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The Impact of Brexit  
on Unitary Patent Protection  
and its Court

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Editors

# The Impact of Brexit on Unitary Patent Protection and its Court

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## GENERAL INTRODUCTION

At present, patent protection for inventions in the European Union essentially rests on the national law of Member States. Whether granted by national patent offices or by the European Patent Office (EPO), an organ of the independent European Patent Organisation, the right to exclusively exploit the patented invention represents a territorially limited and independent title to protection whose substance is determined autonomously by each Member State.<sup>1</sup> It took the EU and its Member States more than half a century – eventually by way of enhanced cooperation under Art. 20 TEU<sup>2</sup> – to introduce by Reg. 1257/2012<sup>3</sup> the so-called European patent with unitary effect (unitary patent) with as its complement an Agreement by Member States on a Unified Patent Court (UPC and UPCA).<sup>4</sup> While Reg. 1257/2012 is already in force, it will not enter into application before the entry into force of the UPCA (Art. 18(2) Reg. 1257/2012). The UPCA has been ratified by 16 Member States including the United Kingdom, but to enter into force it still needs to be ratified by the Federal Republic of Germany.<sup>5</sup>

The immediate impact of Brexit on unitary patent protection will be that Reg. 1257/2012 will cease to apply to the UK (Art. 50(3) TEU) on the date of the entry into force of the withdrawal agreement, or at the end of the transition period as provided for by the withdrawal agreement, respectively.<sup>6</sup> By contrast, the impact of the actual withdrawal of the UK from the EU on the UPCA is less clear. While the UPCA has been concluded under its auspices,

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<sup>1</sup> It is only in the field of biotechnological inventions that the EU has harmonised national patent law by Arts. 8 to 12 of Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, OJEC 1998 L 213, 13.

<sup>2</sup> Council Decision (2011/167/EU) of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, OJEU 2011 L 76, 53;

<sup>3</sup> Regulation (EU) No. 1257/2012 of the European Parliament and the Council of 17 September 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJEU 2012 L 361, 1.

<sup>4</sup> Agreement on a Unified Patent Court of 19 February 2013, OJEU 2013 C 175, 1.

<sup>5</sup> Art. 89(1) UPCA. Ratification by Germany has been suspended in view of a complaint brought to the German Federal Constitutional Court (Bundesverfassungsgericht, BVerfG); see *Ullrich*, *infra*, n. 70; *S. Broß* and *M. Lamping*, *Das Störpotenzial des rechtsstaatlich-demokratischen Ordnungsrahmens am Beispiel der europäischen Patentgerichtsbarkeit*, GRUR Int. 2018 (forthcoming); a shortened English version has been published in 49 IIC 886 (2018).

<sup>6</sup> Arts. 121 et seq. of the Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community of 19 March 2018 (TF50 (2018) 35; available [here](#)).

the EU is not a party to the Agreement. It is an agreement between EU Member States only by which they purport to establish a patent judiciary that is common to them and has exclusive jurisdiction on litigation concerning the validity and infringement of unitary patents and generally of national patents granted by the EPO. There is a controversy about the consequences that the UK's loss of membership in the EU will have for the UK's ability to participate in the UPC judiciary. Several authors and apparently large parts of the patent law community hold the view that the UK may remain a contracting state to the UPCA post Brexit, albeit only upon some – minor? – adaptation of its rules on adherence. This also seems to be the position of the UK itself, which after its notification of withdrawal on 29 March 2017<sup>7</sup> ratified the UPCA, giving notification of this on 26 April 2018.

- 3 In fact, the UK “intends to explore staying in the Court and unitary patent system” after it leaves the EU.<sup>8</sup> Staying in the unitary patent system as well is a position that is generally defended by the advocates of the continued participation of the UK in the UPC's judicial system. They suggest that unitary patent protection could be extended to the UK post Brexit by way of an ordinary agreement under public international law, provided only that it obliges the UK to respect the primacy and autonomy of EU law. Unitary patent protection would, thus, constitute an exception to what is provided for in the current draft withdrawal agreement,<sup>9</sup> namely that all existing unitary titles of EU intellectual property (i.e. Union trade marks, Community designs and plant variety rights) will and must be transformed by the UK into equivalent national titles of protection. New unitary EU titles granted post Brexit will not extend to the territory of the UK. The principal rationale underlying the claim to making an exception in favour of unitary patents seems to be twofold. First, in contrast to Union trade marks, Community designs and plant variety rights that are granted by the European Union Intellectual Property Office (EUIPO) and the Community Plant Variety Office (CPVO), the unitary effect attaches to a European patent upon request only once it has been granted by the international EPO. Second, validity and infringement of unitary patents is to be adjudicated solely by the UPC as a court common to the Member States (Art. 1(2) UPCA) rather than by the various national courts of Member States that have jurisdiction over Union trade marks and Community designs as Union trade mark or design courts or over plant variety rights as ordinary courts of Union law.

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<sup>7</sup> *Theresa May*, Prime Minister's letter to Donald Tusk triggering Article 50, 29 March 2017 (available [here](#)).

<sup>8</sup> *Her Majesty's Government*, *The Future Relationship between the United Kingdom and the European Union*, White Paper, July 2018 (Cm 9593), sub 1.7.8, no. 151.

<sup>9</sup> Art. 50 of the Draft Withdrawal Agreement, *op. cit.* [supra n. 6].



The system of unitary patent protection and its court, as it stands now, may not present an optimal framework for promoting invention and innovation in the EU. That, however, is not the authors' concern here. To the contrary, it is about maintaining in the face of Brexit at least the present *acquis* of EU integration in the area of unitary patent protection. This *acquis* may be easily neglected when prioritising as a point of analytical departure the interests in, and the potential adaptability of, the UPCA to the continued participation of the UK instead of inquiring first into whether the subject matter of the UPC's jurisdiction, i.e. unitary patent protection, may at all cover the UK post Brexit. After all, the creation of the UPC is not an end in itself, but a complement of the system of unitary patent protection. The problems are:

- Extending unitary patent protection to the UK after it has left the EU and become an independent third state calls into question the unity of protection. In the UK, protection will rest on international convention law rather than on EU law. By the same token, the autonomy and primacy of EU law by reference to national and international law may be put in jeopardy.
- Extending unitary patent protection to the UK post Brexit may result in frictions and dysfunctions as it has to operate in two different legal environments, that of the UK and that of the EU.
- More particularly, whatever form the framework for the future relationship between the UK and the EU will take, it will cover divided markets and will have to satisfy both the UK's claim to sovereign control of its market and its regulation that is at the origin of Brexit and the EU's concern for its regulatory autonomy regarding its Internal Market. This means that unitary patent protection may produce different effects on the divided markets. By the same token, both parties will need room for independent patent policy making as opposed to being locked in by an extended, i.e. a shared unitary protection of European patents.
- Defending the UK's participation in the UPC post Brexit on the ground that as an international convention the UPCA may be modified correspondingly by way of an international agreement fails to sufficiently distinguish between the function that the UPC has to fulfil as a court common to Member States and the form by which it is established. Under the case law of the Court of Justice of the European Union (CJEU), the UPC must be a court that is truly common to Member States. It is only in that function and not as an "ordinary" international court of Member States and ex-Member States that it may form part of the EU's judicial system (Art. 19 TEU) and, as such, give the autonomy and primacy of EU law its full meaning and effect, and that it may do so in cooperation with the CJEU (within the scope of Art. 267 TFEU).

- 5 The features of unitary patent protection in the EU as provided for by Reg. 1257/2012 that are directly relevant to Brexit are:<sup>10</sup>
- Unitary patent protection is a matter of enhanced cooperation under Art. 20 TEU and Arts. 326 et seq. TFEU between originally 25, now 26 Member States including the UK.<sup>11</sup> The legal basis of Reg. 1257/2012 is Art. 118(1) TFEU, which confers upon the EU the competence to create European intellectual property rights “in the context of the establishment and functioning of the Internal Market”.
  - Unitary patent protection is not granted as such. It attaches to European patents, once granted by the EPO, upon request by the patentee for registration of unitary effect (Art. 3 Reg. 1257/2012).
  - The post grant unitary character of such European patents is defined by Art. 3(2) Reg. 1257/2012 as providing uniform protection and having equal effect in all the Member States participating in enhanced cooperation. Like any unitary title of EU intellectual property, “it may only be limited, transformed or revoked, or lapse, in respect of all the participating Member States” (Art. 3(2) 2<sup>nd</sup> subpara. Reg. 1257/2012).
  - Art. 5(1) Reg. 1257/2012 establishes unitary patent protection as an exclusive right entitling its owner “to prevent any third party from committing acts against which that patent provides protection”. According to Art. 5(2) Reg. 1257/2012, the “scope of that right and its limitations shall be uniform in all participating Member States”.
  - The acts against which the unitary patent provides protection are not specified in Reg. 1257/2012 itself. Instead, Art. 5(3) Reg. 1257/2012 refers to the national laws that according to Art. 7 Reg. 1257/2012 apply to the unitary patent as an object of property. National laws will so apply with effect throughout all participating Member States. It is common ground that this reference to national law includes international convention law that applies in a participating Member State, such as the UPCA. As a result, it is Arts. 25 to 28 UPCA that specify the acts of direct (Art. 25) and indirect (Art. 26) infringement, the limitations (Art. 27) and the prior user rights (Art. 28). Art. 27 lit. (d), (i), (j), (k), (l) UPCA in their turn refer to limitations established by EU law.
  - Thus, Art. 5(1), (3) Reg. 1257/2012 establish a link of substantive law between unitary patent protection by virtue of EU law, the UPCA, and general EU law relating to intellectual property protection.

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<sup>10</sup> For the historical development and details see *Ullrich*, *infra*, at I.1.

<sup>11</sup> Not participating are Spain and Croatia.

- Since the EU is not a party to the European Patent Convention (EPC), Art. 9(1) Reg. 1257/2012 obliges the participating Member States to charge the EPO with the administration of the unitary patent. Art. 9(2) Reg. 1257/2012 obliges the Member States to supervise the EPO’s administration of the unitary patent by a Select Committee of the Administrative Council of the EPO (Art. 145 EPC). The Select Committee consists of the representatives of the participating Member States and a representative of the European Commission as an observer. According to Art. 9(2) 4<sup>th</sup> subpara. Reg. 1257/2012, “decisions of the Select Committee shall be taken with due regard for the position of the Commission”.
- Art. 9(2) Reg. 1257/2012 also obliges the participating Member States to ensure the setting of the level of renewal fees in accordance with Art. 12 Reg. 1257/2012 and the setting of the share of distribution of the renewal fees in accordance with Art. 13 Reg. 1257/2012.
- Art. 9(3) Reg. 1257/2012 obliges the participating Member States “to ensure effective legal protection before a competent court of one or several participating Member States against the decisions of the EPO in carrying out the tasks referred to in paragraph 1”. Art. 32(1) lit. (i) UPCA confers corresponding jurisdiction on the UPC.
- As mentioned above,<sup>12</sup> unitary patent protection will not enter into application before the entry into force of the UPCA.<sup>13</sup> This jurisdictional link to the UPC means that despite participation in enhanced cooperation Member States may stay outside the unitary patent system.<sup>14</sup>

The problem with the extension of unitary patent protection to the UK post Brexit by way of an international convention is that it will create a fictitious unity that is in reality legally split, practically and politically untenable, and incompatible with EU law.<sup>15</sup>

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- In respect of the same European patent, unitary protection will rest on public international law in the UK while in the EU it rests on Union law. As the CJEU has repeatedly held for more than half a century and

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<sup>12</sup> See supra at no. 1.

<sup>13</sup> Art. 18(2) Reg. 1257/2012.

<sup>14</sup> This is the case for eight out of the 25 signatory states. At least in part, such reluctance to adhere to the system of unitary patent protection may be explained by the fear of being overflooded by patents and of the concomitant loss of sovereign control over the design and operation of the domestic judicial system; ee inter alia *Z. Zawadzka*, The Unitary Patent Protection – A Voice in the Discussion from the Polish Perspective, 45 IIC 383 (2014); *A. Kupzok*, Law and Economics of Unitary Patent Protection in the European Union: The Rebels View Point, EIPR 2014, 418.

<sup>15</sup> For the following see *Ullrich*, infra, at II.2.b)(i) to (iv).

strongly confirmed as of late,<sup>16</sup> the two systems of law differ as to their conceptual foundations, their legal characteristics and their operation, e.g. as regards the guarantee of the rule of law by a complete system of judicial protection between the EU and its Member States and between the latter (Art. 19(1), (3) TEU; Art. 258 et seq., 263(2), 265 TFEU).

- In addition, such fictitious unity risks being practically and politically untenable. Unitary patent protection cannot simply be extended as such, but only in the way it is interpreted and applied in the legal context of the EU, e.g. as it relates to other forms of EU titles of intellectual property or to the general principles of intellectual property protection that the EU has developed by way of harmonisation of national laws (some of which directly determine the limitations of unitary protection under Art. 27 UPCA). The same holds true for the general rules of EU law, in particular the principles of free movement, the rules on competition, general principles of EU law and fundamental rights. Yet, such extended unitary protection would operate in isolation in the UK's legal environment like an exclave of EU law. It will hardly be possible, however, to keep it separate from its legal surroundings; not from the UK's general system and policy of intellectual property protection, and not from its public policies as they will develop over time and diverge from EU policies, e.g. as regards the protection of competition or the provision of human health.
- Extending unitary protection of European patents to the UK is also incompatible with EU law because it would allow the UK to directly influence the development of EU law in the area of unitary patent protection and in related fields of intellectual property. While the UK has an understandable interest in being associated with legislative developments regarding unitary patent protection should such protection be extended to its territory, as an ex-Member State it would hold a stronger position in regard of such developments than it holds at present as a Member State. This is because, since the UPCA may not be modified in its substance without the consent of all contracting states, the UK may block any amendment of Arts. 25 to 28 UPCA, i.e. of the rules on infringement and limitations that implement the exclusive right of unitary protection as established by Art. 5(1), (2) Reg. 1257/2012. The UK's blocking position will even extend to those other fields of intellectual property whose relation to unitary protection is defined by the references to Union law contained in Art. 27 lit. (d), (i), (j), (k), (l) UPCA.

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<sup>16</sup> CJEU, Opinion of 18 December 2014, *Accession of the European Union to the ECHR*, 2/13, ECLI:EU:C:2014:2454, paras. 163 et passim; Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 33 et passim; see also *Ullrich*, infra, n. 92.

- The UK’s veto right under the UPCA is particularly problematic with regard to directives.<sup>17</sup> 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 UK would be in a position to block the transposition of directives into the UPCA, whereas their effectiveness is in fact dependent upon the adopting of implementing measures (Art. 288(2), (3) TFEU). Since an untransposed directive can only produce “direct effect” against the state, but not against individuals, the latter may not rely on rights or obligations provided for by the directive in proceedings between private parties.
- The veto position the UK would obtain by virtue of the UPCA should unitary patent protection be extended to its territory post Brexit is the less acceptable as unitary protection is a matter of enhanced cooperation under Art. 20 TEU and Arts. 326 et seq. TFEU. Enhanced cooperation is, indeed, limited to Member States and aimed at reinforcing the integration process inside the EU (Art. 20(1), 2<sup>nd</sup> subpara. TEU).
- An additional conflict may arise from the fact that Art. 9 Reg. 1257/2012 obliges the participating Member States to supervise the administration of unitary patent protection by the EPO, to see that renewal fees are set and distributed in accordance with Arts. 12 and 13 Reg. 1257/2012, and, when taking decisions as members of the Select Committee, to take due regard of the position of the European Commission.<sup>18</sup> These obligations specify Member States’ duties of sincere cooperation (Art. 4(3) TEU). Should unitary patent protection be extended to the UK post Brexit, the UK will most likely – and with good reason – claim to be represented in the Select Committee as it is now, but will not and cannot possibly be bound anymore by Art. 4(3) TEU. The policy conflicts that may arise are obvious enough, in particular as regards setting the level of renewal fees. Since renewal fees are an important determinant of the patenting strategies of market actors in both the UK and the EU, they are of direct interest to the patent policies of the UK and the

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<sup>17</sup> For the following see *Lamping*, *infra*, at II.2.

<sup>18</sup> See *supra* at no. 5.

EU, respectively.<sup>19</sup> Thus, Art. 9 Reg. 1257/2012 presents yet another obstacle to the extension *tel quel* of unitary patent protection.

- 7 The impact an extension or non-extension of unitary patent protection might have on industry patenting practices and, as a result, on governmental patent policy in the UK and the EU, is difficult to predict. It would seem, however, that non-extension of unitary patent protection to the UK will affect but overall not negatively constrain the future patenting strategies of market actors in regard of the separate markets of the UK and the EU. Non-extension will provide the UK with more room for developing a patent policy pursuant to its needs, and not appreciably harm the EU's patent policy interests.<sup>20</sup>
- For firms seeking patent protection in both the UK and the EU the question relevant here is whether an extended unitary patent protection offers strategic advantages over alternatively available forms of patent protection (national patents, classic European patents coming under national infringement law or European patents coming under Arts. 25 to 29 UPCA (UPCA-type patents)), given that the UK and the EU markets will be divided, albeit inter-connected by virtue of an agreement on the future UK–EU relationship, and given also that unitary patent protection will not be available in a number of Member States anyway. The choice will depend on many factors (need of protection in terms of territories covered and duration, the applicant's business model and enforcement need and practice, comparative costs etc.). The main points are that in the EU unitary protection will always be available for UK firms as well and that the classic European patents will always be available in the UK; that the choice between European patents of the UPCA-type and unitary patent protection in the EU remains always open (principle of optionality) and may be combined with classic European patents in the UK; that under various circumstances and from the perspective of some sectors of industry the advantages of costs and unified enforcement of unitary patent protection, while real, will not prevail; and that choosing non-unitary patent protection in regard of the UK, its law and jurisdiction may offer its own advantages. This is not to deny that non-extension of unitary protection to the UK means the non-availability of an option of protection in the UK. However, the loss of the option needs to be assessed by reference to the available alternatives, and foremost, by reference to the separation of the domestic market of the UK from the Internal Market of the EU that Brexit will inevitably entail whatever the future UK–EU relationship will be.

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<sup>19</sup> For details see *Ullrich*, *infra*, at II.3.a)(i), (iii) and (iv).

<sup>20</sup> For the following see *Ullrich*, *infra*, at II.3.a).

- In this perspective, the true issue is whether an extension of unitary patent protection to the UK is at all desirable as a matter of macro-economic public policy of either the UK or the EU.
- It is not the purpose or the place of this publication to analyse and assess the public and patent policy interests of the UK. However, the fact is that there is a striking discrepancy between the high number of patents covering the UK, which make it appear to be the third most important patent state in the EU,<sup>21</sup> and the very low patenting rate of the UK itself: only 3% of all patents applied for at the EPO originate from the UK and only 3% of all patents granted by the EPO go to UK patentees.<sup>22</sup> There may be many reasons for this low propensity to patenting of UK industry, and they may not be related to its innovation capacity. The point here is only that this discrepancy may signal an interest for the UK to further develop its own patent policy. If so, the UK will need to have enough policy space. Extending unitary patent protection to the UK, however, will take away the last policy lever that it has at its disposal. The criteria of patentability (concept of invention and its limitations, the merit criteria of novelty and inventiveness) and such important determinants of the scope of protection as the interpretation of claims and the term of protection are defined by Arts. 52 to 56, 63, 89 EPC. What is left essentially are only the rules defining the infringing acts and the limitations (namely Arts. 25 to 28 UPCA). While their definition by national law would allow some adaptation of patent protection to the conditions and needs of inventive and innovative activity on the domestic market of the UK, any such policy move risks being nullified by the extension of unitary patent protection to the UK. Patent applicants could too easily escape national infringement law via the unitary-patent route.
- As regards the EU, it has no legitimate interest in furthering the patenting strategies of its firms by extending unitary patent protection to a third state, be it an ex-Member State or not. Not only would it amount to interfering with the patent policy of the UK and run counter to the UK's claim to regaining control over the regulation of its domestic market and its conditions of innovation. Rather, such extension is outside the objective of unitary patent protection, which is to serve the establishment and functioning of the Internal Market (Art. 118(1) TFEU), and, indeed, to reinforce the integration process in the EU (Art. 20(1) 2<sup>nd</sup> subpara.

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<sup>21</sup> See *Ullrich*, *infra*, n. 16. The high number of patents covering the UK provides it with a blocking position regarding the entry into application of unitary patent protection (Art. 18(2) Reg. 1257/2012). The rule is backwards looking and discriminatory because, by its very nature, unitary patent protection will result in equally high patent coverage of all participating Member States.

<sup>22</sup> For references see *Ullrich*, *infra*, n. 145.

TEU). Inside the EU of 27 Member States, unitary patent protection may continue unaffected as such. Brexit may entail some shift of demand for unitary protection to the European patent of the UPCA-type with, as a result, some loss of income from the renewal fees for the EPO and some Member States (Art. 13(1), (2) Reg. 1257/2012). However, such shift of demand may easily be contained by lowering the renewal fees to more attractive levels. At any rate, fiscal considerations are no sufficient justification for stepping beyond the objective of unitary patent protection or for interfering with a third state's patent policy.

- 8 Extending unitary patent protection to the UK post Brexit will not fit within the framework of the future relationship between the UK and the EU.<sup>23</sup> As a result of the UK regaining sovereign control over its external commercial policy and its internal market regulation, the markets of the UK and the EU will also become divided in socio-economic terms. By its very nature, the framework for the future EU–UK relationship will achieve no more than to keep them inter-connected. Consequently, extended unitary patent protection will tend to become economically dysfunctional and politically undesirable. As in other areas, also in the field of intellectual property, in particular of patent protection, the framework for the future EU–UK relationship will (and must) be structured with a view to preventing such frictions.
- The UK firmly rejects the idea of a continued participation in the Internal Market. Instead, it seeks a “special and ambitious partnership” in the form of an advanced “deep-trade” free trade agreement (FTA) as regards trade in goods, and differentiated agreements as regards trade in services. The broader framework (possibly an umbrella agreement) will provide for general rules on regulatory cooperation as regards obstacles to trade behind the border (“deep trade”); on ensuring a level playing field with a view to containing regulatory competition (subsidies, taxation etc.) within legitimate limits; on the institutional structure for inter-governmental coordination and cooperation between the contracting parties; and on the settlement of disputes between them, most likely by institutionalised arbitration.
  - Although the framework for the future EU–UK relationship will provide for closer regulatory coordination or cooperation between the partners than do even modern deep-trade FTAs, in particular as regards border-specific non-tariff obstacles to trade in goods (the “rulebook” approach), it will not fundamentally deviate from the general principles of FTAs (such as negotiation on the basis of mutual advantage or reciprocity, independent commercial policy vis-à-vis third states, trade sanctions in case of breach of obligations etc.). In particular, the UK insistently

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<sup>23</sup> For the following see *Ullrich*, *infra*, at II.3.b).



wishes to establish the FTA-typical balance between liberalisation or coordinated standardisation of technical obstacles to trade existing “behind the borders”, on the one hand, and, on the other, the parties’ interest in autonomously determining the rules regulating their domestic markets in a way that allows the UK to “regain control over its own laws”.<sup>24</sup> Regaining such sovereign control means departing from the EU approach of merging national markets into a single Internal Market by the joint development of an autonomous EU framework of overarching market regulation. By the same token, it implies a mutual distancing between the UK and the EU as regards their market regulation.

- The importance of this latter point lies in the fact that despite their designation as “free” trade agreements modern FTAs are not simply about liberalising trade, but about approximating the internal market regulations of the parties so as to render them compatible, albeit not uniform. Therefore, however, important and catchy in political terms, the core of the problem of the future EU–UK relationship is not the – inherently necessary – link and interdependence between the Internal Market’s four freedoms. Rather, it is the acceptance in principle and the containment in practice of the divergences that inevitably will develop between the market regulations of the UK and the EU. It is by positive integration that over the years the EU has established a comprehensive regulatory framework of its own. The UK is willing to accept it to quite some extent as regards trade in goods, to a much lesser extent as regards trade in services, the latter being by far more important, and the former hardly separable from the latter. The reality, therefore, will be that the markets of the UK and the EU will be divided and develop separately. The framework for the future relationship between the UK and the EU might bridge Brexit by keeping them inter-connected. However, it cannot undo Brexit.
- The purpose and the function of the framework for the future EU–UK relationship will be to substitute for the benefits and burdens a Member State has as a result of its forming part of a community a proper balance between, on the one hand, sovereign independence in trade matters and control of domestic market regulation and, on the other, coordination for facilitation of interstate trade with the other party by way of regulatory cooperation. As much as the framework for the future EU–UK relationship may shift the balance in the latter direction, as is the very purpose of deep-trade FTAs, the balance must be mutually advantageous, i.e. acceptable also for the EU as regards both its trade interests and the preservation of its institutional and regulatory autonomy.

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<sup>24</sup> Leitmotiv of PM *Theresa May*’s speeches on Brexit; see *Ullrich*, *infra*, n. 197.

- The tension between retaining regulatory control over a party’s domestic market and coordinating it with the other party’s market regulation so as to enhance inter-state trade also characterises the rules on intellectual property protection that an FTA may contain. The principles determining the design of such rules are that, as any FTA’s matter of substance, the provisions, including those on intellectual property rights, so-called TRIPS-plus provisions, are negotiated on the basis of trade concessions and mutual advantage with a view to establishing a level playing field. Thus, they are not developed jointly as a matter of common policy and interest, and, therefore, not necessarily tailored to the economic conditions and needs of the party obliged to introduce them. The inherent conflict with the latter party’s sovereign policy of defining its intellectual property protection as a matter of regulating its own innovation market typically is mitigated by limiting the obligations to a duty only of adaptation of national law, and, possibly, by allowing for some flexibility. Such limitation is due among other things to the principle of territoriality of intellectual property protection.
  - The conflict between an extension of intellectual property protection granted by one party to the territory of the other party of an FTA and the above-mentioned principles is well demonstrated by the hypothesis of extending unitary patent protection to the UK post Brexit. Unitary patent protection has been introduced in the EU as a matter of ensuring the well-functioning of the Internal Market (Art. 118(1) TFEU) and of further enhancing the EU’s integration process (Art. 20(1) 2<sup>nd</sup> subpara. TEU), not for regulating innovation in third-country markets, be they inter-connected with the market of the EU or not. Its extension may not meet the conditions of the UK’s domestic market. Potentially, it could even frustrate the UK’s interest in developing a sovereign patent policy of its own.<sup>25</sup> Moreover, such extension would affect the EU’s autonomy in defining and possibly revising its patent policy,<sup>26</sup> be it only because the EU would have to take due account of the market conditions existing in the UK, the firms’ patenting practices in regard of the UK, and the public policy regulation existing in the UK.
- 9 The features of the UPC that are directly relevant to Brexit are:<sup>27</sup>
- The UPC has been established under the auspices of the EU (i.e. as part of the legislative package implementing enhanced cooperation) by an

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<sup>25</sup> See supra no. 7.

<sup>26</sup> See supra nos. 6 and 7.

<sup>27</sup> For the following see *Ullrich*, *infra*, at II.4.a)(i).

agreement between 25 Member States,<sup>28</sup> the UPCA, as a “court common to the Contracting Member States” (Rec. 7 and Art. 1 UPCA.). As of this writing, the UCPTA has been ratified by 16 Member States, including the UK, but is not yet in force.<sup>29</sup> Access to the UPCA is limited to EU Member States (Art. 84(4) UPCA). The UPC has legal personality in each Contracting Member State (Art. 4(1) UPCA).<sup>30</sup>

- The UPC’s institutional structure is that of a two-level judiciary, with the Court of First Instance comprising a central division as well as local and regional divisions (Art. 7(1) UPCA). The central division has its seat in Paris with sections in London and Munich (Art. 7(2) UPCA). The Court of Appeal has its seat in Luxembourg.
- The UPC’s administrative structure comprises an Administrative Committee composed of one representative of each Contracting Member State and an equally composed Budget Committee (Arts. 12, 13 UPCA). The Administrative Committee will be assisted by an Advisory Committee (Art. 14 UPCA). In principle, the UPC will be financed by its own revenues, but the Contracting Member States will provide initial financing and finance the UPC’s local facilities (Arts. 36, 37 UPCA).
- The UPC has exclusive jurisdiction over litigation on European patents and unitary patents. The scope of its jurisdiction essentially covers actions for revocation (invalidity) and infringement (Art. 32 UPCA). According to Art. 24 UPCA, it shall base its decisions on Union law, including Reg. 1257/2012 and Reg. 1260/2012,<sup>31</sup> the UPCA, the EPC, other relevant international agreements and national law.
- According to Art. 1(2) UPCA, the UPC is “subject to the same obligations under Union Law as any national court of the Contracting Member States”. It “shall apply Union law in its entirety and shall respect its primacy” (Art. 20 UPCA). As a “court common to the Contracting Member States and as part of their judicial system, the [UPC] shall cooperate with the [CJEU] to ensure the correct application and uniform interpretation of Union Law, as any national court, in accordance with Art. 267 TFEU in particular. Decisions of the [CJEU] shall be binding on the [UPC]” (Art. 21 UPCA).

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<sup>28</sup> Poland has not signed the Agreement; Croatia adhered to the EU only after the conclusion of the UPCA.

<sup>29</sup> See *supra* nos. 1 and 2.

<sup>30</sup> See also Rec. 1 of the Protocol on Privileges and Immunities of the Unified Patent Court, signed in Brussels on 29 June 2016.

<sup>31</sup> Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, OJEU 2012 L 361, 89.

- Arts. 22 and 23 UPCA establish liability of the Contracting Member States for damage caused by infringements of Union law by the UPC’s Court of Appeal, and attribute the actions of the UPC to each Member State individually and to all of them collectively.
- 10 The continued participation of the UK in the UPCA post Brexit is incompatible with Union law.<sup>32</sup> It would transform the UPC into an “ordinary” international court having broad jurisdiction over EU law and, thus, interfere with the nexus inherently existing between the autonomy and primacy of EU law and the EU’s judicial system. By maintaining the UK within the UPC’s judicial system post Brexit, and be it by an amendment of the UPCA, the Contracting Member States would be in breach of Union law.
- Although the non-availability of unitary patent protection in the UK post Brexit will affect the operation of the UPC in the long term as regards its workload and financing as currently envisaged, and will entail the loss of some collateral benefits by the UK, the UK may not continue to participate in the UPC’s judicial system as a contracting state to the UPCA once it has left the EU. Contrary to views expressed under the negative impression of the Brexit referendum, the loss of membership in the EU may not be bridged by amending the UPCA to the effect that ex-Member States or, for that matter, any third states, may remain contracting states to the UPCA or accede to it. According to the “new reading” of Opinion 1/09,<sup>33</sup> the CJEU would not require the UPCA to be an agreement between EU Member States– and, consequently, the UPC to be a court common to Member States only – but would be satisfied with any agreement between Member States and non-EU states, as long as the court established thereby is required to respect the autonomy and primacy of Union law. That, however, runs contrary to the spirit of Opinion 1/09. More particularly, such reading neglects the nexus that inherently links the safeguard of the autonomy and primacy of EU law to its being adjudicated by courts forming part of the judicial system of Member States, and, therefore, of the judicial system of the EU (Art. 19(1) TEU).
  - The reasons supporting the CJEU’s position that to be compatible with EU law, the UPC needs to be a court common to Member States and situated within their judicial systems is that it is not the UPC as such but the Member States that under primary EU law (Art. 19(1), 2<sup>nd</sup> subpara. TEU) are obliged to ensure the effectiveness of EU law, its autonomy and primacy. They have committed themselves to this obligation in view of their sharing a common set of values, including the rule of law (Art. 2

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<sup>32</sup> For the following see *Ullrich*, *infra*, at II.4.a)(i) to (vi); *Lamping*, *infra*, at II.

<sup>33</sup> CJEU, Opinion of the Court of 8 March 2011, *Creation of a unified patent litigation system*, 1/09, ECLI:EU:C:2011:123, *passim* (in particular para. 82).

TEU), and of their subscribing to a duty of sincere cooperation (Art. 4(3) TEU). It is in fulfilment of these obligations of primary EU law that their courts act as ordinary courts of the Union in cooperation with the CJEU, in particular by requesting preliminary rulings pursuant to Art. 267 TFEU. Since, in addition, the UPC – like the former European and Community Patents Court (EUCPC), which was subject to Opinion 1/09 – has broad jurisdiction over all patent litigation and has to apply not only EU law in general, but also the many and fundamental rules of protection established by Arts. 3, 5(1), (2) and 6 to 8 Reg. 1257/2012, it plainly comes under the considerations of Opinion 1/09 of the CJEU and the case law that has confirmed them subsequently.<sup>34</sup>

- With regard to the relationship of cooperation between the CJEU and the courts of the Member States under Art. 267 TFEU, the UPC’s quality as common court is a *conditio sine qua non*.<sup>35</sup> The UPC’s entitlement to make references for a preliminary ruling to the CJEU concerning the interpretation of EU law (which it may be called on to apply by virtue of Arts. 20 and 24 UPCA) hinges on its status as a “court common to the Member States” and its consequential integration into the judicial systems of the Member States, since the CJEU’s jurisdiction under Art. 267 TFEU only extends to “courts or tribunals of a Member State”. Once the UK has left the EU, the UPC ceases to be a common court. It becomes an “ordinary” international court. As such, it is not part of the Member States’ judicial system. Without an explicit authorisation in primary Union law, courts that are not fully integrated into the judicial system of the Member States, and for whose actions the Member States are, consequently, fully accountable by virtue of Union law, may not make references for a preliminary ruling under Art. 267 TFEU.
- Whether the UPC truly represents a court common to the Member States and is situated within their judicial systems, as claimed by Arts. 1(2) and 21 UPCA and its Rec. 7 may be an open question. Clearly, however, it will not meet these criteria of primary Union law if the UK participates in the UPCA after leaving the EU. The UPC would become an ordinary international court (as was the EUCPC) and, as such, become incompatible with primary EU law. As an ex-Member State, the UK will no longer be bound by Arts. 2 and 4(3) TEU; in fact, it is leaving the EU because it repudiates the autonomy and primacy of EU law.
- In addition, the UK’s continued participation in the UPC’s judicial system would be particularly problematic as the cooperation between the UPC as a court common to EU Member States and the CJEU under Art.

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<sup>34</sup> See references by *Ullrich*, *infra*, n. 304; *Lamping*, *infra*, at I.2 and II.1.b)(i).

<sup>35</sup> For details see *Lamping*, *infra*, at II.1.

267 TFEU will need to be readjusted.<sup>36</sup> Due to its semi-centralised structure and its very function as a unified court charged with ensuring the uniform application of unitary patent protection the UPC will inevitably assume part of the tasks the CJEU is called upon to accomplish under Art. 267 TFEU, i.e. precisely that of guaranteeing the uniform interpretation of EU law that is at the root of its autonomy and primacy. It is again as part of their duty of sincere cooperation that Member States are held to ensure that the UPC will as their common court and part of their judicial systems properly contribute to that readjustment.

- A particular problem arises from the fact that the exclusive jurisdiction of the UPC extends to non-unitary European patents of the UPCA-type.<sup>37</sup> Due to the identity of the rules on infringement and on limitations for both the unitary patent and the UPCA-type patent (Art. 5(3) Reg. 1257/2012, Arts. 25 to 28 UPCA), the interpretation and application of these rules by the UPC in respect of UPCA-type patents will necessarily anticipate on their interpretation and application in respect of unitary patents, and vice versa. Hence it would seem difficult to extend the UPC's jurisdiction to the UK even if only in relation to UPCA-type patents; particularly so as the CJEU's competence under Art. 267 TFEU will extend to the interpretation of EU law applying to UPCA-type patents, and possibly even to Arts. 25 to 28 UPCA as they apply to UPCA-type patents. The latter proposition is the more plausible as due to the combination of the principle of optionality between unitary and UPCA-type patents with the limitation of the UPCA to adherence by EU Member States the UPCA-type patent has become part of the EU's patent and innovation policy.

- 11 In sum, the impact of Brexit on unitary patent protection and its court seems to be that an extension of unitary protection to the UK and the UK's continued participation in the UPC's judicial system creates more, and more serious legal problems and uncertainty than the unitary patent system can bear as a means of securing risky investments in innovation, and more than the UPC may be burdened with as an institution that precisely is called upon to provide legal certainty. The conclusion the UK apparently has drawn is that it is in its interest to confront the EU with these risks.<sup>38</sup> The EU, however, might draw a different conclusion from Brexit. Its priority ought to be to deepen its integration, including in the field of intellectual property. More particularly, it may wish to first complement and complete the system of unitary patent protection, for instance as regards its property aspects or its public policy deficits. This might also help to solve the most important

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<sup>36</sup> For details see *Ullrich*, *infra*, at II.4.b)(vi).

<sup>37</sup> For the following see *Ullrich*, *infra*, at II.4.b); *Lamping*, *infra*, at II.3.

<sup>38</sup> See *supra* no. 7.

problem, which is integrating those Member States into the unitary patent system that hesitate to join it.

Brexit is a matter of profound general concern. The two studies published here have been undertaken spontaneously and independently to reflect such concerns in the authors' particular field of expertise. The responsibility for the contributions lies with the authors individually.

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Munich, August 2018

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## PART ONE

# The European Union's Patent System after Brexit: Disunited, but Unified?

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The essay further expands and elaborates on *H. Ullrich*, Le système de protection du brevet unitaire de l'Union après le Brexit: désuni, mais unifié? Prop. Int. 2017 (64) 27.

## I. INTRODUCTION

### 1. EU intellectual property: The special case of unitary patents

1 One of the major achievements of European integration is the establishment of its own system of intellectual property protection by the European Union.<sup>1</sup> It rests on both the harmonisation of national laws in the fields of copyright, trademarks and designs and on the creation of Union titles of unitary protection for trademarks, designs and plant varieties covering the entire territory of the Union. The withdrawal of the United Kingdom from the European Union will not substantially affect the well-functioning of this system. On the one hand, harmonised national intellectual property law will be carried on by the United Kingdom with respect to its domestic territory.<sup>2</sup> Existing unitary titles of Union intellectual property rights will cease to produce effect on the territory of the UK on the day of its exit from the Union (Art. 50(3) TEU), but will have to be transformed in due course into national titles as a matter of protecting well acquired rights.<sup>3</sup> On the other hand,

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<sup>1</sup> The Union's intellectual property system has given birth to its own largely diversified body of literature, mostly written from a national perspective or following national style and academic tradition. For a European approach and overview over the field in US American style see *A. Kur, Th. Dreier*, *European Intellectual Property Law (Text, Cases and Materials)*, Cheltenham 2013; for an overview of the development *H. Ullrich*, *Gewerblicher Rechtsschutz und Urheberrecht im Binnenmarkt*, in U. Immenga, E.-J. Mestmäcker (eds.), *Wettbewerbsrecht*, Bd. 1, EU Teil 2, 5<sup>th</sup> ed. Munich 2012, p. 1549 et passim with references; for a comprehensive treatise (British style) *G. Tritton*, *Intellectual Property in Europe*, 5<sup>th</sup> ed. London 2017.

<sup>2</sup> See Sec. 2 European Union (Withdrawal) Act 2018 of 26 June 2018 (available [here](#)). For issues arising under copyright law from the future status of the UK as a third country see *European Commission*, Notice to stakeholders, Withdrawal of the United Kingdom and EU rules in the field of Copyright, 28 March 2018 (available [here](#)).

<sup>3</sup> See Arts. 50 et seq. Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community of 19 March 2018 (TF50 (2018) 35; available [here](#)). For the UK see Sec. 3 European Union (Withdrawal) Act 2018 [supra n. 2]. For details and transitional rules (e.g. as regards transformation of existing EU titles of protection into the UK titles, registration requirements etc.) see *L. McDonagh, M. Mimler*, *Intellectual Property Law and Brexit: A Retreat or a Reaffirmation of Jurisdiction?* in M. Dougan (ed.), *The UK after Brexit*, Cambridge 2017, p. 159, 162 et passim; *R. Arnold, L. Bently, E. Derclaye, G. Dinwoodie*, *The Legal Consequences of Brexit through the Lens of IP Law*, 101(2) *Judicature* 2017, 65 (also available at [SSRN](#)); *A. Rahmatian*, *Brief speculations about changes to IP law in the UK after Brexit*, 12 *J. Int. Prop. L. Pract.* 510 (2017); *S. Ostler*, *Der Brexit und das Kennzeichenrecht*, *EuZW* 2017, 1004. Owners of EU trademarks or designs may have to face additional costs (e.g. double registration in the EU and the UK, transaction costs), and so will applicants for protection in both the EU and the UK. Presumably, however, these extra costs will have a greater deterrent effect on demand for additional protection in the UK than for demand of protection in the EU. Another matter are the business interests of the specialised legal profession; see for maximum claims *The Chartered Institute of*

whether or not there will be an agreement between the EU and the UK on their “future relationship” (Art. 50(2) TEU), and whatever the nature of such an agreement will be, UK nationals and firms may in the future seek and acquire such Union titles of protection for the entire Internal Market just as do nationals from or firms domiciled in any other third country.<sup>4</sup>

The situation is more complex as regards patent protection. Whilst the baseline is the same as for any EU intellectual property title – no or at least no automatic extension, but full and equal access to patent protection in the EU<sup>5</sup> – there is an additional problem. This is that the very system of EU patent protection may be affected by the UK’s withdrawal from the EU, or, if it is maintained with full participation by the UK as a non-Member State, that it may in its turn affect the integrity of the EU’s legal order. The reason is that the system of unitary protection of patents by the EU differs structurally from the protection of European Union trademarks, designs and plant varieties in two fundamental respects. First, unitary protection has been introduced not by and for the entire Union as such, but within the framework of an enhanced cooperation (Art. 20 TEU, Arts. 326 et seq. TFEU) between a (large) majority of Member States.<sup>6</sup> Pursuant to Art. 3(1) Reg. 1257/2012, the unitary effect attaches to patents that are granted by an international organisation, the European Patent Organisation (EPO),<sup>7</sup> rather than by the Intellectual Property Office of the European Union (EUIPO). Moreover, although the unitary patent has its basis in enhanced cooperation, its rules of substance are far less comprehensive than those of the other Union titles of protection.<sup>8</sup> Second, whereas jurisdiction over litigation on European Union

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*Trade Mark Attorneys (CITMA)*, Our position on: Post-Brexit registered trade mark and design rights, and rights of representation, July 2017 (available [here](#)), and *infra* n. 277, 279.

<sup>4</sup> See Arts. 2, 3 WTO Agreement on Trade Related Aspects of Intellectual Property Rights of 15 April 1994 (TRIPS Agreement) in conjunction with Art. 2 Paris Convention for the Protection of Industrial Property. Both the EU and its Member States are Members of TRIPS.

<sup>5</sup> Such equal access follows from the TRIPS Agreement [*supra* n. 4], it is independent from the UK being also a Contracting State of the European Patent Convention [*infra* n. 7].

<sup>6</sup> Council Decision (2011/167/EU) of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, OJEU 2011 L 76, 53; Regulation (EU) No. 1257/2012 of the European Parliament and the Council of 17 September 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJEU 2012 L 361, 1.

<sup>7</sup> As established by the Convention for the Grant of European Patents (European Patent Convention, EPC) of 5 October 1973 as last revised by Act of 29 November 2000; see also *infra* at II.1.a)(i), text at n. 23.

<sup>8</sup> Since the unitary effect attaches post grant to the European patent (Art. 3 Reg. 1257/2012) the substantive criteria of patentability (and of patent validity) are those of Arts. 52 et seq., 138 EPC. The rules governing the unitary patent as an object of property are left to national law (Art. 7 Reg. 1257/2012), and the rules on patent infringement (Art. 5 Reg. 1257/2012) are implemented by Arts. 25 to 27 Agreement on a Unified Patent Court (UPCA), OJEU 2013 C 175, 1; see *infra* at II.1.b)(ii).

trademarks, designs and plant variety rights lies with the courts of Member States,<sup>9</sup> enforcement of unitary patent protection will be reserved to the exclusive jurisdiction of the “Unified Patent Court” (UPC) that after a decades long legislative struggle the “willing” EU Member States are about to establish by an international agreement, the Agreement on a Unified Patent Court (UPCA), as their “common court”.<sup>10</sup> With an estimated workload of 800 to 1,200 cases when at full operation and local divisions in the major Member States,<sup>11</sup> this new two-level judiciary will by both its sheer size and the weight of its expert jurisprudence present not only a challenge to the EU’s judicial system. Rather, Reg. 1257/2012 establishes an additional link between unitary patent protection and the establishment of the UPC. Art. 18(2) UPCA provides that unitary patent protection will not be applicable, and thus not available in Member States participating in enhanced cooperation that do not adhere to the UPCA by way of original ratification or later accession.<sup>12</sup> This link became necessary when the EU legislature decided to abstain from defining the details of unitary patent protection and instead chose to make a reference to the rules on patent infringement that the UPCA

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<sup>9</sup> Arts. 123 et seq. of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, OJ 2017 L 154, 1 (Union Trade Mark Regulation); Arts. 80 et seq. of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJEC 2002 L 3, 1 (Community Design Regulation); for details see *Th. Jaeger*, System einer Europäischen Gerichtsbarkeit für Immaterialgüterrechte, Heidelberg 2013, passim, in particular p. 839, 884 et passim; for an overview *H. Ullrich*, Die Entwicklung eines Systems des gewerblichen Rechtsschutzes in der Union: Die Rolle des Gerichtshofs, in P. Behrens et al. (eds.), Ökonomische Analyse des Europarechts, Tübingen 2012, p. 147.

