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The Future of the UK in the UPCA post Brexit is uncertain. But Milano è pronta.

Thorsten Bausch (Hoffmann Eitle) · Tuesday, September 18th, 2018

A recent study by two eminent scholars from the Max Planck Institute for Innovation and Competition (MPI) on „The Impact of Brexit on Unitary Patent Protection and its Court", which is available here, casts significant doubts whether it will be possible for the United Kingdom to stay in the UPC Agreement after the UK has left the European Union.

I know that this is to some extent a "hot potato", and at least a very political topic in patent circles, where different stakeholders hold quite different views, also on this blog. I will try my best to focus on the arguments raised by Professor Dr. Hanns Ullrich and Dr. Matthias Lamping without fury or favour. Before doing so, a note of caution may be appropriate. This „Research Paper" actually consists of two studies which, as the authors write in their joint *General Introduction*, have been undertaken spontaneously and independently to reflect such concerns in the authors' particular field of expertise. Each of them and even more so the paper as a whole is weighty and voluminous: 182 pages in total. Trying to summarize the work that went into this research paper on a blog like this one will inevitably fail to do justice to the authors and their work. Hence, I apologize in advance for all omissions and simplifications and would encourage the readers to read the original source rather than just relying on this „super-executive summary".

What is the authors' core thesis and what are their arguments? The authors state that it would neither be in conformity with the EU Treaties, nor politically desirable from a point of view of retaining the EU's ability to control the conditions of innovation and its legal protection within the Internal Market, if the UPCA were opened to accession by third countries. As Matthias Lamping puts it:

> "The beauty of the UPC being designed as a court common to the Member States comes from its natural integration into the Union legal order. As a common court, the UPC is an integral part of the judicial system of the EU and thus subject to the complete system of legal remedies and procedures laid down in Union law designed to ensure the autonomy, primacy and full effect thereof. In contrast to an "ordinary" international court, which would only be accountable to EU law if, and to the extent that, that was

> made explicit in the treaty establishing it, the consequence of setting up a common Member State court – ergo: of setting it up within the judicial system of the Member States – is that its decisions are subject, ipso iure, to the entire arsenal of safeguard mechanisms provided for in the current and future acquis. Put another way: it is not the safeguards incorporated into the UPCA in the aftermath of Opinion 1/09 that ensure the compatibility of the UPC's judicial system with the Treaties but rather the limitation of contracting parties to EU Member States, because that is what makes those safeguards applicable as a matter of Union law, regardless of whether they are incorporated into the UPCA or not. That is imperative, because it preserves the EU's direct control over the scope of those safeguard mechanisms and their modalities."

Thus, the authors' key argument, though by far not their only one, seems to me to be that the EU should retain full control over its legal order, including the UPCA. But the MPI scientists say this would no longer be the case if the UK was allowed to stay in the UPCA. Take Articles 25-28 of the UPCA as an example. These articles are very important if you are interested in shaping or further developing the internal market by using patents. Art. 25-28 UPCA define the effects of the "patent", which term is to comprise both the future EP with unitary effect and the classic EP patent (Art. 2 g UPCA). Let us assume, just to give an example, that the EU wanted to limit the effects of a "patent" by excluding certain activities, e.g. the production of an active ingredient within the EU during the lifetime of the patent for export to a foreign country where there is no patent protection. The argument could be that those foreign countries would otherwise supply themselves from other states, which could be disadvantageous for European industry. This is just a hypothetical example. But if the EU wanted to support domestic industry in allowing such activities, this would mean that Art. 27 UPCA would have to be amended, as it is currently planned for SPCs.

The UPCA can be amended, but this is fraught with difficulties, as the authors of the MPI study write in their General Introduction:

> According to Art. 87(2) UPCA, the "Administrative Committee may amend [the UPCA] to bring it into line with […] Union law". It adopts its decisions by a majority of three quarters of the Contracting Member States (Art. 12(3) UPCA). According to Art. 87(3) UPCA, however, a decision of the Administrative Committee cannot take effect if a Contracting Member State declares that "it does not wish to be bound" by it. In this case, a review conference would have to be convened, which means that all contracting states, including non-EU states, have a say regarding the UPCA's envisaged revision.

Consequently, the authors argue that the UK would be in a position to block the transposition of EU directives into the UPCA and **effectively obtain a stronger „veto position"** than it has now as an EU member state, for which inter alia the duty of sincere cooperation applies (Art. 4(3) TEU). In their firm view, this would be neither

in accordance with the EU Treaties, nor with the CJEU's opinion C 1/09, which was all about the supremacy and autonomy of EU law, and it would also not be politically desirable from an EU perspective.

With that, I hope that I was able to sufficiently awake your interest in studying the MPI's research paper in full and reflecting about the authors' arguments. Brexit is a matter that raises profound concerns, and its effects deserve to be fully studied by everyone affected by it.

By mere coincidence (or rather Karma? ;-), the MPI paper came out while a big conference was held in Milano on **"Unified Patent Court: The Coming System Rules And Requirements"**. The conference was organised by the EPO and chaired by Marina Tavassi, President of the Court of Appeal of Milan, who has a long and distinguished career as a patent judge. While the first day of the conference was reserved for discussions and panels among members of the European patent judiciary, the second day had a very interesting mix of Italian and European contributions from judges, academic scholars, advocates, and patent attorneys. The speakers touched on many aspects of the UPC, such as the future cooperation with the EPO, sources and hierarchy of the applicable law, the language regime, the opt-out and opt-in possibilities, the code of conduct, concept of claims and methodology of determining identical and equivalent infringement, various procedural questions, and finally the Unitary Patent Package and SPC. (Disclaimer: I also contributed to this conference, but this was certainly not the most remarkable part of it).

One interesting observation during this conference was how many speakers emphasized the importance of high-quality patents to be granted by the EPO as a prerequisite for both national courts and the UPC to work properly. The speakers would not have mentioned this so often, if this was already reality or could be taken for granted. It was also emphasized by some speakers that the current speed of the EPO appeals is still unacceptable, although the recent improvements at the Board of Appeal level did not pass by unnoticed.

The conference was accompanied by a reception by the Mayor of Milano in the historical Palazzo Marino, and it clearly had one overriding goal: To show the European patent community that Milano is ready ("Milano é pronta") for the UPC and has both the requisite modern facilities and more than sufficient intellectual capabilities to host the central division of the Unified Patent Court, if and when London has to drop out. Which is not what the speakers advocated for in the first place. As Prof. Cesare Galli put it, his main and essential wish would be that the UK stays in the EU and the UPC enters into force as planned. But if the UK continues on its way to Brexit, then Italy, and specifically Milan, is definitely ready to substitute London as the seat of the central division for chemical and pharma cases. And the Milanese have good arguments.

I understand that the organizers are planning the issuance of conference proceedings in English and I welcome this idea. Whether the UPC will ever come into force or not, and whether or not the UK will then be part of it, remains to be seen. The MPI authors certainly have a point in arguing that uncertainty is not good for the UPC system, and that it would be better to clarify the compatibility of the UPCA with EU Law through

the CJEU sooner rather than later. But whatever the outcome of such deliberations, it is good that the patent judges of Europe work together and develop a consistent methodology how to approach their respective cases. The various contributions made during this meeting and the attendance of leading judges from many European countries can be expected to help in this harmonisation process and to enhance the mutual understanding of patent practices all over Europe.

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