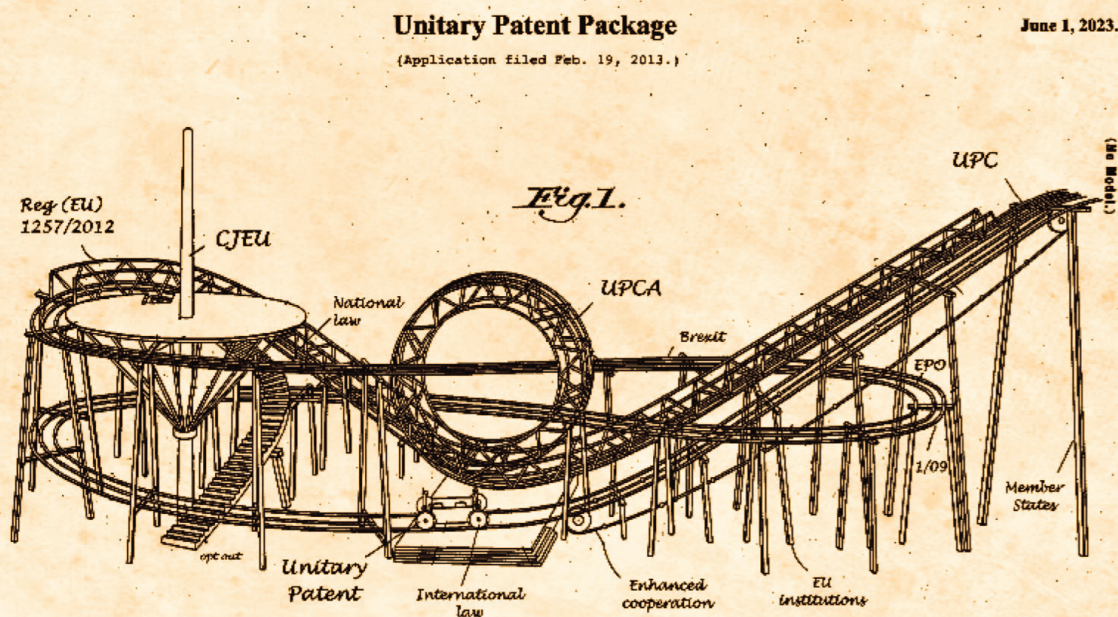


The Unitary Patent Package & Unified Patent Court

Problems, Possible Improvements and Alternatives

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24. HOW TO STRAIGHTEN UP THE SHAKY FOUNDATIONS OF THE UNITARY PATENT SYSTEM: PIERCING THE NON-EU LAW BUBBLE AND REINTEGRATING THE UPC WITHIN THE EU JUDICIARY?

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1. Introduction

In this paper we explore how to address some issues in the design of the European patent with unitary effect (although we will refer to this new exclusive right as the “Unitary Patent”, we do not see it as a truly unitary intellectual property (hereafter IP) right, as further demonstrated below). This new exclusive right will take place and operate within the new patent system resulting from the 2012-2013 Patent Package (i.e. the combination of the Unified Patent Court Agreement (UPCA)¹ and the two EU Regulations, namely the Unitary Patent Regulation (UP-Reg)² and the language regime Regulation³).⁴ Our intent is not to make a further proposition on how to reshape the new patent system from scratch, as, for instance, F. de Visscher, V. Cassiers or T. Jaeger do suggest in their contributions to this book. As a first caveat, we strongly support the emergence of a real Unitary Patent at EU level. However, we remain sceptical about the truly EU character of the forthcoming Unitary Patent, and we expect that the new system intended to start in June 2023 will be challenged before the Court of Justice of the EU (CJEU).

Indeed, there are good reasons to consider parts of the new patent system and the UPC as incompatible with EU law and principles. Such expected challenge will bring legal uncertainty that will have negative consequences for the

1 Agreement on a Unified Patent Court, 19 February 2013, OJ C 175, 20.6.2013, p. 1–40.

2 Reg. (EU) 1257/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ 31.12.2012 - L 361, p. 1.

3 Reg. (EU) 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, OJ 31.12.2012 - L 361, p. 89.

4 For a more in-depth description, see the introduction of this book.

innovation and industrial policies in the EU which partly rely on a fine-tuned and, most of all, stable patent system. During the time needed to obtain a ruling of the CJEU, the whole attempt to create a unified patent title and to streamline the process for adjudicating patents in Europe could therefore be jeopardised. If this new delay for a well-functioning patent system in Europe is as such very annoying, a decision of the CJEU declaring parts of the new patent system and the UPC as incompatible with EU law could yet lead to a real disaster, the scale of which would depend on the nature and extent of the illegality recognized. Lastly, if a whole new patent system were to be rebuilt after more than 60 years of discussions and negotiations⁵, it is possible that the integration process would be blocked as several key Member States would likely opt to rely on national and European patents, combined with their existing national judiciary systems. This potential fragmentation, as a by-product of the failed attempt of having a common patent, is not what Europe needs in the present geopolitical context where the advancements and deployment of (digital) technology more and more determine the wealth and power of nations as well as their capability to support their policies and values.

Because of the challenges looming over the future patent system, it appears reasonable to interpret and amend some of its rules and principles without exposing the whole system to a major legal strike-out. How to fix the existing gaps and shortcomings without dismantling the new patent system is what we want to explore here.

We see the wrongly designed patent system as a leaning building, much like the Pisa tower, which might continue to stand despite the wrong foundations, but could as well fall in the absence of consolidation. Some building blocks must urgently be repaired or amended. This will not allow to have the perfectly straight edifice one could have dreamed of, but at least, it might not fall to pieces.

In this regard, we will first highlight the main issues that need to be addressed as a priority, namely those concerning the externalisation of patent law from the EU legal order, its uncertain compatibility with EU law and the risks raised by the Unified Patent Court's design with respect to the right to a fair trial (2), before exploring the solutions that would, first, permit to re-integrate the UPCA within the orbit of EU law with the aim of re-establishing the CJEU as last resort jurisdiction for patent matters and, second, re-empower the EU legislator for determining the substantive rules of the Unitary Patent (3).

5 See Aurora Plomer, A Unitary Patent for a (Dis)United Europe: The Long Shadow of History. *IIC* 46, 508–533 (2015). <https://doi.org/10.1007/s40319-015-0356-6>.

2. Foundational weaknesses of the new system

Several issues were flagged in the other contributions of this book,⁶ and there is no need to make a comprehensive inventory of them. However, we like to summarize the most relevant ones that need in priority to be resolved to avoid a collapse of the new system.

A. Externalisation from the EU legal order

The reliance on a technical and highly specialised court in patent matters might be justified by the technical complexity of patented inventions and the need to have non-lawyers involved in the adjudicating process. Yet, this does not mean that the litigation system should be disconnected from the EU legal and judicial framework. Such attempted severance from EU law is one of the most criticisable characteristics of the proposed system. This escape from EU law essentially takes two forms, an internationalisation, and a nationalisation of certain rules. Indeed, some important building blocks for a patent right to be adequately designed (such as its scope, exceptions, or the basic contractual rules) are either integrated in an international instrument or left to be defined by the applicable national law.

1. Internationalisation of the substantive rules

This externalisation from the EU legal order was made, in theory, possible through the adoption of an international treaty (the UPCA) to which the EU is not a party. As a consequence, the rules of the UPCA are, from a Union's law perspective, formally national law and, therefore, outside the scope of jurisdiction of the Court of Justice. Hence, from an EU law perspective, the UPC is not an 'EU court', but merely, as Article 1§2 UPCA explains, "a court common to the Contracting Member States (...)".⁷

An externalisation of the UPC from the EU legal order would, however, not have worked if the law that this new Court was called upon to interpret and apply would have constituted EU law. Indeed, as Article 1§2 UPCA recalls, as part of the national judicial systems, the UPC is "subject to the same obligations under Union law as any national court", which include a duty to refer questions

6 See particularly the contributions proposed by Dimitris Xenos, Jean-Christophe Galloux, Heinz Goddar & Konstantin Werner, Rafal Sikorski, Nicolas Binctin, Mathieu Leloup & Sébastien Van Drooghenbroeck.