<sup>10</sup> Art. 1(2) UPCA; for details see *infra* at II.4.a).

<sup>11</sup> For the estimated case load of the UPC see *A. Hüttermann*, Das Einheitliche Patentgericht, Aufbau und Zuständigkeit, in *id.* (ed.), Einheitspatent und Einheitspatentgericht, Cologne 2016, p. 84 et seq., nos. 349 et seq., relying on *Th. Kühnen*, *R. Claessen*, Die Durchsetzung von Patenten in der EU – Standortbestimmung vor Einführung des europäischen Patentgerichts, GRUR 2013, 592. For the structure of the UPC see *infra* at II.1.b)(i) and II.4.a).

<sup>12</sup> Although highly questionable under general principles of Union law – Member States must forego their judicial sovereignty in order to have access to the system of unitary patent protection – the CJEU has accepted this feature of the unitary patent system (in its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 100 et seq.) on rather summary, in part even non-logical grounds (see *Th. Jaeger*, Nach l’Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u.a., EuR 2015, 461; *E. Pistoia*, Outsourcing EU Law While Differentiating European Integration: The Unitary Patent’s Identity in the Two “Spanish Rulings” of 5 May 2015, 41 E.L. Rev. 711 (2016)). Among others, contrary to their clear wording, the Court reads Rec. 24 and 25 Reg. 1257/2012 as if they expressed (or could express) more than a mere political wish of the EU legislator. The result of such tightening of the link between unitary patent protection and the UPCA may be that it comes to serve as part of an illegitimate support of the UK’s claim to continued participation in the EU’s proper system of patent protection (see *infra* n. 16, and at II.2., 4).

establishes in respect of national patents granted by the EPO whose infringement will equally come within the exclusive jurisdiction of the UPC.

## 2. The impact of Brexit on the system of unitary patent protection

### a) The standing of the UK in the unitary patent system

Whatever the advantages and disadvantages of this complex structure of unitary patent protection may be,<sup>13</sup> the question here is whether it will resist or can and should be made to resist the change of circumstances brought about by Brexit. The United Kingdom is a major founding state of the entire unitary patent system in that it pushed for its establishment, and later on, for the referral of the rules on infringement of the unitary patent from Reg. 1257/2012 to the UPCA.<sup>14</sup> It has a stake in the UPC system because London will host an important part of the Central Division of the UPC,<sup>15</sup> and because arguably it is one of the three states that are most concerned by the system in that its territory is covered by the third largest number of patents existing in an EU Member State.<sup>16</sup> It is for this latter reason that Art. 89(1)

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<sup>13</sup> While Reg. 1257/2012 and the UPCA are generally welcomed by industry, albeit not with enthusiasm, its insistence on coexistence of the unitary patent with the classic EPC patent and on opt out from the UPC (Art. 83(3), (4) UPCA) are evidence of quite some scepticism; see for users' views inter alia *M. Köllner*, *Wieder national anmelden? Eine Handreichung für Skeptiker des Einheitspatents*, Mitt. 2013, 253; *R. Teschemacher*, *Das Einheitspatent – Zu Risiken und Nebenwirkungen fragen Sie Ihren Anwalt*, Mitt. 2013, 153. Complaints about the complexity of the system are quite common, but systemic criticism comes mainly from academics; see inter alia *V. Di Cataldo*, *Competition (or confusion) of models and co-existence of rules from different sources in the European patent with unitary effect: Is there a reasonable alternative?*, 4 *Queen Mary J. Int. Prop.* 195 (2014); *J.-Chr. Galloux, B. Warusfel*, *Le brevet unitaire et la future juridiction unifiée*, *Prop. Int.* 2013 (47) 152 with references; *R. Hilty, Th. Jaeger, M. Lamping, H. Ullrich*, *The Unitary Patent Package: Twelve Reasons for Concern*, Max Planck Institute for Intellectual Property and Competition Law Research Paper No. 12-12 (available at [SSRN](#)); *H. Ullrich*, *Le future système de protection des inventions par brevets dans l'Union européenne: un exemple d'intégration (re-)poussé?*, *Prop. Int.* 2014 (53) 382 with references (also available at [SSRN](#)).

<sup>14</sup> See PM *David Cameron*, House of Commons Hansard Debates for 2 July 2012, Column 586, reporting on the preceding EU Council meeting in regard of the decision on the European patent court: "In finalising the agreement, Britain had two objectives: that the new patent should be redrafted so that it did not get snarled up in the processes of the European Court of Justice, and that a significant part of the court, covering pharmaceutical and life sciences industries, would be based on London. I am pleased to say that we secured both those outcomes. That will mean millions of pounds and hundreds of jobs for Britain".

<sup>15</sup> *Ibid.*

<sup>16</sup> In 2015, 458,422 patents were in force in the UK as compared to 602,013 in Germany, 520,069 in France, and 63,071 in Italy (see *World Intellectual Property Organization (WIPO)*, *World Intellectual Property Indicators 2016*, Tab. A 61). It should be noted, however, that patent coverage will tend to become equal in all Member States once the unitary patent is introduced because it will necessarily and automatically extend to all Member

UPCA makes the entry into force of the UPCA dependent upon the UK ratifying it. For all these reasons large parts of the European and the international “patent community” would like to see the UK remaining a party to the system of unitary patent protection despite Brexit.<sup>17</sup>

## b) Questions and broader issues

- 4 The problem, however, is that with the UK participating in the judicial system of the UPCA even after its departure from the EU the UPC will no longer be “a court common to the Contracting Member States” of the EU (Art. 1(2) UPCA). More particularly, one may wonder whether the participation of a non-EU state of the importance of the UK would not affect the legitimacy of the power of the UPC to adjudicate unitary patent protection. Indeed, in its opinion on the European and Community Patents Court (EUCPC) the Court of Justice of the European Union (CJEU or Court) has held an internationally structured judiciary having exclusive jurisdiction over almost the entire range of EU patent litigation to be incompatible with the EU's judicial system.<sup>18</sup> That legitimacy problem will not be overcome simply by extending the territorial reach of unitary patent protection beyond the EU to the UK as is assumed and defended by the advocates of the UK's continued participation in the unitary patent system.<sup>19</sup> As logical as the territorial co-extension of substantive protection and of jurisdiction over its enforcement may be as a general matter, it means that as sort of an exception to the UK's withdrawal from the EU, the system of unitary patent protection will be expanded beyond the EU's borders as if the UK would remain a member in part of the EU. Like an (extra-) territorial legal enclave, unitary patent protection will, thus, be moved in part into an area outside the Union's political and general legal control. Although – or possibly because – the envisaged extension relates only to a rather narrow and particular segment of EU law, the questions whether there is a legal basis available for the creation of such an “enclave”, what legal and economic consequences it

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States. Therefore, there is no good reason for elevating past patent exposure of a Member State to a ground allowing some Member States to block the entry into force of the UPCA as provided for by Art. 18(2) Reg. 1257/2012.

<sup>17</sup> See for a view from the UK, *The Chartered Institute of Patent Attorneys (CIPA)*, The Impact of Brexit on Intellectual Property, 11 October 2017, nos. 9 et seq. (available [here](#)).

<sup>18</sup> CJEU, Opinion of the Court of 8 March 2011, *Creation of a unified patent litigation system*, 1/09, ECLI:EU:C:2011:123 (Opinion 1/09).

<sup>19</sup> See *A. Ohly, R. Streinz*, Can the UK stay in the UPC after Brexit?, GRUR Int. 2017, 1; *W. Tilmann*, The Future of the UPC after Brexit, GRUR 2016, 753; *R. Gordon, T. Pascoe*, Re the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement, Opinion commissioned by the IP Federation, the Chartered Institute of Patent Attorneys and the Intellectual Property Lawyers Association, 12 September 2016, paras. 42 et seq. (available [here](#)); *M. Leistner, Ph. Simon*, Auswirkungen eines möglichen Brexit auf das europäische Patentsystem, GRUR Int. 2017, 825 (= A. Metzger (ed.), Methodenfragen des Patentrechts, Theo Bodewig zum 70. Geburtstag, Tübingen 2018, p. 79).

would entail, whose interests it might serve, and whether it could be (made) compatible with EU's legal order, in particular with its autonomy and judicial system, will raise broader issues of the relationship between market integration and market regulation, of which patent protection is but an example.

One such broader issue will be how such a narrowly limited, legally and practically isolated extension of EU law and market regulation (as is patent protection) would square with the – as of yet uncertain but likely<sup>20</sup> – agreement on the future free trade relationship between the UK and the EU. Conversely, another basic issue is whether the system of unitary patent protection is too deeply enrooted and specific to the EU and its objective of creating and regulating the Internal Market for it to be extended to an exit-state that leaves the EU with the desire to regain full sovereign control over the regulation of its domestic market and its policy regarding the exchange of goods and services with other nations.<sup>21</sup> This conflict of objectives is exacerbated by the fact that the unitary patent system has been established as a matter of enhanced cooperation inside the EU (Art. 20 TEU). An overarching issue then is whether and how a rather narrowly focused component of the broader system of general market regulation, such as unitary patent protection, could and would function as a legal regime common to the EU and the UK within a split regulatory framework for two different and distinct markets, that of the UK and that of the EU. If not, the question will be whether the conclusion of a – more or less – comprehensive free trade agreement between the UK and the EU would be enough to ensure an operation of the system of unitary patent protection that equally satisfies the potentially divergent public and private interests existing on the Continental and the British side of the Channel, respectively.

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<sup>20</sup> Already in its notification of withdrawal (see PM *Theresa May*, Prime Minister's letter to Donald Tusk triggering Article 50, 29 March 2017; available [here](#)) the United Kingdom has firmly expressed its objective to seek a “deep and special partnership that takes in both economic and security cooperation”. According to the Prime Minister's White Paper “The United Kingdom's exit from, and new partnership with, the European Union” of February 2017 (Cm 9417), sub 8., the UK “will not be seeking membership of the Single Market, but will pursue instead a new strategic partnership with the EU, including an ambitious and comprehensive Free Trade Agreement and a new customs agreement.” Accordingly, The Queen's Speech of 21 June 2017 sets forth the Government's intention to introduce a Customs Bill and a Trade Bill enabling the UK to determine and implement its own commercial policy independently from the EU. For current developments and details see *infra* at II.3.b).

<sup>21</sup> See *supra* n. 20. According to Art. 124(4) Draft Withdrawal Agreement [*supra* n. 3], the UK may negotiate, sign and ratify international agreements already during the transitional period provided these do not enter into force before the end of that period. The UK always claimed a right to negotiate and sign trade deals with other states even before it actually leaves the EU and at least during any transitional period following the exit date; see e.g. *David Davis*, Teesport Speech: Implementation Period – A bridge to the future partnership between the UK & EU, 26 January 2018 (available [here](#)).

- 6 This essay will not address these broader issues as such, but as part of the answer to the questions of law Brexit raises in regard of the UK's continued participation in the system of unitary patent protection. It will begin by introducing the general reader to the development and the structure of the unitary patent system, then discuss the avenues proposed for maintaining the UK in that system, analyse its complex legal and political implications for the structure and operation of the system and for the EU's integration process, and conclude that the UK's continued participation in the system of unitary patent protection is untenable as a matter of law and undesirable as a matter of policy for both the European Union and the United Kingdom.

## II. UNITARY PATENT PROTECTION EVERYWHERE?

### 1. The background

#### a) The split between the European system for granting and the Union's system for protecting patents

- 7 (i) The story of the creation of unitary patent protection by the European Union has had to be told too many times.<sup>22</sup> It is marked by a split made in the late sixties of the last century between the establishment of a system for the grant of "European Patents" and the introduction of unitary protection by a "Community Patent" in the then European Economic Community (EEC). The former was to be based on a "Convention for the Grant of European Patents" that fourteen states concluded in 1973 upon an initiative by the EEC, but outside its legal framework.<sup>23</sup> It created an independent international organisation, the EPO that by its "European Patent Office" began to run the administration of a centralised procedure for the grant at uniform terms of so-called "European patents" (Art. 2(1) EPC). These European patents are governed post-grant by the national laws of the states for which protection had been requested by the applicant by way of "designation" of selected states. As regards their validity and effect they are territorially in-

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<sup>22</sup> For the following see generally *K. Haertel*, Die geschichtliche Entwicklung des europäischen Patentrechts, in F.-K. Beier, K. Haertel, G. Schricker (eds.), *Europäisches Patentübereinkommen* (Münchener Gemeinschaftskommentar), 1. Lfg. Cologne 1984, p. 5, nos. 36 et seq., 50 et passim; *A. Plomer*, A Unitary Patent for a (Dis)United Europe: The Long Shadow of History, 46 IIC 508 (2015); *H. Ullrich*, National, European and Community Patent Protection: Time for Reconsideration, in A. Ohly, D. Klippel (eds.), *Geistiges Eigentum und Gemeinfreiheit*, Tübingen 2007, p. 61 et passim (= European University Institute, Law Working Paper 2006/41; available [here](#)); id., Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe?, 8 Eur. L.J. 433 (2002).

<sup>23</sup> See supra n. 7. The 14, finally 16 signatory states were all Member States of the then EEC of nine Member States (the six founding Member and since 1973, the UK, Ireland and Denmark) plus Greece, Liechtenstein, Monaco, Norway, Austria, Sweden, Switzerland.



dependent and limited.<sup>24</sup> The purpose of the establishment of the EPO was to facilitate access to national (!) protection inside and outside the EEC for Common Market- based applicants on the one side, and, on the other, for applicants based in any third countries. The transaction cost savings resulting from the centralisation of the granting procedure for a whole “bundle of patents” and the quality of the operation of the EPO was such that from the start it was an enormous success. At present, 38 states are Contracting States of the European Patent Convention (EPC). In 2017, the EPO received about 310,000 patent filings out of which more than 165,000 are applications for European patents.<sup>25</sup> In the same year, it granted more than 105,000 European patents.<sup>26</sup> The EPO ranks third among the five major patent offices of the world with whom it cooperates in various ways in the “5IP” group.<sup>27</sup>

(ii) By contrast, the project of the introduction of a Community Patent in the EEC that Member States pursued on their own sovereign authority, albeit under the auspices of the Council and with the support of the Commission,<sup>28</sup> took a troubled path. While from the beginning conceived of as fully unitary in character and exclusively for the (entire) Common Market, it first was to be set up by way of an international convention between EEC Member States rather than by way of EEC legislation proper. However, for rather diverse reasons, two successive conventions that the EEC Member States

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<sup>24</sup> See Arts. 1, 2(2), 64(1), (3), 79 EPC; a number of provisions of the EPC concern post grant matters, thus harmonising national patent law, i.e. Art. 63 EPC (term of protection), Art. 64(2) EPC (protection of products directly resulting from a patented process), Art. 69 EPC (interpretation of the scope of protection), Art. 138 EPC (grounds for invalidation). For the structure of the EPC system see *F.-K. Beier*, *Das europäische Patentsystem*, in *Beier, Haertel, Schricker* (eds.), op. cit. [supra n. 22], p. 51 et passim; id., *Grundzüge des europäischen Patentrechts*, in *Beier, Haertel, Schricker* (eds.), *ibid.*, p. 87, nos. 90 et seq.; subsequent developments have not changed the structure of the system, as to them see *R. Kraßer*, *Chr. Ann.*, *Patentrecht*, 7<sup>th</sup> ed. Munich 2016, § 7 (nos. 68 et seq.), § 29 (nos. 68 et seq.).

<sup>25</sup> See *EPO*, *Annual Report 2017, Statistics and Indicators* (available [here](#)).

<sup>26</sup> *Ibid.* This was an increase of about 10% as compared to 2016, which had already seen an increase of 40% over the grants in 2015. The EPO attributes these growth rates to an enhancement of its own productivity. The difference between the number of filings with the EPO and applications for European patent results from the fact that the EPO is a “designated patent office” under the WIPO Patent Cooperation Treaty, which allows international patent filings.

<sup>27</sup> The Five Intellectual Property (IP) Offices cooperate with a view to reducing duplication of examination work by standardisation of forms and formalities and, inter alia, have jointly established the so-called Patent Prosecution Highway. Members are the United States Patent and Trademark Office (USPTO), the State Intellectual Property Office (SIPO) of the PR China, the Japanese Patent Office (JPO), the Korean Intellectual Property Office (KIPO) and the EPO. For details see 5 IP Offices homepage ([here](#)).

<sup>28</sup> See Bericht *Savignon* in *Europäische Gemeinschaften*, *Erster Vorentwurf eines Übereinkommens für das Europäische Patent für den Gemeinsamen Markt, 1970* (ausgearbeitet von der Sachverständigengruppe “Gemeinschaftspatent”); the “Zweiter Vorentwurf” with annexed documents was published by the European Communities in 1971.

had concluded in 1975 and 1985/89, respectively, failed at the ratification stage.<sup>29</sup> When in 1997 the Commission of the European Communities tried to revive the introduction of unitary patent protection as a matter of the Community's innovation policy,<sup>30</sup> its more comprehensive, yet still conservative proposal of a regulation on the Community patent<sup>31</sup> advanced rather slowly. Ultimately, it got stuck because its concept of attributing jurisdiction over Community patent litigation to the CJEU hardly convinced anybody.<sup>32</sup>

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<sup>29</sup> Convention on the European Patent for the Common Market (Community Patent Convention) of 15 December 1975 (76/76/EEC), OJEC 1976 L 17, 1 (CPC 1975); Agreement relating to Community Patents of 15 December 1989 (89/695/EEC), OJEC 1989 L 401, 1 (CPC 1985/89), embodying the CPC 1975 and Implementing Regulations, OJEC 1989 L 401, 9. For the fate of these conventions see references supra n. 22; for the ever arising problem of combining unitary substantive protection with a judicial litigation system satisfying both industry's enforcement interests and safeguarding the broader public interest in justice for all and integration into the general legal and judicial order of the EU, see in addition *Th. Jaeger*, The EU Patent: Cui bono et quo vadit, 47 CML Rev. 63 (2010); *id.*, System, op. cit. [supra n. 9], p. 621 et passim, 680 et passim; *St. Luginbühl*, European Patent Law – Toward Uniform Interpretation, Cologne 2011, p. 177 et seq., 252 et passim; *Ulrich*, Le future système, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.B.2.a); *Chr. Wadlow*, An Historical Perspective II: The Unified Patent Court, in Pila, Wadlow (eds.), The Unitary EU Patent System, 2015, p. 33 et passim.

<sup>30</sup> *European Commission*, Promoting innovation through patents – Green Paper on the Community patent and the patent system in Europe, 24 June 1997, COM (97) 314 final; *id.*, Promoting innovation through patents – Follow up to the Green Paper on the Community patent and the patent system in Europe, 5 February 1999, COM (1999) 42 final.

<sup>31</sup> *European Commission*, Proposal for a Council Regulation on the Community patent, 1 August 2000, COM (2000) 412 final, OJEC 2000 C 337, 278. Within the Council, the Proposal developed into a “General Approach” (Council Doc. 16113/09, ADD1 of 27 November 2009); it was withdrawn on 2 June 2012. While not aiming at much reform of substantive patent law, it followed the structure of the Community trademark and design regulations [supra n. 9] by fully covering the right to the Community patent, the substantive and procedural law of infringement, the exceptions from the exclusive right, the principles governing the Community patent as an object of property, the grant of compulsory licences, and the lapse and invalidation of the Community patent.

<sup>32</sup> Whereas the Commission's 2000 Proposal for a Community Patent Regulation [supra n. 31] was limited to sketching out the structure of a centralised “Community intellectual property court” in its Explanatory Memorandum (sub 2.4.5.), following the Treaty of Nice the Commission submitted to the Council a “Proposal for a Council Decision establishing the Community Patent Court and concerning appeals before the Court of First Instance” (COM (2003) 828 final of 23 December 2003) and a “Proposal for a Council Decision conferring jurisdiction on the Court of Justice in disputes relating to the Community patent” (COM (2003) 827 final of 23 December 2003) that proposed an over-centralised and insufficiently specialised low-level judicial structure for patent litigation.

(iii) At this point, the EPO tried to benefit from the standstill by developing the draft of a European Patent Litigation Agreement (EPLA)<sup>33</sup> that would have established a European Patent Court having exclusive jurisdiction over litigation on the European bundle of national patents. This way, the European patent could have become a viable alternative to the Community patent<sup>34</sup> for all those EPC Contracting States that would (voluntarily!) join the EPLA. The threat that this international non-EC project posed to the European Community was obvious enough for the Commission to intervene and block it on grounds of Member States lacking competence to enter into such an agreement with third-party states.<sup>35</sup>

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(iv) The way out of this stale-mate then was the composition of a “Unitary Patent Package” (UPP). On the one hand, it combined the introduction of a Community patent with patent applicants’ right to instead opt for a European bundle of national patent rights. On the other, it contained the creation by way of an international convention of a EUCPC that would have exclusive jurisdiction over litigation concerning either type of patent protection.<sup>36</sup> However, the package fell apart in early 2011. On 10 March, the EU Council decided to circumvent Italy’s and Spain’s resistance against the transposition of the EPO’s three-languages-only regime<sup>37</sup> to the Community patent

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<sup>33</sup> See references supra n. 29, in particular *Luginbühl*, *European Patent Law*, op. cit., p. 185. Unfortunately, the “Draft Agreement on the establishment of a European patent litigation system” of December 2005 has been withdrawn from the EPO’s homepage. It remains of interest as it served as a model for both the EUCPC Agreement [infra n. 43] and the UPCA.

<sup>34</sup> The reason is that Art. 32 et passim EPLA provided for a common set of rules of patent infringement and limitations and that Art. 43 EPLA made the decision of the EPLA Court effective in all Contracting States, thus transforming the EPC bundle of national patents rights into a uniform set of interlinked rights for enforcement purposes.

<sup>35</sup> The basis for the Union’s claim that EPLA would come at least in part under its competence was that EPLA concerned jurisdictional matters the Union had already covered by Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJEC 2001 L 12, 1, now Regulation (EU) 1215/2012 of 12 December 2012, OJEU 2012 L 351/1. In fact, Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJEC 2004 L 157, 48 (Enforcement Directive) also was relevant; see for a detailed discussion of the issues of internal and external competence of the EU prior to and under the Lisbon version of the Treaties *Jaeger*, *System*, op. cit. [supra n. 9], p. 586 et passim.

<sup>36</sup> In fact, by accepting the double jurisdiction of the EUCPC the EPC patent was upgraded [cf. supra n. 34] making it much more attractive than it would have been under the Commission’s 2000 Proposal for a Community Patent Regulation [supra n. 31], which, contrary to the preceding Community Patent Conventions [supra n. 29], already admitted the principle of optionality between a Community patent and the EPC bundle of national patents (Rec. 4 of the Commission’s 2000 Proposal).

<sup>37</sup> According to Art. 14 EPC, the official languages are English, French and German, of which one will be the procedural language. Art. 65 EPC provides for Contracting States’ right to have the patent translated into one of their official national languages. The use

by authorising the other Member States to move to enhanced cooperation in the area of unitary patent protection.<sup>38</sup> Two days earlier, in its Opinion 1/09, the CJEU had found the proposed agreement on the creation of the EUCPC to be incompatible with primary Union law. In the view of the Court, by its international character and broad exclusive jurisdiction the EUCPC would supersede the Union's judicial system and interfere with the cooperative relationship Art. 267 TFEU establishes between the CJEU and Member States' national courts, these being the "ordinary courts" of the Union.<sup>39</sup>

## b) Re-fixing the failed Unitary Patent Package

- 11 (i) However, instead of abandoning the project of creating a particular patent judiciary having multi-state jurisdiction and resorting to national courts that would act as designated Union patent courts, as is already the case for the European Union's trademark and design protection,<sup>40</sup> Member States participating in enhanced cooperation for unitary patent protection decided to grasp a life belt that the Court seemed to offer them when distinguishing obiter between the unacceptable international EUCPC and the already existing and accepted Benelux Court of Justice. The CJEU considered the latter to be EU-compatible because it represents a "court common to a number of Member States", and, consequently is "situated within the judicial system of the Union" so that "its decisions are subject to mechanisms capable of ensuring the full effectiveness of the rules of the European Union".<sup>41</sup> Taking the Court's decision literally, Member States decided by way of a legislative fiat to formally transform the – renamed – "Unified Patent Court" into a

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made of that translation requirement has changed over time; for details see *St. Luginbühl* in *R. Singer, D. Stauder* (eds.), *Europäisches Patentübereinkommen*, 7<sup>th</sup> ed. Cologne 2016, Art. 65, nos. 1 et passim.

<sup>38</sup> See supra n. 6. The Council's decision was upheld against Spain's and Italy's challenge by the CJEU in its Judgment of 16 April 2013, *Spain and Italy v Council*, C-274/11 and C-295/11, ECLI:EU:C:2013:240. For a critical review *F. Fabbrini*, *Enhanced Cooperation under Scrutiny: Revising the Law and Practice of Multi-Speed Integration in Light of the First Involvement of the EU Judiciary*, 40 *Leg. Iss. Econ. Integr.* 197 (2013); *Th. Jaeger*, *Einheitspatent – Zulässigkeit der Verstärkten Zusammenarbeit ohne Spanien und Italien*, *NJW* 2013, 1998; *M. Lamping*, *Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 *IIC* 879 (2011); *id.*, *Enhanced Cooperation in the Area of Unitary Patent Protection: Testing the Boundaries of the Rule of Law*, 20 *Maastricht J. Eur. Comp. L.* 589 (2013) with references; *E. Pistoia*, *Enhanced cooperation as a tool to ... enhance integration? Spain and Italy v. Council*, 51 *CML Rev.* 247 (2014); generally *H. Ullrich*, *Enhanced cooperation in the area of unitary patent protection and European integration*, 13 *ERA Forum* 589 (2013) with references.

<sup>39</sup> Opinion 1/09 [supra n. 18], paras. 78 et passim.

<sup>40</sup> See supra n. 9. *F. de Visscher*, *European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined*, *GRUR Int.* 2012, 214 advocated such an approach from a practitioner's view.

<sup>41</sup> Opinion 1/09 [supra n. 18], para. 82.

court common to them. To this effect, Art. 84 UPCA limits participation to Member States of the EU, and Art. 1(2) UPCA declares

The Unified Patent Court shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of the Contracting Member States.<sup>42</sup>

As if that were not enough, Art. 22 UPCA provides that

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As a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Art. 267 TFEU in particular. Decisions of the Court of Justice of the European Union shall be binding on the Court.<sup>43</sup>

However, no substantial changes have been made as regards the international organisation of the UPC, its administration and independent self-financing, its two-level semi-centralised structure, the scope of its exclusive jurisdiction, its composition, powers and procedural rules or the rules on substantive law of infringement.<sup>44</sup> All that has been done in the following years have been refinements in detail, albeit sometimes regarding important details.<sup>45</sup> Whether or not the changes and legislative affirmations made have

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<sup>42</sup> Solemnly affirmed also by Rec. 7 to 9 UPCA.

<sup>43</sup> Note that Art. 48 of the draft EUCPC Agreement as submitted to the Court of Justice (Council Doc. 7928/09 of 23 March 2009 – Revised Presidency text) subjected the EUCPC to exactly the same rights and obligations as apply to national courts under Art. 267 TFEU, meaning that it has not been any absence of the preliminary ruling mechanism that motivated the Court of Justice’s Opinion 1/09 [supra n. 18]. However, at paras. 86 et seq., the opinion notes the absence of liability rules regarding a failure to abide by the preliminary ruling obligations. That is why Arts. 22 et seq. UPCA provide for such liability in terms consolidating the CJEU’s case law.

<sup>44</sup> For more details on the UPC see infra at II.4.a). Generally *L. McDonagh*, European Patent Litigation in the Shadow of the Unified Patent Court, Cheltenham 2016, p. 82 et passim; *Wadlow*, Historical Perspective, in Pila, Wadlow (eds.), op. cit. [supra n. 29], p. 37 et seq.; *Hüttermann*, Das Einheitliche Patentgericht, in id. (ed.), op. cit. [supra n. 11], p. 71 et passim; *M. Scuffi*, Il nuovo sistema europeo dei brevetti – Il tribunale unificato e il regolamento di procedura, Milan 2017, p. 44 et passim; *Ullrich*, Le future système, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.B.2.b). For the substantive law provision of UPCA see infra at II.1.b)(ii).

<sup>45</sup> Noteworthy is the pro-patentee and anti-unity tendency of modifications, such as the limitation of the prior-use exception from unitary patent protection to a national territory (Art. 28 UPCA as compared to Art. 14 f of the draft EUCPC Agreement [supra n. 43] and Art. 12 of the Commission’s 2000 Proposal for a Community Patent Regulation [supra n. 31]), and the suppression of the EUCPC/UPC’s jurisdiction for the grant of compulsory licenses regarding the Community patent (Art. 15(1) lit. (f) of the draft EUCPC Agreement) as a result of the suppression of an equivalent to Arts. 21 et seq. of the Commission’s 2000 Proposal for a Community Patent Regulation in the system of the unitary protection; see Rec. 10 Reg. 1257/2012 referring the matter to national law and territory.

been sufficient actually to establish the UPC as a court that is “common to Member States” and “situated within the judicial system of the European Union”<sup>46</sup> is not of concern here. Indeed, should the UPC Agreement not be in conformity with the CJEU’s Opinion 1/09 the Brexit issue will not arise in the first place.<sup>47</sup> Therefore, the analysis starts from the assumption that the UPC may be considered as being truly and genuinely a court common to EU Member States.

- 14 (ii) Although it was only the “three languages only” regime proposed by the Commission for the Community patent<sup>48</sup> that blocked Member States from agreeing on the draft European Union Patent Regulation and served as the justification for the Council’s decision to authorise enhanced cooperation,<sup>49</sup> the transition to such enhanced cooperation was not used “to further the objectives of the Union [...] and reinforce its integration process” (Art. 20(1) TEU), such as by actually adopting the draft EU Patent regulation as it stood or by enhancing its substance. To the contrary, the regulation was systematically reduced to the very core of patent protection, i.e. the power to exclude and a limited list of exceptions to it, and, thus, to an instrument merely serving as a basis for the efficient and territorially united enforcement of the exclusive patent right.
- 15 First, a systemic change was made from the unitary Union patent being granted as such and with effect for the entire territory of the EU to the unitary effect being attached only after the grant of the European patent and upon particular request by the patentee,<sup>50</sup> provided that the patent has been

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<sup>46</sup> Opinion 1/09 [supra n. 18], para. 82.

<sup>47</sup> In its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, the CJEU refused to consider the compatibility of the UPCA with Union law within the framework of an Art. 263 TFEU procedure although for holding Reg. 1257/2012 valid it relied on its being linked to the UPCA (at paras. 100 et seq, 106 et seq.). For a criticism of the analogy to the Benelux Court of Justice see *Jaeger*, System [op. cit., n. 9], p. 711 et passim; id., *Reset and Go: The Unitary Patent System Post-Brexit*, 48 IIC 254, 272 et passim (2017). For views holding that any (international) court may qualify under Opinion 1/09 [supra n. 18] that is bound to respect EU law and its primacy see infra at II.2.b) and II.4.a).

<sup>48</sup> *European Commission*, Proposal for a Council Regulation (EU) on the translation arrangements for the European Union patent, 30 June 2010, COM (2010) 350 final. To the difference of the patent regulation itself, the regulation on the language regime requires a unanimous vote by the Council upon consultation only of the Parliament (Art. 118(1), (2) TFEU). For the problem of extending the EPO language regime for the grant of patents [see supra n. 37] to the protection of the unitary patent see generally *Ullrich*, *Le future système*, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.C.1.a), with references.

<sup>49</sup> See Rec. 3 and 4 of Council Decision 2011/167/EU [supra n. 6]; see also supra n. 38.

<sup>50</sup> Arts. 3, 4 Reg. 1257/2012. The formal requirements regarding requests for unitary effect and the registration procedure are not provided for in Reg. 1257/2012 (see Rec. 18), but left to an implementing regulation by the EPO acting under the supervision of the participating Member States; see Art. 9(1) lit. (a), (b) with Art. 9(2) Reg. 1257/2012. Judicial

granted with a uniform scope with respect to all Member States participating in enhanced cooperation, i.e. with a set of claims that are identical for all the patents in the bundle.<sup>51</sup> The – never officially declared – reason for this change of approach was that the European patent as proposed originally supposedly required or at least politically asked for that the Union become a member of the EPO,<sup>52</sup> which implied that the EPC needed to be revised.<sup>53</sup> Thus, what the new approach meant was speeding up the introduction of unitary patent protection. More importantly, it meant that the EU was to be excluded from active participation and from having a full say in the EPO, this despite the EPO being the body for the grant of patents covering and influencing the Union’s Internal Market, i.e. its entire economy. Instead, such influence was left to Member States with all the resulting complexities of coordinating their conduct.<sup>54</sup> In addition to preventing all direct influence of the EU on the administration and implementation of the granting procedure, the change also meant excluding the EU from full participation in the implementation of the substantive conditions of patentability<sup>55</sup> and their possible modification by a revision of the EPC.

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control of the EPO decision on such request rests with the UPC; see Art. 9(3) Reg. 1257/2012, Art. 32(1) lit. (i) UPCA.

<sup>51</sup> See *European Commission*, Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent protection, COM (2011) 215 final of 13 April 2011, Arts. 3, 4 with Explanatory Memorandum; the wording was refined only marginally before becoming final in Arts. 3, 4 Reg. 1257/2012.

<sup>52</sup> See the Commission’s 2000 Proposal for a Community Patent Regulation [supra n. 31], stating in its Explanatory Memorandum (sub 2.3.3.) the Commission’s intention to ask the Council for a negotiation mandate. However, it never actually forwarded such a request to the Council.

<sup>53</sup> Art. 166 EPC opens the EPO to accession by states only. In addition to modifying Art. 166 EPC, accession by the EU would have required some internal changes in the organisation of the EPO along the lines drawn by Art. 142 et seq. EPC. Whether such a revision was really necessary or could have been circumvented by an approach similar to that of Art. 1(2) Reg. 1257/2012 is not clear. The fact is that the EPO has tacitly accepted the assimilation of Reg. 1257/2012 to an agreement under Art. 142 EPC made unilaterally by the Union (Art. 1(2) Reg. 1257/2012). It is also not known whether when preparing the Community Patent Regulation the Union formally or informally explored the legal issues of and alternatives to its accession to the EPO in discussions with the EPO.

<sup>54</sup> See Art. 9(2) Reg. 1257/2012 relegating the Commission’s status to that of an observer. Note that the Select Committee’s tasks concern not just administrative details, but politically important matters, such as setting the renewal fees and the distribution of fee income pursuant to Arts. 12, 13 Reg. 1257/2012, for details see *Ullrich*, *Le future système*, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II C.2.b). In its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 59 et seq., 69 et seq., the CJEU has seen no reason to object to the delegation of such political powers; see also infra n. 172.

<sup>55</sup> The EPO’s granting procedure is not only governed by Parts III to VII of the EPC, but determined in all detail by the “Implementing Regulations”, which the Administrative Council has full competence to amend (Art. 33(1) lit. (c) EPC), and which also implement

- 16 Second, at the same time, the originally proposed rules on prior-user rights<sup>56</sup> and on compulsory licences were abandoned entirely,<sup>57</sup> and the rules governing the unitary patent as an object of property, i.e. of commercial transactions, reduced to a complete referral to national law.<sup>58</sup> Third, as if this regulatory escapism from an EU patent policy were not enough, the Council ceded to the British Prime Minister's last-minute move of using the Unitary Patent Package for a homeward-looking demonstration of his anti-EU attitude.<sup>59</sup> Thus, the Council decided to renounce its own rules on patent infringement and its exceptions in favour of the rules that Member States had envisaged in regard of the European bundle of national patents in their expected agreement on a Unified Patent Court. With the European Parliament lacking the character and the courage to defend the Union's cause properly,<sup>60</sup> the "compromise" as formulated in terms of Delphi's Oracle ultimately became the law:<sup>61</sup> Art. 5 Reg. 1257/2012 provides in its first paragraph that

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the concept of patentable invention in such important fields as biotechnology (Rules 26 et seq.) or the disclosure requirement (Art. 83 EPC) and the determination of the scope of the patent (Art. 69 EPC); see Rules 42 et seq.

<sup>56</sup> See supra n. 45. Prior-user rights protect the innovation investments lawfully made by third parties prior to the application for a patent against the exercise by the patentee of the exclusive right once it has been granted; see Art. 12 of the Commission's 2000 Proposal for a Community Patent Regulation [supra n. 31]. They are quite common for national patent laws and extend to the entire territory of protection (e.g. § 12 German Patent Act, art. L 613-7 code de la propriété intellectuelle; Art. 68(3) codice della proprietà industriale; § 23 Austrian Patent Act; Sec. 64 UK Patents Act).

<sup>57</sup> See supra n. 45. Art. 8 Reg. 1257/2012 retains a rudimentary rule on licences of right, which are voluntary licences. For the various categories of and reasons for compulsory licences see *H. Ullrich*, Compulsory Licensing Under Patent Law: European Concepts, in *W.A. Kaal et al. (eds.), Festschrift Chr. Kirchner*, Tübingen 2014, p. 399; *id.*, Mandatory Licensing Under Patent Law and Competition Law: Different Concerns, Complementary Roles, in *R. Hilty, K.-C. Liu (eds.), Compulsory Licensing*, Heidelberg 2015, p. 333. Clearly, territorially limited national compulsory licenses are in conflict with the internal market concept underlying unitary patent protection, and they are both ineffective and unattractive. Thus, leaving the matter to national law, as does Rec. 10 Reg. 1257/2012, means that for all practical purposes unitary patents are immunised against compulsory licenses, be they as pro-innovation as they are, e.g. in cases of patent dependency.

<sup>58</sup> Cf. Arts. 14 to 19 of the Commission's 2000 Proposal for a Community Patent Regulation [supra n. 31], which was never in dispute (see Arts. 14 to 19 of the Council's "General Approach" of 27 November 2009 [supra n. 31]), with their counterparts in Arts. 19 et seq. Union Trade Mark Regulation [supra n. 9], Arts. 27 et seq. Community Design Regulation [supra n. 9], Art. 22 Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJEC 1994 L 227, 1 (Community Plant Variety Regulation) on the one hand, and, on the other with Art. 7 Reg. 1257/2012. Art. 7 has become a preferred playground for experts of international private law. That, however, will not suffice to smoothen down this obstacle to international patent transaction.

<sup>59</sup> See supra n. 14.

<sup>60</sup> See *I. Stjerna*, "Einheitspatent" und Gerichtsbarkeit – kein "Licht am Horizont", 26 November 2012 (available [here](#)), reporting on the Parliament's first resistance that did not hold for long. In defence of the Parliament's approval of the compromise *Kl.-H. Lehne*



The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States on which it has unitary effect, subject to applicable limitations.

This perfectly circular sentence then is completed by the article's third paragraph as follows 17

The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.

While pursuant to Art. 7 Reg. 1257/2012 this law would be the national law of the patent applicant's residence or principal place of business<sup>62</sup> and, seemingly, as such, would apply throughout the Union or, for that matter, the territory of enhanced cooperation, Rec. 9 of Reg. 1257/2012<sup>63</sup> makes it clear that what is meant are the rules on infringement and on the limitations of the exclusive right provided for by Arts. 25 to 28 UPCA in respect of the European bundle of national patents. 18

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(Chairman of the Legal Committee), "Der Zeitpunkt der Entscheidung war da", JUVE Rechtsmarkt Heft 01/13, p. 87 et passim.

<sup>61</sup> Held valid by the CJEU in its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 39 et passim. For a critical view in defence of the position of Spain *M. Desantes-Real*, Le "Paquet Européen des Brevets", Paradigme du chemin à rebours: De la logique institutionnelle à la logique intergouvernementale, Cah. dr. eur. 2013, 577, 620 et passim; generally *J.-Chr. Galloux*, Le brevet européen à effet unitaire: greffe et chimère, Prop. Int. 2012 (42) 193; id., L'effet unitaire: De la greffe à la capture, in Chr. Geiger (ed.), Quel droit des brevets pour l'Union européenne?, Strasbourg 2013, p. 55; *Ullrich*, Le future système, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.C.2.a) with references.

<sup>62</sup> Art. 7(1) lit. (a) Reg. 1257/2012; if not applicable, the law of the applicant's place of business applies, Art. 7(1) lit. (b) Reg. 1257/2012; by default: German law, Art. 7(2) Reg. 1257/2012.

<sup>63</sup> Rec. 9 states that in matters not covered by Reg. 1257/2012 "the provisions of [...] the Agreement on a Unified Patent Court, including its provisions defining the scope of that right and its limitations [...] should apply". Thus, Art. 5(3) Reg. 1257/2012 may not be read as referring to national patent law, but as a renvoi to all the law applicable in a participating Member State. For the need to read the renvoi as one to the UPCA and for the problems resulting from Art. 18(2) Reg. 1257/2012 see inter alia *J. Drexler*, Einheitlicher Patentschutz durch Kollisionsrecht, in W. Büscher, W. Erdmann, A. Fuchs (eds.), Rechtsdurchsetzung – Rechtsverwirklichung durch materielles Recht und Verfahrensrecht. Festschrift für Hans-Jürgen Ahrens zum 70. Geburtstag, Cologne 2016, p. 165.

- 19 Reg. 1257/2012 and the UPCA thus are closely linked together. Whereas Art. 5(1) Reg. 1257/2012 establishes the unitary patent as a right to exclude third parties from the use of the protected invention, and does so with unitary effect throughout the territory of enhanced cooperation and at uniform conditions as regards “the scope of that right and its limitations” (Art. 5(2) Reg. 1257/2012), it relies on the UPCA for the specification of that right. It does so in the very terms that apply to the European bundle of national (uniform, but territorially separate and independent) patent rights.<sup>64</sup> The importance of that inclusion of Arts. 25 to 28 UPCA in the Union’s system of unitary patent protection lies in its impact on the relationship between the UPC and the CJEU, in particular on the former’s right and obligation to submit requests for preliminary rulings to the latter regarding the interpretation of Union law, as provided for by Art. 21 UPCA (or rather by Art. 267 TFEU). The matter has been dealt with elsewhere,<sup>65</sup> and will be again of some concern here.<sup>66</sup> Clearly, however, the link between Reg. 1257/2012 and the UPCA cannot be denied or untied by the language Member States used when rephrasing the draft UPCA after the Cameron compromise, i.e. by a wording implying that Arts. 25 to 28 UPCA apply *eo ipso* to the unitary patent by virtue of international convention law.<sup>67</sup> The reason is that Member States may not by an international convention deviate from their rights and duties under EU Treaty law, or curtail its “*effet utile*”, i.e. impair the attainment of its purpose.

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<sup>64</sup> In fact, the rules on infringement and on its exceptions were always intended to be the same for the Union patent and for the EPC bundle patent. Accordingly, Arts. 6 to 8 of the Commission’s Proposal for a Unitary Patent Regulation [supra n. 51] and Art. 14f to 14h draft UPCA (consolidated text of 14 November 2012, Council Doc. 16222/12) were worded identically, and so were Arts. 7 to 9 of the Council’s “General Approach” of 27 November 2009 [supra n. 31]) and earlier drafts of the UPCA, except that the rules were drafted at different points of time and, thus, needed to be mutually adapted as work progressed.

<sup>65</sup> H. Ullrich, *EuGH und EPG im europäischen Patentschutzsystem: Wer hat was zu sagen? Versuch einer Standortbestimmung*, in A. Metzger (ed.), *Methodenfragen des Patentrechts*, Theo Bodewig zum 70. Geburtstag, Tübingen 2018, p. 229 (also available at [SSRN](#)).

<sup>66</sup> See *infra* at II.4.a)(v).

<sup>67</sup> Arts. 25 to 28 UPCA apply to “patent(s)”, which term encompasses both European patents with unitary effect and European patents simple (see the definition by Art. 2 lit. (g) UPCA). However, an agreement between Member States cannot by itself apply to Union titles of protection, but only by virtue of a referral (*renvoi*) made by Union law.

