of unitary effect. Rule 4 establishes a special department within EPO called Unitary Protection Division.<sup>193</sup> EPO Board of Appeal will not have competence on decisions of this special department and actions have to be brought before UPC.<sup>194</sup> Part II contains the procedures to be carried out. Rule 5 reiterated the requirements that the same set of claims regarding all Participating Member States.

Patent must be granted with the same set of claims regarding all Participating Member States, i.e. not only in those signing UPCA and where EPUE actual is effective. In addition,<sup>195</sup> Part III establishes a Register for unitary effect registration as well as publications of such registrations. Part IV clarifies the applicable parts of EPC and appeal to UPC and Part V contains financing rules regarding the special department.

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<sup>192</sup> EPO, 'Draft Rules relating to Unitary Patent Protection' SC/16/13 updated by SC/22/13 (draft EPO Rules).

<sup>193</sup> The Legal Division will sit in the Unitary Patent Division, draft EPO Rules (n 192), R 4(5).

<sup>194</sup> draft EPO Rules (n 192), R 4(2).

<sup>195</sup> This also applies to Poland which is party to the enhanced cooperation but does not intend to sign UPCA.

## 4 The Unified court's jurisdiction

Unified Patent Court Agreement<sup>196</sup> (UPCA) is an international agreement outside the Union legal framework. UPR is dependent on UPCA<sup>197</sup>, but the reverse does not apply, i.e. UPC can run without UPR and UPC will then handle European patents in that state but EPUE will not extend territorially to it.<sup>198</sup>

The purpose of UPCA is to set up a common court in order to enhance legal certainty, ensure expeditious and high quality decisions, and tackle the fragmented market for patents and variations between national court systems.<sup>199</sup> UPCA contains institutional<sup>200</sup>, financial<sup>201</sup>, administrative and procedural<sup>202</sup> rules to this effect. It also contains material norms<sup>203</sup> and a list of sources of law<sup>204</sup>. UPCA does however not aim at harmonizing national patent laws and the sources of law are exclusive for UPC to apply.<sup>205</sup>

UPCA applies to EPUE, traditional European patents, European patent applications, and supplementary protection certificates.<sup>206</sup> UPC shall have exclusive competence regarding infringements, licenses, revocation, provisional, protective measures and injunctions, damages, prior use, and regarding decisions of EPO under tasks conferred to it by UPR.<sup>207</sup>

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<sup>196</sup> Agreement on a Unified Patent Court [2013] OJ C175/1 (UPCA).

<sup>197</sup> Art 18(1) UPR.

<sup>198</sup> Italy, Spain, and Croatia are candidates.

<sup>199</sup> Recitals 2, 5 and 6 UPCA.

<sup>200</sup> Part I Chapter II UPCA.

<sup>201</sup> Part II UPCA.

<sup>202</sup> Part III UPCA.

<sup>203</sup> Primarily Art 25-30 UPCA.

<sup>204</sup> Art 24 UPCA.

<sup>205</sup> This is stated in preamble 26 UPR.

<sup>206</sup> Art 3 UPCA.

<sup>207</sup> Art 32(1) UPCA; The exclusive jurisdiction is subject to a transitional period (Art 83 UPCA).

Matters regarding European patents, EPUE, and SPCs that do not come within the exclusive competence of EPC will remain within the competence of the national courts.<sup>208</sup>

According to Art 31 UPCA, the international jurisdiction of UPC shall be established by Regulation 1215/2012 (Brussels I)<sup>209</sup> and, where applicable the Lugano Convention<sup>210</sup>.

## 4.1 Brussels I

Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I-2001<sup>211</sup>) is to be replaced by a recast (Regulation 1215/2012 here Brussels I<sup>212</sup>) applying from 10 January 2015. I will refer to the recast (Brussels I) in the following unless there are reasons to do otherwise. The wording of the recast substantially corresponds to the previous version and the interpretation should be uninterrupted.<sup>213</sup> Additionally, UPCA and the amendment<sup>214</sup> to Brussels I refer to the recast and not to the old version.

The general rule in Art 4(1) Brussels I is that the court of the state of the defendant's domicile (*forum domicilii*) have jurisdiction on actions against that person.<sup>215</sup> The principle expresses the maxim *actor sequitur forum rei* (plaintiff shall follow the subject).

Derogation may only be made according to the rules on special jurisdiction (Section 2-5 Brussels I), and has to be made according to the rules on exclusive jurisdiction (Article 24

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<sup>208</sup> Art 32(2) UPCA.

<sup>209</sup> Regulation (EU) 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2012] OJ L351/1 (Brussels I).

<sup>210</sup> Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, done at Lugano on 30 October 2007

<sup>211</sup> Council Regulation (EC) 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L12/1 (Brussels I-2001).

<sup>212</sup> Brussels I (n 209)

<sup>213</sup> Brussels I (n 209), arts 66, 70 and Annex III.

<sup>214</sup> Text to n 238 in ch 4.2.

<sup>215</sup> Magnus Ulrich and Peter Mankowski, *Brussels I Regulation* (De Gruyter 2007) 78.

Brussels I) and prorogation (Articles 25-26 Brussels I).<sup>216</sup> If the defendant is not domiciled in the Union, Brussels I will only apply regarding the rules on exclusive jurisdiction (including registration and validity of intellectual property rights),<sup>217</sup> prorogation, and some special jurisdiction.<sup>218</sup>

The court of a Member State shall have exclusive jurisdiction:

... (4) in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, irrespective of whether the issue is raised by way of an action or as a defence, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of an instrument of the Union or an international convention deemed to have taken place.

Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction in proceedings concerned with the registration or validity of any European patent granted for that Member State.<sup>219</sup>

The wording includes a change in relation to Brussels I-2001 and clarifies that exclusivity is ‘irrespective of whether the issue is raised by way of an action or as a defence’.<sup>220</sup> The rule was developed by CJEU in *GAT v. LuK*.<sup>221</sup> The purpose of the article is ‘to ensure that jurisdiction rests with courts closely linked to the proceedings in fact and law’<sup>222</sup> since ‘sound administration of justice becomes all the more important in the field of patents’<sup>223</sup>. The scheme and the objective pursued include legal certainty and preventing conflicting decisions.<sup>224</sup> Courts have exclusive jurisdiction on validity and registration of intellectual property, irrespective of the defendant domicile. In addition, prorogation clauses are

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<sup>216</sup> Also Case C-412/98 *Group Josi* [2000] ECR I-5925, para 36.

<sup>217</sup> Brussels I (n 209), art. 6.

<sup>218</sup> Consumer contract Brussels I (n 209), art 18(1) and Employment Brussels I (n 209), art 21(2).

<sup>219</sup> Brussels I (n 209), art 24(4).

<sup>220</sup> Brussels I (n 209), art 24(4)(1).

<sup>221</sup> Case C-4/03 *GAT v. LuK* [2006] ECR I-6509, para 30.

<sup>222</sup> *GAT v. LuK* (n 221), para 21.

<sup>223</sup> *GAT v. LuK* (n 221), para 22.

<sup>224</sup> *GAT v. LuK* (n 221), para 25-28.

ineffective against the exclusive jurisdiction.<sup>225</sup> It must be inferred from this article and the court's reasoning, that not only jurisdiction, but also the substantive law of each Member State concerning registration or validity of patents shall be defined by the state granting the monopoly of that right. This will have implications for the new system, since UPCA is ambiguous on the territoriality of the European patent within the Contracting Member States.