7 Art. 2§2 UPCA.

related to the interpretation of an EU act to the CJEU.⁸ This explains why the drafters of the Patent Package finally decided to remove the substantive patent provisions entailed in Articles 6 to 8 of the draft Unitary Patent Regulation and to include them in the UPCA.⁹ These provisions, placed today in Chapter V of the UPCA, include the definition of the patent's owner prerogatives to prevent the direct and indirect use of the invention (Art. 25 and 26), the list of limitations concerning the scope of patent protection, including *inter alia*, acts done privately or for experimental purposes, the use of biological material for the purpose of breeding, discovering and developing other plant varieties (Art. 27), the condition of the right for prior use (Art. 28), a recall of the rule of exhaustion already existing in Art. 6 UP-Reg (Art. 29), a provision concerning the legal regime to be applied to supplementary protection certificates (Art. 30).

The reasons to disconnect the patent system from the rest of the EU legal order are linked to both historical views and contingencies that are now outdated/not applicable and to an understanding of the role of the patent system that is no more justifiable.

It is indeed well-documented that during the negotiation process, the UK was critical of the role played by the Court of Justice, and that Germany was concerned about the quality of the case law developed by the latter in particular in the field of trademarks and therefore reluctant to let the Court be responsible for a more sensitive, and perceived as more important, domain of IP law.¹⁰ Today, however, the UK is no more part of the EU, and also decided, in 2020, not to participate in the UPC. Regarding the initial German concerns, one can argue that the Court of Justice over the recent years has proven its capability to develop its expertise notably in the area of trademark and copyright law.¹¹ Then, judges having similar training and experience as the professional and

8 Art. 267 TFUE, and recalling this obligation for the UPC, Art. 21 UPCA.

9 See in this regard the contributions of Rafal Sikorsky and Nicolas Binctin in this book.

10 See for instance the contribution of Tamar Khuchua and Thomas Jaeger (n°6) in this book. Also Karen Walsh, 'The Unitary Patent Package, the Court of Justice of the European Union, and Brexit:(Ir) Reconcilable?' (2019) 2 Intellectual Property Quarterly 91; Thomas Jaeger, 'Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise' (2013) 44 IIC 389, 391; Winfried Tilmann, 'The Compromise on the Uniform Protection for EU Patents' (2013) 8 Journal of Intellectual Property Law & Practice 78, 79; Fernand de Visscher, 'Unitary Patent Package & Unified Patent Court: a (fragile?) progress of the European Union?', *Revue de droit intellectuel – L'ingénieur-conseil*, 2022/3, 523 (527).

11 See: Pier Luigi Roncaglia and Giulio Enrico Sironi, 'Trademark Functions and Protected Interests in the Decisions of the European Court of Justice' (2011) 101 Trademark Rep. 147, concluding that: 'In any case (...) the ECJ's journey (while not always linear) has been in the right direction, and the current state of Community jurisprudence is, on the whole, positive'.

technical judges who will sit on the bench of the upcoming UPC could play a decisive role even if this new court were to be attached to the Court of Justice or if additional patent rules would be subject to the final interpretation by the Court of Justice.

The second reason, more profound, is qualified for instance by Professor Galloux in his contribution to this book as the “very autonomous vision of patent law in relation to the legal system”.¹² This autonomous vision, which often leads to considering this area of law as a *corpus alienum* from the rest of the legal order, results mainly from the technical character of this legal domain and the need and practice of involving non-lawyers. Both the legal instrument (a complex and limited exclusive right to control certain uses of a technical solution) and the assessment of the subject matter of a patent (what constitutes an invention is outside the common understanding of lawyers and requires the expertise of technical experts) do not fit with the training, and areas of interest, of most lawyers. If the technicality of this area of law is undeniable, its alienation from the rest of the legal system cannot be accepted.

The creation of a patent system and the establishment of the conditions under which it should operate involve policy choices made by the lawmaker, which are not neutral since they confer legal privileges to the benefit of the rights owners and thus disadvantage third parties, in particular competitors and users. The right calibration of any IP right hence involves a balancing at all levels of the right: for patent in particular, not only when determining the patent subject matter and the exclusions from patentability, but also when defining and applying the patentability criteria, when constructing and interpreting the claims, when delineating the scope of the granted rights or the exceptions to patent enforcement, when designing the proper remedies, in particular injunctions, etc.¹³ These policy choices might further collide with other decisions operated by the lawmaker (for instance, concerning competition law¹⁴ or consumer law) or with other interests protected within the legal order (notably those covered by fundamental rights, including the freedom to operate a business). This tension is for instance particularly apparent in the case law developed by the Court of Justice concerning the interpretation and application of copyright.¹⁵

12 See the contribution of Jean Christophe Galloux in this book.

13 See on this, Rafal Sikorsky's contribution to this book.

14 On this, see the contribution of Julia Zöchling and Bojan Pretnar in the present book.

15 Even if, unfortunately, copyright is not yet a unified title, but remains a bundle of 27 national rights in the EU, see Alain Strowel, *Advocating an EU Copyright Title*, in P. Torremans (ed.), *EU Copyright Law: A Commentary* (2nd ed.), Edward Elgar, 2021, p. 1104-1117; and a revised version in French: *Plaidoyer pour un droit d'auteur unitaire de l'Union européenne*, in *Entre art et technique : les dynamiques du droit*, *Mélang-*

As underlined by commentators, copyright is indeed more and more viewed by the CJEU as a right protected under Article 17, §2 of the Charter of Fundamental Rights¹⁶ and at the same time always in tension with other fundamental rights protected as well under the Charter (among them the right to freedom of information (Art. 11), the right to freely conduct a business (Art. 16), the right to privacy and data protection (Art. 7-8)).¹⁷ Not only the difficult enforcement of copyright online (with for ex. the liability of intermediaries and platforms), but other issues, such as the subject matter and the scope of the rights and exceptions, are dealt with through the flexible tool of the “fair balance” used by the CJEU to ensure that various interests and rights are well taken into account for each copyright aspect.¹⁸

Solving these conflicts is precisely the role of the judiciary, which needs to articulate the – potentially contradictory – requirements stemming from different rights or pieces of legislation according to the – admittedly always moving – aim of any legal order. This exercise requires first that the judiciary be (hierarchically) organised for developing a sufficiently coherent case law so as to address the many conflicts between norms (and their underlying policies), and second that none of the legal norms affecting a given legal order escapes the jurisdiction of its judiciary system.

In its current form, the Unitary Patent system, which could be summarized with the motto “leave the patent experts to determine the important patent rules”, is precisely designed in an opposite way that isolates the UPC from the EU judicial system and the patent law provisions contained in the UPCA from the EU legal order. This outcome was not seriously challenged by the European

es Pierre Sirinelli, LexisNexis, 2022, p. 197-218. <http://hdl.handle.net.proxy.bib.ucl.ac.be/2078.3/266337>.

16 See for ex. Alain Strowel, « Article 17 – La propriété intellectuelle », in F. Picod et S. Van Drooghenbroeck (sous dir. de), *Charte des droits fondamentaux de l'Union européenne. Commentaire article par article*, Larcier, 2022, 3ème éd., p. 429-457.

