

Kluwer Patent Blog

‘Entry into force of the Unitary Patent package appears as a risky bet’

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While the start of the Unitary Patent system will be celebrated tomorrow at the UPC in Luxembourg and on Thursday with the EPO event “**Welcoming the Unitary Patent System – A new era for innovation in Europe**”, tomorrow also a conference will be held in Brussels (4.30 – 6.30 pm) with a distinctly more critical title: **The Unitary Patent Package: a start on shaky tracks? At the conference a book discussing Problems, Possible Improvements and Alternatives to the new system will be presented. Kluwer IP Law contacted the organizers and asked whether they think the first of June is a day for celebration.**

‘Not really... unfortunately! On the 1st of June, the European patent with unitary effect – or Unitary Patent will indeed become a reality, and the Unified Patent Court (UPC) will start its activities. As Europeans, we would like to rejoice at the prospect of witnessing the EU progressing towards an “ever closer union among the peoples of Europe” with a unified patent law under a unitary title and a jurisdiction with transnational competence for patent litigation.

However, it is a feeling of bitterness that prevails. The so-called “Unitary Patent” is not a genuinely “unitary” patent, and it is mostly built outside of EU law and EU institutions by treaties concluded by certain Member States. Only 17 Member States today participate in the new system, adopted by enhanced cooperation. The EU institutions failed to create a true European Union patent as initially intended. A limited number of Member States “replaced” it with a variant of the European patent, of which the main substantive components are governed by international treaties in the first place and not by EU law. The conditions and the procedure for granting Unitary Patents are defined by an international treaty and in the hands of the European Patent Office, an international organization wider than the EU and to which the EU is not a party. The substantive and procedural



The ceremonial opening of the Dutch seat of the UPC local division, earlier this month. (photos Helena Kamphuis)

provisions are contained in another international treaty (the UPC Agreement) to which the EU is not a party either, and by national laws for the remaining aspects. The new Unified Patent Court is foremost an international institution, even if labelled as a court common to the participating Member States. The fact that many Member States remain outside the system leads to a very complex and fragmented system.

The result is a system of great complexity, hazardous in terms of its harmonization objective and whose viability (due to a risk of incompatibility with the European treaties) is not guaranteed

More worryingly, the system seeks to abstract patent law from the European legal and judicial orders with the clear objective of reducing the Court of Justice's influence. The result is a system of great complexity, hazardous in terms of its harmonization objective and whose viability (due to a risk of incompatibility with the European treaties) is not guaranteed. For true Europeans who believe in the need for an integrated patent system, the entry into force of the Unitary Patent package appears as a risky bet, which could become a disaster if the Court of Justice declared it incompatible with the EU treaties.'

The system carves patent law out of the EU legal and judicial orders and reduces the roles of the EU Parliament and Court of Justice, you wrote in an announcement about the conference and the book. Can you explain?



'For various reasons, including the will of many large patentees to have their cases decided by specialized judges, the legislator proposed to create a new litigation system. This could have been done within an EU framework, as it is the case with the EU trade mark courts and Community design courts. However, *inter alia* the UK also wanted to avoid or limit the intervention of the CJEU in this new system. Therefore, the creation of a new international patent court was proposed. Furthermore, at the

last minute, substantive patent law was evacuated from the draft EU regulation and incorporated into the international treaty creating the new patent court.

However, in its opinion on this original architecture, the CJEU made it clear that it was not compatible with the TFEU: only national courts and the CJEU have jurisdiction to apply EU law. Consequently, the creators of the new system decided to place the "EU patent law" outside of the EU legal order. This was made, in theory, possible through the adoption of an international treaty (the UPCA) to which the EU is not a party. Consequently, 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 (...)”.

An externalization 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. Moreover, 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 related to the interpretation of an EU act to the CJEU. 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. 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). As a result – at least in theory – the Court of Justice will not be in the position to ensure that the substantive patent provisions are interpreted in a way that is compatible with the remaining European legal framework.

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

In the same way, and even though the EU treaties recognize its competency to regulate this area, the EU lawmaker (and especially the European Parliament) might feel disempowered. Indeed, in the aftermath of the entry into force of the Patent Package, 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. Reforming those instruments – in accordance with international law – would hence require the unanimity of the participating States. Furthermore, it should not be forgotten that the participating States in the UPC and UPCA agreement are not the same and that, in the case of the UPCA, they are not all EU Member States.’

Could you give some examples of the institutional, jurisdictional and procedural questions raised by the UPCA?

‘At the institutional level and jurisdictional issue, the main issue is the uncertain legality of the system. 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.”