Liability for infringement of intellectual property comes under the special rule on jurisdiction in Brussels I. Courts have hence also jurisdiction in the state of 'the place where the harmful event occurred or may occur'<sup>226</sup> (*forum delicti*). According to CJEU, the place of the *harmful event* and the place of the *resulting damage* are not always identical, and courts of both places have jurisdiction.<sup>227</sup> CJEU tends to take a practical approach to identifying the places.

Regarding patents and the place of the *resulting damage*, CJEU held in *Wintersteiger*<sup>228</sup> (a trademark case), that protection of registered intellectual property rights are in principle limited to the territory in which they are registered (principle of territoriality). Predictability and objective of sound administration favour jurisdiction of the court in the states where the right is protected. This court is best placed to determine the alleged act. It shall have the power to determine all damages based on infringement of the national right at issue. It will however not have power to hear actions on infringement of rights based on law of another state (even if based on the same European patent). The reasoning was later confirmed in *Pinckney*<sup>229</sup> where it was also pointed out that since the court of protection has exclusive jurisdiction regarding validity and registration, expedient procedure argue for this court also having jurisdiction on infringement of intellectual property registered within its jurisdiction.

Regarding the place of the *harmful event*, the case-law on infringement of intellectual property right is less clear. In *Wintersteiger*, the claimed infringement was the online use of a trademark registered in one Member State (Austria) and used in Google AdWords directed towards another Member State (Germany). CJEU first noted that the territorial limitation of

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<sup>225</sup> Brussels I (n 209), art 25(4).

<sup>226</sup> Brussels I (n 209), art 7(2).

<sup>227</sup> Case 21/76 *Bier v. Mines de potasse d'Alsace* [1976] ECR 1735; Case C-68/93 *Shevill v. Presse Alliance* [1995] ECR I-415; Joined Cases C-509/09 and 161/10 *eDate v. X and Martinez* [2011] ECR I-0000.

<sup>228</sup> Case C-523/10 *Wintersteiger* (ECJ 19 April 2012), paras 24-29.

<sup>229</sup> Case C-170/12 *Pinckney* (ECJ 3 October 2013), para 37.

national trademark is not such as to exclude jurisdiction of courts other than the territory of protection (considering the general rule on defendant domicile that statement seems superfluous).<sup>230</sup> It continued and noted the importance of the independent interpretation of Brussels I regarding the scheme and purpose ‘foreseeability of conferring jurisdiction, ensuring sound administration of justice and efficacious conduct of proceedings’<sup>231</sup>. The Court found that the place of the *harmful event* ‘may constitute a significant connecting factor from the point of view of jurisdiction, since it could be particularly helpful in relation to the evidence and the conduct of proceedings’.<sup>232</sup> Courts at the place of ‘the activation by the advertiser of the technical process displaying’ should have competence.

[I]t is the advertiser choosing a keyword identical to the trade mark, and not the provider of the referencing service, who uses it in the course of trade (Google France and Google, paragraphs 52 and 58). The event giving rise to a possible infringement of trade mark law therefore lies in the actions of the advertiser using the referencing service for its own commercial communications.<sup>233</sup>

The Court then made an effort to find the place of the activation of the technical process of displaying by clarifying the search engines activation on the server<sup>234</sup> but concluded that this place did not fulfil the requirement of foreseeability and instead found the place of the establishment of the advertiser to be more reliable.<sup>235</sup> Courts seized under the jurisdiction of the *harmful event* will (unlike jurisdiction based on the *resulting damage*) have jurisdiction to hear all damages arising from that act.<sup>236</sup>

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<sup>230</sup> *Wintersteiger* (n 228), para 30.

<sup>231</sup> *Wintersteiger* (n 228), para 31.

<sup>232</sup> *Wintersteiger* (n 228), para 32.

<sup>233</sup> *Wintersteiger* (n 228), para 34; I.e. not where the trademark was displayed, since online displays are potentially shown everywhere.

<sup>234</sup> One could also argue that the man – machine interface (terminal) of the user is the place of the action of the advertiser, and not the place of the web servers receiving the advertisement activation.

<sup>235</sup> *Wintersteiger* (n 228), para 37, Where ‘the activation of the display process is decided’, i.e. not carried out.

<sup>236</sup> See also *Shevill v Presse Alliance SA* (n 227), para 33.

## 4.2 Brussels I amendment concerning UPC

In a non-paper from the Commission services in 2011, the conclusion was that the relationship between Brussels I and the UPC needs to be clarified, but there appears to be no other issue of compatibility between UCPA and Union law.<sup>237</sup> Article 89(1) UPCA consequently states that it shall enter into force only after ‘the amendments to Regulation (EU) No 1215/2012 concerning [the relationship between Brussels I and UCPA]’. Such an amendment was duly proposed<sup>238</sup> and recently adopted.<sup>239</sup>

The amendment concerns Article 71 of the recast (Brussels I) relating to the relationship with international conventions. Article 71a explicitly defined UPC as a court of a Member State within the meaning of Brussels I.<sup>240</sup> Article 71 b(1) clarifies that UPC shall have jurisdiction when a national court of one of the Contracting Member States has jurisdiction. *E contrario* UPC shall not have jurisdiction when Brussels I does not confer jurisdiction. Article 71b(2)-(3) extends the application of the rules on jurisdiction (Chapter II Brussels I) to also apply when the defendant is not domiciled within the Union.<sup>241</sup> In addition, Article 71b(3) extends the scope of competence of UPC on European patents when UPC already has jurisdiction based on Article 71b(2). It can then (if it does not already have competence based on e.g. *harmful event*<sup>242</sup>), have competence on European patents outside the Union. This is subject to

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<sup>237</sup> Council, ‘Compatibility of the draft agreement on the Unified Patent Court with the Union acquis - Non-paper from the Commission services’ (2011) 14191/11 PI 114 COUR 50; Note that the Commission services use the phrase Participating Member States, for what in this thesis is defined as Contracting Member States (i.e. parties to UPCA); For compliance with Rome II, see text to 293 ch 5.1.1.

<sup>238</sup> Commission ‘Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters’ COM (2013) 554 final (Commission proposal).

<sup>239</sup> Council, ‘Regulation of the European Parliament and or the Council amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice’ (24 April 2014) PE-CONS 30/14 JUSTIV 32 PI 17 CODEC 339, Adopted by the Council on the 6th May 2014, not yet published (Brussels I Amendment).

<sup>240</sup> A defendant domiciled in a Member State could, according to UPCA, be sued in a state different from the one designated by Brussels I.

<sup>241</sup> According to art 6 Brussels I this would otherwise be subject to national law.

<sup>242</sup> *Wintersteiger* (Text to n 228 in ch 4.1).

two criteria. Property of the defendant must be situated within the Contracting Member States and there must be a sufficient connection between the dispute and one of the Contracting Member State.<sup>243</sup> The Commission highlights the example of a Turkish defendant infringing a European patent protected in several Contracting Member States and Turkey.<sup>244</sup> Without extending the jurisdiction and competence of Brussels I, UPC would not have competence on infringement of the Turkish part of the European patent.

A precondition for Article 71b(3) to apply is hence: 1) The defendant is domiciled outside the Union, 2) The *harmful event* occurred outside the Contracting Member States, 3) The same European patent is infringed, both within the Contracting Member States and outside the Union, 4) Property belonging to the defendant is located within the Contracting Member States, and 5) There is a sufficient connection between the dispute and one of the Contracting Member States.