17 See Julien Cabay and Maxime Lambrecht, Les droits intellectuels, entre autres droits fondamentaux : La Cour de Justice à la recherche d'un 'juste équilibre' en droit d'auteur, in Julien Cabay and Alain Strowel (ed.), *Les droits intellectuels, entre autres droits. Intersections, interactions et interrogations*, Larcier, 2019, p. 181-242 and Julien Cabay, *L'objet de la protection du droit d'auteur - Contribution à l'étude de la liberté de la création*, unpublished PhD, ULB, 2016. See also, Luc Desaunettes-Barbero, „Proportionality and IP Law: Toward an Age of Balancing?“, in Franz Bauer and Ben Köhler (eds), *Proportionality in Private Law* (Mohr Siebeck 2023, forthcoming) noting that “the Court apparently feels obliged to engage in an almost systematic fundamental rights discourse”.

18 See for instance, CJEU, 24 Nov. 2011, *Scarlet Extended v SABAM*, C-70/10, CJEU, 15. Sep. 2016, *Mc Fadden*, C-484/14; CJEU, 27 March 2014, *UPC Telekabel Wien v Constantin Film Verleih*, C-314/12.

Parliament and not sufficiently pushed back by the Commission, whose primary aim – transformed sometimes in a “bureaucratic obsession” – was to achieve on paper one of the blocks of the internal market the Commission had put high on its list of priorities.

2. Nationalisation of the transactional rules

While the validity, scope and enforcement of patent are hence determined by international law, the rules concerning contractual and broader transactional issues involving patents as economic assets, or as “an object of property” – to use the term of the EU Regulations on unified IP titles¹⁹ – are determined by the applicable national law.²⁰

By focusing on the rules that delineate the possibility to block other market operators (even if those rules were internationalised) and by using national rules to regulate the transactional aspects of (unitary) patents, those having influenced the Patent Package clearly had a view of patents as rights to *exclude* third parties from using the protected subject matter, not as a legal asset needed to *conclude* market transactions.²¹ This view explains that the legislative process was largely governed by somewhat narrowly defined patent issues (around validity, scope²² and enforcement). This contradicts an important reality, maybe better grasped by the in-house patent attorneys: in several industrial sectors, the exploitation of patents as intangible assets, which might be traded by way of assignment, licensing, as security, or involve their securization as financial assets, etc., have become increasingly important in practice.²³

If this focus on patent litigation partly explains why the legislator has underestimated the transactional aspects and relegated them to national law, it is

19 For ex. Art. 19-27 Regulation 2017/1001 on the EU trademark; Art. 27-34 Regulation 6/2002 on Community designs.

20 Art. 7 UP Reg.

21 This view is at least understandable for the patent judges whose role in the legislative process is underlined by Emmanuel Lazega and François Lachapelle in their contribution to this book.

22 Even if, in this regard, the question of the compulsory licenses’ regime has also been left aside from the UP Regulation, with the result that their regime is in the same way currently the responsibility of national law. See in this regard the contribution of Jean-Christophe Galloux and Alina Wernick in this book.

23 See Hanns Ullrich, *The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?*, Max Planck Institute for Intellectual Property and Competition Law, Research paper No.13-17. Compare also the contribution of Thomas Jaeger (n°6) in this book. See also the study one of us has supervised: *The Use of IP Assets to Access Funding for SMEs*, SPF Economie, UCLouvain-Pierstone, 2022, p. 37 (accessible under <https://economie.fgov.be/fr/publications/guide-pratique-sur>). <http://hdl.handle.net/2078/259474> (19.01.2023).

however in no way a justification for *completely* removing those aspects from the domain of EU law, contrary than what the EU legislator did for the EUTMs and Community designs (see below). Indeed, while the CJEU has underlined that Article 118 TFUE, claimed as legal basis for the UP-Reg, “does not necessarily require the EU legislature to harmonise completely and exhaustively all aspects of intellectual property law”²⁴, it is questionable that this legal basis is used for creating an IP right devoid of any EU substantive rules for the patent scope and limitations (see above) *as well as* for all its transactional aspects (see below). By removing all those decisive aspects out of EU law, the European Parliament and the Council did not “*establish* measures for the *creation* of European intellectual property rights to provide *uniform protection* of intellectual property rights throughout the Union”: strictly speaking, and even if the Court of Justice decides to accept the reliance on Article 118 TFUE,²⁵ there are no measures established in EU law concerning the IP rights, and no uniform protection, neither a true creation of an EU exclusive right by the legislator.

The national regime applicable to patents as assets and objects of transactions is determined by the residence or the principal place of business of the patent applicant, if this is not applicable, the place of business of this applicant, and, in case the applicant has no connection with the territories of the participating Member States, German law will apply as the law where the EPO has its headquarters (Art. 7 Unitary Patent Regulation or UP-Reg). The EU Trade Mark and the Community Design Regulations²⁶ also consider those EU unitary titles as national (trade mark or design) rights in their entirety, and they provide for similar rules to determine which national law will apply: seat/domicile of the IP holder, if not applicable, its establishment in the EU, and subsidiarily, Spanish law as the law applicable where the EUIPO is located. But despite their similarities, the rules for identifying the applicable national law will have very different effects for those truly unitary rights and for the misnomer Unitary Patent. Regarding Unitary Patents, when the patent owners have some connection with a country participating to the patent reform (Patent Package), the transactional

24 CJEU, 5 May 2015, *Kingdom of Spain v. European Parliament, Council of the EU*, C-146/13, pt 48.

25 Because according to the Court: “the designation of the national law of a single Member State, which is applicable in the territory of all the participating Member States, and the substantive provisions of which define the acts against which an EPUE provides protection and the characteristics of that EPUE as an object of property, helps to ensure the uniformity of the protection conferred by that patent”: see: CJEU, 5 May 2015, *Kingdom of Spain v. European Parliament, Council of the EU*, C-146/13, pt 46.

26 Reg (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, p. 1–24; Reg. (EU) 2017/1001 of 14 June 2017 on the European Union trade mark, OJ L 154, 16.6.2017, p. 1–99.

aspects will be subject to the national law of the patentee (where it operates), while businesses from non-participating countries without this connection will never have their national law applicable. This rule for determining the national law for the Unitary Patents might create a discrimination between EU nationals, depending on where they have their residence/place of business (contrary than the similar rules for the unitary trade mark and design which treat solely non-EU related entities differently than those connected to an EU country). The different treatment of private parties from non-participating countries could probably be challenged relying on Article 21 of the Charter of fundamental rights or Article 18 TFUE. Although the discrimination results from the decision of “their” Member States not to participate to the enhanced cooperation, it is arguable that, for the firms originated in a non-participating Member State, it constitutes an indirect discrimination based on nationality, and some experts have underlined this.²⁷ Such covert discrimination is at first sight not justified by any objective ground. Indeed, the choice of a national law whose application is extended to all Member States participating to the Patent Package cannot be justified by the establishment of a Unitary Patent title according to Article 118 TFUE: in reality, the rule on applicable law goes right against the objective of a unitary character by creating as diverse (unitary) effects as there are legal diversities and divergences among the national laws of the participating Member States on the transactional aspects of the Unitary Patents.

