

COURT OF JUSTICE
OF THE
EUROPEAN UNION
-
GENERAL COURT



NICHOLAS FORWOOD
JUDGE

Paul van Beukering,
Chairman of the Preparatory Committee
Preparatory Committee of the Unified Patent Court
c/o EPO
Munich

19 March 2014

by email c/o secretariat

Dear Mr van Beukering,

Interpretative Note of 9 January 2014 on the Consequences of the Application of Article 83 UPCA

Since I wrote to you last year, I have been following the work of the Preparatory Committee, and I therefore read with interest the Interpretative Note of 9 January 2014.

The Note concludes that, if a relevant “European patent” (i.e. an EPC patent that does not benefit from unitary effect under Regulation 1257/2012) is “opted out” by reason of the operation of the transitional provisions of Article 83 of the Agreement, the substantive rights conferred by that “European patent” will cease to be those set out in Chapter V of the Agreement, but will instead revert to those arising under the national laws of the national courts in which proceedings are commenced.

May I respectfully draw attention to a possible problem with that conclusion, and that concerns the issue of legal certainty which, as the Note recognizes, was also one of the objectives of Contracting States in concluding the Agreement. In short, if the proposed interpretation were followed, it would appear to create a real, and I would suggest unacceptable, situation of legal uncertainty as to the substantive content of the rights that would attach to a relevant European patent, at any given time, in each of the Contracting States. Since this problem does not appear to have been identified, or discussed, in the reasoning of the Note, it may be helpful if I explain it below.

The objectives of the UCPA in relation to “substantive” law

It is common ground that, subject only to the transitional provisions of Article 83, the Agreement not only provides for the creation of a single “Unified” court with exclusive jurisdiction to determine infringement and revocation/invalidity cases in respect of relevant EPC patents and related applications and SPCs (for simplicity I will refer below only to patents), but also contains, in Chapter V, a series of provisions that determine the substantive content and scope of the rights attaching to all patents to which, by virtue of Article 3, the Agreement applies. These provisions define, respectively, the right of the proprietor of “a patent” to prevent direct use of an invention (Article 25) and the right to prevent indirect use of an invention (Article 26), together with a series of general limitations on those rights

(Article 27), a further specific limitation relating to prior use in certain states (Article 28) and finally an express provision defining the scope of the “exhaustion” principle. It also seems clear that these provisions are intended, in principle, to be exhaustive, and to exclude the application of substantive national law in relation to these matters.

It follows that the entry into force of the Agreement will have two distinct, but related, consequences. First, the substantive rights attaching to all relevant EPC patents in each of the Contracting States will, in principle, cease to be those defined according to the national laws of those states, and will be replaced by the provisions of Chapter V of the Agreement. Secondly, subject only to the possible application of Article 83 during the transitional period, the UPC courts will have exclusive jurisdiction to determine infringement or annulment claims relating to those patents.

The scope and content of Article 83 in determining the competent courts

The drafting of Article 83 is perhaps not ideal in all respects, but certain matters are clearer than others. Thus, the transitional provisions in that article apply only to “European patents” as defined in Article 2 of the Agreement, i.e. relevant EPC patents which do not benefit from unitary effect under EU Regulation 1257/2012. This is clear not only from the terms of Article 83, which refer only to “European patents”, but is confirmed by the fact that the cross-references to Article 83 in Article 3 of the Agreement are similarly limited in paragraphs (c) and (d) of that article. It follows that, for “European patents with unitary effect”, the transitional provisions of Article 83 will have no application whatever.

The next issue that arises is the relationship of the various provisions of Article 83. Article 83(1) sets out a clear and unqualified statement that, during the transitional period, actions for infringement or revocation of a European patent “may still be brought before national courts or other competent national authorities”. Taken alone, that paragraph could appear to constitute a self-standing rule that would suspend the “exclusive” character of the jurisdiction of the Court during the transitional period, by permitting (“may”) the bringing of infringement/revocation actions before competent national courts, while leaving the Court also competent. However, paragraph (1) also has to be read in conjunction with paragraph (3), which provides that a European patent proprietor may, in certain circumstances, “opt out from the exclusive jurisdiction of the Court” by so notifying the Registry at least one month before the end of the transitional period, and paragraph (4) which allows the patent proprietor to withdraw the opt-out, again by notification to the Registry. In each case, the opt-out and its withdrawal take effect only from the date of the relevant entry in the register.