UPC will however not have competence on a Spanish part of a European patent under this rule.<sup>245</sup> In addition, if the defendant is domiciled in Spain, Article 71b(2) will not apply and UPC will not have competence even on the Turkish patent.<sup>246</sup>

Article 71c clarifies that *lis pendens* shall apply both as between UPC and non-UPCA courts and between UPC and national UPCA courts. Article 71d(1) clarifies that rules on recognition and enforcement in Brussels I will extend both to common court judgment in non-Contracting States, and to judgment of courts in non-Contracting States seeking recognition and enforcement within the Contracting states (this should be nothing new). Article 71d(2) further clarifies that Brussels I does not apply to recognition and enforcement of UPC decisions within the Contracting Member States and internal rules shall instead be used.<sup>247</sup>

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<sup>243</sup> See also Brussels I Amendment (n 239), preamble 7.

<sup>244</sup> Commission proposal (n 238) 7. One assumes that the harmful event occurred outside the Contracting Member States since UPC would otherwise have jurisdiction based on the harmful event.

<sup>245</sup> Spain is currently not a Contracting Member State but within the European Union.

<sup>246</sup> Property and connection helps, but will not solve everything.

<sup>247</sup> This can be seen as a recognition of sovereignty.



## 4.3 Internal division of competences

UPC will have a two-tier court structure with court of first instance divisions scattered around the Contracting Member States<sup>248</sup> with central divisions in Paris, London and Munich primarily concerned with patent validity.<sup>249</sup> The Court of Appeal will be located in Luxembourg.<sup>250</sup> Judges will be appointed for six year terms<sup>251</sup> and the Appeal will consist of at least six<sup>252</sup> legally qualified judges, as well as technically qualified judges available from a pool on judges.<sup>253</sup> The Court of Appeal can sit in panels of three legal and two technical judges or in full court.<sup>254</sup> Dissenting opinions can be expressed in decisions.<sup>255</sup> Appeal can be based on points of law and matters of fact<sup>256</sup> UPC is subject to preliminary reference obligation under the EU Treaties and the Contracting Member States are liable for breach of Union law.<sup>257</sup>

Parties are free to choose court of first instance division<sup>258</sup>, but appeal against EPO registration procedures have to be held in the central division<sup>259</sup>. Actions on infringement

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<sup>248</sup> Larger Member States will have local divisions and smaller will have joint regional divisions. States not wishing to host either local or regional division may use the central division. There will also be training facilities in Budapest and arbitration and mediation centres in Lisbon and Ljubiana (Ch 7 UPCA).

<sup>249</sup> Art 7(2) UPCA.

<sup>250</sup> Art 9(5) UPCA.

<sup>251</sup> Art 4 Statute of the UPC, UPCA Annex I.

<sup>252</sup> Art 3(4) Statute of the UPC, UPCA Annex I.

<sup>253</sup> Art 18 UPCA.

<sup>254</sup> ‘When a case is of exceptional importance, and in particular when the decision may affect the unity and consistency of the case law of the Court, the Court of Appeal may decide, on the basis of a proposal from the presiding judge, to refer the case to the full Court’, art 21(2) Statute of the UPC, UPCA Annex I.

<sup>255</sup> Art 78 UPCA and 36 Statute of the UPC, UPCA Annex I (unlike CJEU).

<sup>256</sup> Art 73(3) UPCA.

<sup>257</sup> Art 20-23 UPCA.

<sup>258</sup> Art 33(7) UPCA.

<sup>259</sup> Art 33(9) UPCA.

shall otherwise be held where the alleged infringement occurred<sup>260</sup>, or where the defendant or one of the defendants are domiciled, or have principal place of business, or other establishments<sup>261</sup>. If no such place is found, or if that Contracting Member State does not host a local or regional division, actions shall be held at the central division. Plaintiffs are hence quite free to choose division.

Revocation actions and actions for declaration of non-infringement shall be held at the central division<sup>262</sup>. If counterclaim for revocation is brought during infringement proceedings, the division hearing the case can either hear both the revocation and infringement, refer the revocation action to the central division and continue with infringement, refer the revocation action and stay proceedings, or (with the parties' consent) refer the entire case to the central division.<sup>263</sup>

Article 33(2) UCPA regards *lis pendens* between divisions. The division first seized shall hear the entire case and there is no division between competence based on *harmful event* and *resulting damage*.<sup>264</sup>

## 4.4 Relationship with EPO opposition

Articles 33(8) and 33(10) UPCA clarifies the independence of UPC proceedings and EPO opposition. According to UPCA, patents can be challenged in parallel and independently at UPC and EPO. UPC divisions can stay proceedings if there is a rapid decision awaited from the EPO. However, the UPC can never uphold a refusal from EPO and even if UPC finds the patent valid and infringed in several states, the patent and the damages are *void ab initio* following an EPO final revocation decision. The same is true if EPO upholds the patent and UPC invalidates it.

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<sup>260</sup> Art 33(1)(a) UPCA (forum delicti).

<sup>261</sup> Art 33(1)(b) UPCA.

<sup>262</sup> Art 33(4) UPCA.

<sup>263</sup> Art 33() UPCA.

<sup>264</sup> Text to n 227 in ch 4.1.

# 5 Designation of law & substantive law

Under the title ‘Sources of law’, Article 24 UPCA states:

1. In full compliance with Article 20<sup>265</sup>, when hearing a case brought before it under this Agreement, the Court shall base its decisions on:
  - (a) Union law, including [UPR and UPRL];
  - (b) this Agreement;
  - (c) the EPC;
  - (d) other international agreements applicable to patents and binding on all the Contracting Member States; and
  - (e) national law.
2. To the extent that the Court shall base its decisions on national law, including where relevant the law of non-contracting States, the applicable law shall be determined:
  - (a) by directly applicable provisions of Union law containing private international law rules, or
  - (b) in the absence of directly applicable provisions of Union law or where the latter do not apply, by international instruments containing private international law rules; or
  - (c) in the absence of provisions referred to in points (a) and (b), by national provisions on private international law as determined by the Court.
3. The law of non-contracting States shall apply when designated by application of the rules referred to in paragraph 2, in particular in relation to Articles 25 to 28<sup>266</sup>, 54, 55<sup>267</sup>, 64<sup>268</sup>, 68<sup>269</sup> and 72<sup>270</sup>.

The list of sources of law in Article 24 is exhaustive but not prioritized. Article 20 UCPA codifies the general principle of primacy of Union law meaning Articles 24(1)(a) and 24(2)(a) prevails the other sources. The Primacy should not have to be stated but the Article 20 UPCA prevents different understandings between UPC and CJEU on this point. The primacy also

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<sup>265</sup> Primacy of Union law (Art 20 UPCA).

<sup>266</sup> Arts 25-28 include right conferred, limitation and rights based on prior use (footnote added).

<sup>267</sup> Arts 54, 55 regulate burden of proof (footnote added).

<sup>268</sup> Art 64 regulates corrective measures in infringement proceedings (footnote added).

<sup>269</sup> Art 68 regulates award of damages (footnote added).

<sup>270</sup> Art 72 regulates statutory limitations (footnote added).

applies to Union conflict rules, meaning directly applicable Union law designating a national law should apply before other national and international (including UPCA) sources.<sup>271</sup> UPCA facilitates primacy by allowing the Administrative Committee of UPCA to amend it in order to comply with existing and future international and Union law.<sup>272</sup> Chapter 5.1 handles designation of applicable law in Union law as well as directly applicable Union law. Chapter 5.2 handles substantive law in UPCA and in the Rules of Procedures of the UPC. Chapter 5.3 contains some notes on EPC and EPO. Chapter 5.4 contains analysis of application of the TRIPS agreement in Union law.