True, a nationalisation of the transactional rules is also imposed for other unitary IP titles as the EU Trade Mark and the Community Design Regulations contain similar provisions on IP rights as “objects of property”. But significantly, this nationalisation of the property aspects of those unitary IP rights does not discriminate between the Member States (as those unitary rights cover the whole EU, without distinguishing between participating/non-participating countries). What’s more, some decisive issues are carved out of the applicable national laws for EU trade marks and designs as transactional assets. For example, Articles 20 to 28 of the EU Trade Mark Regulation (EUTMR) provide for uniform EU rules regarding the transfer of the EU trade mark (including evidence of the assignment, rules for the registration of a transfer, its enforcement towards third parties, the claim for assignment in favour of the propri-

27 See Hans Ullrich, *The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?*, *op cit.*, p. 12, who takes a very clear position on this issue: “This preferential treatment of applicants domiciled in a Member State of the enhanced cooperation group amounts to an indirect discrimination on ground of nationality, because the residence or the principal place of business of a patent application typically corresponds to his/her nationality”. See also on this, the reasoning followed by the CJEU, 30 June 2005, *Tod’s v. Heyraud*, C-28/04.

etor-*versus dominus*, etc.), the licensing of the EU trade mark (including the claims of the holder against a contravening licensee, the conditions for a non-exclusive licensee to bring infringement proceedings, the enforcement of licenses towards third parties (*erga omnes* effect), etc.), the possibility of using the EU trade mark as security, the rules on the levy of execution or insolvency proceedings involving the EU trade mark. Similarly for Community designs, Articles 28-34 of the Regulation provide for EU rules applicable to their transfers or licensing, the use as security, the levy of execution, the involvement of designs in insolvency proceedings, the application for a design right. For the Unitary Patents, there is only a rule on licences of right (Art. 8) that is imposed under EU law, all other issues, including those on transfers and licences, are governed by a national law. Significantly, the rules that take care of the invisibility of patent transactions by limiting their effect towards third parties through the imposition of transparency and good faith requirements (as in the Art. 20, 11 and 27 EUTMR) are not integrated in the core EU rules for patent transactions: this again benefits the patent owners to the detriment of third parties whose interests were not sufficiently taken into account during the legislative process. This is one additional evidence of an unbalanced treatment of some stakeholders, which is otherwise corroborated by the many advantages patent owners enjoy under the UPCA rules (see for example the contribution of François Wéry in this book). Because of the reduction of the EU law component of the transactional rules to the sole regime of licences of right, differences between Member States in the way the contractual aspects of the Unitary Patent are regulated could thus proliferate. In practice, as has been noticed, many countries have somewhat similar rules on the transactional aspects for all IP rights.²⁸ However, the transactional aspects are not only regulated in national patent statutes, but in general property law, in procedural law, in pledge laws, in general principles of national law, etc. if not in the case law of each country. This reinforces the unbalance to the detriment of firms from non-participating Member States which will be subject to all the applicable national laws, including the case law, from the participating Member States.

Overall, when considering the property aspects, it is quite clear that the Unitary Patent is not an EU-wide right like the EU trade mark or design. On several transactional issues, the Unitary Patent is more governed by national rules than the other EU IP titles, although it is a newly born unitary title

28 Some countries were expecting that a similar transactional regime as the one provided for the unitary trade marks and designs would apply as it was provided in the initial Community Patent Regulation, but the European legislator, under the pressure of some stakeholders, removed those rules during the legislative process, keeping only the rule of licences of right as EU law.

appearing at a time when EU harmonisation and unification (in the IP field) has intensified and deepened²⁹. Thus, while the state of IP europeanization is more advanced today, and the expectations for a common patent law higher today than when the unitary trade mark and design titles were adopted, respectively in 1993 and 2001, a reverse course influences the way the Unitary Patent has been recently shaped.

What are the practical effects of this reversal of the tide favouring the nationalisation of some patent law facets? Rafal Sikorsky in his contribution to the present book has highlighted and considered several consequences of the rules on Unitary Patents as market assets. The fragmentation through nationalisation could affect the functioning of the technology markets, depending on the importance of the discrepancies between the national rules on those transactional aspects. At first sight, the fragmentation would increase the complexity of licensing a bundle of Unitary Patents subject to different national laws, in other terms, the transaction costs (in the economic sense) will be higher for the participants to those licensing deals. On today's markets, it is often required to offer a cluster of inventions and technologies within a patent portfolio (and in relation to a product with various components), not just to licence one singular patent, thus several national laws are likely to apply to many technology transactions. In addition, the role of patent pools has increased over the years, and not only in the field of connectivity and communication technologies, and it is likely that the transactional aspects for offering access to those pools (if they contain Unitary or existing European patents) will be subject to several national laws. Even if the parties to an assignment or licence can opt for a particular law to apply to the contractual aspects, some proprietary aspects, such as the type of licences that can be granted, the possibility to sub-licence and the effects of those contracts on third parties will be governed by the national laws with which the patentee will have connections.³⁰

29 Alain Strowel, Luc Desauettes-Barbero and Vincent Cassiers, *L'influence du droit européen et de la Cour de justice en propriété intellectuelle : vers un ius commune*, in A. Strowel et G. Minne (eds.), *L'influence du droit européen en droit économique. Liber Amicorum Denis Philippe*, Larcier, 2022, vol. 1, p. 673-699, <http://hdl.handle.net/2078.3/266336>.

30 See the contribution of Rafal Sikorsky in this book.

B. Uncertain compatibility of the proposed system architecture with EU law

As particularly well highlighted by Thomas Jaeger in chapter 6 of the present book, this circumvolved architecture (see above under A) leads to a certain uncertainty on the conformity of the proposed system with EU law. Asked about the compatibility of an initial draft of the UPC (still referring to Community patents) with the EU Treaties, the Court of Justice replied negatively:

[T]he envisaged agreement, by conferring on an international court which is outside the institutional and judicial framework of the European Union an exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field, would deprive courts of Member States of their powers in relation to the interpretation and application of European Union law and the Court of its powers to reply, by preliminary ruling, to questions referred by those courts and, consequently, would alter the essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States and which are indispensable to the preservation of the very nature of European Union law.³¹

This motivation is guided by the general consideration of the need to ensure a cohesive judicial system within the EU under the oversight of the Court of Justice. In this regard, the final version of the UPCA tries to address the criticisms of the Court of Justice, *inter alia* by recalling the primacy of EU law (Art. 20), by imposing on the UPC an obligation to cooperate with the CJEU through preliminary rulings for matters of EU law (Art. 21), and by rendering the Member States liable for the decisions of the UPC that would constitute a breach of EU law (Art. 22 and 23).

While these adjustments are designed to respond to the Court's criticisms, the general approach behind the UPCA system, as explained in the previous section, still runs counter to the establishment of a unified institutional and judicial framework (for EU/patent law) placed under the supervision of the Court of Justice. The core institutional design rule presiding over the architecture of the UPCA, and the policy attempt to make patent law a legal domain out of reach of the "common EU law", clashes with the primacy of EU law principle

31 CJEU, 8 March 2011, *Opinion Creation of a unified patent litigation system - European and Community Patents Court - Compatibility of the draft agreement with the Treaties*, 1/09, §89.

and the strong and constant reaffirmation by the Court of Justice of its role as ultimate arbiter over EU law.³²

Until today, the Court of Justice did not have the opportunity to take a stance on these adjustments made to the UPCA. In its decision C-147/13 concerning the action in annulment brought by Spain under Article 263 TFEU against the Unitary Patent Regulation, the Court indeed explained – in a very neutral wording – that “in an action brought under Article 263 TFEU, the Court does not have jurisdiction to rule on the lawfulness of an international agreement concluded by Member States.”³³

The question of the UPCA legality, in the aftermaths of the adjustments made, remains therefore open. We think this critical issue which could lead to what we call a “central attack” on the UPCA, could resurface, for instance if a broad request for a preliminary ruling of the CJEU on various UPCA provisions is raised by a national court.³⁴ Although warnings about the development of this “non-EU law bubble” within the EU legal order have been numerous over the years, the patent profession seems to “sleepwalk” in its dream of superb autonomy from other legal – and societal – considerations. This situation presents huge legal risks, with a Damocles sword hanging over the whole institutional enterprise. We hope that the well-intentioned legislative work of several decades will not be definitely ruined, but we expect that critical reviews will be imposed by the CJEU at some stage.

