Kluwer Patent Blog

UPC: A reply to those who, with the help of a crystal ball, have questioned the arguments as to why the PPA is not legally in force

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Our last blog entry, *UPC: four reasons on why the PPA is not legally in force*, published on 21 April 2022, seems to have touched a nerve, as attested by the unprecedented number of comments received, for which this author is very grateful. Some comments were supportive, while others expressed disagreement.

In this blog, we will focus on the criticisms received from the penumbra of the UPC Preparatory Committee. As will be shown below, these criticisms further confirm that the project to carry the UPC forward after Brexit without amending the treaties is at odds with very basic principles of public international law.

1. A "binding confirmation" by the General Secretariat of the EU Council caused the PPA to come into force with "binding effect"

The principal – and surprising – criticism of the interpretation put forward in our previous blog is that the General Secretariat (the "GS") of the Council of the European Union, which is the depositary of the "Protocol to the Agreement on a Unified Patent Court on provisional application" (the "PPA"), has made an allegedly "binding confirmation" that Austria's ratification of the PPA triggered its entry into force. This criticism makes reference to the allegedly "binding effect of its confirmation", meaning the "confirmation" by the GS.

This criticism ignores a very basic concept in public international law, which is that a depositary of an international treaty does not have the power to decide whether or not that international treaty has come into force. According to art. 77.1(f) of the Vienna Convention on the Law of Treaties (the "VCLT"), the functions of the depositary are much more limited, that is, to "*informing*" the states entitled to become parties to the treaty:

> "*(f) informing the States entitled to become parties to the treaty when the number of signatures or of instruments of ratification, acceptance, approval or accession required for the entry into force of the treaty has been received or deposited;*"

Obviously, "*informing*" the other states entitled to become parties to the treaty presupposes that the depositary will have formed its own view as to whether or not the conditions required for the entry into force of the treaty have been fulfilled. But this opinion is as good or bad as the opinion of any

other state entitled to become a party to the treaty. The VCLT simply does not invest the depositary with competence to make a final determination of the entry into force of the treaty, let alone a determination that is binding on the other states entitled to become parties to the treaty and/or any other relevant bodies (e.g. courts).

To sum up, those who try to defend the legal viability of the UPC without amending the treaties after Brexit not only read into art. 3 PPA and art. 89 UPC Agreement ("UPCA") meaning that is not there, they also read art. 77 VCLT as saying something that it does not actually say.

2. No other body is competent to "decide" on the question of the entry into force of the PPA

The second criticism is that, supposedly, no other body is competent to "decide" on the question of the entry into force of the PPA.

This again ignores the fact that the depositary of an international treaty – in our case, the GS – is simply not competent to "decide" whether or not the PPA has come into force.

The second criticism further alleges that the Court of Justice of the European Union (the "CJEU") lacks competence to express an opinion on this issue, as the PPA is not an EU act but part of an international treaty system (i.e. the UPC system). In our opinion, in view of the intimate relationship between Regulation 1257/2012 (the "Regulation") and the UPCA, the fact that the PPA is not an EU act but an international treaty is not the end but rather the beginning of the debate regarding the competence of the CJEU. The second criticism loses sight of the fact that the architects of this project made the applicability of the Regulation subject to the entry into force of the UPCA (art. 18.2 of the Regulation). The CJEU thus may have a say on the PPA and, even more clearly, on art. 89 UPCA, as the date of applicability of the Regulation depends on the interpretation of art. 89 UPCA. And nobody would dare make the slightest suggestion that the Regulation is not an EU act.

Another thread of the second criticism is that the International Court of Justice (the "ICJ") is allegedly not competent either, because this would require the contracting member states to have accepted the ICJ's jurisdiction. This argument loses sight of the fact that art. 173.2 of the European Patent Convention ("EPC"), for example, envisages the resolution of disputes on the application or interpretation of the EPC by the ICJ, which would of course require the parties to the dispute to accept its jurisdiction. As it happens, all the contracting states that have consented to be bound by the PPA, except for France and Slovenia, have accepted the ICJ's jurisdiction, so the ICJ would indeed have jurisdiction to decide a case between the other contracting states regarding the scope of art. 3 PPA.