## 2. The unitary patent system post Brexit: From the internal market to insular integration?

### a) The state of play

(i) As unexpected as the result of the Brexit referendum was, the European patent community was quick to react to the emerging challenge to the entry into application of the unitary patent system and to the continued participation of the United Kingdom in it. Clearly, once Brexit has become effective, the European patent cannot produce its unitary effect in the UK unless a way has been found to extend its territorial operation beyond the EU borders to the UK as a non-Member State. However, unitary patent protection has not even come into application and will not come into application unless the UK ratifies the UPCA.<sup>68</sup> In fact, following the wish of at least large parts of its patent community,<sup>69</sup> the UK Government initiated the internal ratification process for the UPCA early on, but completed it by depositing the ratification note only on 26 April 2018.<sup>70</sup> It is not clear, however, to what extent its ratifying the UPCA will ultimately enhance the UK's bargaining position should it really desire to remain within the unitary patent system after its actual exit from the EU.<sup>71</sup> Nor is it clear to what extent the nature of the

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<sup>68</sup> See Art. 18(2) Reg. 1257/2012 read in conjunction with Art. 89(1) UPCA. The UK is covered by the third largest number of European patents, see supra n. 16 (numbers of all, not just European patents). For the misguided approval of a delayed application or even a non-application of Reg. 1257/2012 by the CJEU in its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, see supra n. 12. Note that the blocking position Art. 18(2) Reg. 1257/2012 confers upon the three “major” patent states is exactly what the Commission wanted to rule out by taking a regulation approach to the EU patent rather than the convention approach once chosen for the Community patent, see *European Commission*, The Need for a European Trade Mark System. Competence of the European Community to Create One, 11 IIC 58 (1980), sub F.

<sup>69</sup> See supra n. 17 and accompanying text.

<sup>70</sup> The UK seems to have commenced the ratification procedure in November 2016 (see *HM Government*, UK signals green light to Unified Patent Court Agreement, press release of 28 November 2016). In accordance with the UK's dualist approach to public international convention law (see *A. Lang*, Parliament's role in ratifying treaties, House of Commons, Briefing Paper 5855 of 17 February 2017), the “Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016” of 12 March 2016 will enter into force (only) on the day of entry into force of the UPCA. As of yet, 16 Member States have ratified the UPCA, many East European states hesitating; Poland has not even signed it (see [here](#)). The German ratification act has passed Parliament, but awaits signature by the Federal President, who has been asked by the Federal Constitutional Court (Bundesverfassungsgericht, BVerfG) to postpone signature in view of constitutional appeals pending before the Court (BVerfG docket No. 2 BvR 739/17); see *Th. Hirse, P. Sakowski*, Verzögerung auf der Zielgeraden: Wann kommt das europäische Einheitspatent?, Mitt. 2017, 297.

<sup>71</sup> Pursuant to Art. 50(3) TEU this will be on the day the withdrawal agreement enters into force, failing such agreement two years after the notification of withdrawal (i.e. on 29 March 2019), except if that two-year period is extended by unanimous decision of the Eu-

negotiations on the UK's future relations with the EU and its negotiation objective will influence the nature and the outcome of the negotiations on the UK's continued adherence to the UPCA.<sup>72</sup> On the one hand, the UK is (still) a Member State of the EU, as required by the UPCA,<sup>73</sup> and under public international law, the loss of this status upon exit from the EU apparently does not necessarily and automatically result in the loss of membership in the UPCA as an international convention.<sup>74</sup> On the other, the UPCA has been concluded within the framework of the EU as a matter of complying with EU law, and is tightly linked to EU Reg. 1257/2012.<sup>75</sup> In addition, it might matter that ratification has been initiated only after the notification of Brexit and carried on only while the negotiations of a withdrawal agreement progressed, so at the risk of being considered an all too clever diplomatic manoeuvre, and at the risk of ultimate failure.<sup>76</sup>

- 21 (ii) In legal literature, the discussion about whether the UK may continue to participate in the unitary patent system once Brexit is consummated started even before the UK Government expressed its intention to ratify the UPCA.<sup>77</sup> It was triggered by representatives of the legal profession,<sup>78</sup> and

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ropean Council and the UK. That may become the case as part of an agreement on a transitional regime.

<sup>72</sup> Since the negotiations on the withdrawal agreement must take “account of the framework for its (the UK's) future relationship with the Union” (Art. 50(2) TEU), the latter's structure and principles should emerge in the course of 2018. For the UK's present position and the likely nature of this future relationship see *infra* at II.3.b).

<sup>73</sup> See Art. 2 lit. (b), (c), Art. 84(1), (4) UPCA, and *supra* at II.1.b)(i) and *infra* at II.4.

<sup>74</sup> See Arts. 54 et seq., 62, 65 et seq. Vienna Convention on the Law of Treaties (concluded in Vienna on 23 May 1969, United Nations, Treaty Series, Vol. 1155, I-18232, p. 331). The interpretation of these rules, in particular of Art. 62, and their application in the context of the law of international organisations requires more expertise and experience than this author can offer. See also *infra* n. 285.

<sup>75</sup> See *supra* at II.1.b)(i) and (ii).

<sup>76</sup> See *supra* n. 70. For a critical view see *L. Ubertazzi, Brexit and the EU Patent, GRUR Int. 2017, 301, 307 et seq.*

<sup>77</sup> See *Tilmann, The Future of the UPC, op. cit. [supra n. 19], GRUR 2016, 753; Gordon, Pascoe, Re the Effect of Brexit, op. cit. [supra n. 19], Ohly, Streinz, Can the UK stay?, op. cit. [supra n. 19], GRUR Int. 2017, 1* (the article was presented by *Ohly* already on 28 November 2016 at the Venice EPLAW conference); *G. Sena, V. Franceschelli, Brexit e IP: Una prima brevissima nota, Dir. Ind. 2016, 127*; followers are *L. Ubertazzi, Brexit and the EU Patent, GRUR Int. 2017, 301*; *id.*, *Brexit and the EU Patent Part II: What Shall We Do?, GRUR Int. 2017, 674*; *Jaeger, Reset and Go, op. cit. [supra n. 47], 48 IIC 254 (2017)*; *H. Ullrich, Le système de protection du brevet unitaire de l'Union après le Brexit: désuni, mais unifié?, Prop. Int. 2017 (64) 27*; *Leistner, Simon, Auswirkungen eines möglichen Brexit, op. cit. [supra n. 19], GRUR Int. 2017, 825*; and recently *M. Aranzazu Gandia Selens, The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court, 49 IIC 136 (2018)*; *M. Lamping, The Unified Patent Court, and How Brexit Breaks It, in Lamping, Ullrich (eds.), The Impact of Brexit on Unitary Patent Protection and its Court, 2018, p. 91.*

<sup>78</sup> In particular *Tilmann, The Future of the UPC, op. cit. [supra n. 19], GRUR 2016, 753; Gordon, Pascoe, Re the Effect of Brexit, op. cit. [supra n. 19].*

therefore focussed more on whether the UK may remain a party to the UPCA than on whether and how the unitary effect of the European patent and the substance of exclusive right as provided for by Arts. 3, 5, 7 and 8 Reg. 1257/2012 may be extended to the UK. A minority of authors<sup>79</sup> negate the very possibility of such an extension, unitary patent protection being a system developed by and for the EU and having been so developed as a matter of further promoting integration by way of enhanced cooperation between Member States only (Art. 20(1) TEU). Therefore, it must cover the EU's market and territory and only the EU's market and territory. Most authors, however, defend the thesis that although with Brexit becoming effective EU law ceases to produce effect in the UK (Art. 50(3) TEU) unitary protection may be extended to the UK by way of an international agreement.<sup>80</sup> The basis for such an agreement is thought to be established by Art. 142 EPC, which provides that

Any group of contracting States, which has provided by a special agreement that a European patent granted for those States has a unitary character throughout their territories may provide that a European patent may only be granted jointly in respect of all those States.

In one view, Reg. 1257/2012 has a double nature and already represents such “special agreement”. Thus, it only needs to be formally amended. Others would require a separate “special agreement” extending unitary patent protection.<sup>81</sup> There is some uncertainty about whether such Art. 142 EPC agreement needs to be concluded between the EU and the UK or whether it may be concluded – on behalf or with the authorisation of the EU – by the UK and the remaining EU Member States, parties to the UPCA (and only by the latter or by all Member States participating in enhanced cooperation?). There is also some uncertainty about whether the necessary assurance of autonomy of EU law would follow directly from Arts. 2(1), 20 and 21 UPCA and, therefore, is given by the UK by way of its ratifying the UPCA or whether such assurance needs to be made explicit.<sup>82</sup> Finally, aside possi-

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<sup>79</sup> Notably *L. Ubertazzi*, Brexit and the EU Patent, GRUR Int. 2017, 301; *id.*, Brexit and the EU Patent Part II: What Shall We Do?, GRUR Int. 2017, 676 et passim.

<sup>80</sup> *Tilman*, The Future of the UPC, *op. cit.* [supra n. 19], GRUR 2016, 753 et seq.; *Gordon, Pascoe*, Re the Effect of Brexit, *op. cit.* [supra n. 19], nos. 41 et passim; *Ohly, Streinz*, Can the UK stay?, *op. cit.* [supra n. 19], GRUR Int. 2017, 10 et seq.; *Leistner, Simon*, Auswirkungen eines möglichen Brexit, *op. cit.* [supra n. 19], GRUR Int. 2017, 830.

<sup>81</sup> For the former position *Tilman*, The Future of the UPC, *op. cit.* [supra n. 19], GRUR 2016, 753 et seq.; for the latter the other authors mentioned supra n. 80.

<sup>82</sup> For the former view *Tilman*, The Future of the UPC, *op. cit.* [supra n. 19], GRUR 2016, 754; *Ohly, Streinz*, Can the UK stay?, *op. cit.* [supra n. 19], GRUR Int. 2017, 11; for the latter *Leistner, Simon*, Auswirkungen eines möglichen Brexit, *op. cit.* [supra n. 19], GRUR Int. 2017, 831). Neither *Ohly, Streinz* nor *Tilman* raise the question whether the assurance given by the UK when ratifying the UPCA while (and because of) being a Mem-

bly from technical details, there is no unanimity among the advocates of extending of unitary patent protection to the UK on whether it should or even needs to be part of the continued participation of the UK in the UPC system, both being linked together by origin and function.<sup>83</sup> By contrast, all agree that the extension will not, of course, rest on EU law but on international convention law,<sup>84</sup> or rather on UK law, the UK adhering to a strict dualist approach to international convention law.<sup>85</sup>

### b) Extending the unitary effect to the UK: A divided unity!

- 23 (i) It is not the purpose of this paper to enter into a discussion of the doctrinal details of the pro-extension proposition, but to better understand what its realisation would mean in legal, socio-economic and practical terms for the EU and the UK, respectively. Indeed, when following the lines of argument one increasingly gets the impression that the advocates of an extension of unitary patent protection saddle their horses from the tail and seem to feel uneasy when mounting and riding it.<sup>86</sup> The extension of the unitary effect and of the substance of the exclusive right created by Reg. 1257/2012 appears to be more of an annex to the proposition to have the UK continue participating in the UPC system when in truth that judiciary must derive its justification from the way it supports the EU's system of unitary patent protection. More particularly, the pro-extension advocates<sup>87</sup> use the same con-

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ber State remains legally reliable when the UK has left the EU and thus has become a third-party state. After all, this is a major change of circumstances.

<sup>83</sup> *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 10 (left column) mention the possibility for the UK to remain within the UPCA even if unitary patent protection is not extended to its territory, but do not elaborate on this option. Similarly, *B. Warusfel, Le rôle des stratégies politiques*, Prop. Int 2017 (64) 39, 44 would separate the issues and allow the UK to remain within the UPCA in regard of the EPC bundle patent only. However, he does not explain how such separation would work out, given that the rules on the grant and on the infringement of the two categories of patents are textually identical and that non-EU judges would sit on a court deciding over EU matters (see also infra at II.4.b)). Moreover, even under this approach the UK will remain dependent on EU law as regards the exceptions from the exclusive right conferred by a European patent of the UPCA-type; see infra at II.3.a(i), text accompanying n. 138.

<sup>84</sup> See already *Tilmann, The Future of the UPC*, op. cit. [supra n. 19], GRUR 2016, 753, sub II.3 (“two parallel unitary effects”: in the participating Member States on the basis of Reg. 1257/2012; in the UK on the basis of the “special agreement” concluded in view of Art. 142 EPC).

<sup>85</sup> See *Lang, Parliament's role in ratifying treaties*, op. cit. [supra n. 70], sub 2.

<sup>86</sup> See the permanent anticipation and refutation of counterarguments and obstacles and at the end the surprising conclusion that any amendments to the UPCA would nevertheless be only of “minor, technical nature” by *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 2 et passim, 11 (right column); see also the many caveats made by *Gordon, Pascoe, Re the Effect of Brexit*, op. cit. [supra n. 19].

<sup>87</sup> See *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 3 et passim; *Leistner, Auswirkungen eines möglichen Brexit*, op. cit. [supra n. 19], GRUR Int.

vention approach for the extension of unitary patent protection that they develop for enabling the UK to continue its participation in the UPC system. It rests on the assumption that the CJEU's Opinion 1/09<sup>88</sup> may be read as requiring not more than that in an agreement on a unified patent judiciary – among EU Member States or with non-EU states – the parties promise to ensure the autonomy and the primacy of EU law. Therefore, any international convention that meets that requirement may constitute a sufficient basis both for the participation of the UK in the UPCA and for the extension of unitary patent protection. For these authors, it is only a question of modalities whether the EU itself or – on its behalf – its Member States may conclude the agreement. Whatever the answer to the latter question may be,<sup>89</sup> the surprising point here is that the limitation on Member States' power to enter into an international court agreement that the CJEU set in its Opinion 1/09 is so easily converted into a justification for extending EU law to third states by way of an international convention.

(ii) Such a reductionist reading of the CJEU's Opinion 1/09 is not only incorrect and fails as an argument supporting the UK's continued participation in the UPCA.<sup>90</sup> Rather, as regards the extension of unitary protection to the UK, the convention approach will not hold what it promises. An obvious first weakness is that it cannot make EU law, its autonomy and primacy or the direct effect of its rules work as such with respect to the UK, but only by virtue of precisely international public law. This means that the assurance of the integrity of EU law given by an extension agreement will be as weak or as strong as an international convention is or can be made. Unless the extension agreement excludes the application of the sovereignty-related principles of the Vienna Convention on the Law of Treaties, in particular its rules

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2017, 827 et seq., 830; also, but with caveats *Gordon, Pascoe*, Re the Effect of Brexit, op. cit. [supra n. 19], nos. 44 et seq., 50 et passim, and implicitly also *Tilmann*, The Future of the UPC, op. cit. [supra n. 19], GRUR 2016, 754.

<sup>88</sup> Opinion 1/09 [supra n. 18], paras. 65, 67 et seq., 77, 82 et seq., 86.

<sup>89</sup> At any rate, the fictio legis made by Art. 1(2) Reg. 1257/2012 in that it assimilates Reg. 1257/2012 to a "special agreement" within the meaning of Art. 142 EPC does not provide Reg. 1257/2012 with a twofold legal nature, i.e. one of EU law and one of an international convention, with the result that Member States may conclude an extension agreement with the UK as if, in regard of unitary patent protection, they were independent subjects of public international law acting as such and not being bound by EU law, but only by the EPC (contra *Tilmann*, The Future of the UPC, op. cit. [supra n. 19], GRUR 2016, 753). The fictio legis rests on EU law. As such, it may be acceptable internally within the EU (which, by the way, is all that CJEU, Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 28 et passim is saying). It cannot, however, transform an EU regulation into an international convention, not in general, and not by a Dr Jekyll and Mr Hyde split into two entirely different legal instruments. Therefore, there can be no doubt that the extension of unitary patent protection is a matter for the EU alone, and it is so irrespective of issues of commercial policy competences. What is at stake is a direct interference with and a modification of EU law.

<sup>90</sup> See infra at II.4.a).

on breach of obligations and its remedies, such as the right to termination or suspension (Art. 60), on withdrawal for changed circumstances (Art. 62) and on dispute settlement (Arts. 65 et seq.), and subjects the UK in the field of unitary patent protection to the EU Treaty's institution-based legal and judicial order, including the Commission's role as a guardian of EU law (Art. 17(1) TEU, Art. 258 TFEU) and Member States right of action for Treaty violation (Art. 259 TFEU), the assurances given in the extension agreement might not be good enough to satisfy the requirement of full respect of EU law.<sup>91</sup> Indeed, such respect would be due not only by the UPC as such, but by the UK as a party to the UPC Agreement in the first place. However, as a non-EU state, the UK stands outside the common link of mutual trust and shared constitutional commitments that holds Member States together and forms the basis for the primacy of EU law and its autonomy by reference to national and international law.<sup>92</sup>

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<sup>91</sup> Note that the concept of extending unitary patent protection from the EU to the UK fundamentally differs from a parallelism of the rules of protection as provided for by Art. 65 Agreement on the European Economic Area (EEA) and its Protocol 28 (with Annex XVII). Whereas the former would create one unitary territory and an identity of the substance of protection, the latter only obliges the contracting non-EU states to adapt their national systems of protection to EU law, in the case of regulations by way of adoption (Art. 7 EEA Agreement). The result is that protection is a matter of national law and territorially limited and independent. In fact, Annex XVII, while listing the EU regulations on supplementary protection certificates in the field of patent protection does not list the regulations on Union trade marks or Community designs, but only the directives harmonising national trademark and design law, respectively. The "parallelism" of the intellectual property law EEA States have to adopt and its interpretation in harmony with EU law is ensured by the Joint EEA Committee (Arts. 105 et seq. EEA Agreement), and the uniform interpretation of the national laws and their conformity to EU law by the EFTA Court (Arts. 6 and 108(2) EEA Agreement, Arts. 3 and 34 of the Surveillance and Court Agreement). See as regards trademark law *A. Kur* in id. et al. (eds.), *Markenrecht*, Munich 2017, sub Einl. MarkenR, p. 22 et seq., nos. 99 et seq. For the – limited – role of the EFTA Court (no preliminary rulings, but advisory opinions; no duty to abide by CJEU case law post EEA Agreement, but only a duty to take "due account of the principles" of the CJEU's rulings) see *H. P. Graver*, *The Effects of EFTA Court Jurisprudence on the Legal Order of the EFTA States*, in C. M. Baudenbacher et al. (eds.), *The EFTA Court – Ten Years On*, Oxford 2005, p. 79 et seq. In essence, therefore, surveillance and the assurance of conformity with EU law follows a judicially tempered intergovernmental model.

<sup>92</sup> Based on its Opinion of 18 December 2014, *Accession of the European Union to the ECHR*, 2/13, ECLI:EU:C:2014:2454, paras. 166 et passim (Opinion 2/13), the CJEU has substantiated the rationale underlying the autonomy and primacy of EU law in the following terms (CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 33 et seq.): "[The] autonomy of EU law with respect both to the law of the Member States and to international law is justified by the essential characteristics of the EU and its law, relating in particular to the constitutional structure of the EU and the very nature of that law. EU law is characterised by the fact that it stems from an independent source of law, the Treaties, by its primacy over the laws of the Member States, and by the direct effect of a whole series of provisions which are applicable to their nationals and to the Member States themselves. Those characteristics have given rise to a structured network of prin-



Besides, even if maintained despite its legal problems, the convention approach will not bring about the desired unitary character of patent protection across the EU and the UK. Indeed, what kind of unity is it when in the EU the same European patent derives its unitary effect from EU law and in the UK from convention law (or rather from UK law), so from two legally different regimes? It is true that for enforcement purposes the extended patent may be considered “unitary” as appears to be the European bundle of national patents under Art. 34 UPCA. As regards substance, however, does this extended patent really constitute a single right despite its resting on two different legal bases in the EU and the UK, respectively?<sup>93</sup> May it truly be considered unitary in the sense that “it may only be limited, transferred or revoked, or lapse” (Art. 3(2) 2<sup>nd</sup> para. Reg. 1257/2012) in respect of both the Member States in enhanced cooperation on the one hand, and, on the other, the UK post-Brexit? Or aren’t there two legally distinguishable acts implied, which, de facto, are committed *uno actu*? The question is not quite as academic as it might appear because the split legal basis entails a split of legal regimes. For instance, in the case of a UK-based applicant for a European patent the national law that applies to the unitary patent as an object of property, namely UK law, will do so not by virtue of Art. 7 Reg. 1257/2012, but by virtue of an international convention replicating this Art. 7 Reg. 1257/2012 as matter of extending unitary protection to a non-EU state, and it will do so with respect to the entire EU. The consequence of this systemic divide is that the European Union’s Charter of Fundamental Rights will not apply to the unitary patent as an object of property held by or acquired from

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principles, rules and mutually interdependent legal relations binding the EU and its Member States reciprocally and binding its Member States to each other [...]. EU law is thus based on the fundamental premiss that each Member State shares with all the other Member States, and recognises that they share with it, a set of common values on which the EU is founded, as stated in Article 2 TEU. That premiss implies and justifies the existence of mutual trust between the Member States that those values will be recognised, and therefore that the law of the EU that implements them will be respected. It is precisely in that context that the Member States are obliged, by reason *inter alia* of the principle of sincere cooperation set out in the first subparagraph of Article 4(3) TEU, to ensure in their respective territories the application of and respect for EU law, and to take for those purposes any appropriate measure, whether general or particular, to ensure fulfilment of the obligations arising out of the Treaties or resulting from the acts of the institutions of the EU [...]. In order to ensure that the specific characteristics and the autonomy of the EU legal order are preserved, the Treaties have established a judicial system intended to ensure consistency and uniformity in the interpretation of EU law”. By contrast, if the UK were to remain a member of the UPCA, the overarching framework for the judicial practice of the UPC would be a (comprehensive) free trade agreement between the EU and the UK that is of an intergovernmental nature and based on trade reciprocity, see *infra* at II.3.b)(i).

<sup>93</sup> The question remains relevant even if one assumes that, instead of “two parallel unitary effects” – in the EU by virtue of Reg. 1257/2012, in the UK by virtue of the extension agreement (see *Tilmann*, *The Future of the UPC*, *op. cit.* [*supra* n. 19], GRUR 2016, 753) – there would be an overlap of regimes, the extension agreement covering also the EU territory.

UK applicants because the applicable UK law implements convention law rather than Union law as would be necessary for the EU's Fundamental Rights Charter to apply (Art. 51(1)).<sup>94</sup>

- 26 (iii) This brings up the question of how unitary patent protection will work in two different legal and economic environments, and how long it will work. While patent law is a narrow and systematically well laboured field, its rules cannot be applied in isolation. Arts. 20 and 24 UPCA oblige the UPC to apply Union law “in its entirety”. According to Opinion 1/09 of the Court of Justice, this means that the UPC has to interpret and apply, in addition to Reg. 1257/2012, also

other instruments of European Union law, in particular regulation and directives in conjunction with which that regulation would, when necessary, have to be read, namely provisions relating to other bodies of rules of intellectual property, and rules of the FEU Treaty concerning the internal market and competition law. Likewise, the (UPC) may be called upon to determine a dispute pending before it in the light of the fundamental rights and general principles of European Union law.<sup>95</sup>

- 27 How will such a holistic EU-law approach square with the UK legal system, for instance as regards the respect of the rules and principles of its own national – and no longer EU-harmonised – system of intellectual property? Will these have to be disregarded whenever unitary patent protection needs to be interpreted in context, and be relevant only for national patents? What about the application of mandatory law reflecting public policy? While respecting the principles of the internal market should not pose too much of a problem if the future relationship between the EU and the UK is cast in terms of a free trade agreement,<sup>96</sup> the application of the competition rules

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<sup>94</sup> See *Th. Kingreen* in Chr. Calliess, M. Ruffert (eds.), *EUV/AEUV*, 5<sup>th</sup> ed. Munich 2016, GRCH Art. 51, annot. 7 et passim; *Ph. Terhechte* in H. von der Groeben, J. Schwarze, A. Hatje (eds.), *Europäisches Unionsrecht*, 7<sup>th</sup> ed. Baden-Baden 2015, GRC Art. 51, annot. 7 et passim. For the relationship between the UPCA and the EU Charter of Fundamental Rights see *J. Drexler*, *The European Unitary Patent System: On the ‘Unconstitutional’ Misuse of Conflict-of-Law Rules*, in K. Hilbig-Lugani et al. (eds.), *Zwischenbilanz – Festschrift für Dagmar Coester-Waltjen*, Bielefeld 2015, p. 361 (also available at SSRN). Given the tight links between Reg. 1257/2012 and the UPCA it should be beyond doubt that the UPCA comes within the ambit of the Charter; see the before-mentioned references. However, on its side, the UK will not be bound by the Charter once it has left the EU; see to this effect expressly Sec. 5(4) European Union (Withdrawal) Act 2018 [supra n. 2].

<sup>95</sup> Opinion 1/09 [supra n. 18], para. 78.

<sup>96</sup> For this likely outcome of the negotiations on the future relation between the EU and the UK see *infra* at II.3.b). The possibly least troublesome issue regarding unitary patent protection is that of an international UK/EU-wide exhaustion of the exclusive distribution right since Art. 7 Reg. 1257/2012 and Art. 29 UPCA provide for such a rule with respect to both the unitary patent and the EPO bundle patent of the UPCA-type, and since the UK recognises international exhaustion, albeit on conceptually different grounds. More ques-

might do so. These rules no longer concern only exceptional cases of the abusive exercise of intellectual property rights. At least in some growing areas they have come to set systematic limits to patent exclusivity. The EU has developed and will further develop its competition law and policy in this regard.<sup>97</sup> And so did and will the UK,<sup>98</sup> with the discussion on the design of its post-Brexit competition law having already begun.<sup>99</sup> Will it be relevant only for national patents, so only for a (minor) part of all patents covering the UK?<sup>100</sup> Similar questions will arise with regard to the impact of fundamental rights, where the UPC will have to apply the European Union Charter to which, however, the UK will no longer adhere. They are likely to arise also in respect of other public interest laws whenever the EU and the UK develop distinct approaches or implement common principles differently.

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tionable is whether under principles of the Internal Market (Arts. 34 to 36 TFEU) compulsory licensing of the unitary patent may be left to Member States and thus limited territorially (Rec. 10 Reg. 1257/2012) and, more generally, whether prior-user rights may be restricted to national territories (Art. 28 UPCA); see *Ullrich*, *Gewerblicher Rechtsschutz*, in Immenga, Mestmäcker (eds.), op. cit. [supra n. 1], p. 1662 et seq.

<sup>97</sup> The fields concerned are those of the network industries (telecommunications, industry 4.0) where patents reading on standardised technologies, in particular on interfaces, tend to conflict with innovative standards' open-access rules; see *H. Ullrich*, *FRAND Access to open standards and the patent exclusivity: Restating the principles*, *Concurrences*, Issue 2-2017 with references (also available at [SSRN](#)). For the national cases following CJEU, Judgment of 16 July 2015, *Huawei Technologies*, C-170/13, ECLI:EU:C:2015:477, see *P. Picht*, *FRAND Wars 2.0 – Rechtsprechung im Anschluss an die Huawei/ZTE-Entscheidung des EuGH*, WuW online of 12 May 2017 (also available at [SSRN](#)).

<sup>98</sup> See the application of Art. 102 TFEU in *Unwired Planet v. Huawei Technologies*, U.K. High Court (Patents Court) of 5 April 2017, (2017) EWHC 711 (Pat) by The Hon. Mr Justice Birss; for a comment see *P. Picht*, *Unwired Planet v. Huawei: A Seminal SEP/FRAND Decision from the UK*, *GRUR Int.* 2017, 569; id., *FRAND determination in TCL v. Ericsson and Unwired Planet v. Huawei. Same same but different?* *Max Planck Institute for Innovation and Competition Research Paper No. 18-07* (available at [SSRN](#)).

<sup>99</sup> See *Brexit Competition Law Working Group (BCLWG)*, *Conclusions and Recommendations*, July 2017 (available [here](#)); *J. Fingleton et al.*, *The implications of Brexit for UK competition law and policy*, 13(3) *J. Comp. L. & Pol'y* 389 (2017); *Ph. Nicolaidis*, "The day after": Exit-induced legal lacuna, 24 *Maastricht J. Eur. Comp. L.* 158, 167 et seq. (2017); *A. Lindsay, A. Berridge*, *Brexit, merger control and potential reforms*, 38 *E.C.L.R.* 435 (2017). Even if, as regards substance, the UK's competition law and policy would more or less closely follow the EU example, procedural differences might well produce divergences of the practical outcome of its administrative and judicial application as compared to EU practice; see *M. Demetriou*, *The future is a foreign country: they do things differently there – the impact of Brexit on the enforcement of competition law*, 39 *E.C.L.R.* 99 (2018).

<sup>100</sup> The number of patents granted nationally by the UK Intellectual Property Office (UK IPO) decreased from 7,173 in 2011 to 5,464 in 2015; see *UK IPO*, *Facts and Figures 2014 and 2015*, Newport 2016, p. 3 (available [here](#)). For the generally small position of the UK as regards its domestic patenting activity, yet high exposure to patents held by foreign owners see *infra* at II.3.a)(ii). It is impossible to predict how many of the EPO-granted patents will in the future be of the unitary type, and how many of the UPCA-type, which, being territorially limited to the UK territory and independent, may come under UK competition law rather than under the EU's competition rules; see also *infra* at II.4.b).

This phenomenon of insular integration of the UK for purposes of unitary patent protection, that isolates a segment of intellectual property from its related fields and from the general legal framework the UK sets for regulating its domestic market, will be exacerbated in the very field of patent law. Thus, Art. 27 UPCA enumerates a long catalogue of exceptions from the patent exclusivity many of which rest on EU law.<sup>101</sup> These EU-type exceptions will bind the UK in regard of the extended unitary patent protection not simply as a matter of convention law should the UK continue to be a party to the UPCA, but as a matter of the UK accepting, for the sake of unity of patent protection, the rules of Union law as the law of the extended unitary patent protection. The problem with these EU law-based exceptions is twofold. First, they express an important part of the EU's patent policy that the UK might not wish to follow in the future when developing its own independent patent policy,<sup>102</sup> but will not be able to escape without breaching the extension agreement and putting patent unity in jeopardy. Worse, it may not even escape the EU patent policy should the EU decide to modify these exceptions by amending the rules of EU law upon which they rest.<sup>103</sup>

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<sup>101</sup> See Art. 27 lit. (d) UPCA: submitting pharmaceuticals for marketing authorisation in accordance with Dir. 2001/82 and 2001/83; Art. 27 lit. (i) UPCA: farmers' privilege to use plant propagating material to an extent equivalent to Art. 14 Community Plant Variety Regulation [supra n. 58] (see also Art. 11(1) Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, OJEC 1998 L 213, 13 (Biotechnology Directive)); Art. 27 lit. (j) UPCA: farmers' privilege to use livestock for an agricultural purpose (see also Art. 11(2) Biotechnology Directive); Art. 27 lit. (k) UPCA: use of computer programs as allowed under copyright by Arts. 5 and 6 Dir. 2009/24 on the protection of computer programs; Art. 27 lit. (l) UPCA: acts allowed pursuant to Art. 10 Biotechnology Directive. Note that as regards these exceptions Art. 27 UPCA serves only a declaratory purpose, Member States being held to Union law anyway, and lacking the power to modify it.

<sup>102</sup> For instance, given its high exposure to patents held by foreign owners and its need to enhance its research and development (R&D) potential (see *infra* at II.3.a(ii)), the UK might consider broadening the research exemption (as did Belgium, see *G. Van Overwalle, The Implementation of the Biotechnology Directive in Belgium and its After-Effects. The Introduction of a New Research Exemption and a Compulsory Licence for Public Health*, 37 IIC 889, 905 et seq. (2006)). The UK might also consider readjusting the relationship between patent term extension by supplementary protection certificates and early access by generics industry to marketing authorisation for still-patented pharmaceuticals or it might wish to take up any other topic of reforming patent law (e.g. computer-implemented inventions) to the extent that it is not bound by the EPC. Conversely, the UK might not wish to follow reforms the EU undertakes, such as currently as regards precisely patent term extension (see *European Commission, Public Consultation on Supplementary Protection Certificates (SPCs) and patent research exemptions*; available [here](#)), or e.g. new exceptions as recently intended by the Dutch Government in regard to biotechnology patents (see *Patent-anwaltskammer, Stellungnahme zum Vorstoß der Niederlande betreffend die Änderung der EU-Biopatentrichtlinie*, 29 July 2015; available [here](#)).

<sup>103</sup> Art. 87(2), (3) UPCA, which provides for a veto right of Contracting Member States against amendments of the Agreement that the Administrative Council may make to bring it in conformity with international patent law or Union law, will not help the UK either. Although the provision may gain in importance even in regard of EU law should the UK

Second, some of these exceptions aim at harmonising patent law with the rules governing other categories of – harmonised or unified – intellectual property, such as software copyright or the protection of plant varieties.<sup>104</sup> Therefore, again by way of “insular integration”, the UK will have to accept for the purpose of unitary patent protection exceptions dictated by – present or future – EU intellectual property law that do not correspond to its own copyright or plant variety law.

Clearly, when negotiating an extension agreement the UK will seek to retain some of the influence over the development of unitary patent protection it has as a Member State in the legislative bodies of the Union but will lose when Brexit becomes effective. However, whatever the form of the agreement, isolated or embedded in a free trade agreement, the UK will hardly obtain more than some right to information and more or less intense consultation prior to the enactment of EU legislative acts, and such consultation mechanism most likely will cover patent matters specifically rather than all related matters or it will cover the other matters only vaguely.<sup>105</sup> In fact, the EU will not be able to be very generous in regard of a third party obtaining influence upon its legislation on unitary patent protection. Indeed, being a matter of enhanced cooperation, unitary patent protection is reserved to EU Member States and bound to the objective of enhanced cooperation which is to reinforce the EU’s integration process (Art. 20(1) 2<sup>nd</sup> subpara. TEU).

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Yet, the position of the UK seems to be reinforced by the fact that as regards the specification of the acts of infringement of unitary patent protection and the exceptions from the patent exclusivity Arts. 5(3) and 7 Reg. 1257/2012 refer to the patent laws that apply in the Member States of the applicant and

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continue to be a party to the Agreement and thus help to transform it from an EU internal agreement between Member States that have to abide by Union law anyway into an international agreement, the exercise by the UK of the veto right granted by Art. 87(3) UPCA would disrupt the unity of protection. In this regard, therefore, it is but a hollow right.

<sup>104</sup> Art. 27 lit. (i), (j), (k) UPCA; see supra n. 101.

<sup>105</sup> The problem has already arisen in the context of the general negotiations on the institutional structure of the Withdrawal Agreement [supra n. 3] and of the transition period (UK position on the European Data Protection Board); see *M. Barnier*, Speech at the 28<sup>th</sup> Congress of the International Federation for European Law (FIDE), 26 May 2018 (available [here](#)). Typically, free trade agreements containing rules on intellectual property will provide for parties committing themselves to general levels or specific forms of protection and its enforcement, and they may provide for a regular exchange of information on the operation of the respective system of protection. However, such agreements leave the appropriate method of implementing such obligations within the national legal system and practice to contracting states as a matter of respecting the principles of territoriality and independence of national intellectual property; see as an example of a most advanced and comprehensive such agreement the “Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part” of 30 October 2016 (OJEU 2017 L 11, 23), Chapter 20, in particular Arts. 20.2 and 20.50. See also *infra* at II.3.b).

thus to Arts. 25 to 27 UPCA.<sup>106</sup> Therefore, if the UK were to remain a party to the UPCA even post Brexit, it would benefit from a right to veto any modification of Arts. 25 to 27 UPCA simply because as an international convention the UPCA may be modified only by consensus of all parties.<sup>107</sup> Thus, the EU and the UK seem to be in a situation of mutual dependence as regards the development of the rules of unitary patent protection, a dependency in which the UK seemingly may trust. As confirmed by the CJEU<sup>108</sup> the EU legislature has not exhausted the competence conferred upon it by Art. 118 TFEU but left to Member States the power of specifying the law of patent infringement as contained in Arts. 25 to 27 UPCA.<sup>109</sup> It is also a fact that the UPCA as such is not covered by the Council's decision authorising enhanced cooperation in the area of unitary patent protection,<sup>110</sup> and that it is open for access by any EU Member State (Art. 87(1), (4) UPCA). However, the unity of patent protection as enshrined in Arts. 3(2), 5(1), (2) and 7(1) Reg. 1257/2012 and implemented by Art. 5(3) Reg. 1257/2012 forms the very core of enhanced cooperation. As such, it is reserved to and has to be safeguarded by EU Member States alone since enhanced cooperation is aimed at and justified only by "reinforcing its (i.e. the EU's) integration process" (Art. 20(1) 2<sup>nd</sup> para. TEU). Moreover, the UK's veto position is untenable because of the conjunction of three circumstances: First, the fact that by referring to Arts. 25 to 27 UPCA as a way of specifying the exclusive right that Art. 5(1) Reg. 1257/2012 confers on the owner of a European patent with unitary effect, Art. 5(3) Reg. 1257/2012 integrates these provisions of the UPCA into Union law.<sup>111</sup> Second, the reference to national law made by Art. 5(3) Reg. 1257/2012 is due alone to the pressure the UK exercised during the legislative process against maintaining the infringement rules in the EU Regulation,<sup>112</sup> and to that the Parliament and the Council accepted Art. 5(3) Reg. 1257/2012 as a political compromise only because participation in the UPCA is restricted to EU Member States. Third, the absurdity of allowing the UK to exercise more influence on the development of unitary patent protection once it has left the EU than it had before as a Member State, which was subject to the majority vote in the legislative pro-

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<sup>106</sup> See supra at II.1.b)(ii), text following n. 59.

<sup>107</sup> Note that Art. 87(1) UPCA does not apply as it authorises the Administrative Committee to itself revise the UPCA only "with a view to improve the functioning of the Court". Art. 87(3) UPCA covers only EU law induced revisions; see supra at II.2.b)(iii), text accompanying n. 103.

<sup>108</sup> CJEU, Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 44 et seq.

<sup>109</sup> As to the EU law-related exceptions see supra at II.2.b)(iii), text accompanying n. 101, 103.

<sup>110</sup> See supra n. 6.

<sup>111</sup> See *Ullrich*, EuGH und EPG, in Metzger (ed.), op. cit. [supra n. 65], sub II.B.2.b); contra inter alia *Drexel*, *Einheitlicher Patentschutz*, in Büscher et al. (eds.), op. cit. [supra n. 63], p. 177.

<sup>112</sup> See supra n. 14.

cess (Art. 118(1) TFEU). In sum, the UK must also leave the UPCA, or at least be excluded from co-determining the development of the rules on infringement of unitary patent protection.<sup>113</sup>

### 3. A common patent law and policy of the EU and the UK?

#### a) Extending unitary patent protection: Whose interest is it?

The poor perspective an extension of unitary patent protection offers from a legal point of view does not get brighter when examining from a practical, economic and political point of view what the extension or the non-extension of unitary patent protection would mean for firms – both patentees and other market actors – and for the EU and the UK, respectively. Rather, the picture becomes more complex and fuzzy because of the many varying and divergent interests involved on all levels, and because of the uncertainties regarding the economic impact the patent system in general may have on innovation and economic growth,<sup>114</sup> in particular the specific features of its design, such as unitary protection covering imperfectly integrated markets.

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<sup>113</sup> It is true that the EU legislature may always complement the reference made by Art. 5(3) Reg. 1257/2012 or substitute it by a full set of rules on patent infringement of its own. The problem, however, is that such reform would imply a harmonisation also of national laws as they apply to the European bundle patent, and, thus, a “unionisation” of Arts. 25 to 27 UPCA altogether or else the parallelism of the rules on infringement of the unitary patent and of the European bundle patent would not be maintained. In any event, the UK would have to accept the EU law on patent infringement without being associated to the legislative process.

<sup>114</sup> For an overview of the relationship between patent protection and other incentive mechanisms for innovation, in particular the market-dependent and thus sector-wise varying operation of the patent exclusivity, see only *WIPO*, World Intellectual Property Report 2011: The Changing Face of Innovation, Geneva 2011, p. 75 et passim, 85 et passim; id., World Intellectual Property Report 2015: Breakthrough Innovation and Economic Growth, Geneva 2015, p. 26 et passim, 36 et passim. While the intrinsic operation of the patent system and its optimal design are outside the scope of this study (see for an excellent general monograph: *S. Scotchmer*, Innovation and Incentives, Cambridge, Mass. 2004, p. 31 et passim, 97 et passim, 127 et passim), some cautioning may be in order against confusing the value of patents resulting from their appropriation function with the existence of a causal link between the protection of inventions and economic innovation; see *D. Harhoff, A. Kur*, Great Data, Nice Tab, but What’s the Message? The OHIM/EPO Study on the Economic Relevance of IP-Intensive Industries in the EU, 45 IIC 617 (2014) criticising on this account the report by *EPO, OHIM*, Intellectual Property Rights Intensive Industries: Contribution to Economic Performance and Employment in the European Union – Industry-Level-Analysis Report, September 2013 (available [here](#)).

- 31 (i) Patenting new technologies is not the only way for firms to protect and appropriate the results of their research and development for future innovation and recoupment of the investment made.<sup>115</sup> It is also only in a few industries that patents will cover a new product or process entirely.<sup>116</sup> When firms decide to rely on patents for protecting their inventions they must develop a patenting strategy for determining which invention they need to protect where and for how long. To this effect they must assess the quality of their inventions in legal and economic terms,<sup>117</sup> determine the timing of their applications and the effect they will have on competitors due to the disclosure of the invention, calculate the costs of the acquisition, maintenance and enforcement or defence of the patent etc.<sup>118</sup> Above all, firms must make a proper estimate of whether in view of actual or potential demand and actual or potential competition by other market actors' substitute technologies the markets protected will bear the costs of patenting and yield a sufficient return on the overall investment in the innovation effort.<sup>119</sup> The

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<sup>115</sup> The typical alternative, but also complementary form of legal protection is provided by trade secret law, see *OECD*, Enquiries Into Intellectual Property's Economic Impact, Paris 2015, p. 127 et passim, 173 et passim (available [here](#)); *EUIPO*, Protecting Innovation Through Trade Secrets and Patents: Determinants for European Union Firms, July 2017, p. 26 et passim, in particular Table 5 (trade secrets generally outweighing patents) (available [here](#)). For stand-alone or complementary protection by design rights see *OECD*, Enquiries, op. cit., p. 323 et passim (with the well-known example of the design of smart phones). In addition, and often enough instead firms rely on factual appropriation mechanisms, such as lead time regarding the setting up of production and distribution, or on product complexity; see *EUIPO*, Protecting Innovation, op. cit., p. 11, 28 with Table 4 (showing that these factors are far more important than is legal protection).

<sup>116</sup> The fragmentation of patent protection of innovative technologies is inherent in the system as a patent may be granted only selectively for new and inventive technical teachings; see generally *H. Ullrich*, *Propriété intellectuelle, concurrence et régulation – Limites de protection et limites de contrôle*, RIDE 2009, 399; id., *Strategic patenting by the pharmaceutical industry: towards a concept of abusive practices of protection*, in *J. Drexler, N. Lee* (eds.), *Pharmaceutical Innovation, Competition and Patent Law*, Cheltenham 2013, p. 241. Such fragmentation may be overcome where the innovative teaching concerns the very composition of a product, as is typically the case for chemical and pharmaceutical compounds. This and the relative ease of imitation explain in large part the chemical and pharmaceutical industry's high interest in and dependence on patent protection.

<sup>117</sup> For this complex assessment see *OECD*, Enquiries, op. cit. [supra n. 115], p. 85 et passim.

<sup>118</sup> For the average costs of the grant of a European patent see *T. Lendvai, D. Rebel*, *Gewerbliche Schutzrechte – Anmeldung – Strategie – Verwertung*, 7<sup>th</sup> ed Cologne 2017, p. 395 et seq. (average between 25,000 to 30,000 € including patent attorney's fees, excluding in-house costs). For the progressively increasing maintenance costs see infra n. 128 (4,685 € over the average life time of a patent of 12 years, 32,320 € over the full term of 20 years); for litigation costs see *Hüttermann*, *Das Einheitliche Patentgericht*, in id. (ed.), op. cit. [supra n. 11], p. 114 et seq. (range from 100,000 € to well over 1 million €) and references infra n. 143.

<sup>119</sup> See for the various criteria and considerations of a patenting strategy *EUIPO*, *Protecting Innovation*, op. cit. [supra n. 115], sub 1.d), p. 18 et seq.; *Lendvai, Rebel*, *Gewerbliche Schutzrechte*, op. cit. [supra n. 118], p. 21 et passim, 106 et passim; *G. Weber, G. He-*



decisions to be taken thus depend on many factors, such as the characteristics of the technology, the firm, the industry and the markets. At least the major patent-dependent firms will take these decisions patent-by-patent, but as part of a broader portfolio strategy,<sup>120</sup> and they will revise them regularly. In the EU more particularly, they will take account of the various patenting options that exist and will continue to exist once the unitary patent system has come into operation. These options consist of taking out<sup>121</sup>

- national patents at national patent offices<sup>122</sup> and protecting them before the different national courts;
- European patents at the EPO and protecting them individually before the various national courts (classic European patents);<sup>123</sup>

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*demann, H. Cohausz*, Patentstrategien, 2<sup>nd</sup> ed. Cologne 2007, passim; *O. Granstrand*, Industrial Innovation Economics and Intellectual Property, 5<sup>th</sup> ed. Gothenburg 2010, p. 211 et passim; id., The Economics and Management of Intellectual Property, Cheltenham 1999, p. 218 et passim; for an empirical study see *F. Jell*, Patent Filing Strategies and Patent Management, Wiesbaden 2012, p. 15 et passim.