C. Design of the Unified Patent Court and the right to fair trial

The questions raised by the design of the UPC concerning its independence and the respect of the fundamental right to fair trial are intensively discussed in the contribution of Mathieu Leloup and Sébastien van Drooghenbroeck to this book. We will therefore remain concise here.

32 See connivingly, the contribution of Thomas Jaeger (n°6) in this book concluding that the changes are not sufficient to address the concerns of the Court of justice, as they do not remedy “the lack of functional integration or links to the national judiciaries” and in the end only amount to “changing the court’s doorplate”.

33 CJEU, 5 May 2015, *Spain v Parliament and Council*, C-146/13, §101.

34 More ironically, this issue could actually arise on the occasion of the first preliminary ruling that the UPC would refer to the Court of Justice. Indeed, when considering the receivability of the latter, a debate could take place on the basis of Article 267 TFEU as to whether or not the UPC should be regarded as a “court or tribunal of a Member State”. On this, see for instance the contribution of Heinz Goddar and Konstantin Werner in this book.

The first issue concerns the powers attributed to the Administrative Committee, which according to Article 12 UPCA is composed of one representative of each Contracting Member State. This Committee, hence part of the executive branch, is, however, responsible for the appointment of the judges (Art. 16 UPCA), their reappointment (Art. 4 Statute), as well as for the setting up and discontinuance of local and regional divisions (Art. 7 §4 UPCA, Art. 18 Statute). The powers conferred to the Administrative Committee raise substantial concerns regarding a potential lack of independence of the Court toward the executive. The powers of this Committee are not only a matter of concerns in view of the independence of judges. They also appear problematic in terms of their content and of the lack of democratic control. According to Art. 41 UPCA, the Administrative Committee is for instance responsible for the adoption of the Court's rules of procedure. These rules of procedure – in reality of comprehensive code containing almost 400 provisions – were adopted by a decision of the Administrative Committee on the 8th of July 2022,³⁵ in the absence of any debate by a chamber of representatives that would constitute the legislative power normally required to adopt such essential rules. The second issue concerns the budget of the UPC. According to Article 36(1) UPCA, “[t]he budget shall be balanced” and “be financed by the Court's own financial revenues”. The second paragraph of this provision furthermore states that “[t]he Court's own financial revenues shall comprise court fees and other revenues”. This self-financing obligation again raises questions about the independence of the Court, this time not regarding the executive branch but the parties, which are supposed to be both the users and the financial backers of the Court.

These issues can again mainly be explained as resulting from the above-explained externalisation process. The severance from the EU legal order and, therefore, from its institutions oblige indeed to create from scratch some international administrative body in charge of managing the functioning of the Court. Realistically, this international administrative body was to be kept light: given the size of the Court, it was indeed not conceivable in practice, nor financially sustainable, to attach a complex organisation to the Court itself. As a result, the latter could not be offered the democratic depth or checks and balances existing within the EU institutions. In the same way, the budgetary regime of the Court might also be explained by its stand-alone position, rendering for instance the allocation of the collected fees directly to the budget of the Court itself the most straightforward solution.

35 The rules are accessible on the website of the Court: https://www.unified-patent-court.org/sites/default/files/upc_documents/rop_en_25_july_2022_final_consolidated_published_on_website.pdf.

Here again, we believe that these weaknesses – concerning some core features of the Court – could be questioned in a case of a “central attack” against the new patent system resulting from a preliminary ruling made by a national court.

3. Possible consolidation works

As explained in the introduction, this chapter does not aim at rebuilding the whole patent system from the ground. In the following section we will therefore explore how some of the flaws and issues of the current system could be solved through consolidation works – to straighten up or just maintain the dangerously inclined Pisa tower-like construction of the new patent system.

A. Re-integrating the UPCA as part of EU law and re-establishing the supremacy of the CJEU to ensure the coherency of the EU legal and judicial order

1. The legislative integration of the UPCA: an in-depth restoration

The most straightforward way to address the issues previously described would be to transpose the UPCA into an EU Regulation. This transcription would lead to the incorporation of its provisions into the EU legal order, avoiding the alienation in international law of the substantive patent provisions. The UPC would further see its competencies arising from EU law, and it will be required to apply the EU law provisions in accordance with the EU Treaties, under the full control of the Court of Justice as a last resort jurisdiction.

This at first sight easy solution would remedy the isolation of the UPC from the EU judicial system and allow the patent law provisions entailed in the UPCA to become an integral part of the EU legal order. Furthermore, by ensuring the consistency of the EU legal and judiciary orders, it would consequently also address the remaining questions concerning the legality of the UPCA system. Thirdly, this option could also address the criticisms based on the right to a fair trial and the risk of a lack of independence of the UPC from the executive. Indeed, the UPC would then constitute a ‘specialised court’ in the sense of Article 257 TFUE, and it would hence be financed via the budget of the EU³⁶, thereby discarding the legitimate concern and legal argument that patent owners are paying for their patent judges. This decoupling of the UPC financing from the UPC’s fees paid by the litigants would remove the understandable suspicion looming over the UPC that it is financially dependent on the pockets of the

36 Art. 310-319 TFUE.

claimants/patent owners. The collected fees would then, following the principle of universality,³⁷ be diluted in the European budget. In addition, the powers recognised to the Administrative Committee – especially those concerning the judges' appointment, the set up and discontinuation of divisions or the establishment of the rules of procedure – which raise a legitimate suspicion of lack of independence from the executive could be exercised jointly by the Parliament and the Council under the control of the Commission. This integration within the EU institutional system would enable the decisions adopted to enjoy greater democratic legitimacy because of the involvement of several institutions representing different constituencies. This would decrease the risk of (limited) independence of the UPC. Lastly, this legislative integration could also address the weaknesses of the UP-Reg on the transactional aspects of patents that were shifted towards national law.

If this transposition of the UPCA – admittedly with other, and probably important modifications³⁸ – constitutes the 'cleanest' way to resolve some of the major issues of the Patent Package, it is however improbable, from a mere political perspective, that the EU legislator will engage in this direction anytime soon. The architecture of the patent system and the resulting externalisation of patent law from the EU legal order are not the result of a lack of focus by the Member States but, on the contrary, the outcome that was sought by them. With the hindsight we have today the position of some of the negotiating States (and of the European Parliament) might have evolved, it makes however little doubt that no one wishes to invest time and efforts in reopening a very uncertain negotiation process.

This solution, at first sight easy from a legal point of view, but politically complicated, should however not be ignored. It could indeed constitute a life-line would the Court of Justice consider the Patent Package as breaching EU Law. In such a case, alternative proposals more elaborated as those exposed in this book could come into consideration. However, in the emergency situation created by a CJEU bar against the UPCA system, such a transposition, constituting the most straightforward solution (without any requirement in principle to renegotiate the content and wording of the exported provisions) would seem appealing.

37 See Reg. 2018/1046 of 18 July 2018 on the financial rules applicable to the general budget of the Union, OJ L 193, 30.7.2018, p. 1–222, Art. 20.