## 5.1 Union law

### 5.1.1 Rome I and Rome II

Rome I<sup>273</sup> and Rome II<sup>274</sup> contain uniform Union conflict-of-law rules on contractual obligations and non-contractual obligations respectively. UPC should generally not be engaged in contractual disputes, but will under Article 32(1)(a) UPCA, have competence on defences based on licenses. Rome I shall apply to existence and validity of contracts,<sup>275</sup> interpretation, performance, consequence of breach, extinguishing and limitation of obligation, and consequences of nullity.<sup>276</sup> It shall only apply to evidence and procedure regarding presumption of law and burden of proof.<sup>277</sup> UPC must also consider EU competition law in regards to licensing agreements.

The objective of Rome II is to ensure ‘predictability of the outcome of litigation, legal certainty as to the law applicable and the uniform application of that regulation in all the

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<sup>271</sup> Art 24 2(a) UPCA.

<sup>272</sup> Art 87(2) UPCA.

<sup>273</sup> Regulation (EC) 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations [2008] OJ L177/6 (Rome I).

<sup>274</sup> Regulation (EC) 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations [2007] OJL199/40 (Rome II).

<sup>275</sup> Art 10 Rome I.

<sup>276</sup> Art 12 Rome I.

<sup>277</sup> Arts 1(3) and 8 Rome I.

Member States'.<sup>278</sup> It applies to non-contractual obligations regarding 'basis and extent of liability'<sup>279</sup> and applies to all 'intrinsic factors of liability'<sup>280</sup> (the list is non-exhaustive<sup>281</sup>) and 'grounds for exemption from liability, any limitation of liability and any division of liability'<sup>282, 283</sup>.

Regarding intellectual property (including patents), Rome II notes that 'regarding infringement of intellectual property rights, the universally acknowledged principle of the *lex loci protectionis* should be preserved'.<sup>284</sup> The general rule is that 'law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed'.<sup>285</sup> Derogation from this rule on the agreement of the parties is not possible.<sup>286</sup>

Under Union law, the connecting factor for determine the applicable law on infringement of patent protection is hence subjective.<sup>287</sup> The claimant will claim infringement of a patent protected in a certain Member State, and it is the law of that state that shall apply regarding the value of the claim.<sup>288</sup> This is a manifestation of the principle of territoriality.<sup>289</sup>

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<sup>278</sup> Case C-412/10 *Homawoo* [2011] ECR I-11603, para 34.

<sup>279</sup> Art 15(1)(a) Rome II; Commission, 'Proposal for a Regulation of the European Parliament and the Council on Law Applicable to non-contractual Obligations (Rome II)' COM (2003) 427 final (Rome II Proposal), on art 11, 23-24; See also recital 7 to Rome II on consistent scope between Rome I, Rome II and Brussels I.

<sup>280</sup> For existence and extent of liability, see Richard Plender and Michael Widerspin, *The European Private International Law of Obligations* (Sweet & Maxwell 2009) 438.

<sup>281</sup> Peter Huber, *Rome II Regulation* (sellier 2011) 344.

<sup>282</sup> Art 15(1)(b) Rome II.

<sup>283</sup> Regarding scope of application, see Annette Kur and Thomas Dreier, *European Intellectual property law: Text, Cases and Materials* (Edward Elgar 2013) 519-526.

<sup>284</sup> Recital 26 Rome II.

<sup>285</sup> Art 8(1) Rome II; The rule extends to unjust enrichment, negotiorum gestio, and culpa in contrahendo (Art 13 Rome II).

<sup>286</sup> Art 8(3) Rome II; See also Case C-5/11 *Donner* [2012] (ECJ 21 June 2012), Opinion of AG Jääskinen, paras 30 and 51.

<sup>287</sup> Huber (n 281) 241.

<sup>288</sup> Case C-173/11 *Football Dataco* [2012] (ECJ 18 October 2012), paras 24-32.

Additionally, Rome II ‘... take precedence over conventions concluded exclusively between two or more of [the Member States] in so far as such conventions concern matters governed by this Regulation’.<sup>290</sup> As made clear in UPCA, the primacy of Union law must be respected, including Union conflict-of-law rules. It is hence not possible for the UPC to deviate from Rome II regarding non-contractual obligations unless provided in Union law.<sup>291</sup>

According to Rome II, national law and jurisprudence including direct effect and interpretation of UPCA must apply regarding European patent protected under each state, also in UPC. The choice of law rule in Article 24 UPCA is exhaustive. The list is not prioritized but Union law shall have primacy at all time, also regarding choice of law rules.

Regarding EPUE, the situation is somewhat different. The general rule is that

[in the case of] unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.<sup>292</sup>

*Lex specialis* is recognised in Rome II meaning designation of conflict-of-law rules and substantive rules in UPR and UPRL prevails those designated by Rome II.<sup>293</sup> These include the rules on the effect, limitations, and object of property.<sup>294</sup> UPR requires a unitary effect although substantive Union law is missing. This requirement is directly applicable and enforceable by CJEU meaning deviations in national law from the rules of UPCA could be seen as indirect breaching Union law on uniformity.

In conclusion, the scope for UPC to develop an independent patent *acquis* is limited by directly applicable Union law designating national law, both regarding effects of European patents and EPUE. It is likely to be further limited by directly applicable Union substantive law.

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<sup>289</sup> Case C-170/12 *Pinckney* [2013] (ECJ 3 October 2013), Opinion of AG Jääskinen, paras 44-49.

<sup>290</sup> Art 28(2) Rome II.

<sup>291</sup> Case C-22/12 *Haasová* [2013] (ECJ 24 October 2013), para 49; The same applies to Rome I (Art 25(2) Rome I).

<sup>292</sup> Art 8(2) Rome II.

<sup>293</sup> Arts 23 Rome I and 27 Rome II.

<sup>294</sup> Text to n 176 in ch 3.1.

## 5.1.2 IPRED

Directive 2004/48/EC on the enforcement of intellectual property rights<sup>295</sup> (IPRED) contains enforcement mechanisms for intellectual property. IPRED requires minimum harmonization and Member States can deviate from the rules as long as it is more favourable to right-holders.<sup>296</sup>

IPRED provisions of injunctions and seizure of goods, freezing of assets, recall, remove or destroy products, and damages.<sup>297</sup> When setting damages courts shall take into account negative economic consequences, including lost profit, unfair profits made by the infringer and moral prejudice or based on royalties that would have been due.

Enforcement mechanisms are also part of UPCA. It includes provisional measures of freezing assets, preventing continuation of alleged infringement, and corrective measure such as permanent injunction, recalling and/or destroying products, expose distributions channels and third parties involved, as well as damages.<sup>298</sup> Damages shall be deterrent but not punitive and UPCA does not include criminal sanctions.<sup>299</sup>

## 5.1.3 Supplementary Protection Certificates

Supplementary Protection Certificates (SPCs) are Union rights granted after the lifetime of a patent in industry with long periods from application to market authorization in order to extend its life with some additional years. They have some interesting similarities with EPUE. Both are Union rights created by way of Regulations. Both are national patents transformed into Union rights and both are authorized by a non-Union institution. Both have some degree of Union unitary effect. Notable differences is the time between patent granting and right granting and that EPUE is more unitary and based on one national law, while SPCs are less unitary but more based on Union law.