<sup>120</sup> Portfolios may cover principal and – subsequent – improvement patents as well as defensive patents ensuring freedom to develop and exploit a technology, see references supra n. 119 and inter alia *St. Hundertmark, D. Reinhardt, A. Wurzer*, Portfoliosteuerung im strategischen Patentmanagement, Mitt. 2007, 105. For a (controversial) illustration see *European Commission*, Pharmaceutical Sector Inquiry, Final Report, 8 July 2009, sub C.2. and C.3 (available [here](#)). All patent offices do have “big clients”, whose composition and ranking by numbers of applications and grants of patents does not change much over the years (see e.g. *EPO*, Annual Report 2016 (available [here](#)), Top 25 applicants ranking from 647 to 2568 applications, the shares of applications: 66% large enterprises, 28% SMEs and individual inventors, 6% universities and other public research institutions). These numbers alone combined with the frequent need to patent internationally necessarily result in budget constraints and, therefore, in selective patenting and permanent review of the portfolios as technologies develop and markets change, see *A. Johnson*, Looking Forward: A User Perspective, in *Pila, Wadlow* (eds.), op. cit. [supra n. 29], p. 178, 187 et seq.

<sup>121</sup> See *H. Ullrich*, Select from within the system: The European patent with unitary effect, in *Chr. Geiger* (ed.), Quel droit des brevets pour l’Union européenne, Strasbourg 2013, p. 207, 214 et passim; id., Le future système, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.C.1.c).

<sup>122</sup> The choice of this option will be influenced by the tasks national offices are charged with (examination in full or only in part or mere registration; the UK IPO is a fully examining office) and their modes of operation (rapidity and reliability). For the activities of the UK IPO see supra n. 100.

<sup>123</sup> This option exists only for applicants seeking patent protection (also) in non-UPCA countries. In UPCA countries it will be available only for the long transitional period (seven years extendable) during which applicants may opt out of the UPC system (Art. 83(3), (4), (5) UPCA). The exercise of that opt-out option may (also) be motivated by the “not all eggs in one basket” consideration, i.e. the wish to avoid the risk of full failure before one court having jurisdiction over several national territories, the UPC. There is no such escape route from the UPC for unitary patents. As these transitional rules will become obsolete in the long term, they are left outside this study.

- European patents at the EPO and protecting them as a bundle before the UPC (European patents of the UPCA-type);
- European patents with unitary effect at the EPO and protecting them as a unitary right before the UPC.

32 As byzantine as this historically grown system of patent protection in Europe looks, and actually is, it offers sort of semi-customised protection since applicants for and holders of patents may need or be able to afford protection only in a few or in selected countries. As planned originally,<sup>124</sup> the introduction of unitary patent protection would have resulted in a straightforward two-tier system of national and Union protection. However, industry's insisting on the continued availability of a European patent that bundles its national patent rights together for enforcement purposes while maintaining their territorial independence has resulted in making this patent bundle of the UPCA-type a valid alternative to the European patent with unitary effect. Indeed, as it is enforceable as a bundle before the semi-centralised and expert UPC<sup>125</sup> it matches this advantage of the unitary patent. Where all the various categories of European patents or both the EPO bundle patent of the UPCA-type and the unitary patent are available,<sup>126</sup> the criteria determining an applicant's choice depend on its individual patenting strategy. Since the three types of patents are granted as European patents, there are no differences of granting procedure and generally also not of the costs of obtaining the patent.<sup>127</sup> What matters are, first, the costs of maintaining protection,

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<sup>124</sup> See Art. 86 CPC 1975, and Art. 81 CPC 1985/89; Art. 87 resp. Art. 82 provided for an opt-in into the CPC for existing European bundle patents.

<sup>125</sup> For the judicial system of the UPC see *supra* at II.1.b(i) and *infra* at II.4.a).

<sup>126</sup> Only in the EU Member States participating in enhanced cooperation and having ratified the UPCA (Art. 18(2), (3) Reg. 1257/2012), so not in Spain, and not in the non-signatory states (Poland, Croatia), and not in the states that have not yet ratified the UPCA, see *supra* n. 70.

<sup>127</sup> The language regime of the unitary patent, which was one of the reasons for the failure of former Community Patent proposals and which Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (OJEU 2012 L 361, 89) simplified at the price of having to move to enhanced cooperation (see *supra* at II.1.b(ii)) seems to have lost its weight in comparison to the language regime of the EPO bundle patent ever since the major EPC Contracting States agreed on the London Agreement on the application of Art. 65 EPC. For this Agreement, which considerably reduced the number of countries requiring full translations under Art. 65 EPC, see *Luginbühl* in Singer, Stauder (eds.), *op. cit.* [*supra* n. 37], Art. 65, annot. 2 et *passim*; for the limited advantage of the unitary patent over the EPC bundle patent in this regard see *UK IPO*, *Exploring Perspectives of the Unified Patent Court and Unitary Patent Within the Business and Legal Communities* (Report by L. McDonagh), London, July 2014, p. 24, sub 3.A (= *McDonagh*, *op. cit.* [*supra* n. 44], p. 139); *EPO*, *Report: Workshops on the unitary patent and the Unified Patent Court*, initiated by the EPO Economic and Scientific Advisory Board, Munich 2014, p. 10 (available [here](#)).

which for the European bundle normally will exceed those of the unitary patent if protection is sought for more than the four major EU “patent states”.<sup>128</sup> Second, unitary patents will be easier to administer, since firms need to deal with one patent office only, the EPO, rather than with a multitude of national patent offices (one-stop-shop principle).<sup>129</sup> These transaction cost savings will matter the more as typically an innovative technology is covered by an entire patent portfolio. However, while in the long term<sup>130</sup> the unitary patent is likely to be chosen in the majority of cases, it is unlikely to become the rule. Firms may not need coverage of all the Member States of the system of unitary protection for all the patents in their portfolio. They might not need it everywhere over the full term of protection,<sup>131</sup> and/or they may need it only for a few or only for selected Member States because they have only limited or specific market interests in the EU.<sup>132</sup> In addition or alternatively, they may wish to retain the option to assign their patents country-wise inside the EU or to give them separately as a security.<sup>133</sup>

In sum, while unitary patent protection has clear advantages, frequently enough it may not be the preferred choice, not even with regard to the EU’s internal market. When it comes to determining the relative advantages and disadvantages for firms to have or not have an option available between extended unitary patent protection and the EPC bundle patent post Brexit, it needs to be remembered that non-extension of protection concerns only the

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<sup>128</sup> The level of renewal fees for unitary patent protection was set by the Select Committee (Arts. 9(2), 11 et seq. Reg. 1257/2012) by reference to the renewal fees that would accrue under national patent law in the four most frequently designated EPC Contracting States (D, F, NL, UK), so-called “True Top 4 Model”; see *Hüttermann*, *Das Einheitliche Patentgericht*, in id. (ed.), op. cit. [supra n. 11], p. 46, nos. 179 et seq.

<sup>129</sup> For the one-stop-shop advantage of the unitary patent – dealing only with one patent office instead of several national offices; less need of local legal representative, but, of course, still a need for local monitoring – see *EPO*, Report, op. cit. [supra n. 127], p. 10; *EPO*, *Unitary Patents Guide*, 1<sup>st</sup> ed. Munich 1 August 2017, No. 23.

<sup>130</sup> Thus when the transitional opt-out rules of Art. 83 UPCA and of Art. 6 Reg. 1260/2012 have become obsolete.

<sup>131</sup> For the greater strategic flexibility through so-called “pruning” by way of dropping protection in countries that, for one reason or another, lose interest (e.g. the innovation fails or, conversely, becomes established and/or, sufficiently protected by branding), see *UK IPO*, *Exploring Perspectives*, op. cit. [supra n. 127], p. 23 et seq.; *McDonagh*, op. cit. [supra n. 44], p. 138 et seq.; *Johnson*, *Looking Forward*, in Pila, Wadlow (eds.), op. cit. [supra n. 120], p. 188; *Hüttermann*, *Das Einheitliche Patentgericht*, in id. (ed.), op. cit. [supra n. 11], p. 56 et seq., nos. 222 et seq. giving examples of a considerable cost advantage of the EPC bundle patent resulting from such “pruning” over unitary patents that cannot be dropped country-wise, but only EU-wide (Art. 3(2) 2<sup>nd</sup> subpara. Reg. 1257/2012).

<sup>132</sup> E.g. only in one to three EU Member States and some neighbouring or overseas states.

<sup>133</sup> Surprisingly, this aspect of the unitary patent (Art. 3(2) 2<sup>nd</sup> subpara. Reg. 1257/2012) is never mentioned as a factor influencing the choice between unitary and bundle patents.

UK, not the EU. All applicants, be they from the EU or from a non-EU state, such as in the future precisely from the UK, will have full access to unitary patent protection in the EU.<sup>134</sup> It is only in the UK that applicants from the UK or from the EU or elsewhere would have a limited choice only, that of obtaining a national UK patent either directly from the UK Intellectual Property Office or as part of a classic European patent from the EPO. The latter route to patent protection in the UK is important because by taking it the costs of obtaining patent protection in both the EU and the UK will not differ from the costs of obtaining extended unitary patent protection were it still available post Brexit. What will differ are the costs of maintaining patent protection in both the EU and the UK, because the renewal fees will be set separately and will need to be paid cumulatively. However, even in this regard the difference will in all likelihood be minimal or non-existent. The UK is free to set its renewal fees independently and moderately. The EU will have good reason to rethink its already extreme "True TOP4" level of renewal fees and reduce it to a "True TOP 3" level or else the unitary patent will become even less attractive as compared to the EPC bundle of national patents.<sup>135</sup> In fact, it will even be obliged to do so under Art. 12(2) lit. (c) Reg. 1257/2012<sup>136</sup> since the proprietors of unitary patents will see their territory of protection and exploitation considerably reduced.

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<sup>134</sup> In addition, by designating in their application for a European bundle patent the Contracting Member States of the UPCA or some of them, applicants will have full access to EPC bundle patents that come under the common infringement rules of Arts. 25 to 28 UPCA and, as such, are subject to the jurisdiction of the UPC (EPC bundle patents of the UPCA-type). If the UK is not to continue adhering to the UPCA, there is, therefore, also the possibility to combine the classic EPC bundle patent for the UK (and other third-party states of the EPC) with the EPC bundle patent of the UPCA-type for – selected! – UPCA Contracting Member States, the former coming under UK patent infringement law and the jurisdiction of UK courts, the latter precisely under Arts. 25 to 28 UPCA and the jurisdiction of the UPC. It is this combination and its advantages that in the following text is discussed as an alternative to extended unitary patent protection. For jurisdictional advantages see *infra* n. 143 with accompanying text and *infra* at II.4.b).

<sup>135</sup> According to *Hüttermann*, *Das Einheitliche Patentgericht*, in *id.* (ed.), *op. cit.* [*supra* n. 11], p. 51 et seq., no. 207 in a True TOP 3 model the EPC bundle patent would have a cost advantage of 25% to 30% that needs to be compensated for by the broader territorial coverage of unitary patent protection, always provided that an applicant really needs such broader coverage (e.g. because it has interest in the Italian market; see *Hüttermann*, *Das Einheitliche Patentgericht*, in *id.* (ed.), *ibid.*, p. 61, nos. 242 et seq.).

<sup>136</sup> Art. 12(2) lit. (b) Reg. 1257/2012 provides that "the level of the renewal fee shall be set [...] with the aim of [...] reflecting the size of the market covered by the patent". Likewise when determining the equivalence of "the level of renewal fees to be paid for the average geographical scope of current European patents" (Art. 12(3) lit. (a) Reg. 1257/2012) as a benchmark for the renewal fees of the unitary patent, the departure of the UK from the EU will have to be taken into account. For the conflict with the bureaucratic interests of the EPO, see *infra* n. 363.

In addition to or even irrespective of considerations of renewal costs, applicants will also take account of the fact that post Brexit the territories of protection will no longer be only the single internal market of the EU, but two more or less separate and independently developing markets, that of the UK and that of the EU. Accordingly, they may attach increased importance to the flexibility of their patenting practice, thus to their freedom to let their patents lapse separately for the UK and the EU markets, respectively. Presumably, it will be mainly the UK patentees who may wish to be able to reduce over time the maintenance costs in the EU by choosing, instead of the costly unitary patent that they can abandon only in its entirety (Art. 3(2) 2<sup>nd</sup> para. Reg. 1257/2012), the European bundle patent out of which they may retain only those few (probably neighbouring) patent territories that remain of interest while abandoning all others. Broader business concerns may also influence the choice. Thus, the unitary character of the extended patent will stand in the way of assigning the exclusive rights separately or of giving one of them as a security only for the UK or the EU markets. Yet, the markets for the sale of patents have become important enough,<sup>137</sup> and the exclusivity position may have different value in the two markets so that setting discriminatory sales prices may be attractive. Both these flexibilities of the EPC bundle patent, its higher strategic and its better business adaptability, need to be balanced against the advantages of extended unitary protection, in particular its overall cost advantages. By contrast, differences regarding the substance of the unitary European patent and of the European bundle patent or of their enforcement need be considered only as regards the classic European patent. Indeed, whereas the unitary and the UPCA-type European patents are both subject to the same rules regarding the acts qualifying as infringement or as exceptions from patent exclusivity (Arts. 25 to 27 UPCA) and to the jurisdiction of the UPC, the European patent of the classic bundle type will come under national law and jurisdiction, i.e. under the UK's law on patent infringement and its courts. Since these latter rules on infringement and on exceptions may be determined autonomously by each EPC Contracting State, they may differ and/or over time develop differently in conformity with national patent policy.<sup>138</sup>

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<sup>137</sup> See *F. Gäßler*, *Enforcing and Trading Patents – Evidence for Europe*, Wiesbaden 2016, p. 105 et passim, with ample references. Patent acquisition as a part of the business model of so-called patent-asserting entities are only a sub-set of the sales transactions; see in this regard *Federal Trade Commission*, *Patent Assertion Entity Study*, Washington, DC 2016, p. 15 et passim, 138 et seq., 144 et seq.; *K. Larson*, *Enforcement: Legal Implications of the European and the Unitary Patent System for Non-practicing Entity Patent Enforcement in Europe*, in R. Ballardini, M. Norrgard, N. Bruun (eds.), *Transitions in European Patent Law*, Alphen a.d.R. 2015, p. 147. Another sub-set may be patent acquisitions from research-based start-ups (instead of a licensing arrangement or a corporate buy-up).

<sup>138</sup> It is generally overlooked that by continuing to adhere to the UPCA, the UK will forego this last remaining policy space even with respect to the non-unitary European pa-

35 In sum, many more concerns have to be taken into consideration when determining from the perspective of the individual interests of the market actors the advantages of extended unitary protection over the well-established EPC bundle patent than just the one that dominates the discussion, that is, the guarantee of unity of enforcement of the unitary patent (or for that matter of the EPC patent of the UPCA-type) by the UPC. Clearly, if unitary patent protection is not extended to the UK or if the UK no longer adheres to the UPCA, owners of European patents will have to litigate protection before UK courts and the UPC separately. Conversely, market actors will be exposed to double litigation and forced to defend themselves within two separate jurisdictions. This means for both sides higher expenses and higher risks as court decisions may diverge with respect to identical issues. These may relate to the validity of the patent<sup>139</sup> or to its infringement. Although the law of patent infringement will be systematically separate, namely UK law and EU law, respectively, the issues will be similar enough to make divergent court rulings a frustrating experience for the parties. However, industry's insisting on a long and extendable transition period and on the right to opt out of the UPC's exclusive jurisdiction testify to its interest in the availability of an escape route from the UPC. The reason is not only distrust in a judiciary that still has to demonstrate its expertise and acquire a reputation for expertise.<sup>140</sup> Rather, it is also a concern for losing protection everywhere by the decision of a court with "unitary" and "unified" jurisdiction.<sup>141</sup> Therefore, access to another court "at home" than the international (local division of the) UPC, so to speak an "alternative" jurisdiction, might well be a factor for preferring the classic EPC bundle patent over extended

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tent. In fact, given the many EU law-based exceptions provided for by Art. 27 UPCA, the UK will remain subject to EU law even as regards the European patent of the UPCA-type, see also supra at II.2.b)(iii) and infra at II.3.a)(ii), text following n. 153.

<sup>139</sup> Unless the cases brought before the UPC and the UK Patents Court differ, the issues of validity will be identical as the unitary patent and the UK patent rest on the same grant of a European patent, whose validity is governed by Art. 138 EPC.

<sup>140</sup> Although from the early beginnings, avoiding conflicting decisions by national courts, in particular by non-specialised or inexperienced national courts, has been the patent community's main reason for insisting on the creation of a specialised and centralised EU patent judiciary, concerns about a lack of experience and homogeneity of the composition and practice of local and regional divisions at first instance have always been present as well. They have resulted in a concentration of revocation (invalidity) proceedings before the Central Division (Art. 33(3), (4), (5) UPCA), in the international composition of the panels of the Court of 1<sup>st</sup> Inst., in particular of its possibly "under-occupied" local divisions (Art. 8(1), (2), (3) UPCA), in "proven experience in the field of patent litigation" (Art. 15(1) UPCA) as a criterion of eligibility of judges, and in the creation of a special training framework (Art. 19 UPCA). Yet, the concerns persist; see *EPO*, Report, op. cit. [supra n. 127], p. 15 et seq.; *UK IPO*, Exploring Perspectives, op. cit. [supra n. 127], p. 24, 29 et seq.; *Allen Overy*, UPC benchmarking study – Opt in/Opt out: where do you stand?, 2014, passim (available [here](#)); *Hüttermann*, Das Einheitliche Patentgericht, in id. (ed.), op. cit. [supra n. 11], p. 119 et seq.

<sup>141</sup> See supra n. 123.

unitary patent protection (or, for that matter, the EPC patent of the UPCA-type<sup>142</sup>). As regards the UK, such preference is not unlikely at all since its patent judiciary has a reputation of high expertise and reliability, albeit not one of general affordability.<sup>143</sup> In addition, patentees may find it attractive to come under the jurisdiction or to be also able to opt for a jurisdiction with experience in the field of patent transactions such as has the UK's patent court. Such transactions typically are part of settlement agreements, but largely outside the remit of the UPC, it being a mere invalidation and infringement court (see Art. 32(1) UPCA).

In sum, all the manifold pros and cons considered, staying outside the unitary patent system as regards protection and jurisdiction in the UK, but using it fully inside the EU, rather than putting the applicant from the UK at a disadvantage, seems to offer it a strategic option of its own value. 36

(ii) As colourful as the picture is that emerges from this overview over the manifold patenting strategies and preferences of applicants for European patents of the one or the other type, and as important as catering to the applicants' individual interests is for their acceptance of the system of protection, what matters in the end is the proper design of the system itself. After all, it is supposed to express a public policy. Therefore, the system's well-functioning needs to be measured by reference to the degree by which it meets its objective, which is to promote dynamic competition for innovation in the economy at large. This will and must be the major concern for the UK and the EU when considering the consequences Brexit may entail for their respective markets as regards the effects of patent protection, national or European, unitary and extended or not. Surprisingly enough, although the UK is considered to be a major and even the third most important "patent 37

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<sup>142</sup> Once the transitional regime of Art. 83(1), (3), (4) UPCA has run out, the jurisdiction of the UPC will be exclusive also with regard to the EPC bundle patent. This means that if the UK will not become or not remain a party to the UPCA, applicants for a European patent will see their national bundle patents coming under the UPC's jurisdiction when designating the territories of Contracting Member States of the UPCA, but when designating also the UK, the UK patent within the bundle will come under the jurisdiction of UK courts. The patentee of a European bundle patent will thus have a jurisdictional option that it will not have if the UK were to be or to remain a party of the UPCA.

<sup>143</sup> See *UK IPO*, Building the Evidence Base on the Performance of the UK Patent System 2017/04, London 2017, p. 29 (sub 3.5); *EPO*, Patent Litigation in Europe, 4<sup>th</sup> ed. Munich 2016, p. 51. For a comparison of the national patent litigation systems and the position of the UK see empirically *St. Graham, N. Van Zeebroeck*, Comparing Patent Litigation Across Europe: A First Look, 17 *Stanf. Tech'y L. Rev.* 655 (2014) with a comparative table of average costs at p. 667, litigation rates etc.; *K. Cremers, M. Ernicke, F. Gaessler, D. Harhoff, Chr. Melmers, L. Mc Donagh, P. Schiessler, N. van Zeebroeck*, Patent Litigation in Europe, 44 *Eur. J. L. Econ* 1 (2017) (= ZEW Discussion Paper No. 13-072; available [here](#)). In the UK, smaller litigation (up to 500,000 £ litigation value) comes under the jurisdiction of the Intellectual Property Enterprise Court (with a cost cap at 50,000 £), all other patent litigation goes to the Patents Court – Chancery Div. High Ct.

state” in the EU<sup>144</sup> it may not be in its interest to remain within the unitary and the UPC patent system, or it may be in its interest only for reasons that, at best, are secondary to the attainment of the overall system of patent protection.

- 38 (iii) Indeed, the patent position of the UK economy is characterised by a striking discrepancy between its own patenting activity and its exposure to patents held by non-UK owners. Only about 3% of European patent applications originate from UK applicants and again hardly more than 3% of European patents are granted to UK patentees whereas more than 96% originate from or go to applicants from outside the UK, mainly from non-EU countries; as to EU countries about 20% originate from or go to German applicants/patentees and about 8% from or to French applicants/patentees.<sup>145</sup> The picture does not change in relevant measure when adding patents granted nationally by the UK Intellectual Property Office (UK IPO)<sup>146</sup> nor does it

<sup>144</sup> See supra n. 16.

<sup>145</sup> For EPO granted patents with the UK as designated EPC Contracting State (Arts. 2(3), 3, 79 EPC) see the following table (source: *F. Gäßler*, MPIEI database; patents granted upon application date later than 1999):

UK			FR			DE		
Origin of applic.	Freq.	Perc.	Origin of applic.	Freq.	Perc.	Origin of applic.	Freq.	Perc.
KR	14,581	2.29	KR	14,292	2.23	KR	14,933	2.25
SE	16,676	2.62	SE	16,810	2.62	SE	16,997	2.56
NL	19,555	3.08	NL	19,568	3.05	NL	19,678	2.96
UK	20,929	3.29	UK	22,469	3.5	UK	22,568	3.39
IT	25,198	3.96	IT	25,580	3.98	IT	25,957	3.9
CH	26,900	4.23	CH	27,054	4.21	CH	27,762	4.17
FR	51,951	8.17	FR	50,839	7.92	FR	52,889	7.95
Other	78,790	12.39	Other	79,181	12.33	Other	80,159	12.05
JP	101,992	16.04	JP	103,566	16.13	JP	113,434	17.06
US	135,547	21.32	US	134,125	20.89	US	138,410	20.81
DE	143,615	22.59	DE	148,603	23.14	DE	152,199	22.89
Total	635,734	100	Total	642,087	100	Total	664,986	100

Generally *EPO*, Annual Report 2016 (available [here](#)), Statistics: European patent applications per country of origin: USA 25%, DE 16%, JPN 13%, FRA 7%, CH 5%, CHN 5%, UK 3%, IT 3%; overall 48% from EPC states, 52% from non-EPC states; total grants: 51% to EPC EPO-based patentees, 49% to patentees based outside the EPO Contracting States: USA 23%, DE 20%, JPN 16%, F 7%, CH 4%, UK 3%, IT 3%. The % shares are rounded up/down as compared to total numbers.

<sup>146</sup> See *UK IPO*, Fast Facts 2017, p. 5 et seq.; *id.*, Facts and Figures, op. cit. [supra n. 100]: 5,464 patents granted in 2015, of which 2,838 to UK based applicants (USA 1,194, JPN 353, DE 131, FRA 61). For 2012, the *UK IPO*, Building the Evidence Base, op. cit. [supra n. 143], p. 20, Fig. 10 adds national and EPO patent applications originating from the UK and covering the UK to a total of 10,000 applications or 7% of all patent applications covering the UK; for the low rates of UK generated applications in other jurisdictions



vary much from EU Member State to Member State. The UK's share remains always on the same low level,<sup>147</sup> and that of the USA, Japan or Germany on the same high level. There may be different factors explaining this discrepancy or contributing to it, such as a relatively low ratio of R&D investment in relation to GDP as compared to that of other countries,<sup>148</sup> the structure of the UK economy with its large share of service industries, and the different strategic attitude UK firms follow in regard of patenting.<sup>149</sup> Also, the low propensity to patent does not necessarily affect overall innovation in the UK,<sup>150</sup> but only its fields or relevant industries, and it seems not to diminish the commercial value of UK patents, to the contrary.<sup>151</sup> However, whatever the exact reasons for the discrepancy between patenting activity in and patent exposure of the UK economy may be, a matter that is

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(DE 2%; FRA 3%) see *ibid.*, p. 17, Fig. 7. The UK IPO grant numbers are declining steadily since 2011 (7,173 total grants), while the applications remain constant and relatively high at ~22,000, the reason presumably being that applicants move with their priority date from the UK IPO to the EPO once they have received a search report that the UK IPO does within 6 months and that allows applicants to assess the viability of their application. Such practice would be similar to that followed by German applicants at the German Patent and Trademark Office.

<sup>147</sup> See Table *Gäßler* [supra n. 145]. To the total numbers of patents granted by the EPO the number of patents granted nationally must be added, for the UK see supra n. 146; for Germany see *Deutsches Patent und Markenamt (DPMA)*, Annual Report 2016, cover inside and p. 86 et seq.: 15,693 patents entered into force in 2016, total stock of DPMA granted patents: 129,511 (almost constant since 2011). Patent applications have increased from 59,444 to 67,898 in 2016 with the German share remaining relatively constant (~47,000 to 48,000) and the share of foreign applications low (in 2016: JPN 6,839, USA 5,858, KOR 1,203, AUT 976, CH 951).

<sup>148</sup> See *UK Office for National Statistics*, Gross domestic expenditure on research and development, UK: 2015, sub 10 (available [here](#)). With gross domestic expenditure on R&D representing 1.68% of GDP, the UK ranks 11<sup>th</sup> among EU Member States (and below the EU average of 2.03%), Sweden, Austria and Denmark attaining the 2020 target of 3% and Finland and Germany remaining just below (2.72% to 2.84% from 2009 to 2014); *Bundesministerium für Bildung und Forschung (BMBF)*, Bundesbericht Forschung und Innovation 2016: Forschungs- und innovationspolitische Ziele und Maßnahmen, Tab. 19, ½ (available [here](#)). Note that the financing share of the private sector is around 66%, so the same as in the UK (see *UK Office for National Statistics*, op. cit., sub G.). See also *OECD*, Main Science and Technology Indicators (available [here](#)), showing the OECD average at 2.4%.

<sup>149</sup> See generally *UK IPO*, Building the Evidence Base, op. cit. [supra n. 143], p. 32 et passim (Chapter 4); *B. Hall, Chr. Helmers, M. Rogers, V. Sena*, The importance (or not) of patents to UK firms, 65(3) *Oxford Econ. Papers* 603 (2013) explain the low patent propensity of UK firms to be due in part also to the middle-sized structure of UK industry. See also *EPO, OHIM*, Intellectual Property Rights Intensive Industries, op. cit. [supra n. 114], p. 72 et seq., Fig. 10.

<sup>150</sup> For whatever it is worth, according to *WIPO*, Global Innovation Index 2017 (available [here](#)), the UK ranks 5<sup>th</sup> after CH, SWE, NL and USA; Germany only 9<sup>th</sup>.

<sup>151</sup> See *OECD*, Enquiries, op. cit. [supra n. 115], p. 32 et seq. with Fig. 18 (Australia, Canada, Norway, South Africa and the UK are the countries with the highest technological and economic patent values, Germany ranking far below).

outside the nature and purpose of this study,<sup>152</sup> the point is that the very existence of the discrepancy may be a reason of concern for the UK's economic policy, in particular for its patent policy.<sup>153</sup> And yet, it is precisely in this latter regard that the UK's sovereign policy making is already limited by its being a party to the EPC, and would become even more reduced by an extension of unitary patent protection and by its continuing to adhere to the UPCA.<sup>154</sup>

- 39 There are, indeed, only a few policy levers for states wishing to orient patent protection towards meeting the needs of their economy as regards the rate and direction of technological innovation. One is the definition of what constitutes a patentable invention as distinguished from generally accessible knowledge, that is, the public domain, on the one hand, and, on the other, from routine technological development. The relevant criteria are enshrined in Arts. 52 to 57 EPC. They are thus out of reach of a unilateral policy decision by EPC Contracting States. Moreover, whatever margin of interpretation of these provisions may remain, in the UPC system it will be centrally controlled by the UPC. The same holds true for the determination of the breadth and length of patent protection. It is the matter that economists have

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<sup>152</sup> Without entering into an examination, *UK IPO*, Building the Evidence Base, op. cit. [supra n. 143], p. 3, 20 et seq., 53 et seq. lists a number of reasons possibly explaining the high rate of foreign patents covering the UK, such as the attractiveness of the UK market, high foreign investment and participation in the UK research base, or mere patent application tactics with the UK patents being abandoned as soon as renewal fees become due (i.e. in the 5<sup>th</sup> year only). As a matter for future research, it rightly raises the question whether the massive coverage of the UK by foreign patents might unduly reduce the UK firms' freedom to operate. However, except as regards administrative issues, the report does not inquire or propose inquiring into whether the UK patent system adequately fits its purpose of stimulating innovation in the UK, in particular as regards broadening the UK's own industrial, i.e. its technological base, a matter that earlier reports as well failed to address; see *I. Hargreaves*, Digital Opportunity: A Review of Intellectual Property and Growth, London 2011, Chapter 6 (available [here](#)).

<sup>153</sup> Note that it is out of such concern that Member States like Poland, although participating in enhanced cooperation, have not even signed the UPCA, see *A. Kupzok*, Law and Economics of Unitary Patent Protection in the European Union: The Rebel's Viewpoint, *EIPR* 2014, 418, 425 et seq.; *Z. Zawadzka*, The Unitary Patent Protection: A Voice in the Discussion from the Polish Perspective, 45 *IIC* 383 (2014). Of course, Poland and the UK differ as regards their economies and their patent situation, but this means only that they may need to react differently to the concern. For the policy orientation of patent protection in general see *H. Ullrich*, Intellectual Property: Exclusive Rights for a Purpose – The Case of Technology Protection by Patents and Copyright, in *K. Klafkowska-Wasniowska et al.* (eds.), *Problemy Polskiego i Europejskiego Prawa Prywatnego*, Warsaw 2012, p. 425 (also available at [SSRN](#)); *id.*, Legal Protection of Innovative Technologies: Property or Policy?, in *O. Granstrand* (ed.), *Economics, Law and Intellectual Property*, Dordrecht 2003, p. 439.

<sup>154</sup> See already supra n. 138 and preceding text.

been most interested in,<sup>155</sup> but again it is fixed by the EPC (Arts. 63 and 69).<sup>156</sup> Yet another lever is the definition of what constitutes an act of infringement of the patent, thus the substance of the exclusive right, i.e. the “patent monopoly” over the exploitation of the patented invention. It is fixed by Art. 25 UPCA in terms identical to Art. 28 TRIPS Agreement. Moreover, as regards its extension to acts of indirect infringement, Art. 26 UPCA provides for a complementary rule of convention law. So in addition to compulsory licensing as a tool of last resort that the EU shuns to regulate<sup>157</sup> and, therefore, is free for use by the UK anyway, what remains as policy levers of some substance that are not fully constrained as to their definition and interpretation by the EPC<sup>158</sup> or by the TRIPS Agreement, are only the definition of the exceptions from the exclusive right and the determination of the remedies to patent infringement. Yet, it is precisely these two levers that will be pre-empted by EU law and the provisions of the UPCA<sup>159</sup> should unitary protection be extended to the UK and the UK remain a party to the UPCA. In fact, since the available remedies for infringement as well are in large part pre-determined by the TRIPS Agreement (Arts. 44 et seq.),<sup>160</sup> it is essentially the exceptions from exclusivity that matter as a policy lever, and that would remain more or less freely<sup>161</sup> available to the UK should it prefer not to get caught by extended unitary protection and by the UPCA. As narrow as the reach of this lever may seem, since it relates to exceptions only,<sup>162</sup> it can be of quite some weight, in par-

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<sup>155</sup> For classic studies see inter alia *Scotchmer*, *Innovation*, op. cit. [supra n. 114], p. 97 et passim; *R. Merges*, *R. Nelson*, *On the Complex Economics of Patent Scope*, 90 Col. L. Rev. 839 (1990).

<sup>156</sup> For a minimum patent term of 20 years following the application date, see Art. 33 TRIPS Agreement.

<sup>157</sup> See Rec. 10 Reg. 1257/2012 and supra n. 45, 57.

<sup>158</sup> Including its “Implementing Rules” that specify the criteria of patentability, e.g. as regards biotechnological inventions (Rules 26 et seq.) or the disclosure requirements of Art. 83 EPC (Rules 42 et seq.).

<sup>159</sup> For the exceptions that are in part EU law, in part UPCA law (Art. 27) see supra at II.2.b(iii), text accompanying n. 101; for the remedies see Arts. 56 et seq. UPCA and the Enforcement Directive [supra n. 35].

<sup>160</sup> For the “flexibility” regarding the construction and application of Arts. 44, 50 TRIPS Agreement see *M. Lamping*, *Declaration on Patent Protection – Regulatory Sovereignty under TRIPS*, 45 IIC 679 (2014) (also available at SSRN).

<sup>161</sup> The limits are set by Art. 30 TRIPS Agreement and are flexible enough, see *Lamping*, *Patent Declaration*, op. cit. [supra n. 160], 45 IIC 686 et seq., nos. 20 et seq. (2014).

<sup>162</sup> Contrary to what one must read too frequently, exceptions are not to be read narrowly, but in accordance with their purpose and basis, and, in some instances, they may need to be read against the backdrop of existing or missing limitations to patentability; see *L. Bently*, *Exclusions from Patentability and Exceptions to Patentee’s Rights: Taking Exceptions Seriously*, 64 *Current Legal Problems* 315 (2011); *id.*, *Introduction*, in WIPO (ed.), *Standing Committee on the Law of Patents: Exclusions from Patentability and Exceptions and Limitations to Patentee’s Rights*, Geneva 2010, Annex I, providing also an overview of the broad spectrum of possible exceptions and of their adoption by states; see also the con-

ticular when it draws its justification from the very purpose and operation of the patent system itself and/or from fundamental countervailing rights. Examples that come to mind immediately are the experimental-use exception that might be extended to use for research purposes<sup>163</sup> or the conditions for the lawful submission of (still) protected products for early marketing authorisation that could be redefined one way or the other.<sup>164</sup> However, other exceptions may become necessary, in particular a transposition of the many EU law-related exceptions in Art. 27 UPCA into UK law and their adaptation to the national context as it develops.

- 40 It is true that providing patent protection for inventions and the design of such protection is not the only way a country has to stimulate and direct innovation.<sup>165</sup> They do have instruments to more specifically promote particular innovations, such as by directly or indirectly targeted subsidies. More importantly, states may determine the conditions of dynamic, innovative competition and its direction by establishing a suitable general framework regulation for their markets. However, even in this regard an extension of unitary patent protection would limit the UK's regulatory freedom as the extension would come with the UPC being held to apply the EU's general rules on free movement of goods, on competition, on fundamental rights and the principles governing EU intellectual property in general.<sup>166</sup> Be this as it may, the point to be made here is that market actors must react to the general framework conditions of relevant innovation markets and their regulation and they must be able to so react with their patents or else the objectives underlying such regulatory framework will not be attained. There is, indeed, a correlation between patents as instruments of competition and the regulation of the market on which they will be used. Therefore, the availability and the design of protection must correspond to the economic and industrial policy that informs a country's market regulation. Therefore, it is not enough that the UK may autonomously determine the configuration of

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tributions regarding specific exclusion/exceptions contained in this annex (in particular as regards biotechnological inventions and patents relating to public health).

<sup>163</sup> Art. 27 lit. (b), (c) UPCA, see also supra n. 102 and for the internationally divergent approaches *R. Gold, Y. Joly*, The Patent System and Research Freedom: A Comparative Study, in WIPO (ed.), Standing Committee, op. cit. [supra n. 162], Annex VI.

<sup>164</sup> Art. 27 lit. (d) UPCA, and as regards the interoperability/decompilation exception for patented computer programs Art. 27 lit. (k) UPCA. None of these exceptions is cut in stone, but may be defined differently depending on socio-political and economic choice.

<sup>165</sup> Note that, contrary to a prima facie assumption and to Art. 27(1) 2<sup>nd</sup> sent. TRIPS Agreement, patent protection is by no means technology-neutral, see *Lamping*, Patent Declaration, op. cit. [supra n. 160], 45 IIC 684, nos. 10, 11 (2014); for the internationally divergent treatment of biotechnology or computer programs under patent law see *D. Borges Barbosa, K. Grain-Kuntz*, Biotechnology Protection: A Precarious Convergence?, in WIPO (ed.), Standing Committee, op. cit. [supra n. 162], Annex III.; *B. Sherman*, Computer Programs, *ibid.*, Annex II.

<sup>166</sup> See supra at II.2.b)(iii), text accompanying n. 95.

national patent rights. Any extended unitary patent protection (and also the EPC bundle patents of the UPCA-type) would provide applicants with a superseding layer of protection, and, thus, with an attractive alternative displacing national patent protection and undermining the operation of the specific incentives the national legislature has set as a matter of its domestic patent policy.

In short, there does not seem much reason for the UK post Brexit to stay within the system of unitary patent protection and the UPC's jurisdiction solely in order to enable its domestic firms to acquire protection for both their home market and for the EU's internal market by one single right of exclusion. Such continued participation is likely to result in frustrating the UK's public interest in formulating and implementing an independent innovation policy, in particular its patent policy. Separate national protection on the domestic market by virtue of national patents proper or by EPO-granted classic European patents and concomitant international or Union law protection on the EU market by virtue of the European bundle patent (outside the UPC area) and by the unitary patent or the EPC bundle patent of the UPCA-type, respectively, is available at comparable cost for both UK-based firms as domestic innovators and foreign firms as importers or disseminators of patented technologies. Different issues will arise if, nevertheless, the UK would accept or even seek an extension of unitary patent protection to its territory with a view only to retaining both its position in the judicial system of the UPCA and the advantages resulting from the location of a branch of the UPC's Central Division in London.<sup>167</sup>

(iv) Even less recognisable are the interests the EU, in its turn, might have in extending unitary patent protection to the British territory once the UK has become a third-party state. When, upon the exit of the UK from the EU, European patents affording their owners unitary protection cease to produce in the UK the effect provided for by Art. 5(1) Reg. 1257/2012 (Art. 50(3) TEU) and are no longer available with respect to the UK territory, the system of unitary patent protection as provided for by Reg. 1257/2012 will, as such, continue its regular operation within the EU of 27 Member States, i.e. within the area of enhanced cooperation. There will not be a change either as regards the need for and the propensity to seek patent protection or its general availability in both the EU and the UK. Of course, in the longer term, the conditions of competition may change depending on the evolution of the UK's and the EU's economies and their interaction within the framework of the future relationship between the EU and the UK.<sup>168</sup> As a result, patenting activity may develop differently on either side of the Channel. What is to be expected in the relatively short term, however, is a shift within

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<sup>167</sup> For these additional issues see *infra* at II.4.a)(i).

<sup>168</sup> See *infra* at II.3.b).

the EU of users' patenting strategies from unitary patent protection to protection by way of European patents of the UPCA-type. The reason is that instead of defining the level of renewal fees for unitary patents in accordance with its purpose and function of serving the internal market as an integrated economic territory, Arts. 12(2) lit. (c), 12(3) lit. (a) Reg. 1257/2012 obliges the EU Member States participating in enhanced cooperation to determine that level by reference to both the level of renewal fees for an average European patent taking effect in these states and to the average geographical coverage of current European patents. Clearly, that rule is meant to protect the European bundle patent against being displaced by the European patent with unitary effect. Accordingly, it allowed the Member States acting as a Select Committee of the EPO's Administrative Council to set the renewal fees of unitary patents in accordance with the proposal by the President of the EPO at a "True TOP 4" level, i.e. the cumulated renewal fees of the most frequently designated EPC countries (D, F, UK, NL).<sup>169</sup> Since after the UK's effective withdrawal from the EU firms will still need the same patent protection in the UK, but will hardly be willing to pay twice for the same territory, they are likely to take out, in addition to the classic European bundle patent for the UK, the European patent of the UPCA-type for Germany, France and another country rather than a European patent with unitary effect, except in case they really need protection in several more countries.<sup>170</sup>

- 43 The extent to which such shift will take place is difficult to predict. The remedy protecting unitary patent protection from such a loss of attractiveness is obvious enough, namely a down-sizing of its renewal fees from the "True TOP 4" to the "True TOP 3" level.<sup>171</sup> However, as self-evident as such a move would be, it will not be accomplished easily because particular

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<sup>169</sup> See *EPO*, Unitary Patents Guide, op. cit. [supra n. 129], nos. 25 et seq. (with fee schedule at no. 26); *Hüttermann*, Das Einheitliche Patentgericht, in id. (ed.), op. cit. [supra n. 11], p. 46, nos. 179 et seq.; *D. Sant*, Unitary patent fees: the user-friendly option, WIPR of 2 September 2015.

<sup>170</sup> For firms' patenting strategies see supra at II.3.a)(i), text at n. 119. An example in point are patents covering spare parts of machines where such spare parts may be produced easily everywhere and the return on investment is calculated over the lifetime of the machine.

<sup>171</sup> See *T. Müller-Stoy*, *R. Teschemacher*, The Unitary Patent & Unified Patent Court System – Perspectives after the Brexit Referendum, EPLAW Patent Blog, 11 August 2016; (available [here](#)); *Hüttermann*, Das Einheitliche Patentgericht, in id. (ed.), op. cit. [supra n. 11], p. 51 et seq., nos. 204 et seq. with a comparative cost calculation. Note that as compared to the USA, Japan, China or Korea, the costs of European bundle patents and of unitary patents are rather elevated, see *UK IPO*, Building the Evidence Base, op. cit. [supra n. 143], p. 24, Fig. 13: total renewal fees for 20 years in UK: 5,240 €; F: 5,610 €; DE: 13,170 €; USA: 5,450 €; JPN: 13,970 €; CHN: 9,160 €; KOR: 9,230 €; EPC bundle of six states (DE, FRA, IT, NL, CH, UK): 46,660 €; unitary patent (True Top 4): 35,555 €, in case of True Top 3: 24,867 €. For a detailed comparison, see *European Commission*, Patent Costs and Impact on Innovation, Brussels 2015, p. 17 et seq.

interests need to be overcome: Those of the EPO, which is entitled to 50% of the renewal fee income, and those of participating Member States among which the other 50% are to be distributed (Art. 13 Reg. 1257/2012). Even if such a move were made, it would be but a demonstration of the conceptual weakness of the entire system of unitary patent protection. It is not the EU that may, but the Member States that must ensure its survival.<sup>172</sup> Its attractiveness depends on a non-EU state, the UK, either being retained within the system or supporting it indirectly by lowering its own domestic renewal fees to such a minimum level that it will not affect patentees' choices inside the EU.<sup>173</sup> Since, conversely, the UK may by increasing domestic renewal fees jeopardise the attractiveness of the European patent with unitary effect at any time and for perfectly legitimate reasons of its internal patent policy, the EU might, indeed, consider retaining the UK within the unitary patent system.<sup>174</sup> But then the EU would, in fact, implicitly admit that for its unitary patent to become a success it needs to rely on cooperation with a non-Member State, i.e. that it is not able fully to exercise the power conferred upon it by Art. 118 TFEU. Put more bluntly, the EU would have to admit that its approach to creating unitary patent protection and all the concessions it had to make to Member States, in particular to the UK,<sup>175</sup> were misguided. It is, of course, not to be expected that, if ever, the EU will revise its opportunistic approach before the risks that are built in the hybrid structure of the system of unitary protection as set up by Reg. 1257/2012 are about to mate-

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<sup>172</sup> The status of the European Commission within the unitary patent system is that of an observer only; see Art. 9(2) 3<sup>rd</sup> and 4<sup>th</sup> subpara. Reg. 1257/2012. For a critique of this institutional arrangement and the delegation of fee-setting powers and the distribution of fee income see *Ullrich*, *Le future système*, op. cit. [supra n. 13], *Prop. Int.* 2014 (53) 382, sub II.C.2.b(i), (ii). In its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 69 et passim, 84 et passim, the CJEU does not seem to have realised the importance of the link existing between unitary patent protection by virtue of EU law and the setting of renewal fees outside the EU although the political importance of setting that level "right" is as evident as is the conflict between the criteria of Art. 12(2), (3) Reg. 1257/2012 and internal market objectives.

<sup>173</sup> In fact, renewal fees for UK patents are already set at a rather low level (see *UK IPO*, *Building the Evidence Base*, op. cit. [supra n. 143], p. 24, Fig. 13) and remain low even after the recent revision (see *UK IPO*, *New patent fees: guidance for business*, 8 January 2018; available [here](#)).