38 See notably III. B. of this contribution.

2. The integration within the EU legal order by a jurisprudential interpretation of the UPCA: between tinkering and high precision work

The second solution to avoid the above documented transfer of patent rules out of EU law could consist in integrating the UPCA within the EU legal order, this time not by way of a legislative modification but via the interpretation that the Court of Justice could make of the Agreement. Indeed, beyond the risk of seeing the UPCA declared incompatible with the EU treaties, the attempt to side line the Court of Justice for a Unitary IP right - established on the basis of Article 118 TFEU - appears rather naïve. As noted by Jager: “As cases as old as *van Gend* and *Costa* already tell us, (...) the ECJ actually has more room for proactive law-making where an act contains blanks than where it states guidelines.”³⁹

In this regard, it is worth recalling, briefly, by means of two examples, the role that the Court already played in the area of IP law, to measure the ingenuity it can deploy at the service of the European integration. Considered from the viewpoint of the Court of Justices negative integration jurisprudence, IP rights could first be seen as strong obstacles to the integration of the internal market due to the territoriality and apparent immunity conferred to these rights, notably by Article 36 of the Rome Treaty.⁴⁰ Accordingly “[t]he provisions of Articles 34 and 35 [prohibiting the quantitative restrictions on imports and exports and all measures having equivalent effect]⁴¹ shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of (...) the protection of industrial and commercial property”. To avoid these rights to constitute a strong impediment to the emergence of the internal market, the Court first reduced the immunity to prerogatives relating to the “existence” of these rights, thus opening up the possibility of controlling their “exercise”.⁴² It then offered a restrictive definition of these prerogatives by limiting them to those relating to the “specific subject matter” of these rights, which it identified as essentially involving the “exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time”.⁴³ Lastly, the Court imposed a community wide exhaustion of these

39 Thomas Jaeger, ‘Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise’ (2013) 44 IIC 389, 391. Compare also the contributions by the same author in this book.

40 See also Article 345 TFUE according to which: “The Treaties shall in no way prejudice the rules in Member States governing the system of property ownership”. For a more in depth analysis, see: Alain Strowel, Luc Desautettes-Barbero and Vincent Cassiers, *L’influence du droit européen et de la Cour de justice en propriété intellectuelle : vers un ius commune*, op. cit.

41 Added by the authors of this chapter.

42 CJEU, 8 June 1971, *Deutsche Grammophon v. Metro SB*, C-78/70, §11-12.

43 CJEU, 31 October 1974, *Centrafarm and Adriaan de Peijper v. Sterling Drug*, C-15/74, §

rights hence refusing to an IP holder the possibility to oppose the marketing within the EEA of products put into circulation with its authorisation in one of the Member States.⁴⁴

The Court of Justice's role has not been more limited when it comes to the interpretation of substantive IP law. In this regard, the example of copyright is enlightening. Concerning this domain, the Court first identified several concepts as being "autonomous concepts of Union law", therefore requiring a uniform interpretation throughout the Union and placing the Court almost in the position of a co-legislator to fill gaps existing in the EU legal framework.⁴⁵ The most visible example undoubtedly concerns the notion of work under copyright law. In the absence of an express definition in the relevant EU copyright directives, the CJEU, in its *Infopaq* decision,⁴⁶ treated the notion of work as an autonomous concept of EU law, requiring therefore a uniform interpretation throughout the EU (point 27), and has since then fine-tuned in a praetorian way the interpretation of the conditions of protection derived from the formula "the author's own intellectual creation" (point 37).

In view of this voluntarist interpretation, one can only be sceptical towards the belief that, confronted with the schoolboy trick in propelling the substantive provisions of the Unitary Patent title to the sphere of international law (and relegating other issues to national law), just to avoid its jurisdiction, the CJEU will simply bow down.

This is even more so since the Patent Package, which, thanks to the reliance on an international agreement, is supposed to constitute an impregnable fortress for the Court of Justice, presents a significant weakness... namely the UP Regulation. This regulation could constitute the entry door for the Court of Justice. As an EU secondary piece of legislation, the Court of Justice has jurisdiction to interpret it and its rulings will be binding for national courts. The UP Regulation, which formally establishes the new European IP right, i.e. the Unitary Patent, is often considered an empty shell because it is cross-referencing other pieces of legislation. However, these references could be exploited by the Court to drag the UPCA into its jurisdiction. Indeed, Article 5 UP-Reg imposes that the right conferred by and limitations to the Unitary Patent be applied in a uniform way in all Member States participating to the enhanced cooperation. Accordingly:

9; see also CJEU, 31 October 1974, *Centrafarm and Adriaan de Peijper v. Winthrop*, C-16/74, § 8.

44 CJEU, 8 June 1971, *Deutsche Grammophon v. Metro SB*, C-78/70, §12.

45 This was, for instance, the case for the notion of parody, see CJEU, 3 Sep. 2014, *Deckmyn*, C-201/13 or equitable remuneration, see CJEU, 8 Sept. 2020, *RAAP*, C-265/19.

46 CJEU, 16 July 2009, *Infopaq*, C-5/08.

1. The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect, subject to applicable limitations.
2. The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.

The Court of Justice is therefore the only one responsible for ensuring this uniform application since the UP-Regulation is part of EU legislation. In this regard, the Court could then explain, as in the *Infopaq* decision and many other IP cases, that “*the need for uniform application of Community law and the principle of equality require that [...] provisions of Community law [...] must normally be given an autonomous and uniform interpretation throughout the Community*”⁴⁷. The brackets are not entirely innocent – we come to them at the end of this section. From there, it would not be a considerable effort for the Court to explain that the notions entailed in Article 25 to 30 UPCA, such as ‘direct use’, ‘indirect use’, ‘acts done privately and for non-commercial purpose’, ‘acts done for experimental purposes’, ‘prior use’, ‘exhaustion’, need to be considered as autonomous notions of European law, such a reading being necessary to ensure the ‘effet utile’ of Article 5 UP-Reg. Indeed, all those notions related to the scope of patents are just more precise determinations of what the “right to prevent any third party” means in practice, and how far it can be stretched.⁴⁸

This reading of the UPCA as being ‘incorporated’ in the UP Regulation could be further substantiated by the fact that the UPCA is expressly mentioned in the 9th recital of the Regulation:

The European patent with unitary effect should confer on its proprietor the right to prevent any third party from committing acts against which the patent provides protection. [...] In matters not covered by this Regulation or by Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of unitary patent protection with regard to the applicable translation arrangements, the provisions of the EPC, *the Agreement on a Unified Patent Court*, including its provisions defining the scope of that right and its limitations, and national law, including rules of private international law, should apply.⁴⁹

47 CJEU, 16 July 2009, *Infopaq*, C-5/08, §27. Compare also CJEU, 6 Febr. 2003, *SENA*, C-245/00§ 23, and CJEU, 7 Dec. 2006, *SGAE*, C-306/05, §31.

48 See also proposing an equivalent reading: Karen Walsh, ‘The Unitary Patent Package, the Court of Justice of the European Union, and Brexit:(Ir) Reconcilable?’ (2019) 2 *Intellectual Property Quarterly* 91, 18–19.

49 Emphasis added.

This express referral, within the recitals of the UP Regulation, to the UPCA provisions, as setting the relevant law “in matters not covered by this Regulation” establishes a direct link between the two acts and requires the Court of Justice to incorporate the UPCA within its interpretation of the UP-Regulation to ensure the consistency between the two pieces of legislation.

In this regard, the Court of justice has already flagged this recital as potentially playing a decisive role. Indeed, in its decision C-146/13, concerning the action for annulment brought by Spain against the UP-Reg, the Court, at the end of its reasoning supporting the rejection of the second plea attacking the reliance on Article 118 as a legal basis of the Regulation, states that:

50. Moreover, in recital 9 of the contested regulation, the EU legislature stated that in matters not covered by that regulation or by Regulation No 1260/2012 the scope and limitations of the right conferred on the proprietor of a European patent with unitary effect to prevent any third party from committing acts against which that patent provides protection in the territory of all the participating Member States in which it has unitary effect should apply.