It seems clear, therefore, that Article 83(1), despite its unqualified terms, does not contain a separate provision allowing patent proprietors (or indeed potential infringers that might wish to contest the validity of a patent) an unlimited recourse to national courts during the transitional period, and, moreover, to do so independently of the detailed mechanisms set out in paragraphs (3) and (4). Rather, paragraph (1) is simply the statement of the general principle, which is then implemented only in accordance with those specific mechanisms. Thus, as the wording of paragraph (3) makes clear, the opt-out, if and when exercised, is an opt-out “from the exclusive competence of the Court” (emphasis added). If paragraph (1) had the effect that might be suggested by its very broad terms, namely an unlimited suspension of the exclusivity of the jurisdiction of the Court for the whole of the transitional period, then not only would that be inconsistent with the wording of Article 83(3) (since, immediately before the opt-out, the jurisdiction of the Court would not be “exclusive”), but it would be also be

inconsistent with the existence of the detailed mechanisms in paragraphs (3) and (4), which would then serve little purpose.

The next question which arises is as to the effect of an “opt-out” under Article 83(3), if and when exercised. Does it merely bring to an end the “exclusivity” of the competence of the UPC in relation to the patents for which the opt-out is exercised, leaving the Court and national courts both competent (but subject, presumably, to rules such as the “lis pendens” and related action rules in Articles 29 and 30 of the “Brussels 1” EU Regulation 1215/2012)? Or does an opt-out exclude the competence of the UPC altogether, leaving the national courts alone competent? Again, the drafting of Article 83 does not immediately provide an unambiguous answer¹. As pointed out above, Article 83(1) appears merely to envisage the possibility of proceedings in national courts, and contains nothing that suggests that the Court would cease to have even “non-exclusive” competence. Nor does the rest of that Article suggest that result. Indeed, had a total exclusion of the competence of the UPC been the desired aim of the drafters of paragraph (3), that result would have been more appropriately achieved by the omission of any reference to exclusivity, so that the first sentence would have simply ended “.... shall have the possibility to opt out from the [] competence of the Court”.

If this interpretation is right, then it will follow that, even when a patent proprietor exercises his opt-out rights under Article 83(3), the competent national courts and the UPC will have concurrent competence. Which court actually determines the case will depend on the applicable “Brussels 1” rules, as amended to take account of the UPCA, but in practice will normally be the court first seized.

The determination of the applicable “substantive” law in the event of an “opt-out”

The Note suggests that the “opt-out” provisions of Article 83 – if and when exercised - will not only produce an opt-out from the exclusive jurisdiction of the UPC, restoring the jurisdictional competence of the national courts, but will also mean that those courts will “have to apply the applicable national law”.

It is this last conclusion that gives rise to particular difficulty. Firstly, from the simple perspective of the ordinary rules of legislative interpretation, the terms of Article 83 make no reference, explicit or even implicit, to “opting-out” from the provisions of Chapter V on substantive law. On the contrary, as just discussed, the terms of Article 83(1) and (3) by their very formulation appear to be limited in their effects simply to removing the “exclusivity” of the jurisdiction of the UPC, while nonetheless leaving that latter Court (non-exclusively) competent in parallel with the relevant national court(s). And even if those provisions were to be interpreted as removing the competence of the Court altogether, that is still an entirely different question from that of whether they also have the effect of changing the “substantive” law applicable to the affected European patents.

Secondly, it is instructive to consider the implications of the thesis underlying the Note, which appear to be that, at least as from the date of the opt-out, national law alone would apply to

¹ The current proposal to amend Regulation 1215/2012 to take account of the creation of the UPC would add a new Article 71c, according to which “Articles 29 to 32 shall apply where during the transitional period referred to in Art. 83(1) of the UPC Agreement proceedings are brought in the Unified Patent Court and in a court of a Member State party to the UPC Agreement”. While it is not conclusive, this would seem to suggest that the EU legislator at least considers that there is indeed a real possibility of actions relating to the same patent being brought concurrently before both the UPC and a court of a Contracting state..

determine the substantive content of the relevant patent rights. There are several problems with this approach.

In the first place, it is common ground that, from the date of the Agreement coming force and at least until the exercise of any opt-out, the substantive law applicable to all patents governed by the Agreement, including European patents (without unitary effect) will be that contained in Chapter V of the Agreement, and not that found in the national law of the relevant Contracting States. Thus, while the Note suggests that the effect of an opt-out would be to change the “substantive law” attaching to the relevant patents from “Chapter V” law to national law, it is not suggested that this change would, or could, be retrospective. [Indeed, an interpretation of the Agreement that purported to give the patent proprietor the possibility retrospectively to change, at will, the substantive rights attaching to his patents, and in consequence to change the obligations on “infringers”, would be so clearly contrary to recognized principles of legal certainty as to be unthinkable]. It follows that, in any event, even if an opt-out is exercised under Article 83(3), that will not have the effect of changing the substantive law applicable to acts that have taken place before the opt-out. In other words, if the conduct of an alleged “infringer” both ante-dates and post-dates the exercise of an opt-out, the legality of the conduct prior to that date can only be measured against the criteria of Chapter V, and not by any national law(s). Whichever is the competent court, it would then have – following the thesis in the Note – to apply different substantive laws according to the different periods of the alleged infringements: pre- and post- opt-out.