3. The risk of being caught is low and, in any event, by the time one could be caught, the architects of this project will allegedly already have crossed the Rubicon

The third criticism against our last blog entry builds from the inaccurate premise that art. 89 does not require the UK's ratification for the UPCA to come into force, suggesting that once the UPCA comes into force, having failed to comply with art. 3 PPA will become "an obsolete question" because by then "the Rubicon has already been crossed." Two points on this:

First, in this author's respectful opinion, the proposition that someone driving late at night should not worry about running a red light because the risk of being caught by the police is low is not a very inspiring proposition. This even more so when the CJEU, in Opinion 1/2009, which found the

first draft of the agreement to be incompatible with EU law, hinted that the future patent court may be called to resolve cases applying the general principles of EU law (par. 78), which clearly include respect for the rule of law, even late at night.

Second, from the perspective of public international law, it is clear that unless the UPCA is amended, this project, post-Brexit, will in fact drown in the Rubicon. This is because when drafting art. 89 UPCA, the negotiators chose a "static" parameter to define the trigger of the entry into force, i.e. the ratification of thirteen Member States "*[…] including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place […]*." The third criticism does not take into account that one of the crucial phases in the process of concluding any international treaty is the so-called "authentication of the text" (art. 10 VCLT). Once "authentication" has taken place, either you take it (i.e. sign and eventually express consent to be bound by the treaty) or you leave it. As everybody knows, what was signed on 19 February 2013 was an international treaty (the UPCA) art. 89 of which clearly states that it would come into force once, among other requirements, the three Member States in which the highest number of European patents had effect in 2012 had ratified it. As everybody also knows, these three Member States are Germany, France and the UK. This is further confirmed by the interpretation of art. 89 in the context of art. 7(2) UPCA and art. 3 PPA and art. 18(1) of the Protocol on Privileges and Immunities ("PPI"), which mention Germany, France and the UK explicitly. To sum up, the proposition that what was signed on 19 February 2013, just after Brexit, was no longer this but a different thing is at odds with very basic principles of treaty law.

Therefore, if a company is sued for patent infringement not before the courts of the country determined by the judicial competence criteria laid down in Regulation 1215/2012, but before the UPC, and that company questions the jurisdiction of the UPC on the grounds that the criteria set forth in art. 89 UPCA for its entry into force have not been fulfilled, judges will have to resolve the thorny legal issue that politicians, to avoid reopening a can of worms, are trying to sweep under the rug. And, for the reasons explained above, from the perspective of public international law, the answer is very clear. We should add, as an aside, that politicians are not being very fair to future UPC judges, who will find themselves in the difficult position of having to indirectly decide when their own jobs came into force.

This is only the tip of the iceberg hiding under the waters of the Rubicon. For example, according to art. 13 of the Rules of Procedure, the claimant must mention in the statement of claim, among other details, "an indication of the division which shall hear the action [Article 33(1) to (6) of the Agreement] with an explanation of why that division has competence". If the UPCA is not amended post-Brexit how can a claimant justify the competence of the Munich or Paris seats of the Central Division to hear cases involving a patent in the field of chemistry, for example? Pursuant to Rule 19.1(b), the defendant will be able to question the competence of the division indicated by the claimant. In view of the clarity of art. 7(2) and Annex II of the UPCA, what are UPC judges going to do to address the problem that politicians prefer to sweep under the rug, look elsewhere? This would not do any good to a jurisdictional system that, as the CJEU highlighted in par. 78 of Opinion 1/2009, is expected to apply the general principles of EU law, among which the principles of legal certainty and respect for the rule of law are prominent. One might argue that, from the defendant's perspective, having to litigate in Munich or Paris instead of in London would not make much of a difference. Really? Then what's the purpose of having a Regulation (i.e. Regulation 1215/2012) lay down detailed rules to assign jurisdiction to the courts of different Member States?