This paragraph of the Court’s reasoning is interesting for two reasons. First of all, the Court feels obliged to trigger the recital 9 to support the fact that the Regulation indeed ensures some form of uniform protection and can therefore rely on Article 118 TFUE as a legal basis.⁵⁰ Second, the college of judges probably realised the potential implications that such reasoning could imply concerning the jurisdiction of the Court toward the two international agreements cited within this recital. Indeed, if the Regulation was valid, as offering sufficient uniform protection to be adopted under Article 118 TFEU, as a result of the material content of the two agreements, this by way of consequence means that the Court was considering the law of these two treaties as integrated within the Regulation... This far-reaching implication might have raised some debate among the judges and likely led to a certain amount of back and forth concerning the wording to be given to this point of the decision. The result can be qualified as a freudian slip with a formulation that is partly based on Recital 9, but without making an express mention of the two agreements and... the final sentence does not really make sense. (The grammatical subject of the verb “should apply” can only be “the scope and limitations of the right conferred on the proprietor of a European patent”, which results in a sentence not having any meaning.... In reality the verb “should apply” is missing its actual subject, namely “the provisions of the EPC, the Agreement on a

50 See also Fernand de Visscher, “Unitary Patent Package & Unified Patent Court: a (fragile?) progress of the European Union?”, *op cit.*, 534.

Unified Patent Court, (...), and national law” and, in accordance with Recital 9 UP-Reg, the whole paragraph should have read: “Moreover, in Recital 9 of the contested regulation, the EU legislature stated that in matters not covered by that regulation or by Regulation No 1260/2012 [, *the provisions of the EPC, the Agreement on a Unified Patent Court, including its provision defining*]⁵¹ the scope and limitations of the right conferred on the proprietor of a European patent (...) should apply.”⁵²

The only difficulty for the Court of Justice to expand its jurisdiction over the UPCA could lie in the 3rd paragraph of Article 5 UP-Regulation:

3. 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.

This reference to national law could indeed be understood as impeding a reading of the notions entailed in the UPCA as autonomous concepts of European law. When citing the *Infopaq* decision, we indeed hid a part of its reasoning according to which the need to give a specific notion an autonomous and uniform interpretation throughout the Community only applies where the “provision of Community law make no express reference to the law of the Member States for the purpose of determining their meaning and scope”.⁵³

We however do not believe that the entailed reference will constitute an insurmountable barrier. Indeed, the reference *to the Member States’ law* should be made *to determine the meaning and scope* of the provision. The purpose of this limitation is for the Court of Justice to respect the margin of appreciation that a given EU legislation might leave to the national legislators. Yet, Article 5(3) UP-Reg does not intend to open any policy margin at the disposal of the national legislator. Such a margin would indeed contradict the

51 The part in square brackets is added by the authors, and is a copy/paste from Recital 9 UP-Reg.

52 As a matter of precision, this slip cannot be regarded as resulting from a translation mistake. The version in French, which is the working language used within the CJEU for drafting its decisions, contains the same error: “50. Au demeurant, le législateur de l’Union a exposé, au considérant 9 du règlement attaqué, que la portée et les limitations du droit, conféré au titulaire du BEEU, d’empêcher tout tiers de commettre des actes contre lesquels ce brevet assure une protection sur l’ensemble du territoire des États membres participants dans lesquels il a un effet unitaire *devraient s’appliquer* aux matières non couvertes par ce règlement ou par le règlement no 1260/2012”.

53 CJEU, 16 July 2009, *Infopaq*, C-5/08, §27. Compare also CJEU, 6 Feb. 2003, *SENA*, C-245/00§ 23, and CJEU, 7 Dec. 2006, *SGAE*, C-306/05, §31.

very purpose of enacting the UPCA. The provision is merely a rule allowing the identification of the national law (among those of the participating Member States) applicable to the dispute, and hence acting as an operative receptacle of the substantial rules entailed in the UPCA. This function does not open any space for the national lawmaker to decide on the meaning and scope of these rules. The formulation of Article 5(3) is in this regard telling. Article 5(3) does not refer to the law of a Member State but to the acts defined “by the law applied to European patents with unitary effect *in* the participating Member State”. The participating Member State is not granted any express room for policy margin but is merely acknowledged as the necessary implementer of the law applicable to European patents with unitary effect, as defined in the UPCA.

Hence, if the Court of Justice decides not to declare the UPCA as incompatible with the EU legal framework, it would have the possibility, through an interpretation, admittedly audacious, to extend its jurisdiction over the substantive patent provisions entailed in the UPCA. This reading of the Patent Package would reduce the externalisation effect and allow the Court of Justice to re-instate its position at the top of the EU judicial order and ensure the coherence of the European legal order. For the sake of completeness, such an interpretation would also be possible under the same conditions for the EPC...

B. Re-empowering the EU legislator as head architect of patent law policy in the EU

In the aftermath of the entry into force of the Patent Package, while the transactional aspects will be governed by diverse national laws, the core of substantive patent law will turn out to be regulated by two international treaties in which the EU is not a party: The EPC for the subject matter's conditions and the UPCA for the rules concerning the scope of protection. This double shift of norms, towards internationalisation and nationalisation, presents several flaws. First, the enacted rules are not monitored by a dedicated administration, such as the European Commission for EU law, which is supposed to ensure that over time these rules still fit their purpose, and in the negative case, to introduce legislative initiatives aiming at reforming them. With the UPCA (and the EPC), patent law risks to be solidified forever in stones that the EU legislator cannot turn over. Second, if there is a need for reform of the norms entailed within the international agreements, the reform of these two instruments will require the unanimity of the participating States to be modified, which renders a swift adaptation more complex.⁵⁴ Third, the participating States in the two agree-

54 To be precise, both the EPC and UPCA contain provisions in their final dispositions to

ments are not the same: hence a shift in policy both for the subject matter and the scope of patent protection would need to obtain unanimity within the two groups of countries – something totally unlikely. Lastly, the EU lawmaker, confronted with this circumvolved architecture, might feel disempowered, even though the EU treaties recognize its competency to regulate this area.

Such resignation is however not justified, and the EU lawmaker should not be intimidated by this double shift towards internationalisation and nationalisation.

First of all, the EU legislator still has full competencies to remediate the nationalisation shift of the rules on the transactional aspects. The latter could hence enrich the UP-Regulation with specific rules relating to the conditions for the transfer or licensing of patent rights, allowing to reduce the transaction costs associated with these agreements. This could also allow to solve the discrimination issue previously mentioned between the nationals of the participating and non-participating Member States.

Second, from an EU law perspective, the existence of the two international agreements does not affect the EU capacity or legitimacy to legislate on patent matters if they affect the internal market. Additionally, to enact some EU secondary legislation in an area in which international agreements are already binding the Member States would not be a novum: irrespective of the fact that it might result in a fragmented (i.e. non-consolidated) legal framework, the EU lawmaker already relied on this solution for the Biotech Directive.⁵⁵ This Directive was in fact enacted to harmonise the conditions of protection for biotechnological inventions, an area where the differences in the protection offered by the law of the different EU Member States was considered by the European legislator as responsible for the creation of barriers to trade and hence as an obstacle for the well-functioning of the internal market.⁵⁶ As with any directive, this piece of EU secondary legislation was directed at the Member States that were compelled to ensure the alignment of their legal order with its

facilitate their amendment. Thus, according to its article 87, the UPCA can be amended by a decision of the Administrative Committee. However, each State has a veto right against this decision, leading to the convening of a Review Conference where the unanimity rule is restored. Article 172 EPC is more original. Accordingly, the Convention might indeed be revised at a majority of three-quarters of the Contracting States, and the States refusing the modification shall cease to be parties to the EPC. This mechanism, which raises concerns from a democratic point of view, nevertheless presents a certain efficiency likely to overcome the difficulties of adapting international agreements.