[The practical consequences of this situation provide – incidentally - a further reason why Article 83(3) should not be interpreted as involving the entire loss of competence of the Court in the event of an opt-out. If the UPC courts do not remain competent even in respect of matters where the substantive law is that in Chapter V, so that these then fall solely within the competence of the relevant national court(s), that would give rise to the very situation which the Note aims to avoid, namely national courts giving (possibly inconsistent) rulings on the interpretation of the substantive provisions of the UPCA, without even the possibility of ensuring coherence through a preliminary ruling mechanism.]

A mirror image of these problems would also risk being produced in reverse, should the patent proprietor decide to withdraw an opt-out in accordance with Article 83(4). If the thesis of the Note were correct, it would have the effect that the substantive law applicable to the relevant patent rights, having initially been that contained in Chapter V, and then from the date of the opt-out been those according to the law(s) of the relevant national court(s), would then revert back again to that in Chapter V, at least from the date that the “withdrawal” becomes effective. The result would be that the UPC courts would become (again) exclusively competent from the effective date of the withdrawal, but that if an infringement/revocation action were then brought relating to conduct during the period of the opt-out, the relevant UPC court would need not only to apply Chapter V to determine the legality of the allegedly infringing conduct during periods prior to the exercise of the opt-out under Article 83(3), and following the subsequent withdrawal under Article 83(4), but that court would (presumably) also have to apply national law to determine the legality of the conduct during the period of the opt-out. This would – on the thesis of the Note – then require the relevant UPC court to resolve issues of interpretation of national law, possibly of several different Contracting states (depending on the places where the allegedly infringing conduct took place).

It is respectfully suggested that neither of these results is consistent with the stated objective of legal certainty. Nor do they appear to correspond to other stated objectives of the Agreement, such as the wish to alleviate the difficulties caused by “significant variations between national court systems” with the consequent difficulties of small and medium sized enterprises. Indeed, the effect of this interpretation of the Agreement would be to reintroduce – at least for the period of any opt-out – the present unsatisfactory situation where the substantive law applicable to European patents and any alleged infringements will vary depending on which one or more of the 20-plus Contracting states is (or are) the “locus” of the infringing acts. Finally, it should not be overlooked that, under the rules relating to jurisdiction of national courts (including Brussels 1), it is not impossible or unusual for national courts to have jurisdiction in relation to disputes where the substantive law applicable is that of another state. There is thus no necessary or automatic link between the “nationality” of a court, and its ability to rule on the substantive law of other “nationalities”.

More generally, I would respectfully suggest that the Note may overstate the problems that could arise as a result of the risks of inconsistent interpretations of the Agreement by different national courts, in the absence of a preliminary ruling mechanism allowing the UPC to give preliminary rulings in a similar manner to the CJEU under Article 267 TFEU. First, this type of situation is a common feature of European legislation, with which courts and Member States have learned to live. It existed under the original Brussels Convention on Judgments and Jurisdiction, until there was a separate Protocol on the jurisdiction of the ECJ. It also existed for many years in respect of so-called Title IV and Title VI provisions under the former TEU and TEC treaties. In particular, while some states “opted-in” to an optional preliminary ruling mechanism, a significant number of states did not do so, and merely left their national courts to do their best without such a mechanism. This situation did not give rise to any insuperable difficulties. Secondly, this possibility will only be temporary, lasting no longer than the transitional period. Thirdly, the risk of inconsistent rulings will greatly be reduced by reason of the fact that the Court will, in any event, be delivering rulings on the interpretation of the Agreement, including Chapter V, in the context of litigation concerning all European patents with unitary effect, as well as for those European patents without unitary effect for which the proprietor has not sought an opt-out. National courts will presumably be reluctant to adopt a different approach, on an issue of interpretation of any provision of the Agreement, from one already adopted by a UPC court. Conversely, while UPC courts will no doubt have appropriate respect for decisions of national courts that may involve interpretation of the Agreement, including Chapter V, it seems unlikely that UPC courts will allow such national decisions overly to influence them, particularly where those interpretations appear to run counter to the scheme of the Agreement.

I hope that these observations may be of assistance to the Preparatory Committee in relation to this issue, which I realize is of importance both to Contracting States and to all interested parties. I should also stress that they are entirely personal, and in no way to be attributed to the General Court or indeed to the CJEU.

Yours sincerely,

Nicholas Forwood

*cc. Ms Eileen Tottle,
Secretary to the Preparatory Committee.*