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<sup>295</sup> Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights OJ [2004] L195/16 (IPRED)

<sup>296</sup> Art 2(1) IPRED.

<sup>297</sup> Arts 9-13 IPRED.

<sup>298</sup> Arts 61-68 UPCA.

<sup>299</sup> Criminal actions against infringer of intellectual property must be held in national courts.

## 5.2 Substantive law in UPCA

### 5.2.1 Principles expressed in UPCA

The principles of proportionality, fairness and equity are expressed in UPCA:

1. The Court shall deal with litigation in ways which are proportionate to the importance and complexity thereof.

2. The Court shall ensure that the rules, procedures and remedies provided for in this Agreement and in the Statute are used in a fair and equitable manner and do not distort competition.<sup>300</sup>

The Rules of Procedure shall guarantee that the decisions of the Court are of the highest quality and that proceedings are organised in the most efficient and cost effective manner. They shall ensure a fair balance between the legitimate interests of all parties. They shall provide for the required level of discretion of judges without impairing the predictability of proceedings for the parties.<sup>301</sup>

This list indicates an autonomous interpretation of law and balancing of rights and obligations.

### 5.2.2 Rights conferred and limitations

Article 25-30 UPCA contains substantive rules. Article 25 UPCA ‘Right to prevent the direct use of the invention’, Article 26 ‘Right to prevent the indirect use of the invention’, and Article 27 ‘Limitations of the effects of a patent’ regulate rights conferred and exceptions. The definition of ‘patent’ for the purpose of UPCA is ‘a European patent and/or a European patent with unitary effect’.<sup>302</sup> Hence, neither European patent application nor national patents are within the definition. Article 27 includes an exhaustive list of limitation, including private, non-commercial, experimental use, and other limitations based on international agreement and Union law.<sup>303</sup> Rights based on prior use will continue to be governed by national law

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<sup>300</sup> Art 42 UPCA.

<sup>301</sup> Art 41(3) UPCA.

<sup>302</sup> Art 2(g) UPCA.

<sup>303</sup> Art 27(d), (i) – (l) concerns Union law, art 27(f) – (h) concerns international agreements.



(Article 28 UPCA). Article 29 UPCA regarding protection of SPC and Article 30 UPCA regarding exhaustion reiterates established Union law regarding this matter.

Articles 25-27 UPCA are worded as harmonizing the European patent (singular). The meaning is not completely clear. The first interpretation is that UPCA is a “special agreement” under art 142 EPC and creates a unitary character. This interpretation is not satisfactory since it is neither stated as being such an agreement nor does it work well with UPR, which is stated as being a special agreement. The second interpretation is that European patents are still governed by national law, but UPCA harmonizes this law but not the law regarding national patents. This is the most likely interpretation although it violates the national treatment requirement in Article 64 EPC. This could be adjusted in national laws by giving national patents the same effect as European patents are given in UPC. This would mean using Article 64 in reverse direction and leading to a *de facto* harmonization of national patent law. The third interpretation is that national law continue to regulate European patent law, but UPC bluntly disregards this and applies an independent *lex fori* defined by UPCA. This interpretation is very unsatisfactory and must be dismissed. It violates both Rome II regarding territoriality<sup>304</sup> and legal certainty in that the definition is not known until it is known what court applies applicable law to it. The fourth interpretation is that UPCA harmonizes national patent law, with the effect that European patents and EPUE through Article 64 EPC are also affected. This alternative creates most harmonization, integration and legal certainty, but national patents are not included in the definition of patents affected by UPCA. It is however likely that national patent law, at least over time, will harmonize according to UPCA leading to an effect similar to explicit harmonization (See second interpretation). By leaving national patents outside the definition, there is nothing preventing the Union from harmonizing national patent law by Directives in the future.

The current solution, where definition of the European patent is harmonized without making it either unitary or affecting national patents, makes it hard for practitioners and national courts (inside the agreement area and outside) to assess what law (national or UPCA) shall apply to European patents.

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<sup>304</sup> Text to n 293 ch 5.1.1.

### 5.2.3 Rules of Procedures (draft)

According to Article 41 UPCA, the Rules of Procedures shall lay down details for procedures in UPC. Currently the Rules of Procedures are in the 16<sup>th</sup> draft (31 January 2014) after a public consultation lasting from 25 June to 1 October 2013. The preamble states that the Rules are based on the principles of proportionality, flexibility, fairness and equity in order to ensure decisions of the highest quality. The draft contains about 330 Rules divided in 6 Parts and 28 Chapters. Part 1 (R. 1-159) contains rules regarding procedures before the court of first instance. Part 2 (R. 170-202) regulates evidence, experts and witnesses. Part 3 (R. 205-213) describes the application of provisional measures. Part 4 (R. 220-254) contains rules before the Court of Appeal. Part 5 (R. 260-365) contains general provisions including general procedural provisions (R. 260-267), service of statement of claims (R. 270-279), representatives (R. 284-293), time periods (R. 300-301), parties (R. 302-320), language (R. 321-324), case management (R. 331-340), court organisation (R. 341-346), decisions and orders (R. 350-354), decision by default (R. 355-357), actions bound to fail (R. 360-363), settlement (R. 365). The final Part 6 (R. 370-382) contains rules on fees (to be decided) and legal aids.

## 5.3 EPC and EPO

The European Patent Convention of 1973 for the granting of European Patent (EPC) brought unification in patentability<sup>305</sup> and a central granting office<sup>306</sup>, the European Patent Office for the granting of European Patents under the European Patent Convention (EPO).<sup>307</sup>

Initially, the objective of the drafters was to create a community patent, but after it failed,<sup>308</sup> the scope was reduced to establish a common granting system.<sup>309</sup> The substantive part of EPC<sup>310</sup>, as well as ~35 000 cases from the boards of appeal and ~100 cases from the enlarged

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<sup>305</sup> Art 1 EPC.

<sup>306</sup> Art 4 EPC.

<sup>307</sup> For application of EPC: Derk Visser, *The annotated European patent convention* (21st edn, H. Tel 2013).

<sup>308</sup> Text to n 55 in 1.2.2.

<sup>309</sup> Visser (n 307) on art 3 EPC.

<sup>310</sup> Part II EPC.

board of appeal of EPO brings substance for clarity and predictability in the area, and makes EPO a source of authority.<sup>311</sup> Part II EPC is based on the Harmonization Treaty of Strasbourg of 1963.<sup>312</sup> Although not all member states to EPC have ratified the Strasbourg Treaty, they have on a large scale harmonised national law according to EPC,<sup>313</sup> rendering the Strasbourg Treaty largely redundant.<sup>314</sup>

Preamble 9 UPR stated that EPUE shall be governed by EPC, and UPC shall base its decisions on EPC<sup>315</sup>. In addition, Art 65 UPCA titled ‘Decision on the validity of a patent’ refers to 138(1), 139(2), 64 and 69 EPC for revocation, effect, and scope of protection.<sup>316</sup>

### 5.3.1 The bundle theory

With the reduced scope, EPC is now based on the theory of delegation and territoriality. Member States delegate power to grant European patents to EPO and upon grant, a *bundle of national patents* is created that is protected in each state independently.<sup>317</sup> In Di Cataldo’s view, referring to a European patent in singular is incorrect and he rejects the notion of ‘national fractions of the European Patent’.<sup>318</sup> ‘[The fractions] have almost nothing in common. They share only a few substantive rules about the conditions for patentability fixed

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<sup>311</sup> EPO Board of Appeal, ‘Case law of the EPO boards of appeal’ (7th edn, September 2013) <<http://www.epo.org/law-practice/case-law-appeals/case-law.html>> accessed 20 May 2014.