<sup>174</sup> If so, yet another conflict is bound to arise from the fact that Art. 9 Reg. 1257/2012 obliges Member States to supervise the administration of unitary patent protection by the EPO, to see at that renewal fees are set and distributed in accordance with Arts. 12 and 13 Reg. 1257/2012, and, when voting on the decisions of the Select Committee, have due regard for the position of the Commission. These obligations specify Member States' duty of sincere cooperation (Art. 4(3) TEU). Should unitary protection be extended to the UK post Brexit, the UK will most likely and with good reason claim to be represented in the Select Committee as it is now, but will not and cannot possibly be bound by the EU-specific duties established by Art. 4(3) TEU. Therefore, there will be no legal constraints on the UK anymore as regards its policy choices and the conflicts that might arise therefrom, in particular as regards precisely setting the level of renewal fees.

<sup>175</sup> See supra n. 14.

rialise fully.<sup>176</sup> Instead, it will carry on the system with the UK by pretending it to be a great step in the direction of creating a supra-EU system not only for the grant, but also for the protection and enforcement of European patents.

- 44 Irrespective of (or in addition to) such concerns for maintaining the unitary patent system's operation inside the EU as it stands and unaffected by Brexit, the question remains to be answered what particular public policy interest, if any, the EU might have as regards extending unitary patent protection to a third, non-EU state as will be the UK. Since EU firms will have full and open access to patent protection in the UK via the classic EPC/EPO route, such a public policy interest needs to relate specifically to the unitary character of protection with its extension to the UK helping to broaden the innovation (and profit) basis of EU firms. Clearly, the afore-mentioned cost advantages of unitary patents over classic European patents or, for that matter, of the UPCA-type point in such direction. In addition, an extended unitary patent would offer EU firms operating in the UK an option of a form of patent protection to which they are accustomed. More importantly, that form of protection would shield them from any present or future differences of national patent protection by British law as regards the rules on infringement, exceptions and enforcement, thus as regards the scope and effectiveness of protection.<sup>177</sup> However, this is precisely what makes extending unitary patent protection so problematic a proposition. While EU firms<sup>178</sup> may become even more willing to innovate and patent in the UK, and while such added activities may positively influence innovation also in the EU either directly by reinforcing the (innovation) link between the UK and the EU markets<sup>179</sup> or indirectly by spill-over or follow-on effects, such extension

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<sup>176</sup> More optimistic *Jaeger*, *Reset and Go*, op. cit. [supra n. 47], 48 IIC 254 (2017).

<sup>177</sup> In this scenario of continued participation of the UK in the UPCA, the option of a European patent of the UPCA-type would be available as well. It may even be a preferred option, since it would not carry with it the burden of unity as regards assigning or abandoning the European patent, see supra at II.3.a)(i), text accompanying n. 137.

<sup>178</sup> Less than half of the patents granted by the EPO were granted to EU companies (according to *EPO*, Annual Report 2016 (available [here](#)), Statistics 2016, Total grants: 51% to EPO countries (out of which 4% to CH!), 49% to non-EPC companies). Similarly, at least 46% of nationally or EPO-granted patents in the UK are held by non-EU applicants (see *UK IPO*, *Building the Evidence Base*, op. cit. [supra n. 143], Fig. 10). However, these patent shares may not be equated to innovation activities on the respective markets. Patents may be held by affiliated companies abroad and, conversely, they may or may not be exploited in one way or the other on the British domestic or on the EU's internal market. Therefore, the EU's interest in having unitary patent protection extended to the UK not only concerns the national companies of its Member States, but all firms contributing via patent exploitation to innovation in the UK and the EU markets respectively; see for this caveat with respect to British patentees *ibid.*, p. 20.

<sup>179</sup> Such a link may be established by way of R&D cooperation between firms or between firms and R&D institutions in the UK and the EU respectively, by innovation along an internationally fragmented production chain or by concomitant or follow-on innovation



necessarily amounts to the EU continuing to interfere with the UK's sovereign domestic patent policy. It would do so in regard of both EU firms and non-EU firms that are active on the UK's domestic market,<sup>180</sup> and even in regard of UK firms, because as part of the regulation of the domestic innovation market UK patent law will be made irrelevant for all these firms and, thus, become practically ineffective. It is true that as far as the application of the UPCA is concerned, the UK will not simply be exposed to a unilateral exercise of patent policy and practice by the EU, it being a party to the UPCA in its own right. However, even in this respect the UK will not be able to define its patent policy, or its legislative, judicial and administrative practice autonomously and effectively with a view only to British market needs as they may emerge post Brexit. Rather, it will have to take account of and respect the EU's patent policy perspective. In fact, as regards the application and development of EU law relating to unitary patent protection, the UK would have to accept it in full. While, from an EU perspective, EU law may not reach far enough, from a UK perspective it will reach too far.<sup>181</sup> The UK simply would see itself exposed to patent policy dominance by the EU.

#### b) The future EU–UK relationship

Putting the problem that way is not meant to be provocative or to suspect the EU of some sort of “patent feudalism”,<sup>182</sup> the less so as it is the UK that by ratifying the UPCA even after its Brexit notification seems to wish to remain within the unitary patent system. Rather, the issue of the EU dominating UK patent policy points to a fundamental conflict that arises when states separate and seek to regain full control of their domestic markets. This is the conflict between their interest in ensuring their sovereignty as regards regulating their markets, and, therefore, as regards determining their own independent intellectual property policy on the one hand, and, on the other, the need to establish in respect of intellectual property protection a level playing field for dynamic competition on and across both markets to the extent that they remain linked and interdependent. As the rules for solving such conflicts are to be found in trade agreements, the future relationship between the EU and the UK needs to be taken into consideration.

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in the UK and the EU markets; see *WIPO*, Report 2011, op. cit. [supra n. 114], p. 27 et passim, 52 et passim (Chapters 1.2, 1.3), 109 et passim (Chapter 3.1).

<sup>180</sup> On top of EU (and UPCA) law, as regards the property aspects of their unitary patents, these firms will import the national law of their residence or principal place of business in the EU, by default German law; see Art. 7 Reg. 1257/2012.

<sup>181</sup> See supra at II.2.b)(ii) and (iii).

<sup>182</sup> Term borrowed by way of adaptation from *P. Drahos, J. Braithwaite*, *Information Feudalism – Who Owns the Knowledge Economy*, New York 2002.

- 46 (i) When in its letter notifying the EU of its withdrawal the UK Government expressed its view of the future UK–EU relationship as “a deep and special partnership that takes in both economic and security cooperation”<sup>183</sup> it was already clear that the UK intended to stay outside the founding pillars of the Union, which are the establishment of a customs union and of an internal market. It wished, indeed, to regain full control over both its domestic market and its international trade relations.<sup>184</sup> Therefore, it was understood by both the UK Government and the Council of the European Union that the future relationship should be a “strategic”<sup>185</sup> or a “close”<sup>186</sup> partnership in the form of a free trade agreement. However, its contours remained unclear. While both sides wish it to be “ambitious and comprehensive” or “ambitious and wide-ranging”,<sup>187</sup> they have not yet gone much beyond defining some outer limits. Thus, the Council will not allow it to “amount to participation in the Single Market or parts thereof”.<sup>188</sup> The UK Government, in its turn, has excluded participation in<sup>189</sup> or assimilation to the European Economic Area.<sup>190</sup> Both sides have also stated from the beginning that such an agreement must respect their sovereignty, respectively the autonomy of the EU, and insisted that it must be “balanced” and be concluded on “a fully reciprocal basis”.<sup>191</sup> However, the approaches taken from these common points of departure differ. In accordance with its two or rather three-stage approach – agreement on, first, the conditions of an (orderly) exit, second, on the terms

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<sup>183</sup> See references supra n. 20; also PM *Theresa May*, Prime Minister’s Commons statement on triggering Article 50, 29 March 2017 (available [here](#)).

<sup>184</sup> See references supra n. 183.

<sup>185</sup> See supra n. 20.

<sup>186</sup> *European Council*, Guidelines following the United Kingdom’s notification under Art. 50 TEU, 29 April 2017 (EUCO XT 20004/17), nos. 1, 18 et seq.

<sup>187</sup> For the former, *HM Government*, White Paper on Exit, op. cit. [supra n. 20], Sect. 8 headlines; for the latter *European Council*, Guidelines of 29 April 2017, op. cit. [supra n. 186], no. 20.

<sup>188</sup> *Ibid.*; *European Council*, Guidelines on the framework for the future EU–UK relationship, 23 March 2018 (EUCO XT 20001/18), no. 7.

<sup>189</sup> For the EEA see supra n. 91. The UK is a member of the EEA, but it so is as a Member State of the EU. Its withdrawal from the EU does not mean that it would simply switch sides; see Editorial, *Brexit and European Area Membership*, 42 E.L. Rev. 617 (2017); contra *U. Schroeter, H. Nemeček*, “Brexit” aber “rEEA-main?”, JZ 2017, 713. In its “European Union (Withdrawal) Bill – Explanatory Notes” of 13 July 2017 as submitted to the House of Commons the UK Government assumes (at no. 7) that the UK will also cease to participate in the EEA Agreement as the UK will fall outside its geographical scope.

<sup>190</sup> See PM *Theresa May*, PM speech on our future economic partnership with the European Union, 2 March 2018 (Mansion House Speech), at “Existing models will not work” (available [here](#)); *id.*, PM’s Florence speech: a new era of cooperation and partnership between the UK and the EU, 22 September 2017, at “Economic Partnership” (available [here](#)); *id.*, PM statement on leaving the EU, 9 Oct 2017 (available [here](#)).

<sup>191</sup> For the former see *European Council*, Guidelines of 29 April 2017, op. cit. [supra n. 186], nos. 1, 17, 20; *id.*, Guidelines of 23 March 2018, op. cit. [supra n. 188], no. 7; for the latter PM *Theresa May*, Mansion House Speech, op. cit. [supra n. 190], at “Future economic partnership”; *HM Government*, White Paper on Exit, op. cit. [supra n. 20], sub 8.3.

of a transitional period following the exit, and, third, on an overall understanding of the framework for the future relationship<sup>192</sup> – the EU only hesitantly discloses any substantive parts of its negotiation program for a free trade agreement. Except for customs tariffs and customs-related matters, its main concerns seem to be of a defensive or conservative nature in that it seeks to ensure, first, a level playing field between the UK and the EU, and, second, the preservation of those levels of uniformity of market regulation that have been attained during the UK’s membership while respecting the latter’s wish to regain regulatory sovereignty.<sup>193</sup>

The UK, which always asked for a parallelism, albeit not an outright bundling of the negotiations on both the conditions of exit and those of the future UK–EU relationship,<sup>194</sup> remained hesitant as regards the terms of the former, but took a demanding approach as regards the conditions of the latter.<sup>195</sup> Thus, an agreement on the future relations should not only cover free-of-customs trade in industrial and almost all other goods, a principle that seems to be easy enough for the EU to accept.<sup>196</sup> Rather, it should also pro-

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<sup>192</sup> *European Council*, Guidelines of 29 April 2017, op. cit. [supra n. 186], nos. 4 et seq.; id. Guidelines for Brexit negotiations, 15 December 2017 (EUCO XT 20011/17), nos. 4, 6 et seq. This three-step approach, which supersedes the original two-phase approach, is the result of the “Joint report from the negotiators of the EU and the UK Government on the progress made during phase 1 of the negotiations under Article 50 TEU on the UK’s orderly withdrawal from the EU” of 8 December 2017 and of the European Council’s accepting this report on 15 December 2015.

<sup>193</sup> *European Council*, Guidelines of 29 April 2017, op. cit. [supra n. 186], no. 20: “ensure a level playing field, notably in terms of competition and state aid [...] safeguards against unfair competitive advantages through, inter alia, tax, social, environmental and regulatory measure and practices”; see also id., Guidelines of 15 December 2017, op. cit. [supra n. 192], no. 7; id., Guidelines of 23 March 2018, op. cit. [supra n. 188], nos. 7, 12. Concomitantly, the Commission assists Member States in developing a united trade position by supplying the Council Working Party (Art. 50) with slides in support of internal preparatory discussions (available [here](#)). See in particular the “Slides on Level Playing Field” of 31 January 2018 and the “Slides on Services” of 6 February 2018, both signalling already the expected dilemma between maintaining the “acquis” of uniformity of regulation and the interests of the UK and the EU in regaining respectively in retaining sufficient regulatory autonomy.

<sup>194</sup> See PM *Theresa May*, Prime Minister’s letter to Donald Tusk triggering Article 50, 29 March 2017, p. 2, 4, at (iii) (available [here](#)), (“we believe it is necessary to agree the terms of our future partnership alongside those of our withdrawal”), and the comprehensive approach taken in *HM Government*, White Paper on Exit, op. cit. [supra n. 20].

<sup>195</sup> For the following see in more detail *HM Government*, The Future Relationship between the United Kingdom and the European Union (White Paper), July 2018 (Cm 9593), which in part elaborates on, in part supersedes *HM Government*, White Paper on Exit, op. cit. [supra n. 20], Sect. 8; PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “Economic Partnership”; *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, 16 November 2017 (available [here](#); translation reprinted in essential parts in *Süddeutsche Zeitung* of 16 November 2017, p. 28 “Die Sache ist dringend”).

<sup>196</sup> See PM *Theresa May*, Mansion House Speech, op. cit. [supra n. 190], at “Goods”. Since the UK will also leave the EU customs union it seeks a specific customs arrangement,

tect cross-border supply chains and, as a general proposition, allow trade in goods between the UK and the EU to flow without border control (“common rulebook” approach) while more “flexible” regimes are to be negotiated for services including financial and digital services. Thus, the focus is on avoiding physical control at the UK–EU border. However, extensive regulatory cooperation for high standards in all fields and for broad recognition of product and service standards is also on the UK’s negotiating program, with existing levels of uniformity and mutual recognition serving as its basis. Yet, in the future, the relationship, basically cast in terms of a considerably advanced free trade agreement, should allow both parties to pursue – common or differing – objectives in their own, possibly diverging ways, notably in such sensitive areas as are all services and the mobility of persons. As a corollary to this regaining of “control over our own laws”<sup>197</sup> as regards their making and application, resolution of disputes between the contracting parties should be of a purely intergovernmental nature, although ultimately the parties may take resort to judicial or quasi-judicial decisions. In any case, it will be accessible only by the governments and produce no “direct effect”.<sup>198</sup> This means that its effectiveness will depend on the nature of the procedural mechanisms and the (trade) remedies the EU and the UK will provide for in their transitional and/or future relations agreement.<sup>199</sup> Indeed, in accordance with the UK’s dualist approach to international convention law and its repeated claim to regain “control of our law”, private claims or

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which, however, may not take the form of a bilateral customs union, since the UK wishes to pursue its own sovereign commercial policy; see already *HM Government*, White Paper on Exit, op. cit. [supra n. 20], sub 8.43; *HM Government*, Future customs arrangements – a future partnership paper, 15 August 2017 (available [here](#)). The principle of customs-free trade in goods is accepted by *European Council*, Guidelines of 23 March 2018, op. cit. [supra n. 188], no. 8, (i) to (iii). Art. 124(4) Draft Withdrawal Agreement [supra n. 3] would allow the UK to enter into trade agreements with third countries already during the transitional period; see supra n. 21. Note that the Ireland problem of avoiding a hard border between the EU and the UK is outside this study.

<sup>197</sup> Recurrent theme, see PM *Theresa May*, Mansion House Speech, op. cit. [supra n. 190], at “Five tests”; id., Speech at Lancaster House, 17 January 2017, sub 2. (available [here](#)); *HM Government*, White Paper on Exit, op. cit. [supra n. 20], Sect. 2 (with annex A); PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “The decision of the British people”, and “Negotiations”; *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Future economic partnership”.

<sup>198</sup> See *HM Government*, White Paper on Exit, op. cit. [supra n. 20], Sect. 2 (2.8).

<sup>199</sup> See *HM Government*, White Paper on the Future, op. cit. [supra n. 195], sub 4.5.1, and generally *HM Government*, Enforcement and dispute resolution - a future partnership paper, 23 August 2017, passim, in particular at nos. 25 et passim (available [here](#)); for a comparative overview of dispute resolution mechanism in FTAs *V. Donaldson, S. Lester*, Dispute Settlement, in S. Lester, B. Mercurio, L. Bartels (eds.), *Bilateral and Regional Trade Agreements*, 2<sup>nd</sup> ed. Cambridge 2015, p. 385 et passim.

defences of market actors will need to be brought before the domestic courts of the UK and the EU, respectively.<sup>200</sup>

The UK's negotiation objective thus is to establish within the framework of the close and special partnership with the EU a free trade area that by its scope and intensity will outdo all comparable modern free trade agreements, in particular the Canada–EU Comprehensive Economic and Trade Agreement (CETA).<sup>201</sup> The basis of this negotiation objective is that, due to the UK's membership in the EU, there is no need to open access to the markets of the EU to the UK and vice versa by way of negotiations for liberalisation. All that would be necessary is to maintain present levels of access and regulatory uniformity, and to provide for rules or mechanisms for future divergences, on the one hand.<sup>202</sup> On the other, since the UK will leave the Internal Market mainly because of its rules on free movement of persons and labour, it would suffice to substitute the balance of rights and duties characterising the Internal Market by a new balance of rights and duties of the UK and the EU, respectively.<sup>203</sup> However, betting that the existing levels of market integration simply could be carried over to the future UK–EU relationship amounts to an approach of preserving the status quo (or the “acquis Unioniste”) that is in conflict with the UK Government's explicit will to

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<sup>200</sup> See PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “Negotiations” (last three paras.) and “Economic partnership” (penultimate para.); *HM Government*, Enforcement and Dispute Resolution, op. cit. [supra n. 199], nos. 11, 22 et passim.

<sup>201</sup> See PM *Theresa May*, Mansion House Speech, op. cit. [supra n. 190], at “Existing models will not work”; id., Florence Speech, op. cit. [supra n. 190], at “Economic partnership”. “As for a Canada style free trade agreement [...] recognise that, this is the most advanced free trade agreement [...] but compared to what exists between Britain and the EU today, it would nevertheless represent such a restriction on our mutual market access that it would benefit neither of our economies [...] we can do much better than this”; PM *Theresa May*, Statement on leaving the EU, op. cit. [supra n. 190], using similar words in addressing Parliament (at “Economic partnership”); *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Future Economic Partnership”. “We will be a third country partner like no other [...] much closer than Canada [...] a deep and comprehensive free trade agreement [...] the scope of which should be beyond any the EU has agreed before”.

<sup>202</sup> PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “Economic partnership” (“the question [...] is not how we bring our rules and regulations closer together, but what we do when one of us wants to make changes”); id., Mansion House Speech, op. cit. [supra n. 190], at “Future economic partnership”; *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Future Economic Partnership”, passim. By contrast, for the EU negotiator, Michel Barnier, the challenge precisely “will be to limit divergence of rules rather than maximise convergence” (*M. Barnier*, Speech at the Centre for European Reform on “The Future of the EU”, 20 November 2017; available [here](#)).

<sup>203</sup> PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “Economic partnership”; *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Future Economic Partnership”; recently *HM Government*, White Paper on the Future, op. cit. [supra n. 195], sub 1.1 (no. 6) et passim.

regain control over its law and policy.<sup>204</sup> It is true that the UK Government is already preparing to maintain the EU acquis by adopting the European Union (Withdrawal) Act 2018. It will convert all directly applicable (primary and secondary) EU law into domestic law, on the one hand, and, on the other, preserve domestic law that has been legislated as a matter of transforming non-directly applicable EU law into UK law.<sup>205</sup> However, it is also true that the body of law resulting from this “great repeal” will be genuinely national law. As such, it will be subject to change by the UK legislature precisely as a matter of exercising its regained sovereign control.<sup>206</sup> Since regaining sovereign control over the law of the land is the very purpose of Brexit, it may not be expected that the UK will in an agreement on its future relationship with the EU forego the sovereign exercise of its legislative, administrative or other political powers to an extent that would be equivalent or comparable in its substance and scope to its former EU obligations. Therefore, the “acquis” approach of starting at a common level of regulatory uniformity really marks only the tactical point of departure for pursuing the strategic objective, which is, as indeed it must be, the freedom of the UK to develop its own laws and – economic and related – policies by sovereign decision, potentially diverging from the EU’s interests and position.<sup>207</sup> As the agreement on the future UK–EU relationship must be negotiated in a long-term perspective of future economic change, it will have to care for rather than to narrowly contain, let alone marginalise the UK’s interest in divergent political, economic or legal development or else it will fail its purpose. This is to “bridge the Brexit”, not to undo or circumvent it. The close and special partnership cannot simply be a continued economic membership in the EU in the guise of a comprehensive “CETA-plus” or “plus-

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<sup>204</sup> See supra n. 197.

<sup>205</sup> Clauses 2 to 5 European Union (Withdrawal) Bill (as introduced in the House of Commons, 13 July 2017) and Explanatory notes, nos. 19 et passim, 39 et passim, 71 et passim (formerly intended as the “Great Repeal Bill”), now Secs. 2 to 5 EU (Withdrawal) Act 2018 [supra n. 2].

<sup>206</sup> PM *Theresa May*, Legislating for the United Kingdom’s withdrawal from the European Union (White Paper), March 2017 (Cm 9446), p. 5 et seq.; *David Davis*, *ibid.*, p. 7 et seq.; *HM Government*, White Paper on Exit, *op. cit.* [supra n. 20], no. 1.3.

<sup>207</sup> To this effect clearly PM *Theresa May*, Florence Speech, *op. cit.* [supra n. 190], at “Economic partnership”; also *David Davis*, Teesport Speech, *op. cit.* [supra n. 21], at “What will change”. While after the “away day” meeting of the Cabinet at Chequers on 6 July 2018 the UK Government has decided to closely follow the EU’s market access rules regarding goods through a “common rulebook” approach (*HM Government*, White Paper on the Future, *op. cit.* [supra n. 195], sub 1.2.3, 1.2.4 and 4.6), it will do so only with reservations of sovereign control and a right of refusal. In the field of services, in particular of financial and digital services, which account for 79% of UK’s GVA, and where the UK sees its competitive advantage, it attaches much importance on obtaining a flexible regime by which it can protect its interests (*HM Government*, *ibid.*, sub 1.3, nos. 46 et passim). Moreover, since at least in the digital economy trade in goods and trade in services are inextricably linked, it remains to be seen whether and how the White Paper’s rulebook approach to trade in goods will work effectively in the long run.

plus” free trade agreement. Although such an understanding of the future UK–EU relations would correspond to the UK’s approach to the EU as “a primarily economic endeavour”,<sup>208</sup> it fails to recognise the differences between the socio-economic and political dynamics of CETA-like free trade agreements and a post-Brexit UK–EU partnership. The former are grounded on an approximation policy of distant partners, the latter on a distancing policy of former partners.<sup>209</sup> While they must find a *modus vivendi* post separation, and hopefully a mutually beneficial one, there is no use in denying that they will also become rivals. That future rivalry is already foreshadowed by the UK insisting on sovereign flexibility in the areas where it is strongest – financial and digital services –, by its claim to regain control over its commercial interchange with third non-EU states, and by the EU’s concern about establishing a level playing field for the regulatory competition it expects.

Indeed, any such essentially economic partnership agreement must guarantee the partners a policy space that corresponds to the fact that, however interdependent, the UK’s and the EU’s markets will not be integrated, but function separately within the distinct and different constitutional and legal frameworks and under the different socio-economic conditions of the UK and the EU, respectively.<sup>210</sup> Consequently, the UK Government’s proposal to negotiate the agreement on the future relationship with a view to finding a new balance of rights and obligations that would replace the truly fundamental one that exists in the Internal Market between the four freedoms<sup>211</sup> –

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<sup>208</sup> *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Shared Interests”; to the same effect PM *Theresa May*, Florence Speech, op. cit. [supra n. 190], at “The decision of the British people”.

<sup>209</sup> Therefore, “limiting divergence” (see *M. Barnier*, Speech of 20 November 2017, op. cit. [supra n. 202]) does not exhaust the problem. See also *C. Rapoport*, La redéfinition des relations entre l’Union européenne et le Royaume Uni: Les modèles de coopération envisageables, in Ch. Bahurel et al. (eds.), *Le Brexit – Enjeux régionaux, nationaux et internationaux*, Brussels 2017, p. 97, 104 et passim.

<sup>210</sup> For the EU, this is the problem of safeguarding its autonomy in determining and further developing its proper legal order of integrated and for integrating markets, and also of protecting unity inside the Internal Market and its socio-political and legal cohesion; see *European Council*, Guidelines of 29 April 2017, op. cit. [supra n. 186], nos. 1, 17, 23; *M. Barnier*, Speech of 20 November 2017, op. cit. [supra n. 202]; id., An ambitious partnership with the UK after Brexit, op-ed of 2 August 2018 (available [here](#)); id., Press statement of 20 July 2018 following the July 2018 General Affairs Council (Article 50) (available [here](#)); id., Press statement of 26 July 2018 following his meeting with *D. Raab*, UK Secretary of State for Exiting the EU (available [here](#)).

<sup>211</sup> Art. 26(2) in conjunction with Arts. 34, 45, 49, 56, 63 TFEU. For the systemic correlation of (rather than balance between) the free movement of capital including freedom of establishment and the free movement of persons that reaches far beyond the mere free movement of persons accessorially related to the free movement of services (as *David Davis*, Speech to the Süddeutsche Zeitung Economic Summit, op. cit. [supra n. 195], at “Movement of workers” would have it), see *P. Behrens*, *Europäisches Marktöffnungs- und*

free movement of goods, services, capital and persons, in particular workers – implies more than an invitation to simply seek a new arrangement that somehow accommodates for the UK's repudiation of a principle of general free movement of workers. The Internal Market does not rest on these four freedoms alone and on rules rendering them more effective, such as the country-of-origin principle allowing the free circulation of goods irrespective of their place of origin inside the EU<sup>212</sup> or rules on product standardisation or on internal recognition of professional qualifications and the like.<sup>213</sup> Rather, it is through continuous and systematic approximation of national market laws that a comprehensive framework regulation has been established that precisely aims at ensuring the well-functioning of the Internal Market (Arts. 26, 46 et seq., 50, 59 et seq. TFEU). As a complement to negative integration by the removal of barriers to trade, such positive integration presupposes Member States' willingness not only to renounce reservations of their national public interests as provided for, inter alia, by Art. 36 TFEU<sup>214</sup> and by the case law of the Court of Justice.<sup>215</sup> Rather, it requires

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Wettbewerbsrecht, Heidelberg 2017, p. 84 et seq., nos. 162 et seq. Allowing capital to move to where allocation conditions are optimal while refusing to let workers move where working conditions are better disregards not only this systemic co-relation, but disrespects the principles of a social market economy as enshrined in Art. 4(3) TEU; contra *R. Berger et al.*, Calling for an exit from Brexit: A New Deal for Britain and a better future for the EU (available [here](#)); *H.W. Sinn*, Die Bedeutung des Brexit für Deutschland und Europa, FAZ of 16 March 2017, p. 19 (arguing inter alia that comparative advantages increase when the workforce may not move freely).

<sup>212</sup> Firmly established since the CJEU's *Cassis de Dijon* judgement of 20 February 1979, *Rewe / Bundesmonopolverwaltung für Branntwein*, 120/78, ECR 1979, 649, ECLI:EU:C:1979:42; for a summary presentation as regards goods *Behrens*, Marktöffnungs- und Wettbewerbsrecht, op. cit. [supra n. 211], p. 71 et passim, nos. 133 (135) et passim; *U. Becker* in *J. Schwarze*, EU-Kommentar, 3<sup>rd</sup> ed. Baden-Baden 2012, Art. 34 AEUV, annot. 42 et passim (45); as regards services, *Behrens*, Marktöffnungs- und Wettbewerbsrecht, op. cit. [supra n. 211], p. 77 et passim; *M. Holoubek* in *Schwarze* (ed.), op. cit., Art. 56 AEUV, annot. 69 et passim (73, 90), all with references.

<sup>213</sup> This, of course, is not to deny that rules on recognition or harmonisation of professional qualifications imply – sometimes highly sensitive – public policy decisions; see for the state of play as regards the supply of services in the Internal Market *M. Haag*, Niederlassungs- und Dienstleistungsfreiheit in *R. Bieber, A. Epiney, M. Haag, M. Kotzer* (eds.), Die Europäische Union, 12<sup>th</sup> ed. Baden-Baden 2016, p. 377 et passim, 386 et passim.

<sup>214</sup> Art. 36 TFEU: public morality, public policy or public security, protection of health and life, of national treasures, and of industrial and commercial property; see also Arts. 45(3), 52, 62 TFEU.

<sup>215</sup> As regards goods CJEU, Judgement of 20 February 1979, *Rewe / Bundesmonopolverwaltung für Branntwein*, 120/78, ECR 1979 649, ECLI:EU:C:1979:42, para. 8 (mandatory requirements, in particular protection of public health, of consumers; prohibition of unfair commercial practices; for a detailed account of the case law see inter alia *L. Gormley*, EU Law of Free Movement of Goods and Customs Union, Oxford 2009, sub 11.60 et passim; *St. Enchelmaier*, Art. 36 TFEU – General, in *P. Oliver, St. Enchelmaier* (eds.), *Oliver on Free Movement of Goods in the European Union*, 5<sup>th</sup> ed. Oxford 2010, p. 215 et passim; as regards services see *Holoubek* in *Schwarze* (ed.), op. cit. [supra n. 212], Art. 56, 57 AEUV, annot. 90 et passim, 94 et passim.



them to merge their national policies fully or at least in part into common public policies of the EU.<sup>216</sup> These then will be implemented by the EU's own regulations and directives and judicially enforced directly by all the market actors everywhere throughout the Internal Market by virtue of the EU's legal principle of direct effect.<sup>217</sup> It is this "Community" or "Union" approach to policy formulation and implementation through progressive harmonisation and reform of national law or through complementary regulation of new areas that has allowed not only national markets, but the national economies to become economically and legally integrated into a "Single European Market".<sup>218</sup> It is, however, precisely this approach from which the UK will withdraw with a view to regaining control of its laws and policies. Therefore, the agreement on the future UK–EU relationship must allow for the UK's and the EU's laws and economic and public interest policies developing à la longue in different ways and different directions. Consequently, the new balance to be established with respect to the rights and obligations of the parties needs to be between the UK's right and effective power to choose and to go its own way outside the Internal Market (and, for that matter, the right and effective power of the EU to choose and go its own way inside the Internal Market), on the one hand, and, on the other, the limits that need to be set to this "freedom of divergence" in the interest of effec-

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<sup>216</sup> See Titles IX to XIII TFEU. While in some of these policy fields the powers of the EU are limited, in others it has developed a comprehensive regulatory framework, see e.g. for the protection of consumers (Title XV) or of the environment (Title XX) *A. Epiney*, Verbraucherschutz und Gesundheitswesen, in Bieber et al. (eds.), op. cit. [supra n. 213], p. 604 et passim; id., Umwelt, in Bieber et al. (eds.), ibid., p. 621 et passim. The broad range and wide reach of the EU's regulatory ordering of the Internal Market is illustrated by the list of over 60 notices by which the Commission seeks to inform all stakeholders about the legal and practical consequences of the UK's withdrawal from the EU (see [here](#)). See also *European Commission*, Preparing for the withdrawal of the United Kingdom from the European Union on 30 March 2019, Communication of 19 July 2018 (COM (2018) 556 final), and note that these notices mainly concern only border-related measures.

<sup>217</sup> For the constitutional, political and practical importance of the "private enforceability" of primary and secondary EU law and its crucial importance for market integration by law and by the market actors' interest and initiative see *Behrens*, Marktöffnungs- und Wettbewerbsrecht, op. cit. [supra n. 211], Foreword p. VII et seq., 65, no. 120; *E.J. Mestmäcker*, *H. Schweitzer*, *Europäisches Wettbewerbsrecht*, 3<sup>rd</sup> ed. Munich 2014, p. 38 et passim, nos. 28 et passim; *A. Hatje*, Retrospective Comment on ECJ of 5 February 1963, case 26/62, *van Gend & Loos/Niederländische Finanzverwaltung* (ECR 1963, 5), NJW 2017, 3056.

<sup>218</sup> As it was the "Single European Act" of 12 February 1986 (OJEC 1987 L 169, 1) that by introducing a new Art. 8a in the EEC Treaty (now Art. 26 TFEU) modifying the voting rules of the Council sought to achieve the full realisation of the Internal Market by 31 December 1992, the Internal Market was sometimes characterised as a "single" European market (or "einheitlicher Binnenmarkt").

tive and comprehensive free trade between the separated and in the future separately developing economies.<sup>219</sup>

- 50 It is precisely free trade agreements that allow for such divergences of the economic development and of the public policies of the participating states. They do so even though – or precisely because – in their modern forms<sup>220</sup> they aim at comprehensiveness in that they cover not only trade in goods, but extend to the cross-border supply of services, provide for regulatory cooperation as regards the reduction or elimination of technical barriers to trade in goods or as regards public policy regulation of the domestic markets of the parties. More particularly, they may encompass agreement on and /or coordination of the – national or international – levels of protection that the parties wish to see established and observed as a matter of public interest, such as e.g. consumer protection, social standards, public health, climate change and the environment<sup>221</sup>. The policy space that is still built in these

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<sup>219</sup> For the strategic orientation of the UK's economic development see *HM Government*, White Paper: Industrial Strategy – Building a Britain fit for the Future, 27 November 2017 (available [here](#)); for the EU *European Commission*, White Paper on the Future of Europe – Reflection and Scenarios for the EU 27 by 2025, COM (2017) 2025 of 1 March 2017 (available [here](#)).

<sup>220</sup> See generally *R. Senti*, Regionale Freihandelsabkommen in zehn Lektionen, Zürich 2013, p. 161 et passim; *P.-T. Stoll*, Mega-Regionals: Challenges, Opportunities and Research Questions in Th. Rensmann (ed.), *Mega-Regional Trade Agreements*, Cham 2013, p. 3 et passim; also *H. Ullrich*, The Transatlantic Trade and Investment Partnership (TTIP): Extending Trade Policy to Domestic Markets, *RIDE* 2016, 421, 426 et passim with references.

<sup>221</sup> The model here is CETA since it establishes a bilateral (rather than a plurilateral) free trade area between highly developed parties having a similar vision of a market economy respecting human values. More “advanced” models have been proposed recently by British institutions that seek to maintain as far as possible the existing state of uniformity of the market regulations of the UK and the EU respectively while taking account of the political “remain/exit” divide in the UK that asks for respecting the claim to full sovereignty, see *Institute of Government* (*J. Owen, A. Stojanovic, J. Rutter*), *Trade after Brexit – Options for the UK's relationship with the EU*, London, December 2017 (available [here](#)); *Institute for Public Policy Research* (*T. Kibasi, M. Morris*), *The Shared Market – A New Proposal for a Future Partnership Between the UK and the EU*, London, December 2017 (available [here](#)). Both reports have been welcomed by *Confederation of British Industry (CBI)*, *The Future UK–EU Relationship*, January 2018 (available [here](#)), which, however, insists on remaining in the EU's customs union as regards goods. For the limits of an FTA approach see *R. Repasi*, *Free Trade Agreements as a Means to Maintain and Establish Integrated Markets?*, in F. Kainer et al. (eds.), *Trade Relations after Brexit: Impetus for the Negotiation Process*, forthcoming. According to its White Paper on the Future UK–EU Relationship [supra n. 195], the UK does not only seek to maintain its sovereign flexibility regarding the regulation of services and investment (at 1.3, 1.3.4 regarding financial services in particular), of free movement of persons (at 1.4) and the digital sectors (at 1.5), but also as regards general market regulation (at 1.6), albeit to degrees varying according to matters covered; narrow as regards control of state aid (1.6.1: rulebook) and competition rules (1.6.2: compatibility and enforcement cooperation); broader as regards the protection of the

modern FTAs results from the fact that even principled rules on market access rarely apply as such. Rather, their implementation may depend on and remain subject to lists negotiated *ex ante* specifying the “concessions” (or “reservations”) the parties make, or to subsequent step-by-step agreement on the removal or reduction of obstacles, such as mutual recognition agreements for professional qualifications<sup>222</sup> or for marketing authorisation procedures/decisions. Likewise, regulatory cooperation, i.e. voluntary coordination of selected matters/areas of domestic market regulations made or to be made in the general interest, is a process of progressive approximation or even alignment of each party’s rules and procedures.<sup>223</sup> Thus, it is not only the scope of comprehensiveness of an FTA and the subject-matter specificity of most of its rules – or conversely their vague or non-committal nature – but also the built-in limitations and reservations and, foremost, the flexible intergovernmental implementation mechanisms and procedures that quite purposively leave the parties room for sovereign manoeuvre. In particular, they exclude an automatic self-fulfilment of the free trade promise by private enforcement through suits brought before a supranational judiciary, which is what made the EU’s free movement principle so effective.<sup>224</sup> The reason is that to the difference of the creation of a common or internal market of the EU type that aims at integrating national markets by bringing them under the roof of an autonomous regulatory and judicial framework, free trade areas are negotiated and implemented on the basis of the mutual advantage parties may obtain for their economies from liberalised trade between their separate markets. Thus, they need to remain in some sovereign control of their markets, if simply because it is by their regulation that they hold – and may define – their bargaining position.<sup>225</sup> The reluctance to at-

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environment (1.6.3: non-regression), labour standards (1.6.5: non-regression) and consumer protection (1.6.6: reciprocal high levels).

<sup>222</sup> Chapter 11 CETA, and note the “mutual advantage” approach provided for by Art. 11.3(2); see also *V. Hatzopoulos*, *Les techniques de libéralisation de la prestation de services sous le TTIP*, RIDE 2016, 493.

<sup>223</sup> For the structure and objectives of regulatory cooperation in TTIP (and CETA) see *Ullrich*, TTIP, op. cit. [supra n. 220], RIDE 2016, 435 et passim with references; generally *OECD*, *International Regulatory Co-operation – Addressing Global Challenges*, Paris 2013 (available [here](#)).

<sup>224</sup> See supra n. 217.

<sup>225</sup> See as regards “non-trade issues” in FTAs, such as keeping harmonisation of regulatory objectives and standards in balance with the structure and the capacity of domestic industry (optimisation, sustainability for the parties) *P. Krishna*, *The Economies of PTAs*, in Lester, Mercurio, Bartels (eds.), op. cit. [supra n. 199], p. 11 (26). In fact, by negotiating and concluding FTAs states typically pursue not merely the objective of establishing a free trade area for its own sake, i.e. its potential of enhancing economic welfare, but a broader set of political strategies reaching from ensuring long term access to raw materials to increasing political influence or modelling the international legal order, see *O. Cattaneo*, *The Political Economy of PTAs*, in Lester, Mercurio, Bartels (eds.), op. cit. [supra n. 199], p. 28 et passim; *E. Bourcieu*, *The Strategic Dimension of the Transatlantic Trade and Investment Partnership*, in Rensmann (ed.), op. cit. [supra n. 220], p. 27 et passim. The UK’s proposal

tribute a direct effect to the rules of their free trade agreement<sup>226</sup> and the trade remedies they wish to retain in case of a dispute or of its resolution<sup>227</sup> are but a consequence of the political nature of a free trade arrangement, albeit not an inescapable one.

- 51 Modern so-called “deep integration” FTAs<sup>228</sup> do not constitute an exception to these principles, on the contrary. Precisely because the trade-liberalising rules of such FTAs not only cover obstacles to entry at a market’s territorial border, but reach “deep” into a party’s domestic market and apply to trade “behind” the border, such as in the case of the cross-border supply of services, or to obstacles to trade existing behind the border, such as product or service specifications, quality requirements etc., that parties quite naturally seek to retain some control. After all, market regulations are not necessarily “protectionist”, but supposed to serve some general interest a state wishes to protect, and they may constitute exactly the competitive advantage, or part of it, of market actors on the markets concerned that are at the root of the welfare increases resulting from internationally distributed manufacture and

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of a special partnership is not innocent in this regard (e.g. linking the economic to the security partnership; see *HM Government*, White Paper on the Future, op. cit. [supra n. 195], Executive Summary and Chapter 2) nor will be the EU’s strategic reaction. Unfortunately, Brexit came as such a surprise and with such disruptive effect that, at least for the time being, there seems to be no room for developing some kind of a “let’s get them back into the family” strategy of the EU, i.e. one helping the UK to overcome the home-made causes of the Brexit vote. All proposals that aim at essentially retaining a maximum of the status quo ante entirely miss this point.

<sup>226</sup> See explicitly Art. 30.6(1) CETA (“Nothing in this Agreement shall be construed as conferring rights or imposing obligations on persons other than those created between the Parties under public international law, nor as permitting this Agreement to be directly invoked in the domestic legal systems of the Parties”); confirmed by Rec. 3 Council Decision (EU) 2017/37 of 28 October 2016 on the signing on behalf of the European Union of the Comprehensive Economic and Trade Agreement (CETA) between Canada, of the one part, and the European Union and its Member States, of the other part, OJEU 2017 L 11, 1; similar: Art. 17.15 (draft) EU–Singapore FTA; Art. 23.5 EU–Japan Economic Partnership Agreement (consolidated version of 7 December 2017); generally *Stoll*, *Mega-Regionals*, in Rensmann (ed.), op. cit. [supra n. 220], p. 20 et seq.; as regards IP rules in FTAs see infra at II.3.b(ii), text at n. 246 et seq.

<sup>227</sup> See *Donaldson, Lester*, *Dispute Settlement*, in Lester, Mercurio, Bartels (eds.), op. cit. [supra n. 199], p. 423 et passim. More particularly, EU law does not allow for any suspension of concessions, the reason being that it is based on the rule of law of a common market rather than on a principle of reciprocity (see CJEU, Judgment of 20 October 1993, *Collins and Patricia Im- und Export / Imtrat and EMI Electrola*, C-92/92 and C-326/92, ECR 1993 I-5145, ECLI:EU:C:1993:847) and self-help or retortion (see CJEU, Judgment of 23 May 1996, *Hedley Lomas*, C-5/94, ECR 1996 I 2553, ECLI:EU:C:1996:205, paras. 19 et seq.). For the intergovernmental dispute resolution mechanism and the trade sanctions for non-compliance with the agreement on the future UK–EU relationship envisaged by the UK see *HM Government*, White Paper on the Future, op. cit. [supra n. 195], sub 4.5.

<sup>228</sup> See *Ullrich*, *TTIP*, op. cit. [supra n. 220], RIDE 2016, 426 et seq. with references.

liberalised trade.<sup>229</sup> In addition, since in most cases an adaptation of domestic market regulation to the rules of a deep-trade FTA concerning obstacles to trade behind the border must be made so as to benefit all market actors, also those from third-party states,<sup>230</sup> a party to the FTA will have an interest to contain such spill-over effects within limits by retaining sufficient regulatory sovereignty. In short, the parties need to agree on a trade-off between economic liberalisation and the reservation of regulatory control. They will do so sector-by-sector in accordance with their respective interests, and ultimately across all sectors as a matter of balancing out their overall deal.

(ii) Similar conflicts of interest between the approximation of national market regulations for the sake of free trade and the reservation of control over domestic markets arise when the parties wish – or one of the parties wishes – to see intellectual property protection covered by their free trade agreement. Modern deep-trade FTAs typically contain more or less comprehensive chapters providing for rules on intellectual property rights.<sup>231</sup> These are called TRIPS-plus rules because their purpose is not only to reaffirm, but to reinforce the protection of intellectual property that is already guaranteed within the framework of the World Trade Organization (WTO) by the 1994 Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). Arguably, such enhanced<sup>232</sup> or TRIPS-plus protection of intellec-

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<sup>229</sup> See with regard to market regulation by rules protecting intellectual property *H. Ullrich*, *The Political Foundations of TRIPS Revisited*, in *H. Ullrich, R. Hilty, M. Lamping, J. Drexl* (eds.), *TRIPS plus 20 – From Trade Rules to Market Principles*, Heidelberg 2016, p. 85, 98 et passim.

<sup>230</sup> See *J. Pauwelyn*, *Not As Preferential As You May Think: How Mega-Regionals Can Benefit Third Countries*, in *Rensmann* (ed.), *op. cit.* [supra n. 220], p. 61 et passim. The issue is a complex one, because the UK may have an interest in adapting its market regulations to that of the EU not only as a matter of facilitating its exchange with the EU, but also its exchange with third-party states as imports from these states would benefit from economies of scale if trade with the UK and with the EU follows uniform rules and standards. Therefore, there may be less of a contradiction in the UK's wishes of maintaining a close partnership with the EU and of regaining control over its foreign trade relations with third countries than is assumed by doctrine, see *G. Sacerdoti*, *The United Kingdom's Post-Brexit Trade Regime with the European Union and the Rest of the World: Perspectives and Constraints*, 20 *J. Int'l. Econ. L.* 905, 909 (2017).