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 responses, still runs counter to the establishment of a unified institutional and judicial framework placed under the supervision of the Court of Justice.

The question of the UPCA legality, in the aftermath 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

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-146/13 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.” The question of the UPCA legality, in the aftermath 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.

In the same perspective, excluding the CJEU is a risky option for the patent system. In her contribution in the book, Rochelle Dreyfuss highlights the role played by the US Supreme Court to re-balance the case law of the specialised patent court, which tended to overprotect the patentees. This counterweight is absent in the UPC.



At the procedural level, the defendant, utmost in infringement proceedings, will face some disadvantages: forum shopping for the patentee will be easy; the patentee will have the choice of the language before most divisions of the UPC; the time limits are very strict while all factual and legal issues must be submitted at once within the three first months; the so-called bifurcation system (thanks to which the defense based on the invalidity of the patent is decided by another court, possibly months after the

decision on infringement) will work without the consent of the defendant; and in principle, no new factual or legal issues may be raised in appeal.

All these aspects oblige the defendant to be extremely careful and efficient in its defense. For this reason, the defendant will have to hire a team of specialized attorneys and have them working intensively on its case for some months. This will make the procedure very expensive for the defendant, and we doubt the SMEs will be fairly treated in such proceedings. This negative aspect

of the system will most likely never come to light. The mere existence of the lawsuit (or threat of it) creates such a financial pressure on the SME that it might decide to accept an “amicable” settlement, even if considered unfair, rather than be confronted with a lawsuit it does not have the financial means to support.

This obligation of self-financing raises questions about the independence of the Court towards the parties, which are both the users and the financial backers of the Court

The second question raised by the design of the UPC concerns its independence and the respect of the fundamental right to a fair trial. This question is intensively discussed in the contribution of Mathieu Leloup and Sébastien van Drooghenbroeck. The first issue concerns the powers attributed to the Administrative Committee. This committee, composed of representatives 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 second issue concerns the budget of the UPC, which, according to Article 36(1) UPCA, “shall be balanced” and “be financed by the Court’s own financial revenues”. This obligation of self-financing raises questions about the independence of the Court towards the parties, which are both the users and the financial backers of the Court.’

What is your view about way in which was dealt with the Brexit – and the appointment of Milan as its replacement?

‘First of all, it is regrettable that the UK played a significant role in one of the most controversial aspects of the UPP – namely, its disconnection from the control of the European Parliament and the jurisdiction of the Court of Justice – and ended up not participating in the system.

More technically, the replacement of the London section – apparently with Milan – is exemplary of the lack of adaptiveness of the framework. Indeed, the competency of London is explicitly foreseen in Art. 7 UPCA. Hence a modification of the seat of this section should logically require a modification of the treaty, thus an international conference, then national ratifications. Instead of this normal amendment process, it seems that the modification of the treaty will occur via an internal decision by the Administrative Committee and without any ratification process, which – if this should be the case – would be highly questionable from a legal perspective.’

Who will benefit mostly from the system?

‘Contrary to what is often claimed, the beneficiaries of the system will not be the patentees in general. In his contribution to the book, François Wery made a detailed calculation of the benefits of the Unitary Patent. He concludes that per patent: “Assuming validation in 17 countries, 30% of patentees will benefit from a maximum saving of €6,524, 20% of them will benefit from a maximum saving of €19,779. For most patentees, the gain will therefore be rather small. The maximum gains mentioned above are based on a validation in the whole EU, which, as of today, seldom happens”.’

The Unitary Patents will not benefit European SMEs as more than 90% of these SMEs do not own any patent. The Unitary Patent will increase the patent density in many countries. Nowadays, a European patent is validated in a limited number of countries (typically Germany + one or two countries). Tomorrow, the Unitary Patent will apply automatically in 17 countries, which means that in many countries in which European patents are rarely validated (Estonia, Malta, Bulgaria, etc.), companies will be confronted with an increasing number of patents. Even in countries already selected for EP validations, the number of patents will dramatically increase. François Wery mentions that “estimates show that the number of patents in force in Finland will double in the short-term and quadruple in the long-term due to the introduction of Unitary Patents”.