<sup>312</sup> Visser (n 307) on Part II EPC; 13 states have ratified or acceded the Harmonization Treaty of Strasbourg, of which 10 are EU Member States.

<sup>313</sup> Kurt Haertel, ‘The Harmonizing Effect of European Patent Law on National Patent Laws’, [1983] Intl Rev of Intellectual Property and Competition Law 719.

<sup>314</sup> Stefan Luginbuehl, *European Patent Law – Towards a Uniform Interpretation* (Edward Elgar 2011) 176; The European Council is also no longer the political body dealing with patent law meaning further ratification is unlikely.

<sup>315</sup> Art 24(1) UPCA.

<sup>316</sup> EPC will apply on both European patents and EPUE.

<sup>317</sup> Commission, ‘Proposal for a Regulation of the European Parliament and the Council on Law Applicable to non-contractual Obligations (Rome II)’ COM (2003) 427 final, on art 8, 20ff.

<sup>318</sup> Vincenzo Di Cataldo, ‘From the European Patent to a Community Patent’ [2002] 8 Columbia J Eur L, 20.

by the EPC<sup>319</sup>. '[T]he law of employed inventors, the law of co-ownership of the invention, or the law of remedies [...] have been left entirely to the laws of each individual European State'<sup>320</sup> Disputes are handled by national court, both regarding points governed by national law and EPC which leads to '... lack of uniform interpretations of the EPC'<sup>321</sup>. In this view, EPO is nothing more than a centralised patent office, granting national patents on behalf of the member states.

Singer and Stauder on the other hand, argue that '[t]he view that, after grant, a European patent breaks up into a bundle of national patents [...] may appear plausible, but it is incorrect both in law and systematically'<sup>322</sup>. First, a European patent has the same effect and is subject to the same conditions as national patents, but it is not identical. This can be inferred by the wording '... unless otherwise provided in this Convention'<sup>323</sup>. Secondly, although not *unitary*, the European Patent's autonomy extends beyond granting. National courts must apply the provisions of EPC<sup>324</sup> and interpret EPC on a 'European basis'<sup>325</sup>. The provisions of EPC that national courts must apply include the term of the patent in Art 63(1) EPC, the authentic language of the patent (Art 70),<sup>326</sup> products directly obtained by protected product (Art 64(2) EPC), scope of protection (Art 69 and protocol), basis for revocation (Art 138 EPC) and effect of nullity (*ex tunc*, Art 68 EPC)<sup>327</sup>. National laws are left governing the exclusive legal effects

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<sup>319</sup> Di Cataldo (n 318) 20.

<sup>320</sup> Di Cataldo (n 318) 20.

<sup>321</sup> Di Cataldo (n 318) 21.

<sup>322</sup> Margarete Singer and Dieter Stauder, *European Patent Convention – A Commentary*, vol 1 (3<sup>rd</sup> edn, Sweet & Maxwell 2003) 16.

<sup>323</sup> Art 2 EPC.

<sup>324</sup> See e.g. *Virgin Atlantic Airways v Jet Airways Ltd and others* [2012] EWHC 2153

<sup>325</sup> Singer Stauder (n 322) 17; I understand this as taking the case law of EPO Board of Appeal and law and jurisprudence of other Member States into account.

<sup>326</sup> The authentic text is the version in the language of proceedings. See 70(3) EPC and Visser (n 307), on Art 70 EPC.

<sup>327</sup> Art 65 UPCA refers to Art 138 EPC for ground for revocation. For EPUE, the validity of a surrender and the effects of a valid surrender (for instance *ex nunc* or *ex tunc* effect) will exclusively be determined by national law (Art 7 UPR and draft EPO Rules (n 192), R 10(2)). However, central limitation and revocation is still open Art 105a EPC.

(and limitations) of a European patent<sup>328</sup>, infringement (sanctions, remedies, and procedural law)<sup>329</sup>, and European patent as an object of property. Luginbuehl agrees and argues that national courts are forced into a legal comparative interpretation and have an obligation to reach harmonised results, although not explicit in EPC. He admits that observance is scarce<sup>330</sup>. UPCA will be a major step in making European patents more ‘European’ although the effect is limited to the Contracting Member States.

In support for the bundle metaphor, one can add that a European patent can have different sets of claims for different states.<sup>331</sup> In addition, if EPUE is to be considered a *sui generis* right, it blurs the metaphor of a single coherent European patent by making some *national fractions* transformed into an EPUE upon registration and others not.<sup>332</sup>

In support for the single European patent theory, one can add that the 2000 revision of the EPC made national designations obsolete. All EPC states are designated by default and selections are only made after grant according to national validation.<sup>333</sup> In combination with the London agreement,<sup>334</sup> which scraps national validations, the patent will directly have effect in several states upon grant<sup>335</sup>. This makes the European patent a little more ‘European’.<sup>336</sup>

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<sup>328</sup> Art 64(1) and of European patent application Art 67 EPC.

<sup>329</sup> Art 64(3) EPC.

<sup>330</sup> Luginbuehl (n 314) 5.

<sup>331</sup> Visser (n 307), on Art 105b(3) EPC. This does not however apply to EPUE (Art 3(1)(2) UPR).

<sup>332</sup> One might also view European patent protected by UPC as different from the one protected by national courts under Art 83 UPCA.

<sup>333</sup> Visser (n 307), on Art 3 EPC.

<sup>334</sup> Text to n 67 in ch 2.1.

<sup>335</sup> Until first renewal fee is due.

<sup>336</sup> EPUE does not require national validation, registration requests are sent to EPO and there is no registration fee.

### 5.3.2 Right based on a European Patent application

A publication of a European Patent application will confer provisional protection on the applicant.<sup>337</sup> The protection shall be the same as for national patent.<sup>338</sup> States might however grant lower protection as long as it is not less than that for national patent application and at least provide for reasonable compensation in case of infringement.<sup>339</sup>

It is likely that UPC will respect national application of Art 67(2) and (3) EPC, but that ‘compensation reasonable or damages’<sup>340</sup> will be judges according to UPCA<sup>341</sup>. Articles 25-27 UPCA on effects and limitation do not apply to European patent applications.

## 5.4 The TRIPS agreement

The Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS), annexed to the WTO agreement is signed by all the Member States and by the European Union.<sup>342</sup> Generally, CJEU have taken a monistic approach to such agreements, but at the same time being reluctant at enforcing the right for individuals to invoke them in national courts.<sup>343</sup>

In *Portugal v Council* it held, ‘It follows from all those considerations that, having regard to their nature and structure, the WTO agreements are not in principle among the rules in the

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<sup>337</sup> Art 67 EPC.

<sup>338</sup> Art 67(1) EPC.

<sup>339</sup> Art 67(2) EPC; States may also require translation (All except Malta and Switzerland). See EPO, ‘National law relating to the EPC’ (2013) 16th edition September 2013 <<http://www.epo.org/law-practice/legal-texts/html/natlaw/index.html>> Chapter III.A.

<sup>340</sup> Visser (n 307), on Art 67(2) EPC.

<sup>341</sup> Art 68 UPCA.