<sup>231</sup> For a systematic presentation see *M. Handler, B. Mercurio*, *Intellectual Property*, in *Lester, Mercurio, Bartels* (eds.), *op. cit.* [supra n. 199], p. 324 et passim; *Th. Cottier, D. Jost, M. Schupp*, *The Prospect of TRIPS-Plus Protection in Future Mega-Regionals*, in *Rensmann* (ed.), *op. cit.* [supra n. 220], p. 191 et passim; *M. Trebilock, R. Howse, A. Eliason*, *The Regulation of International Trade*, 4<sup>th</sup> ed. London 2013, p. 514 et passim, 516 et passim. For the many issues raised by TRIPS-plus agreements see the (mostly sceptical) contributions in *J. Drexl, H. Große Ruse-Khan, S. Nadde-Phlix* (eds.), *EU Bilateral Trade Agreements and Intellectual Property: For Better or Worse?*, Berlin 2014; *Chr. Antons, R. Hilty* (eds.), *Intellectual Property and Free Trade Agreements in the Asia-Pacific Region*, Berlin 2015.

<sup>232</sup> Pursuant to Art. 1(1) 2<sup>nd</sup> sent. TRIPS Agreement Members “may implement in their law more extensive protection than is required by this Agreement”, meaning that the “ade-

tual property rights may be justified with respect to an area of potentially more intense trade relations as a matter of ensuring a level playing field.<sup>233</sup> However, it also entails an additional limitation of the parties' freedom to use the policy spaces left to them by the TRIPS Agreement as regards the design and implementation of their domestic system of intellectual property protection,<sup>234</sup> i.e. the regulation of their domestic markets for intellectual goods.<sup>235</sup> The problem used to be discussed mainly as one of a conflict between the interests of developing countries in independently determining and satisfying their domestic public policy concerns or their needs of industrial development on the one hand, and, on the other, the interests of developed countries in an "adequate"<sup>236</sup> protection of their innovative technologies or intellectual creations on foreign markets.<sup>237</sup> However, the tension between internationally negotiated uniform standards of intellectual property protection and a party's desire to retain sovereign control of its domestic market regulation is a general feature of any deep trade FTA that is supposed to provide for TRIPS-plus rules. Therefore, similar conflicts arise with respect to FTAs that are increasingly concluded between developed

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quate" standards set by TRIPS (see Preamble, Rec. 1, Rec. 2 lit. (b), (c)) are minimum standards. With regard to bi- or plurilateral TRIPS-plus rules see *UNCTAD/ICTSD, Resource Book on TRIPS and Development*, Cambridge 2005, p. 24 et seq.; *H. Große Ruse-Khan*, *The Protection of Intellectual Property in International Law*, Oxford 2016, nos. 5.03 et passim; *C. Correa*, *Le préambule et les articles 1 à 6 de l'Accord: Quel contenu pour les dispositions générales et les principes fondamentaux*, in Chr. Geiger (ed.), *Le droit international de la propriété intellectuelle lié au commerce: L'accord sur les ADPIC, bilan et perspectives*, Strasbourg 2017, p. 35, 42 et seq.

<sup>233</sup> Surprisingly, except for geographical indications (at 1.2.4, nos. 38 et seq. regarding agricultural policy) the UK's White Paper on the Future UK–EU Relationship [supra n. 195] does not cover intellectual property at all, not even in Chapter 1, Section 1.6 on "Open and fair competition". The Government may not have considered the matter to be important enough or suitable for being dealt with at this stage, but the matter will hardly have escaped its attention altogether. As regards unitary patent protection more specifically, whichever way its infringement law (see supra at II.1.b(ii) and II.2.b)) and the UPC (see infra at II.4.) may be qualified, the basis of unitary protection in and the link of both unitary protection and of the UPC to Union law are too strong and obvious to keep the matter outside the future UK–EU relationship.

<sup>234</sup> See as regards e.g. patent protection *Lamping*, *Patent Declaration*, op. cit. [supra n. 160], 45 IIC 679 (2014); generally *Ullrich*, *Political Foundations*, in id. et al. (eds.), op. cit. [supra n. 229], p. 85, 104 et seq. with references.

<sup>235</sup> See inter alia *H. Große Ruse-Khan* et al., *Principles for Intellectual Property in Bilateral and Regional Agreements*, 44 IIC 878, 882, nos. 6 et seq., 18 et seq. (2013); *S. Frankel*, *Trade-Offs and Transparency*, 44 IIC 913 (2013); *Ullrich*, *Political Foundations*, in id. et al. (eds.), op. cit. [supra n. 229], p. 117 et passim.

<sup>236</sup> See supra n. 232.

<sup>237</sup> See *W. Cornish*, *K. Liddell*, *The Origins and Structure of the TRIPS Agreement*, in *Ullrich* et al. (eds.), op. cit. [supra n. 229], p. 3, 23 et passim; *Ullrich*, *Political Foundations*, in id. et al. (eds.), *ibid.*, p. 93 et passim with references; *A. Moerland*, *Do Developing Countries Have a Say? Bilateral and Regional Intellectual Property Negotiations with the EU*, 48 IIC 760 (2017).

countries or countries with emerging markets.<sup>238</sup> While seemingly resulting from the parties' differing concepts of intellectual property protection, they typically mirror the various beneficiaries' interests and the different strengths of the parties' economies or industries.<sup>239</sup> Thus, they also reflect a party's interest in dominating the other party's market or, conversely, in maintaining control over the own domestic market as a basis for satisfying the needs of consumers or for establishing an internationally competitive industry of their own.<sup>240</sup>

There is no place here and no need to discuss in detail the political, economic and other reasons and positive or negative effects, thus the desirability of such TRIPS-plus rules of "deep-trade" FTAs.<sup>241</sup> The main point to be made here is two-fold:

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In accordance with the practice of negotiating FTAs with a view to obtaining free-trade concessions on the basis of mutual advantage, TRIPS-plus rules regarding the availability, level and enforcement of intellectual property protection on the other party's territory are the result of a trade deal where all concessions and conditions of cross-border and behind-the-border trade are put on balance. Thus, just as free trade is not established for its own sake and benefits, but on an estimate of its advantages for each party, TRIPS-plus rules are not introduced in an FTA for their own virtues, but as a matter of obtaining an explicit or implied trade concession, typically for full or easier market access.<sup>242</sup> By their very nature such negotiations and

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<sup>238</sup> See *Ullrich*, Political Foundations, in *id.* et al. (eds.), *op. cit.* [supra n. 229], p. 98 et passim.

<sup>239</sup> Illustrations of the confused and confusing interplay of concepts of protection, of business interests and socio-economic perceptions are the EU/USA controversy on whether and how to protect geographical indications (see only *K. Maskus*, Assessing the Development Promise of IP Provisions in EU Economic Partnership Agreements, in *Drexl et al.* (eds.), *op. cit.* [supra n. 231], p. 171, 178 et passim) or the suspension of, inter alia, pharmaceutical patent-related rules in Chapter 18 of the Trans-Pacific Partnership Agreement TPP (now Comprehensive and Progressive Agreement for Trade – Pacific Partnership, CPATPP) by the parties as soon as the USA left the TPP; see *Government of Canada*, Trans-Pacific Partnership Ministerial Statement of 11 November 2017 with Annex II (available [here](#); the original text of Chapter 18 TTP is available [here](#)).

<sup>240</sup> See *Ullrich*, Political Foundations, in *id.* et al. (eds.), *op. cit.* [supra n. 229], p. 98 et passim.

<sup>241</sup> See references supra n. 231.

<sup>242</sup> Such has already been the GATT/WTO approach to establishing the TRIPS Agreement (see *Cornish, Liddell*, Origins and Structure, in *Ullrich et al.* (eds.), *op. cit.* [supra n. 237], p. 23 et passim), and bilateral FTAs offered an even stronger lever for a "trade package" deal incorporating TRIPS-plus rules, see *H. Große Ruse-Khan*, Introducing the Principles for Intellectual Property Provision in Bilateral and Regional Agreements, 44 IIC 873 (2013); *P. Roffe*, Intellectual Property Chapters in Free Trade Agreements: Their Significance and Systemic Implications, in *Drexl et al.* (eds.), *op. cit.* [supra n. 231], p. 17, 23; *Moerland*, Do Developing Countries Have a Say?, *op. cit.* [supra n. 237], 48 IIC 763 et seq. (2017).

final trade deals are not and cannot be based upon an examination and evaluation of what might be an optimal design of intellectual property protection that effectively fits the other party's economy and needs or that would fit and equally serve both parties' respective markets and socio-economic objectives.<sup>243</sup> Rather, the substance, scope and effectiveness of intellectual property protection on a party's market is assessed in terms of trade advantages. Thus, the rationale underlying TRIPS and TRIPS-plus rules of intellectual property is to ensure that a party's industry will find – and be able to compete on the other party's market on – terms of intellectual property protection that are equal or equivalent to those existing on its home market or at least “adequate” for it to enter and operate on that other market.<sup>244</sup> And states need not and will not concede more than such similar or adequate intellectual property rules. Indeed, while opening their markets to trade with the other party they wish and need to retain control of them as a matter of their sovereign politico-economic strategy or attitudes, of maintaining their bargaining position and of their general responsibility for their domestic markets that, by definition, remain separate.

- 55 Typically, FTAs seek to mitigate or balance the conflicting interests of the parties. While they do oblige the parties to observe as a matter of domestic law standards or levels of protection that add to, complement or specify the obligations to which they are already held by the TRIPS Agreement,<sup>245</sup> they allow them to implement such TRIPS-plus obligations pursuant to the forms and features that characterise their national systems of protection, i.e. by way of substantive rather than merely formal transformation. Should an FTA's TRIPS-plus rule be so specific that it does not allow for a substantive transformation into the parties' domestic laws, but only a formal transformation,<sup>246</sup> the question of its direct applicability may arise. If not ruled out

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<sup>243</sup> Rather, parties have a tendency to “export” their models of protection as part of a “trade deal”, see inter alia *Große Ruse-Khan* et al., Principles, op. cit. [supra n. 235], 44 IIC 878, nos. 6 et seq. (2013). Note that the trade negotiation approach of TRIPS and TRIPS-plus agreements fundamentally differs from the EU's harmonisation-of-laws approach. Due to the EU Commission's prerogative of initiating EU legislation, the EU Parliament's control position and the objective of internal market building (Arts. 114, 118 TFEU) the legislative process is not driven by a quid pro quo concession mechanism between independent states, but by an orientation toward achieving common goals (even if Member States may have to compromise on concepts of and preferences for their – mostly traditional – models of protection). It simply is about establishing an autonomous EU policy of intellectual property protection for the entire internal market as the market of reference, meaning a market that is common to all Member States.

<sup>244</sup> See *Ullrich*, Political Foundations, in id. et al. (eds.), op. cit. [supra n. 229], p. 115 et passim.

<sup>245</sup> See references supra n. 231.

<sup>246</sup> Even inside an FTA the regulatory intensity of TRIPS-plus rules varies broadly from mere consultation (e.g. author's resale rights: Art. 11.7 EU-SGP; Art. 15 EU-JPN) or a pactum de negotiando (e.g. author's resale rights: Art. 10.10 EU-KOR) to highly detailed and prescriptive rules (e.g. for technical protection measures or protection of rights man-



by the FTA itself,<sup>247</sup> it will be answered by a party's courts according to the principles prevailing under its national law.<sup>248</sup> The point to be retained here, however, is that an FTA's TRIPS-plus rules are not conceived of jointly as a common system of intellectual property protection for an integrated market. Rather, they are negotiated as a trade concession that facilitates trade by allowing access to the concession-making party's market at so to speak "quasi-country-of-origin" conditions of the export state. Just as the markets remain separate, however inter-connected, protection remains territorially separate, limited and independent. Accordingly, a territorial extension of intellectual property rights that are available and obtained in one state, party to an FTA, to the territory of another party to that FTA would be even less compatible with the principles and operational modes of a free trade area, in particular with the balance between ensuring as much free and even "deep" trade as possible and preserving as much regulatory control over its markets as a party deems necessary. Indeed, what such extension would mean is that a system of protection that one party has conceived of and developed for its own economy would be imposed on the different economy of the other party and come to be applied there not as a legal transplant, but as an alien element in the latter party's legal order.

The extension of unitary protection from the EU 27 to the UK would not present an exception from, but evidence of the problems arising from such departure from FTA principles of merely inter-connecting (rather than integrating) markets and their regulation. As mentioned earlier, the unitary pa-

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agement: Arts. 10.12, 10.13 EU-KOR; Arts 11.9, 11.10 EU-SGP, Arts. 20.9, 20.10 CETA) that may still need particular implementation measures (e.g. protection of geographic indications: Arts. 10.18 to 10.26 EU-Korea, Arts. 11.16 to 11.22 EU-SGP, Arts. 20.16 to 22.21 CETA Arts. 22 to 29 EU-JPN, or patent-term extension: Arts. 10.35 to 10.38 EU-KOR, Arts. 10.27 to 20.30 CETA; Arts. 11.31, 11.34 et seq. EU-SGP, Art. 11.31, being rudimentary; similarly Art. 35 EU-JPN).

<sup>247</sup> See supra n. 226.

<sup>248</sup> For the EU see CJEU, Judgment of 15 March 2012, *SCF/Del Corso*, C-135/10, ECLI:EU:C:2012:140, paras. 36 et passim, 43 et passim; Judgment of 18 July 2013, *Daiichi Sankyo*, C-414/11, ECLI:EU:C:2013:520, paras. 40 et passim; Opinion of Advocate General Cruz Villalon delivered on 31 January 2013, *Daiichi Sankyo*, C-414/11, ECLI:EU:C:2013:49, paras. 83 et passim; *M. Montana i Mora*, The Practical Consequences of the CJEU Judgement of 18 July 2013 Changing Its Doctrine on the Respective Competences of the EU and its Member States to Apply the TRIPS Agreement: Have We Seen the Tip of the Iceberg Yet?, 48 IIC 784 (2017); *L. Ankersmit*, The Scope of the Common Commercial Policy After Lisbon: The Daiichi Sankyo and Conditional Access Services Grand Chamber Judgements, Leg. Iss. Econ. Integr. 2014, 193, 200 et seq.; *Tritton*, Intellectual Property, op. cit. [supra n. 1], nos. 1.005 et passim. In EU law, the direct applicability, or rather the direct "invocability", of provisions of international convention law may not be confused with the concept of direct effect of the rules of autonomous EU law; see the warning of Advocate General Poirares Maduro in its Opinion delivered on 20 February 2008, *FIAMM/Council and Commission*, C-120/06 P and C-121/06 P, ECR 2008 I 6513, ECLI:EU:C:2008:98, paras. 27 et passim.

tent – or for that matter a given national patent – is not simply a standardised legal instrument that can be used anywhere and will produce the same effects everywhere.<sup>249</sup> Rather, it has been conceived of as a particular, unitary right of protection for an Internal Market fully integrating national markets. While the conditions for its grant are internationally uniform, they may be implemented or applied differently, and, in part, are directly determined by EU law.<sup>250</sup> More importantly, its scope of protection, i.e. the exceptions to the patentee's exclusive right, largely are a matter of (or depend) on EU law,<sup>251</sup> and its enforcement must follow EU principles.<sup>252</sup> In fact, it is designed more for the purpose of unitary enforcement than as a unitary title of property. Indeed, as regards the property aspects of unitary patent protection, it is incomplete in that it refers to the various national laws of patent applicants in the EU.<sup>253</sup> In all these respects the UK would be directly exposed and subject not only to EU patent law, but to EU law in general as enshrined in its broader system of intellectual property protection, its com-

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<sup>249</sup> For the particular situation of the UK see supra at II.3.a)(ii), text accompanying n. 148 et seq.; generally *K. Maskus*, Cognitive Dissonance in the Economics of Patent Protection, in G. Ghidini, H. Ullrich, P. Drahos (eds.), *Kritika – Essays on Intellectual Property*, Vol. II, Cheltenham 2017, p. 1 et passim.

<sup>250</sup> Thus, as regards biotechnological inventions, Rules 26 et seq. EPC Implementing Rules carry over to the European patent; Arts. 1 et seq. Biotechnology Directive [supra n. 101], see *R. Kraßer*, *Chr. Ann.*, Patentrecht, op. cit., [supra n. 24], § 7 (no. 62), § 14 (no. 6). They must be read in the light of the Biotechnology Directive; see expressly Rule 26(1) 2<sup>nd</sup> sent. EPC Implementing Rules. See also *Kl.-J. Mellulis* in Benkard (ed.), *EPÜ – Europäisches Patentübereinkommen*, 2<sup>nd</sup> ed. Munich 2012, Art. 53, annot. 39, 42 et seq. As regards the EU and its Member States, such harmonising interpretation is the more necessary as the conditions of patentability are also the criteria of validity/invalidity of the European patent (Art. 138 EPC) once it has become national or EU unitary. Likewise, the scope of the European patent as granted for EU Member States or for the EU must be determined in conformity with Arts. 8 et seq. Biotechnology Directive [supra n. 101]. These systemic interdependencies are neglected by EPO, Decision of the Enlarged Board of Appeal of 25 November 2008, G 2/06, *Use of embryos/WARF*, ECLI:EP:BA:2008:G000206.20081125, para. 6 (although at paras. 16 et seq. the Enlarged Board of Appeal relies on the Biotechnology Directive for interpreting the EPC Implementing Rules).

<sup>251</sup> See supra n. 101.

<sup>252</sup> See Enforcement Directive [supra n. 35].

<sup>253</sup> According to Art. 7(1) Reg. 1257/2012 as an object of property a European patent with unitary effect is to “be treated in its entirety and in all the participating Member States as a national patent of the participating Member State”, in which the applicant had his residence or principal place of business on the date of filing the patent application. That national law will not apply as such, but by virtue of EU law as a matter of ensuring uniformity and unity of a given patent as an object of property throughout the EU territory of enhanced cooperation. It will so apply even after the transfer of the patent to other holder(s). Thus, while seemingly clear, the rule is really a clumsy one as patents in a portfolio will be subject to different laws, and as the patents of the various “national patentees” in the EU will follow different “national” laws. Besides, if unitary patent protection is extended to the UK, UK law will apply throughout the EU even though the UK will no longer be a Member State.

petition rules, its general principles and its fundamental rights Charter.<sup>254</sup> The UK would not even be able to develop a domestic patent policy of its own since applicants would be free to escape from it by choosing European patents with unitary effect.<sup>255</sup>

At the same time, an extension of unitary patent protection to the UK will affect the EU's policies regarding patent protection and related laws, because it needs to take due regard of the fact that the protection it grants covers a major patent territory that is outside its direct regulatory control. Thus, in formulating and implementing its policies the EU will need to consider its positive or negative impact on market actors operating in the UK rather than on the Internal Market, on patenting strategies of applicants that might be influenced by the conditions of the UK's domestic market rather than by those of the EU's Internal Market and, more generally, on firms' business strategies regarding matters such as the location of manufacturing or service facilities.<sup>256</sup> In addition to such broader diversity of stakeholder interests, the EU will have to respect the public policy interests of the UK both implicitly and explicitly to an extent that precisely because of the principle of sovereign regulatory control is not provided for in FTAs, not even in comprehensive deep-trade FTAs,<sup>257</sup> but becomes necessary because of the direct effect of extended unitary patent protection. There is, thus, a problem also of maintaining the EU's political and legislative autonomy. This problem, like the afore-mentioned ones, will be compounded by the fact that the economies of the UK and the EU and their regulatory frameworks are bound to develop differently over time.<sup>258</sup> The assumption underlying even

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<sup>254</sup> See supra at II.2.b)(iii).

<sup>255</sup> See supra at II.2.a)(i) and (ii), text following n. 166.

<sup>256</sup> See supra n. 102. Think also of future divergences of rules exempting R&D as regards the nature of such R&D or as regards stockpiling of patented products shortly before the patent term lapses.

<sup>257</sup> Typically, regulatory cooperation is voluntary or subject to broad reservations (see e.g. Art. 21.2(4) CETA); mutual recognition is a matter of negotiating agreements (see Art. 11.3 CETA). Likewise, commitments to broader public policy objectives, such as sustainable development, labours standards, protection of the environment are again, as they must be, subject to broad reservations of sovereign regulatory power (see e.g. Arts. 23.2, 24.3 CETA).

<sup>258</sup> See supra n. 219. As is well-known, the UK's withdrawal from the EU will entail losses for both sides, and, therefore, public intervention, in particular compensatory measures of one kind or the other are to be expected. They will differ in nature and scope as the negative effects of Brexit differ from Member State to Member State and inside the States (see for the UK, where the Brexit votes differed regionally, *Resolution Foundation, UK Trade Policy Observatory (St. Clarke, I. Serwicka, L.A. Winters)*, Changing Lanes – The impact of different post-Brexit trading policies on the cost of living, October 2017; available [here](#)). In addition, the UK's economy seems to suffer from a “Reformstau” (“reform jam” due to delayed action) (see *The Institute for Public Policy Research (IPPR), Commission on Economic Justice, Time for Change – A New Vision for the British Economy*, Interim Report, September 2017; available [here](#)).

modern free trade agreements is, indeed, that the parties' economies and regulatory frameworks may develop differently. The markets will not and cannot be merged into a single internal market,<sup>259</sup> but remain separate, albeit interdependent. Consequently, by providing a market-dependent system of incentives for innovation, similarly designed patent protection existing on these different markets would tend to produce dissimilar effects. Any extension of unitary patents from the EU to the UK is likely to produce such dissonant effects of protection. In the individual market actor's perspective, the extension may be a manageable problem; for some of them it may even be desirable. From a macro-economic viewpoint, however, a united patent for disunited markets holds but ambiguous promises.

#### 4. The Unified Patent Court

##### a) A common court of EU Member States for Union law

- 58 (i) As has been pointed out earlier, a major stumbling block (besides the language regime<sup>260</sup>) on the way to the introduction of unitary patent protection has always been the complementary establishment of a litigation system that would satisfy the desiderata of the industries concerned.<sup>261</sup> The solution finally found, the UPC, differs in essential respects from the litigation systems existing and satisfactorily working for the protection of all the other European Union rights of intellectual property. Thus, jurisdiction over infringement and validity disputes regarding the European Union trademark or the Community design lies with the national courts of Member States acting as designated European Union trade mark or Community design courts<sup>262</sup> (rather than as ordinary courts of the Union as is the case for plant varieties). By contrast to such decentralised, but nevertheless unity-oriented<sup>263</sup> judicial

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<sup>259</sup> See supra text following n. 210.

<sup>260</sup> See supra at II.1.a)(iv), text at n. 37, and at II.1.b), text at n. 48 with references; *H. Ullrich*, Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe?, 8. Eur. L.J. 433, 469 et seq. (2002); id., Time for Reconsideration, in Ohly, Klippel (eds.), op. cit., [supra n. 22], p. 61, 100 et seq. The patent community's unwillingness to compromise on the language issue has resulted in delaying the introduction of a Community patent, in limiting participation in it to enhanced cooperation, and there in creating room for political manoeuvres that allowed the Union patent to be truncated down to the European patent with unitary effect.

<sup>261</sup> See supra at II.1.a)(ii) to (iv); for details *Ullrich*, Le future système, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.B.2.a).

<sup>262</sup> See Arts. 123 et seq. Union Trade Mark Regulation [supra n. 9]; Arts. 80 et seq. Community Design Regulation [supra n. 9], as amended; for a systematic overview *Ullrich*, EuGH und EPG, in Metzger (ed.), op. cit. [supra n. 65], p. 234 et seq.

<sup>263</sup> *Ibid.*, p. 232. On the one hand, the CJEU may ensure uniform interpretation of the law in both infringement and invalidity/revocation proceedings via the Art. 267 TFEU procedure and via judicial review of the EUIPO decision, respectively. On the other, the risk of contradictory decisions by the national Union trade mark and Community design

structure, the UPC has been set up as an entirely separate, semi-centralised<sup>264</sup> and highly specialised judiciary having exclusive jurisdiction over European patents only, namely over both European patents with unitary effect and European bundles of national patents (Arts. 1 to 3 and 32 UPCA). This structure has been carried over entirely from the predecessor model, the EUCPC, when in view of the CJEU's Opinion 1/09,<sup>265</sup> the UPC was cast into the form of a "court common to the Contracting Member States" (Art. 1(2) UPCA), a judiciary in which non-EU states could not participate (Art. 2 lit. (b), (c) and Art. 84 UPCA). Likewise, the administrative organisation follows the model of the EUCPC.<sup>266</sup> The only amendments made were a reaffirmation of the UPC's duty to fully apply Union law and to comply with the preliminary ruling procedure of Art. 267 TFEU,<sup>267</sup> and an extension of its competence to review the EPO's decisions on requests for unitary effect of the European patent (not: to the review of the grant or refusal of the patent itself).<sup>268</sup>

Clearly, the non-availability post Brexit of unitary patent protection with regard to the UK territory will affect the operation of the UPC as currently envisioned. However, the effect will not be immediate. The Court's workload will be limited in the beginning and cover unitary patents on a broader scale only once they have grown into a larger stock.<sup>269</sup> It is also an open question whether and to what extent unitary patents for the EU and their European patent counterparts in the UK will in the future be litigated alternatively in the EU before the UPC or in the UK before the UK Patents

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courts is minimised by rules on stay of proceedings, *res judicata* and the binding effect of EUIPO decisions; see Arts. 127, 128, 132 Union Trade Mark Regulation [supra n. 262]; Arts. 85 et seq., 91 Community Design Regulation [supra n. 9]. In addition, the number of national courts to be designated as Union trade mark or Community design courts is limited (Art. 123(1) Union Trade Mark Regulation [supra n. 262]; Art. 80(1) Community Design Regulation [supra n. 9]).

<sup>264</sup> The UPC is a two-level judiciary with at the lower level a Court of First Instance that is composed of a Central Division (mainly for invalidity proceedings) and local divisions in Member States, and, at the second level, a Court of Appeals. At all levels, the composition of the panels is international, albeit to different degrees, and mixed, in that technically and legally trained judges will sit together on the bench; see Arts. 6 to 9 and 15 to 19 UPCA.

<sup>265</sup> Opinion 1/09 [supra n. 18]; see supra at II.1.a)(iv).

<sup>266</sup> Arts. 4 et seq., 11 to 14 UPCA and, as regards the financing of the UPC, Arts. 36 to 39 UPCA (principle of self-financing from fees, but support by contributions from Contracting Member States, which also have to provide the Court's facilities).

<sup>267</sup> Arts. 20 to 4 UPCA. Arts. 14a and 48 of the draft EUCPC Agreement [supra n. 43] already provided for the EUCPC's duty to fully respect Community law and for a preliminary-rulings procedure identical to that of Art. 267 TFEU.

<sup>268</sup> See Arts. 9(1) lit. (a), 9(3) Reg. 1257/2012, Art. 32(1) lit. (i) UPCA.

<sup>269</sup> See *N. Fox*, *Brevets sans Frontières: How Much Litigation Will Actually Take Place in the Unified Patent Court?*, 40 EIPR 2018, 85 with references. For the expected full workload see references supra n. 11.

Court<sup>270</sup> or cumulatively before both jurisdictions.<sup>271</sup> However, given the large coverage of the UK by patents and the European patent's high designation rate for the UK, a non-negligible number of disputes are likely to be brought before the UK Patents Court only rather than also before the UPC.<sup>272</sup> The result then might be a negative effect on the UPC's financial basis, in particular on the attainment of full self-financing.<sup>273</sup> Of more immediate and significant concern is that the UK's withdrawal from the EU may mean that with the loss of the EU membership status the UK no longer qualifies as a Contracting State for the UPC Agreement, since it is only EU Member States that may establish and have "a common court" inside the EU's judicial system.<sup>274</sup> The result will not only be that the UPC loses the (initial) financial support by the UK.<sup>275</sup> Rather, the UK would lose the advantages of its participation in the unified judicial system, in particular the location of a local division of the Court of First Instance and of the London Section of the Central Division of the Court of First Instance,<sup>276</sup> and with it

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<sup>270</sup> For the question whether in addition to the classic European bundle patent also European patents of the UPCA-type will remain available and amenable to litigation in the UPC see *infra* at II.4.b).

<sup>271</sup> It seems that already under the present European patent system the national patents resulting from the grant of a European patent by the EPO are only rarely litigated in more than one or two jurisdiction (less than 10%) except as regards pharmaceutical patents; see *Fox*, *Brevets sans Frontières*, *op. cit.* [supra n. 269], *EIPR* 2018, 92 et seq.; more detailed *Cremers et al.*, *Patent Litigation*, *op. cit.* [supra n. 143], 44 *Eur. J. Law Econ.* 1, 20 et passim (2017).

<sup>272</sup> While the UK patent courts (High Court and Intellectual Property Enterprise Court) attract much less litigation than e.g. German courts, they tend see a larger proportion of high value/high profile cases (see *Fox*, *Brevets sans Frontières*, *op. cit.* [supra n. 269], *EIPR* 2018, 87 et seq.). The reason seems to be that despite the higher costs the parties prefer the UK court's procedural approach (see *Cremers et al.*, *Patent Litigation*, *op. cit.* [supra n. 143], 44 *Eur. J. Law Econ.* 13 et seq. (2017)), and that UK courts enjoy a high reputation as expert courts in patent matters.

<sup>273</sup> Art. 36 UPCA. Given the many considerations that under Art. 36(3) UPCA have to be taken into account when setting the fee schedule, any reduction of the fees' basis, i.e. the UPC's case load, is likely to result in an increase of the level of either the fees or of the contributions to be made by the participating states, see also *McDonagh*, *op. cit.* [supra n. 44], p. 159 et seq.; *Hüttermann*, *Das Einheitliche Patentgericht*, in *id.* (ed.), *op. cit.* [supra n. 11], p. 97 et seq., 114 et passim (118).

<sup>274</sup> See Rec. 7, Arts. 1(2), 2 lit. (c), 21 et seq., 84 UPCA, also the references in n. 265 and as to the EU's judicial system – the CJEU and the courts of Member States – see *infra* at II.4.a)(ii) and (iii).

<sup>275</sup> Given the high coverage of the UK by patents, the contributions it is obliged to pay under Art. 37(2) to (4) UPCA will be considerable.

<sup>276</sup> According to Art. 7(2) UPCA, the central division will have sections in London and Munich, with the London section being competent for the patent intense and litigation-prone fields of human necessities, chemistry and metallurgy (Annex II to the UPCA), i.e. *inter alia* for pharmaceuticals. This is why PM *David Cameron* considered the final negotiations on the unitary patent package in the Council to have resulted in a success for the UK in that the London section means "millions of pounds and hundreds of jobs" [see *supra*

all the side benefits that these UPC locations will entail in terms of local litigation business (legal services, temporary accommodation of the parties and their consultants etc.).<sup>277</sup>

(ii) However, these negative consequences are not different from those that accompany the unfortunate Brexit in other areas.<sup>278</sup> It is true that such negative effects may be compensated for only in part by the EU and its Member States assuming increased financial burdens or by extending the rules on free movement of legal services in the agreement on the future UK–EU relationship.<sup>279</sup> However, they will hardly present a sufficient reason for untying the UPC from the EU’s judicial system by transforming it into an international court, let alone for elevating its establishment to an end in itself, which unitary patent protection should follow by an extension to the UK territory. Yet, it is precisely in this reversed order of priority and functions between a patent system and its courts that the advocates of a continued participation of the UK in the judicial system of unitary patent protection discuss the consequences of Brexit.<sup>280</sup> The focus of their analysis is on the UPC alone, and on whether its legal basis, the UPCA, may be read or

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n. 14]. In fact, when adding the indirect effects for the London bar and for all kinds of supporting services, including travel to and accommodation in London, it may be even more.

<sup>277</sup> Yet another concern is whether UK attorneys may retain their right to represent (at least British?) parties before the UPC in respect of patents covering the EU. The issue is similar to that of the representation before the EUIPO (and the CJEU on judicial review); see for such claims (with some overstatement) *CITMA*, Trade marks, designs, business and Brexit, London 2017 (available [here](#)). It needs to be dealt with in the agreement on the future relations between the UK and the EU; see *infra* n. 279.

<sup>278</sup> Thus, as regards EU agencies, which have become an essential component of the Internal Market’s regulatory framework, the UK will not only suffer from the relocation from London to Amsterdam of such an important agency as the European Medicines Agency (EMA) (see *F. Langenscheidt*, *Der Sitzwechsel europäischer Agenturen am Beispiel der Europäischen Arzneimittelagentur (EMA) im Rahmen des Brexit*, *ZEuS* 2017, 3), but also and more importantly from not participating in and not benefitting from EMA’s testing and supervisory activities; see “Theresa May explores possibility of EMA membership post Brexit”, *Life Sciences Intellectual Property Review (LSIPR)* of 5 March 2018; “EU shoots down UK’s EMA membership post-Brexit”, *LSIPR* of 8 March 2018; “London loses EMA to Amsterdam”, *LSIPR* of 21 November 2017; “Brexit hat Nebenwirkungen auf neue Medikamente”, *FAZ* of 20 February 2018, p. 19. The EMA has about 900 employees, an annual budget of ~ 300 million €, 7 scientific committees, an additional number of working parties and a large network of stakeholders and experts. The UK is now seeking a sort of associate membership in EMA; see *HM Government*, *White Paper on the Future*, *op. cit.* [*supra* n. 195], sub 1.2.3 (no. 30).

<sup>279</sup> For the claims of the UK patent and trade mark bars see *supra* n. 3, 277. In its turn, the EU might have an interest in ensuring its attorneys’ access to the UK’s legal market places, in particular the globally important London market place, on the basis of reciprocity. However, in the field of legal services, mutual recognition agreements pose particular problems; see *B. Brugués-Reix*, *Les avocats face au Brexit*, in *Bahurel et al. (eds.)*, *op. cit.* [*supra* n. 209], p. 323; *G. Cuniberti*, *Brexit et contentieux international des affaires*, in *Bahurel et al. (eds.)*, *ibid.*, p. 197, 207 *et passim*.

<sup>280</sup> See *supra* at II.2.a)(ii) and II.2.b)(i), and the references *supra* n. 19.

amended so as to be compatible with Opinion 1/09 of the CJEU<sup>281</sup> even once the UK has left the EU and become a third, non-EU state. In both regards, the emphasis of their argument is on two points.

- 61 First, they consider that in the case of the UK the limitation of participation in the UPCA to EU Member States, if relevant at all, may be overcome easily. To the difference of other third countries the UK would be an “ex-Member State”, meaning apparently that its continued participation would represent a particular, and exceptional case that can be dealt with by essentially formal amendments of the Agreement.<sup>282</sup> However, the “pro UK” advocates nowhere explain why and how a third country, ex-Member State of the EU, may be distinguished in regard of its participation in the UPCA from other, possibly equally interested third countries, nor do they explain whether such difference, if there were one, would actually justify continued participation of the UK. Rather, their explicit<sup>283</sup> or mostly implicit position seems to be that due to the UK’s high standing as a “patent-law country”, in particular its intense exposure to European patents and its active involvement in the creation of the UPC,<sup>284</sup> and due to the “fait accompli” brought about by the ratification of the UPCA by the UK, the UK would automatically qualify for continued participation in the unified judicial system. In addition, these authors rely on the fact that according to the Vienna Convention on the Law of Treaties the termination of membership in the EU would not automatically trigger the loss of membership in the UPC system.<sup>285</sup> Yet,

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<sup>281</sup> Supra n. 18.

<sup>282</sup> See *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 9; *Tilman, The Future of the UPC*, op. cit. [supra n. 19], GRUR 2016, 754; *Gordon, Pascoe, Re the Effect of Brexit*, op. cit. [supra note 19], nos. 104 et passim; more differentiated *Leistner, Simon, Auswirkungen eines möglichen Brexit*, op. cit. [supra n. 19], GRUR Int. 2017, 828 et seq. For a discussion of the participation of ex-Member States serving as an example also for other third states see *Gandia Sellens, Viability*, op. cit. [supra n. 77], 49 IIC 145 et passim (2018).

<sup>283</sup> See the frank and open form in which *Leistner, Simon, Auswirkungen eines möglichen Brexit*, op. cit. [supra n. 19], GRUR Int. 2017, 825 et passim, forward their arguments in favour of their “political” position.

<sup>284</sup> While all of this is correct (see supra at I.2.a)) and, at least from the perspective of the patent law community, speaks for the continued participation of the UK in the UPC’s judicial system, the broader issue is presented by the embeddedness of the unitary patent system and its court in the general legal order of the EU, as stressed by the CJEU in its Opinion 1/09 [supra n. 18], para. 78 et passim.

<sup>285</sup> See inter alia *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 2 et seq. From this perspective, it would be for the EU and its Member States to claim and prove that, due to both the particular nature of the UPC as an “ordinary court” of Union law, and due to the close links Arts. 5(3), 9(3) and 18(2) Reg. 1257/2012 establish between the UPCA and the EU’s system of unitary patent protection, the withdrawal of the UK from the EU constitutes a change of circumstances that is important enough to justify terminating the UK’s participation in the UPCA. While such a view may adequately correspond to the sovereignty interests mirrored by classic international convention law, in respect of the withdrawal from an international organisation of the particular integration ori-



it would seem that circumstances such as the fact that the UK is leaving the EU upon its own unilateral decision and on grounds of mere, mainly political dissatisfaction with the EU's objectives and legal order should matter in respect of participation in an agreement that precisely is closely linked to the Union and the implementation of its patent policy and law.<sup>286</sup> Moreover, how may the impact of a continued participation of an ex-Member State on the organisation, operation, and the function of the UPC as a “court common to Member States” be assessed differently from that which the participation of other third states would produce?

(iii) Clearly, both these questions cannot be answered without enquiring into the reasons for limiting participation in the UPCA to EU Member States and for requiring the UPC to be a “court common to Member States”. This enquiry leads the proponents of the continued participation of the UK in the unified judicial system to making their second and main point, which they base on a “new reading”<sup>287</sup> of Opinion 1/09. In their view, the concerns that the Court expressed in its Opinion 1/09 are not with a particular structure or organisation of the UPC or with its legal basis in an international agreement. Rather, these concerns would be only with ensuring that the UPC will be effectively held to observe the autonomy and primacy of Union law and to follow and use fully the preliminary-rulings procedure of Art. 267 TFEU as a matter of respecting the role of the Court of Justice as the guardian of the uniformity of interpretation of EU law. Since both conditions are met by the UPCA and their observance guaranteed by rules on liability of the Contracting States towards injured market actors,<sup>288</sup> and may be so guaranteed sufficiently by an international convention between Contracting Member States and non-Member (or ex-Member) states, there would be no substantial ob-

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entation of the EU, it presents a somewhat counterintuitive proposition. It amounts to an inversion of the relationship between the state that unilaterally decides to terminate membership and the institution which it wants to leave precisely because of its particular legal nature, objectives and operation.

<sup>286</sup> See the anti-EU and anti-CJEU position taken early on by the British PM *D. Cameron* (supra n. 14, and text at II.1.b)(ii) at n. 59), and the UK's wish, as repeatedly expressed officially by PM *Theresa May* (supra n. 197) to end its being subject to the primacy and autonomy of EU law and to the jurisdiction of the CJEU.

<sup>287</sup> The original understanding of Opinion 1/09 [supra n. 18] by the EU institutions and Member States has been that in order to become compatible with the EU Treaties the EUCPC needs to be transformed into a “court common to Member States” only. That was why the EUCPC Agreement [supra n. 43] was transformed into the UPCA and its accession limited to EU Member States. The “new reading” is that any international agreement may qualify that provides for full respect of EU law, in particular its primacy and autonomy, its effective application and the observance of the Art. 267 TFEU procedure. *Leistner, Simon*, Auswirkungen eines möglichen Brexit, op. cit. [supra n. 19], GRUR Int. 2017, 827 et seq., now disqualify the original general understanding of Opinion 1/09 as “formalistic”, and adhere to the “new” reading purporting it to be a (more?) “substantive” one (“materielle Lesart”).

<sup>288</sup> See Rec. 9 to 12, Arts. 1(2), 21 to 23 UPCA.

stacle to maintaining the UK inside the UPCA, save possibly for some clarifying textual amendments.<sup>289</sup>

- 63 The problem with this “new reading” of Opinion 1/09<sup>290</sup> is that by reducing the fundament upon which the UPC has to function as a common judiciary of Member States to the form by which it is established, an international agreement, this “new reading” misses the spirit of Opinion 1/09, namely the constitutional concerns the Court expresses in regard of the judicial system upon which the EU’s legal order rests. The Court is not worried about the form by which a unified patent court may be created. It expressly leaves such creation to Member States,<sup>291</sup> which typically they will do precisely by way of a simple international agreement. How else could they do it, anyway? Rather, the Court’s concern is that, under Art. 19(1) TEU, it is the national courts of Member States that, in cooperation with and under the guidance of the Court of Justice, must as a matter of primary Treaty law, and in particular of Member States’ duties to carry out the tasks flowing from the Treaty by virtue of sincere cooperation (Art. 4(3) TEU), ensure the full application of Union law and the judicial protection of an individual’s rights under that law.<sup>292</sup> And the Court early on in its reasoning states that, by contrast, the EUCPC “*is outside the institutional and judicial framework of the European Union [...], not part of the judicial system provided for in Article 19(1) TEU [...] an organisation with a distinct legal personality under international law*”.<sup>293</sup> The Court then stresses that, to the difference of other international agreements that provide for their own courts and/or – to a limited and subordinate extent – for the application of some rules of Union law but do not affect the powers of the courts of Member States in relation to the interpretation and application of European Union law or the preliminary-rulings mechanism of Art. 267 TFEU,<sup>294</sup> the draft EUCPC Agreement confers on the EUCPC “*the main part of the jurisdiction rationae materiae held, normally, by the national courts, to hear disputes in the Community patent field and to ensure, in that field, the full application of European Un-*

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<sup>289</sup> See references supra n. 282. *Leistner, Simon*, Auswirkungen eines möglichen Brexit, op. cit. [supra n. 19], GRUR Int. 2017, 829 also rely on the Court of Justice’s consideration (Opinion 1/09 [supra n. 18], para. 76) that an international agreement’s impact on its powers may be acceptable as long the agreement does not affect the “indispensable conditions for safeguarding the essential character of those powers”. However, all the agreements referred to by the Court of Justice at paras. 74 to 76 were EU (or mixed EU–Member States) agreements, and it is with a view to maintaining the EU’s sovereign powers regarding negotiation of its external relations that the Court recognises such limitations of its powers (*ibid.*, para. 74).

<sup>290</sup> Opinion 1/09 [supra n. 18].

<sup>291</sup> *Ibid.*, paras. 60 to 62.

<sup>292</sup> *Ibid.*, para. 68.

<sup>293</sup> *Ibid.*, para. 71, and again at para. 89 (emphasis added).

<sup>294</sup> *Ibid.*, paras. 74 to 76.

ion law and the judicial protection of individual rights under that law”.<sup>295</sup> The Court also notes that the proposed patent court will have exclusive jurisdiction over a significant number of actions of various kinds thus depriving national courts from jurisdiction, and that it will have to apply not only the provisions of the EUCPC Agreement, but also the future Community patent regulation, directly or indirectly related rules of European intellectual property law, the rules on competition and on the internal market as well as EU fundamental rights and general principles.<sup>296</sup> As a result, the proposed patent court would become “*the sole court able to communicate with the Court by means of a reference for a preliminary ruling*”<sup>297</sup> on the interpretation of Union law, thus displacing national courts and depriving them not only of their power to request preliminary rulings, but also of their task as “ordinary” courts within the European legal order, to implement Union law.<sup>298</sup> In this regard, the Court notes again that, to the difference of the Benelux Court of Justice, which is “*a court common to a number of Member States*”, the proposed patent court is not “*situated [...] within the judicial system of the European Union*” and that, therefore, its decisions are not subject “*to mechanisms capable of ensuring the full effectiveness of the rules of the European Union*”.<sup>299</sup> And the Court stresses the importance of Art. 267 TFEU, it being “*essential for the preservation of the Community character of the law established by Treaties*” in that it “*aims to ensure that, in all circumstances [...] the law has the same effect in all Member States*”, and, to this effect, gives national courts “*the most extensive power [...] to make reference to the Court [...]*” with a view to obtain “*guidance*” by the Court on how to overcome “*difficulties*” in “*giving European Union law its full effect within the framework of the judicial systems of the Member States*”.<sup>300</sup> “*Art. 267 TFEU therefore establishes between the Court of Justice and the national courts direct cooperation as part of which the latter are closely involved in the correct application and interpretation of Union law*”<sup>301</sup>. The Court concludes “*from all the foregoing that the tasks attributed to the national courts and to the Court of Justice respectively are indispensable to the preservation of the very nature of the law established by the Treaties*”.<sup>302</sup> As a result “*the 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 Union law in that field, would [...] alter the es-*

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<sup>295</sup> Ibid., para. 73 (emphasis added).

<sup>296</sup> Ibid., para. 72 and para. 78.

<sup>297</sup> Ibid., para. 79 (emphasis added).

<sup>298</sup> Ibid., paras. 79, 80.

<sup>299</sup> Ibid., para. 82, and see paras. 86 et seq. (emphasis added).

<sup>300</sup> Ibid., para. 83 (emphasis added).

<sup>301</sup> Ibid., para. 84 (emphasis added).

<sup>302</sup> Ibid., para. 85 (emphasis added).

