Kluwer Patent Blog

‘Unitary Patent system is an arbitrary and ailing hybrid monster mix’

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Due to recent developments in Germany, Slovenia and Austria, where parliaments gave their support to the Protocol for Provisional Application of the Unified Patent Court Agreement, it is likely that after many years of delay the new Court will open its doors in 2022 and also the Unitary Patent will finally see the light of day. According to the architects of the Unitary Patent package, it will make the Europe-wide enforcement of patents easier, offer greater legal certainty and reduce litigation costs. But not everybody is convinced. Prof. Dr. Thomas Jaeger, European law expert of the University of Vienna, is an outspoken opponent of the Unitary Patent system, which he calls “a recipe for disaster”. Kluwer IP Law interviewed him.

Could you explain what your objections are to the UP system?

“I am not an opponent of an EU patent system per se, I am a critic of the dysfunctionalities of this system in particular. This applies to both the substantive patent and the litigation system.

1) The substantive Patent Regulation is just an empty shell that cross-references to other legal systems, international (EPC, UPCA) and national (civil law). This renders the handling and

application of the Unitary Patent complex and deprives it of the uniform character that, for example, the Trademark Regulation affords.

2) The same is true for the UPCA: Because it is a legally complex and intransparent compromise, it fails to consolidate patent jurisprudence in Europe. Instead, it just adds one more layer of patent jurisprudence of last instance. This invites strategic patenting and torpedo litigation. I expect that in many cases, enforcement costs, but also costs for third-party users wishing to access knowledge, will go up instead of down.

First, let's not forget that all non-EU states were involuntarily kicked out of the system and are forced to remain separate. This concerns important patent jurisdictions such as Switzerland or now also the UK. Their national courts remain competent as is.
Second, the UPC has a final say for non-EU patents of the EU MS.
Third, the CJEU has its final say in all cases involving interpretation of Unitary Patents and the UP Regulation as well as any other issues of EU law, e.g. fundamental rights, autonomy, effectiveness of procedural law and many, many more.
Fourth, the EPO Boards of Appeal remain competent as is.
Fifth, national patent courts of the EU-MS (e.g. the German BGH) remain competent for purely national patents.

3) The legality of the UPCA is questionable. By now, we have a considerable amount of recent CJEU case law that hints to the EU law incompatibility of the UPCA's role and jurisdiction. This could lead to the toppling of that system once it becomes operative. Until the CJEU has had a chance to pronounce on the legality of the UPCA, it seems risky for patent holders to make widespread use of the system or to entrust it with valuable patents.

4) Furthermore, the idea behind this complex setup, which had been to keep the CJEU off limits in patent interpretation, could backfire: The Regulation is in fact a door-opener for the CJEU's competence to speak out on issues of validity (and therefore: patentability) post-grant. The Regulation indirectly brings the core of the EPC within the scope of EU law and thus under the jurisdiction of the CJEU – similarly to what we have seen to be the (albeit there: limited) effect of the Biotech Directive. Personally, I believe CJEU involvement is a good thing, but it is certainly not what had been hoped for. My criticism here is the hierarchies between the various layers of law involved are yet intransparent to users of the system and will likely bear some surprises for them.

5) Another important point is that the Patent Regulation and the UPCA have missed a crucial chance to modernize and consolidate patent law exceptions and limitations. This concerns answers to the current challenges everyone is talking about, i.e. introducing modern and balanced exceptions or limitations for research, greening, an outspoken approach vis-à-vis AI and much more. That the Unitary Patent does not include a compulsory license (which therefore might or might not, we just don't know, be available on the MS level), is just another illustration of its lack of modernity and balance, complexity and potential future surprises for users vested in the system.

6) The same is true, finally, for the qualms surrounding the role of the EPO and the sufficiency of legal protection afforded there (see the German constitutional complaints): They too are just another detail or footnote in a system that is inadequate on so many levels. The institutional and legal protection provisions of the EPC are in dire need for reform and modernization. The UP and UPC's reliance on the EPC/EPO imports those problems into the EU's legal system. More important in practice, because of that importation exercise into EU law, let's not forget that the

CJEU will enter the arena as an adjudicator for the overall legality or deficits of the EPO's setup.

7) One final criticism amounts to a lack of democratic debate: We face legal issues (e.g. Brexit, EPO) and new challenges (pandemic, climate change) which might affect our perception of the package and its merits. The package today is something significantly different from what the EP (for the Regulation) and national parliaments (for the UPCA) consented to. They need to be given a fresh chance to assess these changes and to reconfirm that this is still what they want. Instead, governments simply keep meddling though behind closed doors."

Five years ago, you already called the Unitary Patent system an 'emergency patchwork' in an interview on this blog. That was even before the UK's decision, after the Brexit vote, not to join. That will not have made you more positive, I suppose?

"The departure of the UK is just another aspect of the overall ineptitude of the system. What good is the system without the UK on board? How will it be able to deliver on its promises of lower user and litigation costs without the UK, how will it be able to consolidate patent interpretation and enforcement and, not least, how will it be financially sustainable?"