4. Ratification is not the only procedure envisaged in the PPA for expressing consent

The fourth criticism is that art. 3 foresees possible ways other than ratification to express consent to be bound by the PPA (for example, "approval" or a "unilateral declaration").

This is correct. However, the fact remains that art. 3 requires Germany, France and the UK to have expressed their consent for the PPA to come into force and, for reasons of which we are all well aware, the UK's consent is no longer there. As a result, it is simply undisputable that the conditions for the PPA to come into force have not been fulfilled, notwithstanding the messages put about by the Preparatory Committee and the GS to pull the wool over the eyes of UPC aficionados and to try to minimise the fundamental legal obstacles raised by Brexit, which cannot and should not be minimised.

5. Due to the lack of transparency of the EU Council, its reasons are unknown, but one can try to guess them using a crystal ball

5.1 The EU Council is not obliged to be transparent

One of the commenters who kindly shed some thoughts on our last blog entry argued that the GS has not disclosed the legal reasons why it considers that the PPA has come into force and added: "However, such information is not foreseen in the PPA and the UPCA and, therefore, is not necessary for the binding effect of its confirmation to take effect."

As is well known, transparency is a value that ranks very highly on the CJEU's agenda. Clearly, it does not seem to rank so highly to the GS. Readers who have followed the genesis of the UPC project will remember the infamous "footnote 23" incident. To cut a long story short, in an Opinion of the Council Legal Service of 21 October 2011 analysing the compatibility of the draft UPCA with Opinion 1/09, it deleted footnote 23 to prevent European citizens from learning the reasons why the Legal Service had serious doubts regarding the compatibility of the UPCA with Opinion 1/09. It is worth recalling that, in par. 44, it concluded that "Indeed, as long as the UPC will remain formally separate from the national courts, it may still be considered by the Court as affecting '*the very nature of the law established by the Treaties*'."

Taking account that, as mentioned, the GS seems to have again decided that European citizens are not sufficiently important to hear its legal arguments, our commenter has been obliged to speculate on the possible legal arguments that the GS might have in mind. This author is truly grateful to those who have tried to use a crystal ball to shed light that, in a democratic society, one would expect to receive from the relevant institutions (in this case, the EU Council). The comments received, which have shared very valuable thoughts that had not surfaced to date, will be briefly discussed below.

5.2 The GS may have taken into consideration art. 2(a)(v) of the EU–UK Withdrawal Agreement and art. 18 VCLT

The first argument is based on art. 2(a)(v) of the EU–UK Withdrawal Agreement ("EU–UK WA") and art. 18 VCLT, which states that "a State is obliged to refrain from acts which would defeat the object and purpose of a treaty when: (a) it has signed the treaty or has exchanged instruments constituting the treaty subject to ratification, acceptance or approval, until it shall have made its intention clear not to become a party to the treaty; or (b) it has expressed its consent to be bound by the treaty, pending the entry into force of the treaty and provided that such entry into force is not

unduly delayed." Two points on this:

First, from the perspective of the UPCA, the EU–UK WA is "*res inter alios acta*". The rights and obligations deriving from the EU–UK WA concern the EU and the UK exclusively. They have no bearing on the agreements reached by the contracting parties to another international treaty (such as the UPCA) and/or its PPA.

Second, in the absence of the further explanations that the GS should provide, this author does not quite understand the reference to art. 18 VCLT. This article surely cannot be understood to mean that a sovereign state that has ratified an international treaty is prevented from withdrawing its ratification before the treaty has come into force, a proposition that, from the perspective of public international law, would raise many eyebrows. The fact is that the UK withdrew its ratification, and as far as we are aware, nobody has claimed that the UK is in breach of the obligations imposed by art. 18 VCLT.

5.3 From the perspective of the remaining Member States, the UK's departure is irrelevant

Another argument is that, from the perspective of the remaining Member States which are contracting parties to the UPC, the departure of the UK, which had a predominant role in designing the project, has now become irrelevant. Supposedly, "[n]one of the other signatory states has expressed that the UPCA is of no interest to them after the UK has ceased to participate […]."