*sential 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”.*<sup>303</sup>

- 64 Thus, the preservation of the particular nature of Union law as distinct from both national and international law, its autonomy, primacy and effectiveness, rests on the link between the EU's and the Member States' judicial system and the mutually reinforcing cooperation between their courts and the Court of Justice. And it is because the autonomy and primacy of EU law have their fundament in the relationship of sincere cooperation of Member States and in their mutual trust in the EU's legal order as the constitutional mode of the integration process<sup>304</sup> that the Court of Justice insists that a “court common to Member States” must be situated within the judicial system of the EU and linked to that of its Member States. The reason for this requirement, which the Court of Justice has reaffirmed recently,<sup>305</sup> is that it is not courts as such but the Member States that by Art. 19(1), (2) TEU are held to ensure – by their courts! – the autonomy, primacy and effectiveness of Union law as an essential part of their task to provide – together with the CJEU – a complete system of legal protection.<sup>306</sup> Therefore, a court that is not situated within the Member States' judicial system simply is not the legitimate counterpart for the communication and cooperation process Art. 267 TFEU installs between the Court of Justice and the national courts as the “keystone” of the EU's judicial system.<sup>307</sup> Introducing a system of Member State liability for non-observance of EU law by a “common court” as does Art. 22 UPCA, will not fill that gap. Any such liability can only be a

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<sup>303</sup> Ibid., para. 89 (emphasis added).

<sup>304</sup> See in particular Opinion 2/13 [supra n. 92], paras. 166 et seq. with references; CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 33 et passim with references (in part quoted verbatim supra n. 92).

<sup>305</sup> CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 43 et passim (48); also Judgment of 14 June 2011, *Miles/European Schools*, C-196/09, ECR 2011 I 05105, ECLI:EU:C:2011:388, paras. 38 et passim (41).

<sup>306</sup> CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 34 et seq.; Judgment of 27 February 2018, *Associação Sindical dos Juizes Portugueses*, C-64/16, ECLI:EU:C:2018:117, paras. 29 et passim (34, 37) with references.

<sup>307</sup> CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, para. 37, where the Court states “the judicial system as thus conceived has as its keystone the preliminary ruling procedure provided for in Article 267 TFEU, which, by setting up a dialogue between one court and another, specifically between the Court of Justice and the courts and tribunals of the Member States, has the object of securing uniform interpretation of EU law, thereby serving to ensure its consistency, its full effect and its autonomy as well as, ultimately, the particular nature of the law established by the Treaties”; identical formulation in Opinion 2/13 [supra n. 92], para. 176, where the Court expressly relies on its Opinion 1/09 [supra n. 18], paras. 67 and 83.

consequence and complement of, not the basis for, a common court forming part of the judicial systems of the EU and its Member States.<sup>308</sup>

(iv) Whether the UPC really is set up as a common court of Member States that is situated within their judicial systems is still an open question. The majority of authors simply see the matter as settled by the express confirmation by Arts. 1(2), 21 UPCA.<sup>309</sup> However, these authors do not explain why in view of the UPC's organisational structure and legal nature<sup>310</sup> these provisions can be held to be self-sufficient or sufficient evidence of the UPC's relationship to Member States' judicial systems or whether they should and can be taken as simply expressing a valid *fictio legis*. Doubts arise not only because the determination of the legal status of the UPC as a national court within the meaning of Art. 19(1), (2) TEU and, more particularly, of Art. 267 TFEU is a matter of primary Union law not of international law,<sup>311</sup> let alone of self-nomination. Rather, the doubts result primarily from the fact that the UPC differs in essential respects from the model of a common court to which the Court of Justice referred in its Opinion 1/09<sup>312</sup> as being a valid option, namely the Benelux Court of Justice. Whereas the latter holds sort of an intermediate position within the judicial systems of the Benelux countries in that it is called upon to give rulings on the interpretation of Benelux law upon request of the national courts,<sup>313</sup> the UPC has full and exclusive juris-

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<sup>308</sup> While the absence of Member States' liability for the observance of the preliminary ruling procedure in the EUCPC Agreement has been noted critically by the Court in its Opinion 1/09 [supra n. 18], paras. 86 et seq., and its introduction in the UPCA (Art. 21) is stressed by literature (see, inter alia, *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 3), it may, at best, serve to enhance the effective use of this procedure. However, it is not of its essence.

<sup>309</sup> See inter alia *McDonagh*, op. cit. [supra n. 44], p. 82, 89; *Gandia Sellens, Viability*, op. cit. [supra n. 77], 49 IIC 147 (2018); *P. Callens, S. Granata, The Unitary Patent and the Unified Patent Court*, Alphen a.d.R. 2017, p. 102; *Ohly, Streinz, Can the UK stay?*, op. cit. [supra n. 19], GRUR Int. 2017, 5.

<sup>310</sup> Thus, the CJEU in its Opinion 1/09 [supra n. 18], para. 71 notes that the EUCPC "is an organisation with a distinct legal personality under international law", and so is the UPC; see Art. 4 UPCA, which almost literally corresponds to Art. 3a of the draft EUCPC Agreement [supra n. 43]. In addition, the organisational and (self-)financing structures are the same; see supra at II.1.b(i) with references.

<sup>311</sup> *M. Amort, Zur Vorlageberechtigung des Europäischen Patentgerichts: Rechtsschutzlücke und ihre Schließung*, EuR 2017, 56; *J. Gruber, Das Einheitliche Patentgericht: Vorlagebefugt kraft eines völkerrechtlichen Vertrags?*, GRUR Int. 2015, 323, who precisely because of the international law character of the UPCA question the power of the UPC to submit requests for the preliminary rulings under Art. 267 TFEU.

<sup>312</sup> Opinion 1/09 [supra n. 18], para. 82; again in CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 47 et seq.; Judgment of 14 June 2011, *Miles/European Schools*, C-196/09, ECR 2011 I 05105, ECLI:EU:C:2011:388, paras. 40 et seq.

<sup>313</sup> Noted as a distinctive feature already by CJEU, Judgment of 4 November 1997, *Parfums Christian Dior*, C-337/95, ECR 1997 I 6013, ECLI:EU:C:1997:517, and again in *Achmea* and *Miles* [supra n. 312]. For details see *Th. Jaeger, Back to Square One? An As-*

diction over all inter partes litigation on the validity and/or infringement of unitary patents (Art. 32 UPCA).<sup>314</sup> Thus, like the former EUCPC that was at issue in Opinion 1/09, it will displace national courts entirely within this broad field of jurisdiction.<sup>315</sup> One may, of course, argue that Member States ought to be able to jointly establish a common court having broad jurisdiction in a specific field of law. However, given the absence of a systemic or judicial interconnection between the UPC and national judicial systems, the real question appears to be whether the links that exist between Reg. 1257/2012 and the UPCA and the UPC, respectively, in particular between unitary patent protection as such, its entry into application (Art. 18(2) Reg. 1257/2012) and the implementation of its infringement law (Art. 5(3) Reg. 1257/2012)<sup>316</sup> are sufficient for bringing the UPC within the ambit of Art. 19(2) TEU and Art. 267 TFEU.<sup>317</sup> After all, these links rest on secondary law only, and they distract from the true problem. This is that by creating in respect of the interpretation and application of Union law in the field of patent protection a court that is common to all Member States and enjoys exclusive jurisdiction the role is called into question that the Court of Justice has to fulfil under Art. 267 TFEU.<sup>318</sup>

- 66 The matter need not be decided in the context of this study. It should have become clear enough, however, that the delicate institutional and jurisdictional coherence of the EU's judicial system with its particular division of tasks between the Court of Justice and national courts as ordinary courts of EU law would be affected at its core by the continued participation of an ex-Member State, which by its withdrawal from the EU has terminated the relationship of loyalty and mutual trust that constitutes the very fundament of the Union's mode of operation and integration by a system of law and complete judicial protection.<sup>319</sup> Moreover, the UK generally and insistently repudiates precisely those principles of the law of the EU, namely its primacy and autonomy by reference to national and international law, that distinguish the EU as a particular model of cooperation and integration of states from other forms of bi- or multilateral inter-state cooperation. More particularly, it is hard to see how these governing principles of the EU could by a UPC extension agreement be plausibly reproduced for the sole purposes of a

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assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, 43 IIC 286, 299 et seq. (2012); *id.*, System, op. cit. [supra n. 9], p. 609 et seq., 709 et passim.

<sup>314</sup> For details see *infra* at II.4.a)(v), and *Ullrich*, EuGH und EPG, in Metzger (ed.), op. cit. [supra n. 65], p. 247 et seq., 253 et seq.

<sup>315</sup> As critically noted by the CJEU in Opinion 1/09 [supra n. 18], paras. 78 et seq.

<sup>316</sup> See *supra* at II.1.b)(ii).

<sup>317</sup> Considered *arguendo* by *Ullrich*, EuGH und EPG, in Metzger (ed.), op. cit. [supra n. 65], p. 253 et seq., n. 134.

<sup>318</sup> *Ibid.*, p. 247 et seq., 253 et seq. with references, and *infra* at II.4.a)(vi).

<sup>319</sup> See references *supra* n. 92, 304.

system of patent protection.<sup>320</sup> Not only would such an agreement follow precisely the rules of international convention law only and retransform the UPC into an internationally administered, financed and composed court that is quite similar to the predecessor model of the EUCPC<sup>321</sup> and in part even located outside the EU.<sup>322</sup> Rather, this restructured UPC would exercise its jurisdiction over two distinct and divided markets whose interdependencies will be governed by a separate international (free trade-plus) agreement overarching the UK and the EU and following its own trade rules and governance structure. One wonders how this patent court could possibly isolate itself in relation to such environment and pursue inside of it an EU-law approach and impose it with its methodological rules of autonomous interpretation and its principles of substantive law on the United Kingdom in respect of a selected field of law as if it were a world of its own. The risk, indeed, is that, instead, it will tend to develop its own “autonomous” concepts of uniform patent protection by reference to the patent system as such or, more particularly, to the common patent law principles of participating states or to the “better” rules or concepts of some or one of these states<sup>323</sup> rather than by reference to an EU-determined autonomous uniformity (as required by Arts. 3(2), 5(2) Reg. 1257/2012).<sup>324</sup>

(v) Preserving the UPC as a court common (only) to EU Member States and, thus acting as an ordinary court of Union law is all the more necessary as the UPC has to exercise jurisdiction in respect of a “significant number of actions brought by individuals in the field of patents”<sup>325</sup> whose adjudication may require not only the application of the UPCA, but that of other instruments of EU law, in particular those relating to other categories of intellectual property, the rules of the internal market and of the competition policy of the EU as well as its general principles and its Charter of Fundamental Rights.<sup>326</sup> In that respect, the transformation of the once proposed Community Patent Regulation into Reg. 1257/2012 and the concomitant referral of

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<sup>320</sup> As proposed by the authors, *supra* n. 19.

<sup>321</sup> As held to be incompatible with EU law by the CJEU in Opinion 1/09 [*supra* n. 18].

<sup>322</sup> Art. 7(2) UPCA with Annex II. The central division of the Court of First Instance of the UPC will have one of its three sections located in London.

<sup>323</sup> As expressly expected from the presence of the UK in the UPC system and welcomed by *Leistner, Simon*, Auswirkungen eines möglichen Brexit, *op. cit.* [*supra* n. 19], GRUR Int. 2017, 833 et seq.

<sup>324</sup> It is an essential characteristic of the autonomy of Union law that in the absence of an express reference to national law, “its meaning and scope must normally be given an independent and uniform interpretation throughout the European Union”. See CJEU, Judgment of 18 October 2011, *Brüstle*, C-34/10, ECR 2011 I-9821, ECLI:EU:C:2011:669, para. 25 with references to prior decisions in the field of harmonised copyright law; add e.g. Judgment of 3 September 2014, *Deckmyn and Vrijheidsfonds*, C-201/13, ECLI:EU:C:2014:2132, paras. 14 et seq.

<sup>325</sup> Opinion 1/09 [*supra* n. 18], para. 72, see also para. 79.

<sup>326</sup> *Ibid.*, para. 78.

its provisions specifying the infringing acts and the exceptions to exclusivity to national law and, indirectly, to Arts. 25 to 28 UPCA<sup>327</sup> has brought about much less of a change than is thought by authors who tend to view the specification of the acts of infringement of the unitary patent and the exceptions as being a matter of international convention law only.<sup>328</sup> It is, indeed, by virtue of Union law (Art. 3(1) Reg. 1257/2012) that by attaching unitary effect to the European patent granted by the EPO the resulting bundle of national rights merges into one single exclusive right. Like the EU trademark or the Community design, that single exclusive right covers the entire territory of (enhanced cooperation inside) the EU and has unitary character (Art. 3(2) 1<sup>st</sup> subpara. 1<sup>st</sup> sent. Reg. 1257/2012) in the sense that “it may only be limited, transferred or revoked, or lapse in respect of all the participating Member States” (Art. 3(2) 2<sup>nd</sup> subpara. Reg. 1257/2012). As such, it provides “uniform protection and [...] equal effect in all the participating Member States” (Art. 3(2) 1<sup>st</sup> subpara. Reg. 1257/2012). Accordingly, Art. 5(1) Reg. 1257/2012 establishes that, as a matter of Union law, the unitary patent has the nature of an exclusive right that confers on its owner the power to prevent any third party from committing acts against which that patent provides protection. Art. 5(2) Reg. 1257/2012 then provides, again as a matter of Union law, that “the scope of that right and its limitations shall be uniform in all participating Member States”. It follows that since the uni-

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<sup>327</sup> See supra at II.1.b(ii).

<sup>328</sup> For the state of the discussion see *Hüttermann*, Das Einheitliche Patentgericht, in *id.* (ed.), op. cit. [supra n. 11], nos. 466 et passim. On a cautionary note *R. Teschemacher*, Das Einheitspatent – Zu Risiken und Nebenwirkungen fragen Sie Ihren Anwalt, Mitt. 2013, 153, 160. The position of the CJEU remains entirely open since in its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, para. 101 it limits itself to ruling on the non-admissibility within an Art. 263 TFEU procedure of a complaint by a Member State against an international agreement concluded inter se by other Member States (contra *A. Hüttermann*, Der EuGH und das Einheitspatentgericht – Erkenntnisse aus den “Spanien” Urteilen C-146/13 und C-147/13, Mitt 2015, 498, 499). Irrespective of the general relationship between Art. 5(3) Reg. 1257/2012 and the UPCA (see following text), the CJEU's competence under Art. 267 TFEU covers, first, the validity of the European patent with unitary effect to the extent that the grant of the European patent comes under the Biotechnology Directive [supra n. 101]. Second, it extends to the interpretation of all the provisions of Reg. 1257/2012, and of the EU law-related exceptions listed in Art. 27 lit. (c), (d), (i), (j), (k) UPCA. Third, it may embrace those concepts of Arts. 25 to 27 UPCA that correspond to notions contained in other EU regulations and directives, such as inter alia the notion of infringing use, of private use or of experimental use in Arts. 19(1), 20(1) lit. (a), (b) Community Design Regulation [supra n. 9] (for the need to ensure the systemic unity of the EU's intellectual property law see Opinion 1/09 [supra n. 18], para. 78). In addition, it is uncontroversial that Art. 29 UPCA needs to be interpreted in conformity with the principle of Union-wide exhaustion of the patent right as derived from Arts. 34 to 36 TFEU. Moreover, one may wonder how long the territorial limitation of the prior-user right by Art. 29 UPCA will escape scrutiny by the CJEU (compare Art. 22 Community Design Regulation [supra n. 9] and see *Ullrich*, Gewerblicher Rechtsschutz, in *Immenga, Mestmäcker* (eds.), op. cit. [supra n. 1], p. 1662). As regards the prior-user-right limitation of unitary patent protection, see *infra* n. 342.



tary effect and the very substance of the exclusive right rest on Union law, and since Union law expressly requires the protection, its scope and limitations to be uniform and equal throughout the EU, the referral made by Arts. 5(3) and 7 Reg. 1257/2012 must be understood as a rule or legal technique merely of implementation that by specifying the details of protection according to national law incorporates the latter into Union law or, at least, subjects the latter to the principles of primacy, autonomy and uniform interpretation of Union law.<sup>329</sup> It is, indeed, not as such that national law will apply, but as a matter of ensuring the unity and uniformity of protection since, while attaching to the unitary patent in accordance with criteria borrowed from the rules of conflicts of law (Art. 7(1), (2) Reg. 1257/2012),<sup>330</sup> it covers it with equal effect throughout the territory of unitary protection (Art. 7(1) Reg. 1257/2012). Thus, it implements unitary patent protection not by virtue of national patent law with its inherent limitation by the principle of territoriality of patent protection, but as a matter of serving and regulating innovation in the entire internal market (or the territory of enhanced cooperation, respectively).<sup>331</sup> The UPCA has no other purpose or legal status. It does not apply as such, but only by virtue of Art. 5(3) Reg. 1257/2012.

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<sup>329</sup> See also *Ullrich*, EuGH und EPG, in Metzger (ed.), op. cit. [supra n. 65], p. 249 et seq.; id., *Le future système*, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.C.2.a)(i); id., *Harmonizing Patent Laws: The untamable Union Patent*, in M.-C. Janssens, G. Van Overwalle (eds.), *Harmonization of European IP Law: From European rules to Belgian law and practice – Contributions in Honour of Frank Gotzen*, Brussels 2011, p. 243, 281 et passim.

<sup>330</sup> Contra inter alia *M.-R. McGuire*, *European Patent Package: Das Zusammenspiel von EPVO, EPGÜ und nationalem Patentrecht*, Mitt. 2015, 537, who by taking Art. 5(3) Reg. 1257/2012 literally as a conflict-of-laws rule entirely misses its EU dimension. *Drexel*, *Einheitlicher Patentschutz*, in Büscher et al. (eds.), op. cit. [supra n. 63], p. 165 regrets this deficit, but by overstating the CJEU's reasoning in its Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, para. 44 et passim, actually creates it. The Court's concern was with the compatibility of Reg. 1257/2012, in particular its Art. 5, with Art. 118 TFEU, more specifically with the issue whether Art. 118 TFEU requires the Union to regulate unitary protection in full detail. In that respect, it was satisfied that, as a matter of principle, Art. 5(3) Reg. 1257/2012 ensures "uniformity" of the infringement rules. The Court was not, however, asked to examine how Art. 5(3) Reg. 1257/2012 needs to be interpreted or how exactly the link between this provision and the UPCA may be understood, given that it is to ensure the effectiveness of the Art. 5(3) reference as a way of implementing the protection of patents whose nature and substance are established directly by EU law, namely by Arts. 3(2) and 5(1) Reg. 1257/2012. This EU nature and substance of the unitary patent will only be preserved and its objective attained if the law to which Art. 5(3) Reg. 1257/2012 refers will be interpreted and applied pursuant to EU principles, but not if, instead, it is held to be a priori and per se exempt from the jurisdiction the CJEU is called upon to exercise under Art. 267 TFEU.

<sup>331</sup> Rec. 2, 4, 11 Reg. 1257/2012 confirm that unitary patent protection forms part of the EU's innovation policy. Rec. 11, in particular, charges the Commission with monitoring the operation of the limitations, i.e. the matter regulated by Art. 27 UPCA, and with making proposals for amendments, should they turn out to be politically opportune. It is, indeed,

- 68 (vi) In addition, the UPC needs to be preserved as a judiciary that, for being common only to EU Member States, is bound to their obligation of loyal cooperation and by their relationship of mutual trust in integration by an autonomous legal order. It must be so bound because its creation and operation will have an unavoidable – and for some a desirable – impact on the functions the Court of Justice has to fulfil under Art. 267 TFEU. Not only will the UPC become the “sole court able to communicate with the Court”<sup>332</sup> of Justice within the procedure of judicial cooperation provided for by Art. 267 TFEU.<sup>333</sup> Rather, it is due to its semi-centralised structure, its composition and the limitation of its jurisdiction to the field of litigation only on patent validity and/or infringement that it will be the expert court whose very objective is to ensure the unity and uniformity of the interpretation and application of the law in that field. This means that to the extent that the UPC has to apply EU patent law, it will necessarily assume part of the role that the Court of Justice has to assume under Art. 267 TFEU, i.e. exactly that of guaranteeing the uniform interpretation of EU law.<sup>334</sup> As a result, the role of the Court of Justice and the tasks it and the UPC have to

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impossible to dissociate “the acts against which that patent provides protection” from its nature as a unitary and exclusive right (as established by Art. 5(1) Reg. 1257/2012). It is also insufficient to understand patent protection as merely serving the property interests of individual owners. By determining the subject-matter of protection and the conditions of merit an invention has to meet in order to be patentable and by defining the scope and the limitation of the exclusive position of the patentee, patent law establishes a framework regulation for innovation-driven competition on open markets. As such, it forms part of the technology policy of states or, for that matter, of the EU; see *H. Ullrich*, Legal Protection, in *Granstrand* (ed.), op. cit. [supra n. 153], p. 439; id., Intellectual Property, in *Klafkowska-Wasniowska et al.* (eds.), op. cit. [supra n. 153], p. 425.

<sup>332</sup> Opinion 1/09 [supra n. 18], para. 79 (third indent). The point made here implicitly by the Court is that the multitude and diversity of national courts using the Art. 267 TFEU procedure is also a source of broad information and inspiration of the Court. Conversely, the mismatch in the composition of the CJEU and the UPC, and the consequences it may have for the bilateral communication process between the two courts need to be recognised if, due to a continued participation of the UK in the UPCA post Brexit, the latter were to be composed internationally including judges from the UK while the former would no longer have UK judges on its bench or advocates general submitting their conclusions before it.

<sup>333</sup> Contrary to a view still held by parts of the patent community (see inter alia *Hüttermann*, Das Einheitliche Patentgericht, in id. (ed.), op. cit. [supra n. 11], p. 105, title of Chapter 4, sub IV.8., and the references by *Ullrich*, EuGH und EPG, in *Metzger* (ed.), op. cit. [supra n. 65], p. 253, n. 130), it is long settled case law of the CJEU that Art. 267 TFEU in no way establishes a hierarchy between the CJEU and national courts, but one of inter-jurisdictional communication and cooperation (see in addition to Opinion 1/09 [supra n. 18], para. 84, recently again Opinion 2/13 [supra n. 92], para. 176 with references; also CJEU, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, para. 37). Within that cooperation procedure the Court does not exercise any power of “revision” or “cassation”, i.e. of judicial review, but gives an authentic interpretation of EU law by way precisely of a “preliminary” ruling.

<sup>334</sup> Long established case law as summarised by the CJEU in Opinion 1/09 [supra n. 18], para. 83; Opinion 2/13 [supra n. 92], para. 176; Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, para. 37.

take on in the Art. 267 procedure<sup>335</sup> need to be redefined by the two Courts with a view to establishing a functional division of tasks, and their roles have to be so redefined precisely through the communication process provided for by Art. 267 TFEU. It is not for this study to present a proposal for such division of tasks between the CJEU and the UPC.<sup>336</sup> Clearly, however, it will not simply run along a line of demarcation between general EU law and the particular law of patents, since, as stressed here repeatedly, unitary patent protection essentially is a matter of EU law. Clearly, also, the Art. 267 communication process between the CJEU and the UPC will not work properly or produce satisfactory results if the UPC is not to understand its role as that which Arts. 1(2) and 21 UPCA seek to establish, namely that of a “court common to (EU) Member States” that is “subject to the same obligations under Union law as any national court of the Contracting Member States” (Art. 1(2) UPCA).

### **b) The European patent of the UPCA type: Splitting the UPC and its jurisdiction?**

(i) When rendering its Opinion 1/09 the Court of Justice expressly abstained from examining the draft Agreement on the EUCPC in regard also of its covering in respect of both the substantive rules on patent infringement and the jurisdiction of the proposed Court also the European (bundle) patent.<sup>337</sup> In fact, at the time, the substantive rules constituted an important and particular feature of the EUCPC Agreement that had been inherited from the preceding EPLA model. These rules of substantive law did not yet relate to the Community patent,<sup>338</sup> but only to the European bundle patent for which they

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<sup>335</sup> Or, for that matter, Art. 21 UPCA. Assuming, as Arts. 1(2) and 21 UPCA require, that the UPC is a court common to Member States and situated within their judicial system, Art. 21 UPCA is of purely declaratory nature as regards the UPC’s power and obligation to submit requests for preliminary rulings to the CJEU.

<sup>336</sup> Starting from the language used by the Court in Opinion 1/09 [supra n. 18], para. 83 (“ensure this (uniform) application by making available to national judges a means of eliminating difficulties”) this author has attempted to propose a functional division of tasks between the UPC as the specialised expert court deciding routinely on issues of patent law and the CJEU, which is charged with providing guidance on the application of EU law as it evolves and needs to adapt to its (changing) context, and with ensuring the systemic consistency and coherence of EU law; see *Ullrich*, *EuGH und EPG*, in *Metzger* (ed.), *op. cit.* [supra n. 65], p. 240 et seq., 253 et passim; *id.*, *Le système de protection du brevet unitaire*, *op. cit.* [supra n. 77], *Prop. Int.* 2017 (64) 34 et seq.

<sup>337</sup> Opinion 1/09 [supra n. 18], para. 59.

<sup>338</sup> Compare Arts. 7 to 10 of the Commission’s 2000 Proposal for a Community Patent Regulation [supra n. 31], as retained by Arts. 6 to 10 of the Council’s “General Approach” of 27 November 2009 [supra n. 31] and then carried over to Arts. 6 to 9 of the Commission’s Proposal for a Unitary Patent Regulation [supra n. 51]. All follow the model set by Arts. 25 et seq. of the Community Patent Convention of 1975 and 1985/89, respectively [supra n. 29]. The various drafts for a European Patent Court or a European and Community Patent Court then contain the infringement rules of the corresponding proposals for a

needed to be included into the Agreement as a matter of harmonising, for the purpose of centralised adjudication of invalidation and/or infringement of the European patent, the national laws applying to the patents in the bundle. Indeed, the EPLA court or the EUCPC could not possibly be expected to efficiently handle a multitude of national laws. This double-feature nature of the draft EUCPC Agreement presented no problems other than a practical or political one. Upgrading the European patent through harmonisation of the applicable national infringement rules meant rebalancing the choice existing between the two forms of protection under the principle of optionality by making the European patent more attractive as compared to the Community patent.<sup>339</sup> Nor does it present a problem under the UPCA, which exactly follows this double-feature approach of providing for substantive rules on the infringement of European patents (Arts. 25 to 29 UPCA) on the one hand, and, on the other, for the UPC's exclusive jurisdiction over invalidation and infringement litigation regarding that type of patent (Art. 32 UPCA). To the contrary, it opened a viable alternative of patent protection not only under the principle of optionality, but also in respect of national territories of Member States that do not participate in enhanced cooperation and that, therefore, cannot be covered by unitary protection. The UPCA, and thus the European patent of the UPCA-type, is, indeed, accessible for any EU Member State, whether participating in enhanced cooperation or not (Art. 84(4) UPCA).

- 70 Brexit, however, raises problems also in regard of the European (bundle) patent of the UPCA-type. At first glance, the continued adherence of the UK to the UPCA seems to meet with no legal obstacles as regards the European bundle patent.<sup>340</sup> By its nature it remains national and territorial even under the Agreement.<sup>341</sup> Still, amending the UPCA so as to allow participation also by an “ex-Member State” of the EU would imply more than a merely formal clarification. The reason is that it would again transform the UPC into a judiciary that is internationally structured, administered, financed and composed, and, as such, will adjudicate not only controversies concerning the European patent, but also those concerning the unitary patent.

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Community patent; see Arts. 33 to 35 EPLA [see supra n. 33], Arts. 14c to 14f draft EUCPC Agreement [supra n. 43] (as submitted to the CJEU for Opinion 1/09).

<sup>339</sup> For the corresponding patenting strategies see supra at II.3.a)(i).

<sup>340</sup> See inter alia *McDonagh, Mimler*, Intellectual Property Law and Brexit, in Dougan (ed.), op. cit. [supra n. 3], p. 177, and supra n. 83.

<sup>341</sup> The national character even of the UPCA-type of European patents seems to be uncontroversial. In fact, it is confirmed by Art. 34 UPCA, whose objective is to give the UPC judgment effect with respect to all the independent patents in the bundle. These patents may be transferred, given as a security, or abandoned with respect to each designated state separately and independently, and they are subject to national maintenance procedures and renewal fees.

(ii) This problem is exacerbated by the literal correspondence of the substantive rules that apply to the European bundle patent, i.e. Arts. 25 to 28 UPCA, and, by virtue of Art. 5(3) Reg. 1257/2012, also to the unitary patent.<sup>342</sup> This correspondence implies that – de facto, if not de iure – the infringement rules and the exceptions to the patentee’s exclusive right will be interpreted and applied in the same way in relation to the European patent and to the unitary patent. This, in turn, means that the double jurisdiction of the UPC may not simply be split according to the patents at issue, European bundle patents or patents with unitary effect, without creating an unintended conflict potential. This conflict potential exists irrespective of the qualification of unitary patent protection as a matter essentially of Union law, as proposed here.<sup>343</sup> Indeed, any interpretation of Arts. 25 to 27 UPCA in respect of the European patent (UPCA-type) will necessarily anticipate on the interpretation of these rules in regard of unitary patent protection and, thus, result in that even when ruling only on the European patent the UPC, as “re-internationalised” by the continued participation of the UK, would exercise judicial control over the interpretation of the rules of the UPCA as they apply to unitary patent protection.

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Clearly, when giving, within the limits of its competence under Art. 5(3) Reg. 1257/2012 and Art. 267 TFEU,<sup>344</sup> a preliminary ruling on the interpretation of Arts. 25 to 27 UPCA as they have to be applied in view of Arts. 3(2), 5(1), 5(2) Reg. 1257/2012 and Union law in general to unitary patent protection the CJEU will similarly anticipate on their interpretation in regard of their application to European patents, a matter which would seem to be the prerogative of the UPC. This problem of mutual anticipation and overlap of interpretation is the more difficult to settle as the principle of optionality between unitary patents and European patents of the UPCA-type has been recognised by the European legislature<sup>345</sup> without any attempt to clarify how the two forms of protection interrelate or what their respective functions are. In particular, it is not clear to what extent patents that are granted by the EPO with respect to designated national territories and that then come under the UPCA<sup>346</sup> still are intended to and do serve as innova-

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<sup>342</sup> Note that the reference made by Art. 5(3) Reg. 1257/2012 to the prior-use exception as provided for by Art. 28 UPCA is in conflict with Arts. 3(2) and 5(2) Reg. 1257/2012 in that also in regard of unitary patents Art. 28 UPCA limits the exception to prior use made on the national territory of a Contracting Member State (see also more generally supra n. 328). Conversely, it is not clear why the drafters of Reg. 1257/2012 retained a particular provision on Union-wide exhaustion (Art. 6) although Art. 29 UPCA contains a literally identical rule, and although both provisions are derived from and subject to the free-movement principles of primary law (Arts. 34, 36 TFEU).

<sup>343</sup> Supra at II.4.a)(v).

<sup>344</sup> Ibid.; for details see reference supra n. 336.

<sup>345</sup> See Rec. 24, 26 Reg. 1257/2012.

<sup>346</sup> Since under Art. 32 UPCA the UPC will have exclusive jurisdiction over all invalidation and infringement litigation regarding European patents (Art. 2 lit. (g) UPCA), all

tion incentives specifically on the domestic markets of the designated Contracting State of the EPC and the UPCA. It is only as an object of property that the patents resulting from the grant of the European bundle come under the territorially defined national domestic laws. Also the grant of compulsory licences entirely remains a matter of national law,<sup>347</sup> and prior-user rights still are territorially limited (Art. 28 UPCA)<sup>348</sup> By contrast, the substance of the exclusivity is defined by Arts. 25 to 29 UPCA equally for all UPC Contracting Member States, the UPCA constituting internationally uniform law in regard of the UPCA-type of patent protection. This means not only that owners of a European patent of the UPCA-type may exercise their exclusive right on the same conditions and with the same reach in all Contracting Member States they designate. Rather, it means that with a view to overcoming the fragmentation of the market for patents and its adverse effects on innovation all Contracting Member States have harmonised their patent laws, i.e. their regulation of dynamic competition, in regard of the very substance of patent protection as an innovation incentive. They have done so within the framework of the EU as a matter both of conforming their agreement to the requirements set forth in Opinion 1/09 of the Court of Justice,<sup>349</sup> i.e. in that they limited participation to EU Member States, and of seeing at that the same rules on infringement and on the exceptions apply to both the European patent and the unitary patent. In addition, they have done so with the support of the EU legislature who wished the unitary patent to be adjudicated by the UPC<sup>350</sup> and recognised, indeed, favoured the principle of optionality.<sup>351</sup> In short, by transforming the European patent into the UPCA-type of patent protection that may be used to serve competition at equal terms throughout the Internal Market rather than only or primarily the national markets designated in the granting procedure, Member States have purposively made the UPC-type patent a matter also of EU patent policy.

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European patents will come under the substantive rules of Arts. 25 to 29 UPCA, once the transitional period has expired and the opt-out possibilities of Art. 83 UPCA have been exhausted.

<sup>347</sup> Since the European (bundle) patents are essentially national, national rules on compulsory licences necessarily apply, and do so with respect to national territories only. By contrast, as regards the unitary patent, one would have expected rules on Union-wide compulsory licensing. However, despite enhanced cooperation, the EU legislature has decided to depart from the proposal originally made in regard of the Community patent and to leave the matter to the national law of Member States (see Rec. 10 Reg. 1257/2012 and supra n. 45, 56). The break with the principle of unity is obvious; less obvious is that, as a practical matter, this abstention renders requests for compulsory licences unlikely, because useless for applicants, and ineffective as a counterweight to EU-wide unitary protection.

<sup>348</sup> As regards, by contrast, the unitary patent see supra n. 342.

<sup>349</sup> Opinion 1/09 [supra n. 18], para. 82, and supra at II.1.b(i) and II.4.a)(iii) and (iv).

<sup>350</sup> Rec. 9, 24, 25 Reg. 1257/2012.

<sup>351</sup> Rec. 24, 26 Reg. 1257/2012, and supra at II.3.a)(i).

They have, thus, brought its rules of infringement and of the exceptions within the reach of the CJEU's *Dzodzi* case law.<sup>352</sup>

The *Dzodzi* case law allows and ultimately obliges national courts, so also the UPC, to use the preliminary-rulings procedure of Art. 267 TFEU for the interpretation of national law that regulates the domestic market of a Member State in terms identical or almost identical to an EU regulation related to interstate trade in the Internal Market. The rationale underlying the *Dzodzi* case law is less to ensure a consonant interpretation of identically or closely identical phrased national and EU rules of law per se than to contain the repercussions that the “national” interpretation of EU-identical domestic law might have on the interpretation of EU law by the national courts of the Member State concerned.<sup>353</sup> Therefore, it meets exactly the conflicts that

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<sup>352</sup> See CJEU, Judgment of 18 October 1990, *Dzodzi*, C-297/88 and C-197/89, ECR 1990 I 3763, ECLI:EU:C:1990:360, paras. 29 et seq.; Judgment of 8 November 1990, *Gmurzynska-Bscher*, C-231/89, ECR 1990 I 4003, ECLI:EU:C:1990:386, paras. 15 et seq.; Judgment of 17 July 1997, *Leur-Bloem*, C-28/95, ECR 1997 I 4161, ECLI:EU:C:1997:369, paras. 16 et seq. (adaptation to EU law); Judgment of 17 July 1997, *Giloy*, C-130/95, ECR 1997 I 4291, ECLI:EU:C:1997:372, paras. 16 et seq.; Judgment of 11 January 2001, *Kofisa Italia*, C-1/99, ECR 2001 I-207, ECLI:EU:C:2001:10, paras. 18 et seq.; Judgment of 20 May 2010, *Modehuis A. Zwijnenburg*, C-352/08, ECR 2010 I-4303, ECLI:EU:C:2010:282, paras. 29 et seq.; Order of 12 May 2016, *Sahyouni*, C-281/15, ECLI:EU:C:2016:343, paras. 22 et seq.; Judgment of 20 December 2017, *Sahyouni*, C-372/16, ECLI:EU:C:2017:988, paras. 27 et seq. The Court has extended this case law to national law that is only analogous to EU law (see Judgment of 16 March 2006, *Poseidon Chartering*, C-3/04, ECR 2006 I-2505, ECLI:EU:C:2006:176, paras. 14 et seq.; Judgment of 28 October 2010, *Volvo Car Germany*, C-203/09, ECR 2010 I-10721, ECLI:EU:C:2010:647, paras. 23 et seq.), but refused to apply it to cases of non-mandatory referral to EU law by national law (see Judgment of 28 March 1995, *Kleinwort Benson*, C-346/93, ECR 1995 I-615, ECLI:EU:C:1995:85, paras. 14 et seq.) or in cases where there was no link to EU law at all (see Judgment of 15 November 2016, *Ullens de Schooten*, C-268/15, ECLI:EU:C:2016:874, paras. 53 et seq.). For details see *B. Wegner* in Calliess, Ruffert (eds.), op. cit. [supra n. 94], Art. 267 AEUV, annot. 5 (affirming also a duty of last-instance courts to use Art. 267 TFEU), *M. Broberg, N. Fenger*, Das Vorabentscheidungsverfahren vor dem Gerichtshof der Europäischen Union, Baden-Baden 2014, p. 134 et passim (sub 4.3.3, 4.3.4, 4.3.5); *B. Gsell*, Vorlageverfahren und überschießende Umsetzung von Europarecht, in B. Gsell, W. Hau (eds.), Zivilgerichtsbarkeit und Europäisches Justizsystem, Tübingen 2012, p. 123, 126 et passim, all with references. Critical voices complaining of an extension of its competence by the CJEU (see inter alia *M. Habersack, Chr. Mayer*, Die überschießende Umsetzung von Richtlinien, JZ 1999, 913, 919 et seq.) fail at least in the context of the UPCA, which establishes rules not for purely domestic cases, but for transnational, multi-state cases. It is precisely the double identity of the claim to transnational regulation of transnational situations that requires both the uniform interpretation of literally identical rules and determining whose inherent principles apply; see also infra n. 353.

<sup>353</sup> Contrary to some critical voices [see supra n. 352], the *Dzodzi* case law does not constitute an undue extension of Art. 267 TFEU by the CJEU, but only serves to protect the space for an autonomous interpretation of EU law. It rests on the general duties of loyalty and cooperation that underlie the Art. 267 TFEU procedure as a key element for preserving the autonomy of EU law (see supra at II.4.a)(iii)).

might arise from the fact that Arts. 25 to 28 UPCA apply equally to the European patent and the unitary patent. Such repercussions would also occur and need to be avoided if the European patent of the UPCA-type were to be elevated to a justification for keeping the UK within the judicial system established by the UPCA. It is true that conflicts of the kind described will hardly arise frequently since typically the interpretation of the rules on patent infringement and – to a lesser degree – of the exceptions is a matter of the patent system's inherent logic. The point, however, is that the European patent of the UPCA-type may not be considered to represent a stand-alone form of European patent protection, let alone a form superseding unitary patents. Rather, as a counterpart of the unitary patent the UPCA-type of protection forms part of the overall the system of uniform protection and unified enforcement of European patents in the EU. Therefore, unless kept in conformity with that system the UPCA-type of protection will produce frictions and asymmetries. At any rate, it does not represent a way of remaining within the system while leaving it.

### III. CONCLUSION

- 74 As the details of the actual withdrawal of the United Kingdom from the European Union are negotiated and the topics of their future relationship discussed,<sup>354</sup> it becomes ever more obvious that no economic sector and no area of the law regulating the Internal Market of the EU and the domestic market of the UK will remain unaffected.<sup>355</sup> Since it forms part of the legal order of the respective markets, the system of unitary patent protection and its judiciary, the UPC, cannot be isolated from and insulated against the ground currents of this development. While industry of almost all sectors seeks to save or maintain in its substance the economic and legal environment within which it has come to operate and invest in the UK and the EU the public task ahead really is to reshape it with a view to meet the fundamental change, the new conditions and the extraordinary challenges that the withdrawal of the UK from the EU will entail for both sides and for their future relationship. Although both sides are unsure and hesitant as regards a strategic reaction to the internal problems resulting from Brexit, it is quite obvious that the first and primary task is to review and eventually to reform the conditions of their domestic, respectively of their internal market and its regulation, in the case of the EU with a view to enhance its attractiveness

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<sup>354</sup> See the Draft Withdrawal Agreement [supra n. 3] with its agreed upon and open issues; *European Commission/UK DEXEU*, Topics for discussions on the future framework at forthcoming meetings, 4 May 2018 (TF50 (2018) 36; available [here](#)); *HM Government*, White Paper on the Future, op. cit. [supra n. 195], Chapter 1.

<sup>355</sup> For the impact on the EU's legal order see supra n. 216, for that on the UK's legal system the European Union (Withdrawal) Act 2018 [supra n. 2].



not only for the market actors but for its (Union) citizens.<sup>356</sup> Theoretically speaking, accomplishing that task first on both the side of the UK and that of the EU is a condition sine qua non for negotiating the optimal design of their future relationship. In practice, the political dissensus existing on either side, albeit to different degrees and for different reasons, and the time limit set for concluding the withdrawal agreement and determining the framework of the future relationship between the UK and the EU tend to reverse this logical order.<sup>357</sup> As regards the system of unitary patent protection and its judicial organisation, however, there is both a legal necessity and, due to the need to reposition the UK, a political opportunity to establish within the broader framework of the future UK–EU relationship the conditions for its readjustment to EU law and policy.

Indeed, as it stands the system of unitary patent protection is flawed in too many respects.<sup>358</sup> It fails the Union’s objective of positive (rather than merely negative) regulatory integration, in particular that of reinforcing integration by way of enhanced cooperation (Art. 20(1) TEU).<sup>359</sup> Rather than attracting Member States it deters some of them from joining it or even allows others to block it altogether.<sup>360</sup> It is incomplete as regards judicial protec-

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<sup>356</sup> As of yet the European Commission’s White Paper on the Future of Europe [supra n. 219] has had no visible follow-up. It was of a merely descriptive character and indeterminate as to who should take the lead and in what direction.

<sup>357</sup> While the EU follows a defensive approach, the UK pursues an agenda of differentiated demands for borderless access to the EU’s Internal Market regarding trade in goods on the one hand, and, on the other, for special treatment and flexibility in most other sectors; see supra at II.3.b(i); *HM Government*, White Paper on the Future, op. cit. [supra n. 195], Chapter 1.

<sup>358</sup> For a similar critique from a different perspective see *Jaeger*, Reser and Go, op. cit. [supra n. 47], 48 IIC 282 et seq. (2017).

<sup>359</sup> Whereas the transition to enhanced cooperation was motivated by the persisting dissensus on the language regime for the Community patent (supra at II.1.b(ii)), none of the modifications of the originally proposed regulation (as revised by the Council’s “General Approach” of 27 November 2009 [supra n. 31]) that have been made thereafter and led to Reg. 1257/2012 are in any way related to the language issue. Rather, they are all aimed at reducing the Unionist character of unitary patent protection: the substitution of Arts. 6 to 8 of the Commission’s Proposal for a Unitary Patent Regulation [supra n. 51] by the referral provision of Art. 5(3) Reg. 1257/2012; the deletion of rules on compulsory licences (Arts. 21 to 23 of the Commission’s Proposal for a Unitary Patent Regulation v. Rec. 10 Reg. 1257/2012); the limitation of the prior-user right to use on a national territory (Art. 12 of the Commission’s Proposal for a Unitary Patent Regulation v. Art. 28 UPCA, see supra n. 328, 342). At least the latter two modifications also shifted the balance inherent in patent protection to the property and enforcement aspects of the exclusive right.

<sup>360</sup> On the one hand Art. 18(2) 1<sup>st</sup> subpara. Reg. 1257/2012 in conjunction with Art. 89 UPCA allows a few “big patent states” to block the entry into application of unitary patent protection although its objective is and the result of its introduction will be that all participating Member States are covered equally [see supra n. 16]. On the other, Art. 18(2) 2<sup>nd</sup> subpara. Reg. 1257/2012 allows Member States to access to unitary patent protection only on condition that they accept a profound interference with their national judicial systems,

tion,<sup>361</sup> and it is overly complex<sup>362</sup> as it seeks to cater to too many and too diverse and in part diffuse interests of the various industries, professions and even the bureaucracies concerned.<sup>363</sup> The continued participation of the UK will for the foreseeable future stand in the way of any reform of the system. The justification for the continuity of the system rests on a “fait accompli” established only recently, and on the group interests of parts of the patent profession, on seemingly irreversible financing constraints,<sup>364</sup> and on considerations of locational policy and benefits rather than on any grounds of improving the unitary patent’s innovation function. Therefore, instead of masking the reality of the separation of the UK from the EU and its far-reaching consequences by a legalistic artifice that pretends to maintain unity of patent protection while, in fact, seeking to isolate the patent system from its socio-economic and legal environment, a proper approach would be to recognise and respect the legitimate public policy interests of the UK and

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the judicial system that they have to accept being that over which the “big patent states” hold command.

<sup>361</sup> See *H. Ullrich*, *The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda*, 46 IIC 1 (2015), with references. The issue is before the German BVerfG [see supra n. 70].