Still, the start of the UPC seems to draw closer very quickly now. How do you explain this?

"The initial plans for an EU patent date back as long as the late 1950s. Already the conclusion of the EPC had been a response to failure among (then) EEC states to agree on patent legislation. Decade by decade, fresh plans had been tabled and marred for all sorts of reasons. The 2000s alone have seen four different proposals. It is the strong political will to finally get the deal done that has characterized the whole project ever since the office of Commissioner Barnier. Since then, a 'whatever it takes' mentality drives the project forward no matter what, i.e. even after the initially unthinkable worst case scenario of UK withdrawal.

It's like someone desperate to find a partner: The more setbacks you encounter, the more both frustration and determination grow. Eventually you may settle for someone who is a far cry from your preferences. While such a relationship may sometimes turn out fine nonetheless, it typically is a recipe for disaster."

Last month, the Preparatory Committee announced that UPCA member states will soon sign "a draft Declaration on the authentic interpretation of Art. 3 of the PAP-Protocol, following the United Kingdom's withdrawal from the Unitary Patent System. In line with public international law, this Declaration will confirm the entry into force of the PAP-Protocol, once the required 13 Member States become bound by said Protocol, recognizing that Art. 3 of the PAP-Protocol is to be interpreted as mirroring Art. 89 of the UPCA." Do you agree this solution is 'in line with public international law'? Can 'United Kingdom', which is mentioned in Art. 3 as one of the obligatory signatory states of the protocol, interpreted as being 'Italy'?

"Public international law is outside my core competence, I am an EU law expert. Having said that, I would expect public international law, and the VCLT in particular, to be rather flexible to accommodate more or less any understanding the parties desire.

My problem with the Declaration is a different one. As was said before, I think we need a fresh democratic debate over the package and parliamentary involvement. Clarifying the text of the UPCA directly in regard of the UK would not only be the more transparent and legally certain option, but it would offer the important chance for re-ratification and thus confirmation by

parliaments. If the support for the UPCA is still there and everyone is on board, that exercise should be no problem and accomplished quickly."

Are politicians in the Member States aware of the problems? I have to say I followed the ratification debate in the German Bundestag earlier this year and had the impression the representatives of the various political parties weren't all that well informed.

"The UPC will now likely become operational in view of the fact that there is no renewed and broad democratic debate. If we had it, the picture might actually be different. The Bundestag's disinterest in the issue is, in my view, largely owed to the perception that so far down the line there is no alternative left but to waive it through, so why bother. If that perception was changed, e.g. by subjecting the current shape of the package to re-ratification across the MS, parliamentary interest and the level of information of parliamentarians will certainly pick up."

Who are the main beneficiaries of the UP package?

"First, I have the impression that many stakeholders welcome the system as being better than nothing. They acknowledge that the system is flawed, but still hope for some benefits in terms of fees and facilitated cross-border patent enforcement. I am not sure whether those hopes are justified, e.g. in view of the cost effects of Brexit, the generally limited territorial scope of the system, the remaining bifurcation compromise or the absence of jurisdiction for compulsory licenses. But also on a general note: a single system that is flawed may turn out to be worse than the current mix of some good and some bad systems.

Second, more specifically, it seems there is also a number of stakeholders who may be interested in the new system as an additional tool of prolonging and complicating litigation for both invalidity and infringements (mind the lack of consolidation of jurisdiction and of civil law claims), thereby better shielding questionable patents from invalidation as well as raising the stakes for access to key knowledge."

In a recent GRUR article about the UP system you also pointed at the COVID-19 pandemic. Why?

"Because the Unitary Patent and UPCA are unmodern. The package insufficiently supports and stimulates research (for lack of suitable exceptions and limitations) and it stifles third party access to knowledge (e.g. lack of a compulsory license). COVID-19 is just a current example for why we need a modern approach to patent law instead of more of the same, which is what the package stands for."

Will the UPC's legality be tested immediately after its launch, you think?

"I have heard from a number of sides that such interest is there, especially since the hurdles for a challenge are low: Any national court whose jurisdiction is removed because of the UPC could put the question of EU law compatibility of that removal of jurisdiction (i.e. of legality of the UPCA) before the CJEU by way of a preliminary ruling. All it takes is a litigant who approaches that court, which would in turn need to ascertain the preliminary question of its continued jurisdiction."

You've proposed several alternatives for the Unitary Patent system. What do you hope will happen?

"I am not a stakeholder, so my view is purely academic. I hope for a functional, consolidated and factually uniform patent system for the whole of the internal market, e.g. (but not exclusively) EU trademark-style. So it could be a fully-fledged EU system, but doesn't necessarily have to be. A reformed and functional patent system could just as well be established outside of EU law as a reformed EPC/EPO/EPLA-type system. Whatever the way forward, the system should not be a complex, arbitrary and ailing hybrid monster mix. I have previously called the Unitary Patent a Hieronymus Bosch-type creature consisting of odd body parts and features. Instead of becoming less of that, the creature has metamorphed even more since."

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