<sup>342</sup> EU signed the WTO agreements January 1 1995 by Council Decision 94/800/EC (of 22 December 1994) concerning the conclusion on behalf of the European Community, as regards matters within its competence, of the agreements reached in the Uruguay Round multilateral negotiations (1986-1994).

<sup>343</sup> Bruno De Witte, ‘Direct Effect, Primacy and the Nature of the Legal Order’ in Paul Craig and Gráinne de Búrca (eds), *The Evolution of EU Law* (2<sup>nd</sup> edn OUP 2011) 323-362, 340.

light of which the Court is to review the legality of measures adopted by the Community institutions'.<sup>344</sup> However, in the contemporary *Hermès* case it stated that:

It is true that the measures envisaged by Article 99 [Regulation No 40/94] and the relevant procedural rules are those provided for by the domestic law of the Member State concerned for the purposes of the national trade mark. However, since the Community is a party to the TRIPS Agreement and since that agreement applies to the Community trade mark, [national courts], when called upon to apply national rules with a view to ordering provisional measures for the protection of rights arising under a Community trade mark, are required to do so, as far as possible, in the light of the wording and purpose of Article 50 of the TRIPS Agreement.<sup>345</sup>

The same should now apply regarding EPUE and national patent law. The conclusion was confirmed in *Dior*.<sup>346</sup> In *Dior* CJEU continued to elaborate on to what extent the TRIPS agreement confers rights to individuals and so to give rise to direct effect of its provisions. In paragraph 44, the Court referred to the earlier *Portugal v Council* and found, 'provisions of TRIPS, an annex to the WTO Agreement, are not such as to create rights upon which individuals may rely directly before the courts by virtue of Community law'<sup>347</sup>. However, it was not satisfied with this finding<sup>348</sup> and continued to differentiate between the area where the Union has legislated and areas where the Union has not legislated (notably the patent law area). In the former, Union law, and national law implementing Union, law must be applied as far as possible in the light of the provisions. In the later, national law must not be in conformity with TRIPS for the sake of Union law compliance.

Community law neither requires nor forbids that the legal order of a Member State should accord to individuals the right to rely directly on the rule laid down by Article 50(6) of TRIPs or that it should oblige the courts to apply that rule of their own motion'.<sup>349</sup>

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<sup>344</sup> Case C-149/96 *Portugal v Council* [1999] ECR I-8395, para 47.

<sup>345</sup> Case C-53/96 *Hermès* [1998] ECR I-3603, para 28.

<sup>346</sup> Joined Cases C-300 and 392/98 *Dior* [2000] ECR I-11307, para 34.

<sup>347</sup> *Dior* (n 346), para 44.

<sup>348</sup> *Dior* (n 346), para 45.

<sup>349</sup> *Dior* (n 346), paras 47-49.

In the grand chamber *Merck Genéricos* case, the status of TRIPS in Union law, the distinction between direct effect and conform interpretation, and the division between areas where Union legislation exist and the area of patent law was elaborated and confirmed.

The WTO Agreement, of which the TRIPs Agreement forms part, has been signed by the Community [and approved]. Therefore, according to settled case-law, the provisions of that convention now form an integral part of the Community legal order.<sup>350</sup>

However, since WTO was concluded by joined competence, and the Community have not yet legislated in the field of patent, Article 33 TRIPS do not fall within the scope of Community law for the sake of direct effect.<sup>351</sup>

On the other hand, if it should be found that there are Community rules in the sphere in question, Community law will apply, which will mean that it is necessary, as far as may be possible, to supply an interpretation in keeping with the TRIPs ..., although no direct effect may be given to the provision of that agreement at issue ...<sup>352</sup>

In the recent post-Lisbon grand chamber *Daiichi*<sup>353</sup> case, CJEU revised its previous case law.<sup>354</sup> With the Lisbon Treaties, ‘commercial aspects of intellectual property’ were included in the ‘common commercial policy’<sup>355</sup> and so in the exclusive competence of the Union.<sup>356</sup> According to CJEU, it is therefore no need to investigate (as was done in *Dior* and *Merck Genéricos*) if the Union had legislated in the area.<sup>357</sup> CJEU then, based on this conclusion, continued to review the substance and found that pharmaceutical products are capable of being patentable subject-matter under Article 27 TRIPS<sup>358</sup> and that Article 27 TRIPS do not have retroactive effect regarding national reservations under 167 EPC. The distinction will

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<sup>350</sup> Case C-431/05 *Merck Genéricos* [2007] ECR I-7001, para 31.

<sup>351</sup> *Merck Genéricos* (n 350), paras 34 and 46.

<sup>352</sup> *Merck Genéricos* (n 350), para 35.

<sup>353</sup> Case C-414/11 *Daiichi* (ECJ 18 July 2013).

<sup>354</sup> *Daiichi* (n 353), para 48.

<sup>355</sup> Art 207(1) TFEU.

<sup>356</sup> Art 3(1)(e) TEU and *Daiichi* (n 353), paras 57-61.

<sup>357</sup> On the question of direct effect of the provision CJEU held ‘there is no need to consider the second part of the question’, *Daiichi* (n 353), para 62.

<sup>358</sup> *Daiichi* (n 353), paras 63-68.



also be of less importance since UPR and UPRL now extend Union legislation to the field of patent law.

When called upon to interpret TRIPS, CJEU will not only interpret the relevant provisions to the case but will also do so with a binding effect on UPC. The TRIPS Agreement could therefore potentially be a stepping-stone for CJEU to review the application of some of the provisions of UPCA and by doing so create a uniform case-based Union patent law.<sup>359</sup>

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<sup>359</sup> The location of the Court of Appeal of UPC in Luxembourg could potentially facilitate joint understanding.

## 6 Analysis and conclusion

Several aspects regarding the patent package lack clarity. First, harmonization of substantive patent law should not be dependent on actions being taken in UPCA. One must assume that it was easier getting political support for a solution that on the face of it left national patent unaffected. It is likely that UPCA, like EPC regarding patentability, will gradually harmonize national patent laws. It is also likely that CJEU, with the extended scope of Union law will interpret aspects of patent law making it part of Union law. However, the solution makes the current legal state uncertain. Consistency could further be improved by joining the national and UPCA court structures, either by preliminary reference, or by appeal to UPC from national supreme courts. This would make it clear what court ultimately has monopoly regarding interpretation of patent law within the territory.

The package is likely to change the role of EPO and EPC. There will be tension between the lack of judicial review of EPO proceeding and Union law regarding patentability aspects making it unsustainable for future integration. UPCA will also put national treatment in Article 64 EPC on its head since national parliament and courts do no longer have power to ensure equal treatment of European patents.

EPUE is rather elusive in nature. One could imagine UPCA and UPRL to work without UPR. The result would then be a solution without the new patent. European patent law would still be harmonized and centrally enforced by UPC according to UPCA. UPRL would apply to European patents, removing post-granting requirements on validation and translation requirements. If central renewal administration is added, the additional benefit with the EPUE is indeed very limited.<sup>360</sup> Such a solution would have all the benefits of the patent package without the uncertainty of the EPUE. A real Union patent (that is not merely a unitary effect defined in international and national law) could still be agreed on later.

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<sup>360</sup> The only difference between EPUE and European patent within the cooperation would then be that EPEU as an object of property is handled according to one (somewhat random) law of one of the Participating Member States, while the European patent is handled as an object of property according to the law of each state where it is effective. European patent can be also be lapsed in states where it is not desired.