Companies in countries out of the system are in an ideal situation: they can obtain an Unitary Patent if they wish but are not hindered in their home market by the UPs of their competitors. In this way, they will benefit from all the advantages of the Unitary Patent without suffering from its disadvantages in their domestic markets

After analyzing the impact of the new system for the private sector, François Wery concludes that “companies in countries out of the system are in an ideal situation: they can obtain an Unitary Patent if they wish but are not hindered in their home market by the UPs of their competitors. In this way, they will benefit from all the advantages of the Unitary Patent without suffering from its disadvantages in their domestic markets. (...) This is undoubtedly the effect sought by certain countries that refuse to join the Unitary Patent system. Poland, for example, openly assumes its refusal to participate for the sake of protecting its companies and economy.

The Unitary Patent system runs the risk of increasing the fragmentation of the patent landscape in Europe and fostering distorted competition between UP/UPC and non-UP/UPC countries”.

Why aren't your concerns felt and addressed more broadly, you think?

“The first reason for this is that patent matters are considered a technical subject that should be left to specialists. This is a mistake. When the EU proposes a directive in the field of copyright, it generates thousands of articles, blogs, conferences and other public actions and the debate is intense. On the other hand, when a significant change in patent law occurs, it is often barely noticed by the public. This is extremely surprising when one recalls the impact of the patent system on the economy and innovation (e.g. for developing a sovereign chips industry, for creating a robust electric car industry in the EU, etc.) or, more generally on issues of public interest (e.g. for controlling the availability and the prices of medicinal products).

Beyond this, we believe that most of our criticisms and concerns are shared by most of the persons who got the time to study the new system in detail. However, it should not be forgotten that the adoption of the UPP was a very long and sinuous process. It indeed took decades of negotiations to arrive at this compromise. Therefore, some might believe – and maybe rightly so – that if we do

not start with this system, we will never manage to get to a unitary patent system at the scale of the internal market. We think on the contrary that (i) alternatives to the UPP which can be “easily” put in place do exist, and these alternatives are presented in the book; (ii) these alternatives are even more politically feasible after Brexit and (iii) a “UPP disaster” (which cannot be excluded) might discredit any attempt to create a true EU patent for many decades.

This alienation of patent law from the rest of the legal system should, however, not be accepted: the establishment of the conditions under which it should operate involves 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 other parties

A second reason, more profound, is what for instance Prof. Galloux calls the “very autonomous vision of patent law in relation to the legal system”. This autonomous vision leads to considering this area of law as a *corpus alienum* from the rest of the legal order because of its technical character. This alienation of patent law from the rest of the legal system should, however, not be accepted: the establishment of the conditions under which it should operate involves 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 other parties. However, this technicality might explain a certain disinterest of those who are not specialists in the patent field.

A third reason is the position of the EPO and EU, supported by some in the industry and by the legal profession, which stresses the long time needed to get a political solution on the revision of the patent system and argues that no alternative solution can thus be envisaged.’

The book discussed possible improvements and alternatives. Do you think these are still possible now that the system starts in a few days?

‘The coming into force of the system does not automatically invalidate the criticisms. Although this will be difficult, as some provisions of the international agreements will have to be amended (see the answer to question 2), correcting some lacunae might be the only way forward.

The necessity to think about alternative systems also remains essential because of the uncertain compatibility of the proposed system architecture with EU law. Until today, the Court of Justice did not have the opportunity to take a stance on the UPCA in its current form, and the question of its legality remains open. If the Court were to declare the UPCA incompatible with EU law, an alternative system would be urgently needed. The last part of the book deals therefore with possible solutions and alternatives which can be adopted depending on the scope of the problems and the political will to recognize and to correct the failures of the system.’

Vincent Cassiers, Luc Desauettes-Barbero, Alain Strowel & Fernand de Visscher contributed to this interview.

The Unitary Patent Package: A start on shaky tracks? Conference on the occasion of the Unitary Patent and Unified Patent Court (UPC) entry into force and the launching of the collective book: “The Unitary Patent Package & Unified Patent Court – Problems, Possible Improvements and Alternatives”

The book (open access) is available [here](#).

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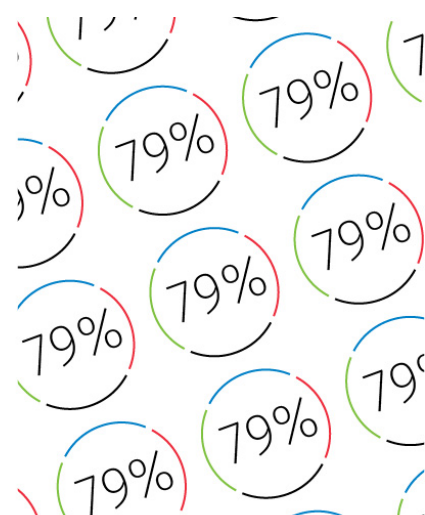
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