55 Dir. 98/44/EC of 6 July 1998 on the legal protection of biotechnological inventions, OJ L 213, 30.7.1998, p. 13–21.

56 See, in this regard, recital 5 of the Biotech Directive.

provisions (Art. 288 TFEU). The fulfilment of this obligation, which lead to the EPC synchronisation with the Biotech Directive's requirements, was challenging from an institutional perspective. If the EU Member States were compelled to ensure that the delivery, on their behalf, of patents by the EPO followed the requirements of the Directive, more than a third of the States participating in the EPC were not EU Member States and therefore not obliged to accept these changes. Eventually, the provisions of the Biotech Directive were incorporated in a literal manner in the Implementing Regulations to the EPC (See rules 26 to 29).⁵⁷ These Implementing Regulations, which are considered as integral parts of the EPC (Art. 164 EPC), may be adopted by the EPO Administrative Council (Art. 33(1)(b) EPC) at a majority of three-quarters of the votes of the Contracting States (Art. 35(2) EPC). As a matter of fact, the Court of Justice had the opportunity to clarify, in the decision concerning the action for annulment lodged by the Netherlands against the Biotech Directive, that this way of proceeding – i.e. the enactment of secondary legislation that might be in contradiction with international obligations accepted by the Member States – does not raise any issue about the EU legality of that said legislation.⁵⁸ The institutional difficulties go however beyond synchronising the international agreements with EU legislation: interpreting and implementing the provisions might raise further challenges. In this regard, and still looking at the Biotech Directive, the interpretation given by the Court of justice in the decision *Brüstle v. Greenpeace* of the notion of “human embryos” under the provision of the Directive,⁵⁹ was, for instance not in line with the interpretation provided by the Board of Appeal of the EPO⁶⁰. Yet, if nothing constrained the Board of Appeal to overrule its case law in the aftermath of the CJEU decisions, its non-respect would, however, have constituted a violation of EU law by the EU Member States, and the patent granted could have been revoked in national proceedings. In the absence of an institutional connection between the two legal orders and in an attempt to solve potential frictions, the EPO Examination Guidelines were therefore amended in 2012 to align them with the CJEU decision.⁶¹ This solution saves appearances from an institutional point of view

57 According to Art. 164 EPC Implementing Regulations “shall be integral parts of this Convention”.

58 CJEU, 9 October 2001, *Netherlands v Parliament and Council*, C-377/98, §52 “It is common ground that, as a rule, the lawfulness of a Community instrument does not depend on its conformity with an international agreement to which the Community is not a party, such as the EPC”.

59 CJEU, 18 October 2011, *Oliver Brüstle v Greenpeace eV*, C-34/10.

60 EPO Board of Appeal, G2/06, OJ EPO 2009, 306.

61 See T 1441/13 (Embryonic stem cells, disclaimer /ASTERIAS) of 9.9.2014, p. 6; also: Kur, Dreier, Luginbuehl, European IP law, second ed., p. 126.

since a *de facto* alignment is made possible via an internal decision of the EPO. However, this also presents a significant weakness from a legal point of view: contrary to the Implementing regulation, the guidelines which are adopted by the President of the EPO (Art. 10(2)(a) EPC) constitute only general guidance which is not binding for the Board of appeal.⁶²

The example of the Biotech Directive enactment and implementation highlights that the EU lawmaker should not refrain from legislating in patent law because the matter is today regulated in international conventions.⁶³ However, this way of legislating raised several difficulties, especially because it requires to continuously patching up the international framework, which might turn into a tug of war, especially when non-EU Member States are concerned. In comparison with the EPC, the situation should be less problematic in the case of the UPCA. First, because all UPCA parties are Member States of the EU, which reduces the risk of potential conflicts. Second, because the UPCA recognizes expressively the primacy of EU law (Art. 20) and acknowledges that the UPC will be bound by the decisions of the Court of Justice (Art. 21 UPCA).

4. Conclusion

The way the Unitary Patent and the UPC have been shaped through legislation shows the intention of the major political actors behind the new patent system to sever patent law from the rest of the EU legal order. Many patent professionals have probably dreamed of cutting off the links with sometimes annoying rights and principles, among others the fundamental right to freely conduct a business and the proportionality principle, and to mainly argue and engage within the bubble of patent specialists focusing for example on the patentability criteria. It is not the prerogative (or “apanage” we would say in French) of this profession, but the reluctance of some (in particular those trained in clear cut disciplines) to engage in complex balancing exercises between various interests and rights, and the natural attraction of the comfortable realm of exclusivity and property, explain this. Ironically, this attempt to isolate patent

62 For an exhaustive list of the decisions recalling this absence of binding effects of the guidelines, see: https://www.epo.org/law-practice/legal-texts/html/caselaw/2019/e/clr_iii_w_1.htm (19.01.2022).

63 In this respect, the legislative initiative launched by the European Commission on compulsory licences can be welcomed as a sign showing the intention of the European legislator not to remain passive in patents matter. See in this regard the website of the Commission on this initiative: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13357-Intellectual-property-revised-framework-for-compulsory-licensing-of-patents_en (31.01.2023).

law from the European legal order is likely to lead to the paradoxical effect that much of the litigation before the new UPC will be plagued by thorny EU law and institutional issues.

Such severance is moreover not justifiable because of the role played by patents in our society and because of the questions raised by the balancing between patent protection and other fundamental interests. Beyond these considerations, the stubborn desire to isolate patent matters from the rest of the legal and judicial system has led the designers of Unitary Patent Package to go as far as opting for a structure that in several aspects could well be declared as incompatible with EU law and relies on a court that does not present all the guarantees necessary to ensure its independency. Remedying this situation of isolation must be a priority to avoid the collapse of the whole system. This chapter therefore proposes potential levers to reintegrate the UPCA as part of EU law and to reestablish the Court of Justice as last resort jurisdiction.

We believe that an integration within the EU legal order by a jurisprudential interpretation of the UPCA could allow the Court of Justice to save the system while reaffirming its authority and the integrity of the European legal order. Such a solution would furthermore avoid the full invalidation of the UPCA and its devastating consequences. In case of annulment, only a legislative integration could reboot the proposed system. In any event, any form of re-integration should go hand in hand with the EU legislator's re-empowerment. Indeed, in the view of the policy decisions implied in the shaping of any patent system, democratic control is a necessity. Furthermore, the loopholes in the current system, notably the transactional rules, could only be solved by adopting the missing rules at EU level.

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As of 1st of June 2023, after years of negotiations, setbacks and postponements, the Unitary Patent Package (UPP) enters into force: the European patent with unitary effect (EPUE) becomes a reality and the Unified Patent Court (UPC) starts its activities.

Regrettably, the patent regime put in place is not a genuine EU system. Adopted through an enhanced cooperation procedure, it firstly does not include all EU Member States. Secondly, the conditions and the procedure for granting EPUE is in the hands of the European Patent Office, an international organization to which EU is not a party. Lastly, the substantive provisions and the litigation proceedings are defined by an international treaty (the UPC Agreement) to which EU is not a member, and by national laws for the remaining aspects. Such system carves patent law out of the EU legal and judicial orders and reduces the roles of the EU Parliament and Court of Justice. Challenges are numerous in terms of complexity, harmonization objectives, legality, business advantages and wider societal, economic and legal concerns, to name a few.

With twenty-eight contributions from academics and practitioners, this book starts with putting the new system into historical, comparative and institutional contexts (Part I) before highlighting some issues under EU law and the perspective of EU integration (Part II). The institutional, jurisdictional and procedural questions raised by the UPC are then addressed (Part III), as well as the innovation and markets issues (Part IV). The last contributions discuss possible improvements and alternatives to the Unitary Patent Package (Part V).

Foreword by Melchior Wathelet, former Judge & former First Advocate General CJEU, professor of European Law.

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