This argument ignores the fact that, to be able to express consent to be bound by the UPCA, contracting states had to request parliamentary approval. It is impossible to know if Brexit is irrelevant to those national parliaments because *nobody has asked them*. This is one of the main sources of the democratic flaws of the attempt to carry the UPCA forward in spite of Brexit, without amending the treaty, which would of course require national parliaments to be heard.

There is a possibility that the Dutch or Italian parliaments, for example, might not find the idea of splitting the London seat of the Central Division between Paris and Munich very fair, regardless of France's and Germany's generous eagerness to stretch their respective seats to accommodate the London seat. There is also a possibility that national parliaments might consider that, after Brexit, the UPCA is no longer advantageous to small and medium-sized enterprises. There is also a possibility that, if the UPCA were rebalanced to accommodate the concerns of important Member States that were left out, such as Spain, the departure of the UK could be balanced by the arrival of other such Member States.

Prof. Thomas Jaeger, Chair in European Law at the University of Vienna, the city where the VCLT was born, recently wrote that "While the system was never ideal, it is today more questionable than ever – both as regards its democratic legitimacy as well as its ability to support innovation and growth in the international market and to answer to modern socioeconomic challenges" (GRUR International, 00(0), 2021, p. 2). It is good to see that someone has finally dared to voice what almost everybody in disinterested circles thinks.

In life, trying to keep everything for oneself, which is the direction in which the UPCA appears to be going, sometimes results in ending up with nothing. Or, if we may put it another way, it can result in one ending up drowned in the Rubicon.

5.4 The GS might have considered that arts. 31 and 32 VCLT allow one to read Germany, France and Italy in the place of Germany, France and the UK

The next speculation regarding the possible legal arguments that the GS might have in mind is based on arts. 31 and 32 VCLT. These articles allegedly allow one to read Germany, France and Italy where the agreements implicitly point to Germany, France and the UK (art. 89 and art. 7(2) UPCA) and even mention them explicitly (art. 3 PPA and art. 18(1) PPI which, coming later in time, form part of the "context" that art. 31.2 VCLT requires taking into account).

According to our commenter, when drafting art. 3 PPA, the contracting states "[…] mistakenly believed to express this concordance by expressly naming the three states which indeed qualified for Art. 89(1) UPCA at the time of the PPA's conclusion." Interestingly, this alleged "mistake" only seems to have emerged after Brexit. Or, to put it another way, it seems that if Brexit had not taken place, there would not have been a mistake. In reality, there is no such mistake because art. 3 PPA and art. 18(1) PPI say exactly the same thing as art. 89 UPCA, what absolutely everybody meant them to say, that is, that the entry into force of the UPCA and the two later agreements would require the consent of Germany, France and the UK.

In relation to art. 31, to avoid unnecessary repetition, we refer to the arguments made in our last blog entry. Here, it will be sufficient to recall that, as the Permanent Court of International Justice already highlighted more than 100 years ago in the *Opinion on the Competence of the ILO to Regulate Agricultural Labour*:

> "*If there were any ambiguity, the Court might, for the purpose of arriving at the true meaning, consider the action which has been taken under the Treaty.*"

On the contrary, when there is no ambiguity, there is nothing to be interpreted.

Moving on to art. 32 VCLT, which reads as follows:

> "*Supplementary means of interpretation*
>
> *Recourse may be had to supplementary means of interpretation, including the preparatory work of the treaty and the circumstances of its conclusion, in order to confirm the meaning resulting from the application of article 31, or to determine the meaning when the interpretation according to article 31:*
>
> *(a) leaves the meaning ambiguous or obscure; or*
>
> *(b) leads to a result which is manifestly absurd or unreasonable.*"

Our commenter, based on this article, argues that "What the VCLT definitely wants to avoid is arriving at an interpretation of a treaty clause which would lead to manifestly absurd and unreasonably results." The commenter goes on to say that "[…] it would be manifestly absurd and unreasonable within the meaning of Article 32(b) VCLT to assume that, while the UPCA itself can come into force without the UK, the PPA's entry into force would require a participation of the UK which the UK refused."