## 6.1 Does UPCA harmonise national patent laws?

The Preparatory Committee of the UPCA has elaborated on the harmonization of national patent law following a question regarding national courts' obligation to apply UPCA for opted-out<sup>361</sup> European patents.<sup>362</sup> After acknowledging that the wording of UPCA is far from clear on the matter<sup>363</sup>, the Preparatory Committee consults Article 31-32 of the Vienna Convention on the Law of treaties<sup>364</sup> and provides a teleological analysis. First, it elaborates on the aims and purpose of UPCA and points to Article 1 UPCA and the recitals. From these it can be deduced that the aim of UPCA is to improve enforcement (for both proprietors and defendants) and legal certainty by setting up a new court. The new court shall ensure expeditious and high quality decisions and take into consideration the interest of the parties, and the need for proportionality and flexibility. This points to a court with rather autonomous general principles. Further, this is best ensured by giving the court exclusive competence in respect of European patents and EPUEs (but no competence in respect of national patents). They also point to the title, which includes the word unified. The purpose of giving UPC exclusive jurisdiction is to guarantee uniform interpretation. Also importantly, there is no procedure allowing national courts to refer questions on interpretation of UPCA to UPC, meaning there is no provision guaranteeing harmonious interpretation of law. The aim must therefore be to create a new jurisdiction comprising the Contracting Member States. UPC shall have exclusive competence on substantive European patent law within this new jurisdiction. The Preparatory Committee holds, that it was neither the purpose of UPCA to harmonise national patent law, nor should national courts have jurisdiction regarding UPCA itself.

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<sup>361</sup> During a transitional period (of initially seven years, Art 83 UPCA) national courts and UPC will share competence on traditional European patents. During this time, it will be possible to opt-out a patent to the effect of ousting UPC jurisdiction completely for that patent for the remainder of its life.

<sup>362</sup> Preparatory Committee of the UPCA 'Interpretative note - Consequences of the application of Article 83 UPCA' (News 29 January 2014) <<http://unified-patent-court.org/news/71-interpretative-note-consequences-of-the-application-of-article-83-upca>> accessed 20 May 2014.

<sup>363</sup>

<sup>364</sup> Vienna Convention on the Law of Treaties, 23 May 1969, 1155 UNTS p. 331; All EU Member States except France and Romania are parties.

I disagree with the conclusion of the Preparatory Committee regarding the application of UPCA in national courts. The connecting factor of patents must always be the jurisdiction where they protected. Hence, the harmonization rules in articles 25-27 UPCA must apply equally in national courts and UPC, independent of what court applying it. The Preparatory Committee further argue that the jurisdiction protecting European patents should be a new UPC jurisdiction. It argues that the general principles, the purposed, and the exclusive competence of UPC favour joint jurisdiction. UPCA does however not aim to achieve a unitary character according to Article 142 EPC meaning the jurisdiction favoured is one of harmonized European patents, protected by harmonized national law that does not have unitary effect within the meaning of EPC. Apart from being individually granted, registered, and upheld in each state, national laws also deliver most substantive rules applicable to European patents. There is therefore not enough support for a change in the nature of European patent from the current state of being territorially protected by national states and national laws (although harmonized under UPCA and applied by UPC).<sup>365</sup>

UPC should hence also respect the dualistic approach of Contracting Member States. In Sweden, where Article 25-27 UPCA does not apply to traditional European patents, UPC shall respect deviations.<sup>366</sup>

## 6.2 A note on the transitional period

The shared competence during the transitional period will pose problems. Article 83 UPCA states that during a transitional period of seven years, the proprietor has an option to opt-out of the new court and by doing so gives national court exclusive competence regarding the European patent. This can however only be done ‘Unless an action has already been brought before the Court...’<sup>367</sup> According to the Committee meeting on the change of the draft Rules of Procedures<sup>368</sup> (dRoP):

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<sup>365</sup> Text to n 304 in ch 5.2.2 and text to n 290 in ch 5.1.1.

<sup>366</sup> Text to n 190 in ch 3.1.1; UPCA is incorporated only in regards to EPUE.

<sup>367</sup> Art 83(3) UPCA.

<sup>368</sup> Drafting Committee, ‘Preliminary set of provisions for the Rules of Procedure (“Rules”) of the Unified Patent Court’ (16<sup>th</sup> draft Of 31 January 2014) <<http://unified-patent-court.org/images/documents/revised-draft-rules-of-procedure.pdf>> accessed 19 May 2014.

The **blocking-effect** of pending actions has **nothing to do with *lis pendens***. The **reason** for it is: preventing **diverging decisions** regarding the same patent on different levels (UPC, national courts). Such differences can arise **even after the blocking action has ended**: The other court could interpret the claims differently.<sup>369</sup>

It would seem that during the transitional period, the European patent will, like Schrödinger's cat, be in a dual jurisdictional state until seized by a court. If indeed national courts are prevented from applying UPC, this could lead to severe uncertainty.

A solution to this potential uncertainty would be to suspend UPC competence regarding revocation of European patents until the competence regarding these patents is in fact exclusive.<sup>370</sup> For EPUE this would mean immediately, but for European patents, this would occur only after the transitional period, and only for European patents not being subject to national proceedings or opt-out.<sup>371</sup> This would uphold legal certainty regarding jurisdiction on revocation and facilitate third country courts applying correct applicable law. The solutions will not solve the difference between opted out, "national" European patents, and opted in "UPC" European patents, but it will at least be possible to tell which in advance.<sup>372</sup>

## 6.3 Final remarks

UPR/UPRL will be a great improvement for patent applicants. The machine translation solution and the central renewal procedure will make patent application cheaper and more efficient. Legal certainty and judicial review is however questionable in the new package.<sup>373</sup> UPC could potentially harmonise patent law in Europe by making it possible to enforce and

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<sup>369</sup> Drafting Committee, 'Responses to the Public Consultation on the Rules of Procedure of the UPC' (News 06 March 2014) <<http://unified-patent-court.org/images/documents/rop-digest.pdf>> accessed 19 May 2014, 29 - ERIC

<sup>370</sup> Art 71b(1) Brussels I amendment (text to n 238 in ch 4.2) generally gives UPC competence when national courts in the Contracting Member States have competence.

<sup>371</sup> It could also apply after the patent is opted out and the opt out is withdrawn since this would exclude national competence on the matter.

<sup>372</sup> Opted out patents could continue to exist with SPC's into the 2050's.

<sup>373</sup> Text to n 99 in ch 2.4.1 and text to n 126 in ch 2.4.4.

revoke European patents in several Member States in one court action. Harmonisation is welcomed and it is only unfortunate that agreement could not be reached on a broader scale.

CJEU could be helpful in finding uniform interpretation of patent law. This would also allow for harmonization between Contracting Member States and those EU Member States still outside the agreement and make sure there is not diverging interpretation between national courts and UPC. It would clearly be in the interest of preventing barriers to free movement and making sure there will not be a two-tier integration process in this area. Uniform interpretation requires clarity through high quality decisions. Knowledge transfer between the UPC Court of Appeal in Luxembourg and CJEU could increase patent law awareness in CJEU and Union law awareness in UPC. In the end, one might see UPCA integrated under the Treaties, and by doing so making UPC a proper civil EU court.<sup>374</sup> This would make it part of the Union court structure and bring substantive patent law and the case law of UPC safely within the scope of Union law.

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<sup>374</sup> A similar development to the Schengen agreement.

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