To begin with, the argument ignores the fact that, according to the case law of international courts, where the ordinary meaning of the words is clear and makes sense in context, recourse cannot be made to so-called "supplementary means of interpretation", which are the means that the VCLT enshrined in art. 32. The International Court of Justice staked out this principle many decades ago, in the *Opinion on the Competence of the General Assembly for the Admission of a State to the*

United Nations:

> "*The Court considers that the text is sufficiently clear; consequently it does not feel that it should deviate from the consistent practice of the Permanent Court of International Justice, according to which there is no occasion to resort to preparatory work if the text of a convention is sufficiently clear in itself.*"

Consequently, in view of the clarity of the text used by the contracting states in art. 3 PPA, there is simply no room for recourse to art. 32 VCLT.

In any event, if the contracting states had not intended art. 89 UPCA to implicitly mean France, Germany and the UK, and art. 3 PPA and art. 18(1) PPI to explicitly mean France, Germany and the UK, what would have been "manifestly absurd or unreasonable" are two things. First, choosing the year preceding the signing of the UPCA (i.e. 2012) as the "photo finish" for determining which three countries' ratification would be required for the UPCA to come into force. Second, drafting art. 3 PPA and art. 18(1) PPI the way they were drafted. In short, it would be not fair, let alone seemly, to blame the interpreter for maintaining allegedly "manifestly absurd or unreasonable" interpretations when interpreting these agreements as saying what the contracting states, counselled by an army of legal advisers, chose them to say.

In any event, the argument discussed here is based on the premise that the UPCA may come into force without the ratification of the UK which, for the reasons mentioned above, does not hold water.

5.5 The GS might have reached the conclusion that, in the end, the "Interpretative Declaration" discussed by the Preparatory Committee is not necessary

The last argument suggested that what the GS has in mind is that, by "confirming the PPA's entry into force", it may have considered that the "Interpretative Declaration" suggested by the Preparatory Committee, although possibly useful in political terms, was not necessary for legal reasons.

There is a possibility that this might have been the case, or it might not. For obvious reasons, only transparency could tell us. Suffice it here to recall that the GS, as depositary of the UPCA and the PPA, is not vested with any power whatsoever to decide when the UPCA, the PPA and/or the PPI have come into force.

6. The fear of "ordinary" European citizens

Clearly, what is hidden behind the stubborn and, one should add, imprudent determination to try to move the UPC wreck ahead without amending the UPCA is the fear of reopening a democratic debate that would have to involve national parliaments, where European citizens are represented.

A few years ago, this author attended the opening ceremony of the academic year of a Spanish university, where an EU Commissioner for the Internal Market kindly agreed to give the keynote speech. When asked what was, in his opinion, the main threat to the construction of the EU, his answer was:

> "*The opinion of ordinary people*"

Unfortunately, he did not explain how to draw the line between “ordinary”, “extraordinary” or any other type of people. Nor did he explain why, in a modern democracy, the opinion of “ordinary” people should count less than the opinion of those who consider themselves to be “extraordinary”.

Fortunately, democracies are based on the opinions of people from all walks of life. If those who include themselves in the “extraordinary” group feel that “ordinary” people are going in the wrong direction, they may try to inform them better. Hiding information from them and trying to avoid amending an international treaty to prevent national parliaments, where “ordinary” people are represented, from working to devise a more balanced UPC, and/or a UPC better equipped to meet the needs of small and medium-sized enterprises, is certainly not in line with the general principles of EU law that the CJEU, so disliked by the architects of the UPC, has always urged us to cherish.

7. Conclusion

In conclusion, as mentioned in the introduction, this author is truly grateful for the positive and negative comments received from many commenters, for whom we have the deepest respect. However, for the reasons explained above, none of those comments affect a single building block of the four reasons provided in our last blog entry on why the PPA is not legally in force.

This entry was posted on Thursday, May 19th, 2022 at 1:45 pm and is filed under Patents, Unitary Patent, UPC
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