<sup>362</sup> See supra at II.3.a)(i); for details *Ullrich*, *Select from within the system*, op. cit. [supra n. 121], p. 214 et passim; id., *Le future système*, op. cit. [supra n. 13], Prop. Int. 2014 (53) 382, sub II.C.c).

<sup>363</sup> Although the EPO is a granting office only with no expertise in infringement litigation and its economic context or in patent-based transactions it has always played a major part in the legislative process, also on invitation by the European Commission. It has an obvious interest in maximising fee income from applications for European patents of any type and in high granting rates (see supra at II.1.a)(i), with n. 26). It also has a keen interest in seeing the unitary patent accepted by industry since it will receive 50% of the income from renewal fees (Art. 13(1) Reg. 1257/2012). National patent offices generally have lost business to the EPO, have their own bureaucratic interests in participating in parts of the EPO’s granting process (see Rec. 22 Reg. 1257/2012, which summarises this part of the original “unitary patent package” deal) and in the unitary patent system since they, or their states, will receive a financial compensation out of the other half of the income from renewal fees (Art. 13(2) lit. (c) Reg. 1257/2012).

<sup>364</sup> For the financial basis of the UPC and the business interests of the patent bar see supra at II.4.a)(i). The assumption that without the participation of the UK the UPC would have no sufficient litigation and financial basis (*Jaeger*, *Reset and Go*, op. cit. [supra n. 47], 48 IIC 266 et seq., 280 et passim (2017)) still needs to be substantiated. Since the UK (domiciled) firms may and must take out unitary or UPCA-type patents for the EU, they will also have to enforce them before the UPC. As regards enforcement in respect of the UK territory, the litigation numbers in the UK have always been and are likely to remain limited, the more so as, compared to other EU Member States, litigation costs in the UK, i.e. in London, are out of range. If the UPC holds its promises of adjudicatory quality patents may not need to be litigated also in the UK (of course with the question remaining whose courts litigants will prefer, those of the UK or those of the EU). Moreover, as mentioned earlier [supra n. 16, 360] with the unitary patent coming, patent coverage will increase in all participating Member States and, thus, their markets will become more “patent-contested”. In short, it is not the past but the future patent positions of the UK and the EU that will matter.

the EU in autonomously establishing a patent policy and practice that best meets their specific economic needs and political objectives.

Ultimately, this conclusion should not come as a surprise. While, in theory, states may agree by an international convention on the creation of a common unitary patent system, they have never done so except within an accomplished economic union.<sup>365</sup> In the case of the UK and the EU, both important but unequal economies as regards their weight, political orientation and legal constitution, one may not expect the former to in effect forego the political, and legal sovereignty that it precisely wishes to regain or the latter to tolerate an impairment of the autonomy that constitutes the cement of its legal integration structure. Consequently, what is needed is the development of a flexible arrangement on the protection and enforcement of patents that properly fits into the framework of the future UK–EU relationship, adequately caters to both sides’ interests in a patent policy and practice of their own and is well balanced so as to be generally acceptable rather than primarily desirable for some particular stakeholders. As regards the European Union’s own system of patent protection, every effort should be undertaken to complete it in respect of both its substance and adhesion by all Member States with a view to make it a true success of genuine economic and socio-political integration.

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<sup>365</sup> Whereas there are some examples of international organisations for the centralised grant of patents similar to the EPO, albeit of much lesser importance, such as ARIPO or OAPI, internationally protected unitary patents seem to be acceptable only for smaller countries whose markets are dominated by a larger economy, such as in the case of Liechtenstein and Switzerland (see *Vertrag zwischen der Schweizerischen Eidgenossenschaft und dem Fürstentum Liechtenstein über den Schutz der Erfindungspatente (Patentschutzvertrag)*, concluded 22 December 1978, as amended by the “Ergänzungsvereinbarung” of 2 November 2004, the latter limiting EEA-wide exhaustion to the territory of Liechtenstein). The reason is that the availability of patent protection and its terms form part of a state’s industrial (innovation) policy, and that patents potentially allow control over product markets as such.



## PART TWO

### The Unified Patent Court, and How Brexit Breaks It

*Matthias Lamping\**

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## I. INTRODUCTION

### 1. General remarks

- 1 They say that good things come to those who wait. But they also say that too many cooks spoil the broth. As usual, it is a question of perspective. When it comes to the European Union's patent system, waiting has not proven to be of much benefit, and the broth is not exactly a culinary delight. The situation should be particularly distressing for the EU, which long ago nailed its colours to the mast by establishing an Internal Market based on an "open market economy with free competition"<sup>1</sup> and underpinning it by the Member States' commitment to economic, social and territorial cohesion and solidarity.<sup>2</sup> With the unitary patent package on the runway and Brexit on the horizon, the EU faces yet another challenge of credibility as regards the coherence of its Internal Market and the autonomy of its legal and political order. In these times of general uncertainty about the way forward for the EU, the unitary patent system may prove to be a true stress test.
- 2 The notorious unitary patent package is an offspring of enhanced cooperation between the Member States.<sup>3</sup> It consists of two regulations<sup>4</sup> creating a European patent with unitary effect (hereinafter the "unitary patent") and an

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<sup>1</sup> Arts. 119, 120 and 127 of the Treaty on the Functioning of the European Union, OJ C 326, 26.10.2012, p. 47 [hereinafter the "TFEU"].

<sup>2</sup> Art. 3(3) of the Treaty on the European Union, OJ C 326, 26.10.2012, p. 13 [hereinafter the "TEU"]; Art. 174 TFEU; Protocol (No 28) to the Treaties on Economic, Social and Territorial Cohesion, OJ C 115, 9.5.2008, p. 310.

<sup>3</sup> See *M. Lamping*, *Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 IIC 879 (2011); *A.S. Lamblin Gourdin*, *Les coopérations renforcées au secours du brevet unique européen?*, 557 RMCUE 254 (2012); *M. Lamping*, *Enhanced Cooperation in the Area of Unitary Patent Protection – Testing the Boundaries of the Rule of Law*, 20 Maastricht J. Eur. Comp. L. 589 (2013); *H. Ullrich*, *Enhanced Cooperation in the Area of Unitary Patent Protection and European Integration*, 13 ERA Forum 589 (2013); *Th. Jaeger*, *Einheitspatent – Zulässigkeit der Verstärkten Zusammenarbeit ohne Spanien und Italien*, 28 NJW 2013, 1998; *F. Fabbrini*, *Enhanced Cooperation under Scrutiny: Revising the Law and Practice of Multi-Speed Integration in Light of the First Involvement of the EU Judiciary*, 40 Leg. Iss. Econ. Integr. 197 (2013); *E. Pistoia*, *Enhanced Cooperation as a Tool to ... Enhance Integration?*, 51 CML Rev. 247 (2014); *Th. Jaeger*, *The End to a Never-Ending Story? The Unitary Patent Regime*, in Giegerich, Schmitt and Zeitzmann (eds.), *Flexibility in the EU and Beyond*, 2017, p. 269.

<sup>4</sup> Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ L 361, 31.12.2012, p. 1; Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, OJ L 361, 31.12.2012, p. 89; both based on Council Decision (2011/167/EU) of 10 March 2011 authorising enhanced cooperation in the area of the creation of unitary patent protection, OJ L 76, 22.3.2011, p. 53.

international agreement<sup>5</sup> setting up the Unified Patent Court (hereinafter the “UPC” and the “UPCA”), which is competent for infringements and revocation of European and unitary patents. The meal that we have been served after all these years<sup>6</sup> is not easily digestible. And it has become even less so after the United Kingdom decided on 23 June 2016 to leave the EU for good after being “united in diversity” for the longest period in post-war Europe.

It is anyone’s guess whether it was too much unity or too much diversity that broke the camel’s back. Either way, one should not lose sight of Brexit’s deeper political message when it comes to determining the conditions and modalities of the UK’s “future relationship”<sup>7</sup> with the EU, in general,

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<sup>5</sup> Agreement on a Unified Patent Court of 19 February 2013, OJ C 175, 20.6.2013, p. 1.

<sup>6</sup> See *S. Ladas*, *Industrial Property*, in Stein and Nicholson (eds.), *American Enterprise in the European Common Market*, 1960, p. 248 et seq.; *F.-K. Beier*, *Stand und Aussichten der europäischen Rechtsvereinheitlichung auf dem Gebiete des gewerblichen Rechtsschutzes*, 18 GRUR Int. 1969, 145; *S. Ladas*, *Patents, Trademarks and Related Rights*, 1975, Vol. I, p. 632 et seq.; *H. Ullrich*, *Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe?*, 8 Eur. L.J. 433 (2002); id., *National, European and Community Patent Protection: Time for Reconsideration*, in Ohly and Klippel (eds.), *Geistiges Eigentum und Gemeinfreiheit*, 2007, p. 61 et seq.; *Th. Jaeger et al.*, *Comments of the Max Planck Institute for Intellectual Property, Competition and Tax Law on the 2009 Commission Proposal for the Establishment of a Unified European Patent Judiciary*, 40 IIC 817 (2009); *Th. Jaeger*, *The EU Patent: Cui Bono et Quo Vadit?*, 47 CML Rev. 63 (2010); *M. Lamping*, *Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 IIC 879, 899 et seq. (2011); *K. Mahne*, *A Unitary Patent and Unified Patent Court for the European Union: An Analysis of Europe’s Long Standing Attempt to Create a Supranational Patent System*, 94 J. Pat. & Trademark Off. Soc’y 162 (2012); *J. Pila*, *The European Patent: An Old and Vexing Problem*, 62 Int. Comp. L.Q. 917 (2013); *M. Desantes Real*, *Hacia un tribunal unificado y un efecto unitario para las patentes europeas en casi todos los Estados miembros de la Unión Europea*, 65 REDI 51 (2013); *F. Dehousse*, *The Unified Court on Patents: The New Oxymoron of European Law*, Egmont Paper No. 60, 2013, p. 5 et seq. (available [here](#)); *J. Pila*, *An Historical Perspective I: The Unitary Patent Package*, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 9; *C. Wadlow*, *An Historical Perspective II: The Unified Patent Court*, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 33; *A. Plomer*, *A Unitary Patent for a (Dis)United Europe: The Long Shadow of History*, 46 IIC 508 (2015); *R. Romandini* and *R. Hilty*, *Developing a Common Patent System – Lessons to Be Learned from the European Experience*, in Siew-Kuan and Austin (eds.), *International Intellectual Property and the ASEAN Way – Pathways to Interoperability*, 2017, p. 254; *Th. Jaeger*, *Reset and Go: The Unitary Patent System Post-Brexit*, 48 IIC 255 et seq. (2017); id., *The End to a Never-Ending Story? The Unitary Patent Regime*, in Giegerich, Schmitt and Zeitmann (eds.), *Flexibility in the EU and Beyond*, 2017, p. 271 et seq.; *M. Yan*, *Das materielle Recht im Einheitlichen Europäischen Patentsystem und dessen Anwendung durch das Einheitliche Patentgericht*, 2017, p. 29 et seq.

<sup>7</sup> According to Art. 50(2) TEU, the “Union shall negotiate and conclude an agreement with [the withdrawing] State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union”. For the current state of negotiations, see *Draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community of 19 March 2018*, TF50 (2018) 35 (available [here](#)).

and of its status within the system of unitary patent protection, more specifically. In spite of the truly unexpected outcome of the Brexit referendum, it is not as if the UK was ever very fond of the “European idea”. As *Theresa May* recently phrased it: “Throughout its membership, the United Kingdom has never totally felt at home being in the European Union”.<sup>8</sup> In fact, ever since the UK acceded to the European Communities in 1973, it has been holding on to its sovereignty in important policy fields.<sup>9</sup>

- 4 Before getting into the details of the unitary patent and the judicial machinery built around it, it seems worth recalling the rationale of this endeavour, which has been on the EU’s agenda since its very early days of the Communities, and clarifying which caveats follow therefrom in terms of the system’s legal and institutional design. Its ties to national property systems and its links with other public policies make the patent system susceptible to subsidiarity quarrels. At the same time, it regulates an important intersection between private rights and the economy, which makes it an essential element of the framework conditions of innovation and competition. As such, it directly affects the Internal Market. It is for a good reason that Art. 118 TFEU explicitly refers to the creation of European intellectual property rights as a means of advancing the “establishment and functioning of the Internal Market”. In contrast to, for example, the European Patent Convention (hereinafter the “EPC”), the unitary patent package is not an instrument for cooperation. The European Patent Organisation (hereinafter the “EPO”) is a “marriage of convenience” between sovereign states with a common interest in optimising international patent prosecution procedures. Its polity and policy are, for better or worse, a reflection of its technocratic nature. The unitary patent package is different. It is about integration,<sup>10</sup> i.e. about realising a common market for innovation, its protection, and its enjoyment on the basis of common values, principles and objectives.

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<sup>8</sup> Speech delivered on 22 September 2017 in Florence, Italy.

<sup>9</sup> See, for example, Protocol (No 15) to the Treaties on certain provisions relating to the United Kingdom of Great Britain and Northern Ireland, OJ C 115, 9.5.2008, p. 284; Protocol (No 20) to the Treaties on the application of certain aspects of Article 26 of the Treaty on the Functioning of the European Union to the United Kingdom and to Ireland, OJ C 202, 7.6.2016, p. 293; Protocol (No 21) to the Treaties on the position of the United Kingdom and Ireland in respect of the area of freedom, security and justice, OJ C 202, 7.6.2016, p. 295; Protocol (No 30) to the Treaties on the application of the Charter of Fundamental Rights of the European Union to Poland and to the United Kingdom, OJ C 115, 9.5.2008, p. 313.

<sup>10</sup> Rec. 1, 2 and 4 of Reg. 1257/2012; Rec. 1 and 2 of the preamble of the UPCA; Rec. 1 and 2 of Council Decision 2011/167/EU [supra n. 4].



For well-known reasons, partial integration was the most that could be achieved.<sup>11</sup> But even so, it was achieved under the auspices of the Union. For better or worse, the unitary patent system has been framed under the Treaties' provisions on enhanced cooperation. The expectations associated therewith are stated in the Treaties in cold print: "Enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process";<sup>12</sup> it shall "not undermine the Internal Market or economic, social and territorial cohesion";<sup>13</sup> it shall "not constitute a barrier to or discrimination in trade between Member States, nor shall it distort competition between them";<sup>14</sup> the "Council and the Commission shall ensure the consistency of activities undertaken in the context of enhanced cooperation and the consistency of such activities with the policies of the Union".<sup>15</sup> Enhanced cooperation shall, in other words, pave the way towards an "ever closer Union". These premises hold good for the Council decision authorising enhanced cooperation<sup>16</sup> as well as for all implementation measures adopted thereunder, notably Reg. 1257/2012 and 1260/2012 and, despite it being conceived as an international treaty, the UPCA. The entire package must be seen as a means of deeper market integration – regardless of whether, and to what extent, parts of it are outsourced from Union law.<sup>17</sup>

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In the light of those considerations, the institutions entrusted with the administration of the unitary patent system, whatever their legal basis or institutional design may be, should be accountable to the Union for implement-

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<sup>11</sup> See *M. Lamping*, *Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 IIC 879 (2011), and sources cited *supra* in n. 3.

<sup>12</sup> Art. 20(1) TEU.

<sup>13</sup> Art. 326 TFEU.

<sup>14</sup> *Ibid.*

<sup>15</sup> Art. 334 TFEU.

<sup>16</sup> Council Decision 2011/167/EU [*supra* n. 4].

<sup>17</sup> Even though it says nothing about the legal status of the UPCA, it bears noting that all formal acts that were concluded to set up the UPC took place within the framework of the EU. The UPCA was signed in Brussels on 19 February 2013 in the margins of a meeting of the Council of the EU (see Council Minutes of the 3223<sup>rd</sup> meeting of the Council of the European Union "Competitiveness" (Internal Market, Industry, Research and Space) held in Brussels on 18 and 19 February 2013, doc. ST 6594 2013 INIT of 5 April 2013). The UPCA is deposited in the archives of the General Secretariat of the Council of the EU. The "Protocol to the Agreement on a Unified Patent Court on Provisional Application" was signed in Brussels on 1 October 2015 in the margins of a Competitiveness Council meeting. The "Protocol on Privileges and Immunities of the Unified Patent Court" was signed in Brussels on 29 June 2016 in the margins of a Coreper I meeting, which is composed of the Member States' deputy permanent representatives. According to Art. 84(3) UPCA, each Member State having signed the UPCA shall notify the European Commission of its ratification. Furthermore, the Commission is entrusted with an observatory and advisory role. According to Art. 12(1) UPCA, the Commission shall be represented at the meetings of the Administrative Committee as observer. According to Art. 41(2) UPCA, the adoption and amendment of the Rules of Procedure require prior consultation with the Commission.

ing the package in accordance with “the letter and spirit of the Treaties”. That calls for a high degree of convergence. It requires EU institutions to be closely involved in the shaping of principles and policies, their translation into norms and rules, and their consequential application (i.e. as regards the granting of patents and their revocation, the construction of claims and the enforcement of rights conferred by a patent). There is indeed no need for the EU to administer the system itself. This task may be delegated to the EPO, the UPC or any other capable institution. It seems, however, to be a matter of common sense for the EU to retain the possibility to review and, where necessary, correct the actions of such “administrative agencies”.

- 7 The question that must thus be asked is whether the mechanisms set up by the unitary patent package, in particular within the ambit of the judicial system envisaged by the UPCA, are capable of promoting innovation and integration in accordance with the EU’s values, objectives and policies. If the unitary patent system ends up being nothing more than a(nother) platform for technocratic cooperation between sovereign nation states, it defeats its purpose. It is against this background that it will be examined whether the UPCA constitutes a workable basis for the future relationship between the UK and the EU within the realm of patent protection.

## **2. The state of affairs**

- 8 In the wake of the upcoming Brexit, two questions arise. Can the UK, after having left the EU, remain a contracting state of the UPCA? Can the effects of the unitary patent (i.e. of Reg. 1257/2012 and 1260/2012) be extended to the UK? Prima facie, the mere fact that the regulations and the UPCA are both part of an inclusive legislative package does not necessarily imply an all-or-nothing approach. While an extension of the effects of the unitary patent to the UK would be conditional upon the UPC having exclusive jurisdiction in the UK for such patents,<sup>18</sup> the UPC’s jurisdiction could arguably be extended to European patents granted for the UK without having to concomitantly extend the effects of unitary patent protection.
- 9 In terms of the latter, the question that has been brought up is whether the effects of an intellectual property title based on Union law can be extended to non-EU territory via an international convention. In principle, this should be possible; precedents can be found in other fields.<sup>19</sup> What remains to be determined is the regulatory technique for an extension of the unitary pa-

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<sup>18</sup> See Rec. 9, 24, 25 and Art. 18(2) of Reg. 1257/2012.

<sup>19</sup> Such as the free movement of persons: Agreement between the European Community and its Member States, of the one part, and the Swiss Confederation, of the other, on the free movement of persons, OJ L 114, 30.4.2002, p. 6.

tent's effects.<sup>20</sup> Apart from that, the most imminent question is whether an extension of unitary patent protection is actually desirable as a matter of policy, both from the perspective of the EU as well as from that of the UK.<sup>21</sup>

Others have dealt with these issues. This paper is about the openness and inclusiveness of the UPC judiciary; openness in terms of accessibility to the system of judicial protection by third countries that are not Member States of the EU, and inclusiveness in terms of the judiciary's capability to operate in accordance with Union law and in support of the Union's objectives and policies. In more concrete terms, the question is whether the UPCA would be compatible with the Treaties if the UK remained a contracting state to it after having withdrawn from the EU – or, for that matter, whether it would be conceivable to open the UPCA to accession by further non-EU states, notably non-EU members of the EPO or the European Free Trade Association (hereinafter the "EFTA"). For reasons that shall be explored further below, the answer is a qualified no in both respects.

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There are a number of other issues that will not be addressed in this paper; not because they are less important or interesting, but because they have either been dealt with elsewhere or they are inaccessible by means of legal reasoning: First, there will be no discussion of whether the Member States retain the competence to conclude the UPCA without the EU.<sup>22</sup> Second, there will be no attempt to assess whether the UPC would be less attractive if the UK were not to participate; that question is for the users of the patent system to answer, and it plays no role with regard to the legality of the UPCA in terms of Union law. Third, the political dimension is an unpredictable variable. Fourth, there will be no discussion of the rights and obligations of the contracting parties to the UPCA pursuant to the international

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<sup>20</sup> See *R. Gordon and T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, Opinion commissioned by the IP Federation, the Chartered Institute of Patent Attorneys and the Intellectual Property Lawyers Association, 12 September 2016, paras. 42 et seq. (available [here](#)); *W. Tilmann*, The Future of the UPC after Brexit, 118 GRUR 2016, 753; *A. Ohly and R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 10 et seq.; *Th. Jaeger*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 270 et seq. (2017); *M. Aránzazu Gandía Sellens*, The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court, 49 IIC 143 et seq., 150 (2018)

<sup>21</sup> See, in particular, *H. Ullrich*, Le système de protection du brevet unitaire de l'Union après le Brexit: désuni, mais unifié?, 64 Prop. Int. 27 (2017); *id.*, The European Union's Patent System after Brexit: Disunited, but Unified?, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018.

<sup>22</sup> See *T. Mylly*, A Constitutional Perspective, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 91 et seq.; *R. Gordon and T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, *op. cit.* [supra n. 20], paras. 116 et seq.; *A. Ohly and R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 7 et seq.

law of treaties (which has been consolidated, essentially, in the Vienna Convention).<sup>23</sup> And fifth, this paper concerns the legality of the UPCA in terms of Union law. Mere editorial issues<sup>24</sup> that are not otherwise relevant for the UPCA's compatibility with the Treaties are not specifically addressed. For the sake of completeness, however, it bears noting that even simple editorial revisions of the UPCA require unanimity.<sup>25</sup>

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<sup>23</sup> Vienna Convention on the Law of Treaties, concluded in Vienna on 23 May 1969, United Nations, Treaty Series, Vol. 1155, I-18232, p. 331 [hereinafter the "Vienna Convention"]. The situation under international law, notably the question of whether the UPCA can be terminated by the UK or by any other contracting state in relation to the UK (Arts. 54 et seq. of the Vienna Convention), has been dealt with elsewhere (see *W. Tilmann*, 125 Jahre GRUR – Patentrecht, 118 GRUR 2016, 1222 et seq.; *A. Ohly* and *R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 2 et seq.; *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 826 et seq.; *L.C. Ubertazzi*, Brexit and the EU Patent, 66 GRUR Int. 2017, 306; id., Brexit and the EU Patent Part II: What Shall We Do?, 66 GRUR Int. 2017, 683 et seq.). The short version is that the requirements for a termination or withdrawal due to a fundamental change of circumstances (Art. 62 of the Vienna Convention) would arguably be satisfied if the UK's participation in the UPCA would amount to a violation of EU law.

<sup>24</sup> For an overview of those, see *R. Gordon* and *T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, op. cit. [supra n. 20], paras. 104 et seq.; *A. Ohly* and *R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 8 et seq.; *M. Aranzazu Gandia Sellens*, The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court, 49 IIC 143 et seq. (2018).

<sup>25</sup> In this context, reference has been made to Arts. 87(2) and 12(3) UPCA, which authorise the Administrative Committee to amend the UPCA on the basis of a three-quarter majority in order to bring it into line with an international treaty or Union law (see *R. Gordon* and *T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, op. cit. [supra n. 20], paras. 113 et seq.; *A. Ohly* and *R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 9 et seq.; *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 832 et seq.; *L.C. Ubertazzi*, Brexit and the EU Patent Part II: What Shall We Do?, 66 GRUR Int. 2017, 681 et seq.). However, this provision only kicks in once the UPCA has entered into force (Arts. 89(1) and 84 UPCA); before that, the Administrative Committee does not even formally exist. Consequently, any amendment prior to the entry into force of the UPCA requires a revision conference, and since the UPCA does not provide otherwise, unanimity between the contracting parties (Art. 40 of the Vienna Convention [supra n. 23]). One could aim at a provisional application of the UPCA pending its entry into force and, consequently, a provisional application of the Administrative Committee's powers. However, that also requires unanimity (Art. 25 of the Vienna Convention). It has also been suggested that the Preparatory Committee may have the power to amend the UPCA prior to its entry into force (see *L.C. Ubertazzi*, Brexit and the EU Patent Part II: What Shall We Do?, 66 GRUR Int. 2017, 685 et seq.). While that sounds intriguing from a practical point of view, it lacks democratic legitimacy.

By way of preliminary observation, a few remarks will be made on the tenor and spirit of Opinion 1/09 (Ch. I.3),<sup>26</sup> which was delivered by the Court of Justice of the European Union (hereinafter the “CJEU” or the “Court”) in 2011, in response to a request from the Council asking whether the Agreement on the European and EU Patents Court<sup>27</sup> (hereinafter the “EEUPC” and the “EEUPCA”) was compatible with the Treaties. Unfortunately, the opinion has turned out to be rather inconclusive. What seemed to be common wisdom prior to the Brexit referendum, namely that patent rights providing for uniform protection within the Internal Market must be handled by a court common to the Member States (i.e. one that is integrated into the judicial system of the Member States and, consequently, into that of the EU), is now being portrayed by most commentators and policy makers as only one of several possible truths. We will see whether that is just wishful thinking or actually defensible on grounds of Union law (Ch. II). 12

### 3. Opinion 1/09

The UPC has been modelled on the EEUPC, which was meant to be concluded on the basis of an international agreement, the EEUPCA, between the EU and the Member States. Accession would have been open to EFTA states and, after a transitional period, to non-EU EPO states that had fully implemented all relevant provisions of EU law.<sup>28</sup> The EEUPC was meant to be set up as an international court with jurisdiction to hear actions related to European and EU patents. It would have been independent of the European and national courts, albeit with certain links to the CJEU. 13

Opinion 1/09 declared the EEUPCA incompatible with the Treaties.<sup>29</sup> In summary, the main objections raised by the CJEU are the following: 14

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<sup>26</sup> Opinion of the Court of 8 March 2011, *Creation of a unified patent litigation system*, 1/09, ECLI:EU:C:2011:123 [hereinafter “Opinion 1/09”]; Statement of Position by the Advocates General of 2 July 2010 on Opinion 1/09 (not reported) [hereinafter “Statement of Position on Opinion 1/09”].

<sup>27</sup> Draft Agreement on the European and EU [pre-Lisbon: Community] Patents Court and Draft Statute, Annex to Council of the European Union, Working Document: Draft Agreement on the European and Community Patents Court and Draft Statute – Revised Presidency Text, doc. 7928/09 of 23 March 2009.

<sup>28</sup> See Council of the European Union, Press Release: Conclusions on an Enhanced Patent System in Europe, 2982<sup>nd</sup> Competitiveness (Internal Market, Industry and Research) Council Meeting, 4 December 2009, para. 35.

<sup>29</sup> The fact that the CJEU sat as a full Court testifies to the “exceptional importance” it attaches to the matter. According to Art. 60(2) of the Rules of Procedure of the CJEU (OJ L 265, 29.09.2012, p. 1), and Art. 16(5) of the Statute of the CJEU (OJ C 83, 30.03.2010, p. 210), the Court may assign, after hearing the Advocate General, a case to the full Court where it considers that it is of “exceptional importance”. What also catches attention is that the Court’s Opinion goes beyond the Statement of Position delivered by the Advocates

- the EEUPC was designed as an independent legal personality under international law, situated *outside* the institutional and judicial framework of the EU and thus not part of its judicial system;<sup>30</sup>
  - as such, it would have had to interpret and apply EU law (in order to ensure its full application and the judicial protection of individual rights) and would have *replaced* the courts of the Member States regarding that part of their jurisdiction *ratione materiae*;<sup>31</sup>
  - thereby it would have *deprived* the courts of the Member States of their task as “ordinary” courts within the EU judicial system, to implement EU law and, consequently, it would have *removed* their power – or, as the case may be, their obligation – to ensure that it is implemented correctly by referring questions for a preliminary ruling to the CJEU.<sup>32</sup>
- 15 That was considered by the CJEU to alter the “essential character of the powers which the Treaties confer on the institutions of the European Union and on the Member States”.<sup>33</sup> It stands to reason that the CJEU’s main concern was with the threat posed by the EEUPC to the special relationship it maintains with national courts and the concomitant responsibility they share regarding the “preservation of the very nature”<sup>34</sup> of EU law.
- 16 At the time, Opinion 1/09 was interpreted by the European Commission to the effect that it prevents the participation of third countries in a court that has jurisdiction to hear actions brought by individuals in relation to patent rights that provide uniform protection throughout the Internal Market – or at least the largest part thereof – and is thus called upon to interpret and apply Union law in that field.<sup>35</sup> The Council of the EU,<sup>36</sup> the Benelux coun-

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General (see Statement of Position on Opinion 1/09 [supra n. 26]) in some respects and completely omits the concerns entertained by them in others.

<sup>30</sup> Opinion 1/09 [supra n. 26], para. 71.

<sup>31</sup> Ibid., paras. 72 et seq., 79.

<sup>32</sup> Ibid., paras. 79 et seq.

<sup>33</sup> Ibid., para. 89.

<sup>34</sup> Ibid., paras. 85, 89.

<sup>35</sup> *European Commission*, Solutions for a Unified Patent Litigation System – The Way Forward After the Opinion 1/09 of the CJEU (Non-Paper of the Commission Services), Annex II to: Council of the European Union, Note: Creating a Unified Patent Litigation System – Orientation Debate, doc. 10630/11 of 26 May 2011, p. 7 et seq.

<sup>36</sup> *Council of the European Union*, Draft Minutes: 3094<sup>th</sup> Meeting of the Council of the European Union (Competitiveness (Internal Market, Industry, Research and Space)) held in Brussels on 30 and 31 May 2011, doc. 10917/11 Add. 1 of 15 July 2011, p. 5; *Council of the European Union*, Press Release: 3113<sup>th</sup> Council Meeting, Competitiveness (Internal Market, Industry, Research and Space), 29 and 30 September 2011, doc. 14691/11, p. 9; *Council of the European Union*, Opinion of the Legal Service: Draft Agreement on the European Union Patent Jurisdiction (doc. 13751/11) – Compatibility of the Draft Agreement with the Opinion 1/09, doc. 15856/11 of 21 October 2011, paras. 30 et seq.

tries<sup>37</sup> and large parts of the “patent community”<sup>38</sup> shared this view. The Commission’s approach was even endorsed by representatives of the UK government, such as the then acting Minister for Intellectual Property, *Baroness Wilcox*.<sup>39</sup> As late as in March 2016 (three months before the Brexit referendum) *Edward Vaizey*, who then served as Minister for Culture and the Digital Economy, acknowledged that the UK’s withdrawal from the EU would likely put end to the UK’s membership in the UPC.<sup>40</sup>

In a side note to its opinion in the *European Schools* case (which will be discussed in more detail below),<sup>41</sup> Advocate General *Sharpston* advocated along the same lines. She suggested that it would be “reasonable to take the view that there would need to be a specific provision” – arguably in primary Union law – allowing an international court, such as the EEUPC,<sup>42</sup> to make references for a preliminary ruling to the CJEU.<sup>43</sup> According to *Sharpston*, the situation would be different if all contracting parties of the agreement setting up that court were “within the EU” and, thus, disputes would arise “solely within the EU and concern only parties who are subject to EU law”.<sup>44</sup> In this context, it is worth noting that the *European Schools* case and

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<sup>37</sup> *Council of the European Union*, Note: Creating a Unified Patent Litigation System – Reflections on the Benelux Court of Justice, doc. 13984/11 of 9 September 2011, p. 7.

<sup>38</sup> For a different (less stringent) reading of Opinion 1/09, see *J. Gaster*, Das Gutachten des EuGH zum Entwurf eines Übereinkommens zur Schaffung eines Europäischen Patentgerichts, 22 *EuZW* 395 et seq. (2011); *Th. Jaeger*, Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, 43 *IIC* 295 et seq. (2012); *A. Haberl* and *K. Schallmoser*, EuGH lehnt geplantes Übereinkommen über einheitliches Europäisches Patentgerichtssystem ab, 3 *GRUR-Prax* 2011, 143; *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, 61 *GRUR Int.* 2012, 217 et seq.

<sup>39</sup> *Baroness Wilcox*, cited in House of Commons European Scrutiny Committee, The Unified Patent Court: Help or Hindrance?, Sixty-fifth Report of Session 2010-12, Vol. I, 2012, p. 7: “By limiting participation in the proposed [UPCA] to EU Member States we are satisfied that the Commission’s recommended approach addresses the issues raised by ECJ Opinion 1/09. This approach received support from the vast majority of Member States when it was discussed at the Competitiveness Council on 30 May 2011 [supra n. 36].”

<sup>40</sup> *Edward Vaizey*, cited in Parliamentary Debates: House of Commons Official Report, Fourth Delegated Legislation Committee, Draft Patents (European Patent with Unitary Effect and Unified Patent Court) Order 2016, 1 March 2016, p. 8.

<sup>41</sup> See *infra* at II.1.b)(i).

<sup>42</sup> In the same breath *Sharpston* also mentions the European Court of Human Rights and the panels of the World Trade Organization.

<sup>43</sup> Opinion of Advocate General *Sharpston* delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777, para. 84.

<sup>44</sup> *Ibid.*

Opinion 1/09 were both pending before the CJEU at the same time,<sup>45</sup> and that *Sharpston* was presumably involved in both proceedings.<sup>46</sup>

- 18 In the aftermath of Opinion 1/09, the negotiating parties converted – or rather rebranded – the EEUPC into the UPC. The parties to the UPCA were henceforth all Member States of the EU;<sup>47</sup> neither the EU itself nor the formerly involved non-EU EPO states, i.e. Iceland, Liechtenstein, Norway and Switzerland, participated anymore.<sup>48</sup>
- 19 By (self)definition, the UPC is a “court common to the Contracting Member States”,<sup>49</sup> Member States being those of the EU.<sup>50</sup> Because it is conceived as a Member States’ court, it is allegedly “part of their judicial system”<sup>51</sup> and “subject to the same obligations under Union law as any national court”.<sup>52</sup>
- 20 In order to substantiate these bold claims, the UPCA stipulates that
- the UPC shall “apply Union law in its entirety” and “respect its primacy” and shall base its decisions on, inter alia, Union law;<sup>53</sup>
  - the UPC shall “cooperate with the [CJEU] to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Art. 267 TFEU in particular”.<sup>54</sup>

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<sup>45</sup> The Statement of Position by the Advocates General in Opinion 1/09 [supra n. 26] was delivered on 2 July 2010, whereas *Sharpston*’s Opinion in the *European Schools* case was delivered on 16 December 2010, and the Court’s decision in that case on 14 June 2011.

<sup>46</sup> The Statement of Position in Opinion 1/09 [supra n. 26] was delivered on behalf of all Advocates General.

<sup>47</sup> The UPCA was signed by Member States of the EU only, and only Member States may accede to it (Rec. 14 and Art. 84(4) UPCA).

<sup>48</sup> See the Draft Agreement on a Unified Patent Court and Draft Statute of June 2011 (Annex to: Council of the European Union, Draft Agreement on a Unified Patent Court and Draft Statute – Presidency Text, doc. 11533/11 of 14 June 2011), being the first draft following Opinion 1/09 [supra n. 26], as opposed to the latest draft preceding that Opinion, namely the draft EEUPCA [supra n. 27], which was subject to the Court’s assessment.

<sup>49</sup> Rec. 7 and Art. 1 UPCA; see also Art. 71a of Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), OJ L 351, 20.12.2012, p. 1, as amended by Regulation (EU) No 542/2014 of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice, OJ L 163, 29.5.2014, p. 1 [hereinafter the “Brussels I Regulation”].

<sup>50</sup> Art. 2 lit. (b) UPCA.

<sup>51</sup> Rec. 7 UPCA; see also Art. 21 UPCA.

<sup>52</sup> Art. 1 UPCA.

<sup>53</sup> Arts. 20 and 24(1) lit. (a) UPCA. In contrast, Art. 14a(1)(b) EEUPCA referred to “directly applicable Community law [...] and national law of the Contracting States implementing Community law”. For details, see Statement of Position on Opinion 1/09 [supra n. 26], paras. 79 et seq.



- the Contracting Member States shall be jointly and severally liable for damage resulting to individuals from an infringement of Union law by the UPC’s Court of Appeal, in accordance with Union law concerning non-contractual liability of Member States for damage caused by their national courts breaching Union law;<sup>55</sup> and
- infringements of Union law shall be directly attributable to each and all Contracting Member States, including for the purpose of infringement proceedings pursuant to Arts. 258, 259 and 260 TFEU.<sup>56</sup>

Apart from that, no substantial adjustments have been made, or found necessary, as regards the basic architecture of the envisaged court system in comparison to the incompatible EEUPC model.

Then came 23 June 2016, the “black Thursday” on which the UK voted to cut its own path. Ever since then, much of the scepticism which induced the negotiating parties to limit participation to Member States has vanished into thin air. According to the majority of post-Brexit comments,<sup>57</sup> the above-mentioned safeguards introduced in the aftermath of Opinion 1/09 are sufficient to meet the concerns voiced by the CJEU, regardless of whether third countries are involved or not.<sup>58</sup> The only point where there seems to be

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<sup>54</sup> Rec. 10 and Art. 21 UPCA. In contrast, Art. 48 EEUPCA established a procedure that (only) replicated the mechanism of the Treaties and, consequently, contained no reference to Art. 267 TFEU. For details, see Statement of Position on Opinion 1/09 [op. cit., n. 26], paras. 94 et seq.; Opinion 1/09 [supra n. 26], paras. 78 et seq.

<sup>55</sup> Rec. 11 and Art. 22 UPCA; for details, see Statement of Position on Opinion 1/09 [supra n. 26], paras. 104 et seq.; Opinion 1/09 [supra n. 26], paras. 87 et seq.

<sup>56</sup> Rec. 12 and Art. 23 UPCA; for details, see Statement of Position on Opinion 1/09 [supra n. 26], paras. 104 et seq.

<sup>57</sup> For exceptions, see *T. Müller-Stoy and R. Teschemacher*, The Unitary Patent & Unified Patent Court System – Perspectives after the Brexit Referendum, EPLAW Patent Blog, 11 August 2016 (available [here](#)); *H. Ullrich*, Le système de protection du brevet unitaire de l’Union après le Brexit: désuni, mais unifié?, 64 Prop. Int. 27 (2017); *L.C. Ubertazzi*, Brexit and the EU Patent, 66 GRUR Int. 2017, 301; id., Brexit and the EU Patent Part II: What Shall We Do?, 66 GRUR Int. 2017, 674; *Th. Jaeger*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 254 (2017); *H. Ullrich*, The European Union’s Patent System after Brexit: Disunited, but Unified?, in Lamping and Ullrich (eds.), The Impact of Brexit on Unitary Patent Protection and its Court, 2018; *T. Jaeger*, Gerichtsorganisation und EU-Recht: Eine Standortbestimmung, EuR 2018 (forthcoming).

<sup>58</sup> See, inter alia, *R. Gordon and T. Pascoe*, Re the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement, op. cit. [supra n. 20], paras. 52 et seq.; *W. Tilmann*, The Future of the UPC after Brexit, 118 GRUR 2016, 754; id., 125 Jahre GRUR – Patentrecht, 118 GRUR 2016, 1223 et seq.; id., UPCA and EPUE-Reg – Construction and Application, 65 GRUR Int. 2016, 419; id., A possible way for a non-EU UK to participate in the Unitary Patent and Unified Patent Court?, IPKat Blog, 28 June 2016; *W. Hoyng*, Does Brexit mean the end of the UPC?, EPLAW Patent Blog, 24 June 2016; *B. Battistelli*, The future of the Unitary Patent package, EPO Blog, 11 July 2016; *A. Ohly and R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 4 et seq.;

some sort of disagreement among scholars is whether further treaties – between the UK, the EU and/or the Member States – will be required in order to formally legalise the UK’s position in the UPC system after the Treaties have ceased to apply to it in accordance with Art. 50(3) TEU.<sup>59</sup>

- 22 Hence, the UK was advised by most post-Brexit commentators to ratify the UPCA sooner rather than later – in any case before leaving the EU. And that is precisely what happened on 26 April 2018.<sup>60</sup> It may not have come as a surprise, but it tells a lot about the system’s integrity.
- 23 The debate that has preoccupied the European patent community for the last few years is not only fascinating for the insights it has provided into the art of legal reasoning. It is also a living example of how epistemic communities manage to exert influence on decision-makers so that the regulatory framework within which they have to operate reflects their own best (economic) interests. The debate about the UK’s participation in the system of unitary patent protection and its court after Brexit is just another example thereof. With all due respect for those who would like to see the unitary patent package come into force sooner rather than later, the sudden change of heart that many have had about the participation of third countries in the UPC judiciary is somewhat elusive. After all, nothing about the legal state of affairs has changed since Opinion 1/09 was delivered. Politics may be “the art of the possible”,<sup>61</sup> but that is no excuse for trampling on the rule of law. It is a thin line that the UK intends to walk by staying on board the UPCA.

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*H. Dunlop*, What now for the Unified Patents Court following the Brexit referendum?, 38 EIRP 595 (2016); *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 827 et seq.

<sup>59</sup> On the one hand: *W. Tilmann*, The Future of the UPC after Brexit, 118 GRUR 2016, 753; *id.*, 125 Jahre GRUR – Patentrecht, 118 GRUR 2016, 1222 et seq.; *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 832 et passim; *R. Gordon* and *T. Pascoe*, Re the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement, *op. cit.* [supra n. 20], paras. 105 et seq.; *M. Aránzazu Gandía Sellens*, The Viability of the Unitary Patent Package After the UK’s Ratification of the Agreement on a Unified Patent Court, 49 IIC 143 et seq. (2018); on the other: *A. Ohly*, UK will not have to accept the supremacy of EU law by separate agreement if it ratifies the Unified Patent Court Agreement, *Kluwer Patent Blog* of 26 November 2016; *A. Ohly* and *R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 6 et seq.

<sup>60</sup> It has been argued that the UK’s ratification constitutes a violation of the principle of sincere cooperation enshrined in Art. 4(3) TEU (see *M. Aránzazu Gandía Sellens*, The Viability of the Unitary Patent Package After the UK’s Ratification of the Agreement on a Unified Patent Court, 49 IIC 138 et seq. (2018)). By the same token, it may be in conflict with Art. 18 of the Vienna Convention [supra n. 23], which requires signatory states to “refrain from acts which would defeat the object and purpose of a treaty” prior to its entry into force.

<sup>61</sup> Otto von Bismarck (\*1815, † 1898).

To get to the bottom of the problem, the structural and material flaws of the unitary patent and the judiciary built around it shall be set aside for the time being.<sup>62</sup> While it stands to reason that the EEUPC cannot be repaired by renovating its façade, it shall be assumed for the purposes of this paper, which is confined to the change of affairs brought about by Brexit, that the above-mentioned safeguards, alongside a limitation of contracting parties to EU Member States, would be sufficient to ensure the system's compatibility with the Treaties. The rest of this paper is thus confined to the question of whether the “common court fiction”, which is considered the backbone of the system's legality, holds if third countries join in as contracting parties.

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<sup>62</sup> For what it's worth, see *H. Ullrich*, The Court of Justice of the European Union – The Future European and EU Patents Court: Hierarchy, Complementarity, Rivalry?, in Hansen and Schüssler-Langeheine (eds.), *Patent Practice in Japan and Europe – Liber Amicorum Guntram Rahn*, 2011, p. 81; *R. Hilty et al.*, The Unitary Patent Package: Twelve Reasons for Concern, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 12-12 (2012); *Th. Jaeger*, Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, 43 IIC 286 (2012); *H. Ullrich*, Harmonizing Patent Law: The Untameable Union Patent, in Janssens and Van Overwalle (eds.), *Harmonisation of European IP Law: From European Rules to Belgian Law and Practice – Contributions in Honour of Frank Gotzen*, 2012, p. 243; *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, 61 GRUR Int. 2012, 215 et seq.; *Th. Jaeger*, Hieronymus Bosch am Werk beim EU-Patent?, 24 EuZW 15 (2013); *id.*, Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise, 43 IIC 389 (2013); *H. Ullrich*, The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?, in Govaere and Hanf (eds.), *Scrutinizing Internal and External Dimensions of European Law – Liber Amicorum Paul Demaret*, 2013, p. 481; *M. Desantes Real*, Le paquet européen des brevets, paradigme du chemin à rebours: de la logique institutionnelle à la logique intergouvernementale, 49 Cah. Dr. Eur. 577 (2013); *id.*, Hacia un tribunal unificado y un efecto unitario para las patentes europeas en casi todos los Estados miembros de la Unión Europea, 65 REDI 51 (2013); *F. Dehousse*, The Unified Court on Patents: The New Oxymoron of European Law, Egmont Paper No. 60, 2013, p. 15 et seq.; *M. Eck*, Europäisches Einheitspatent und Einheitspatentgericht – Grund zum Feiern?, 63 GRUR Int. 2014, 114; *J. Drexler*, The European Unitary Patent System: On the ‘Unconstitutional’ Misuse of Conflict-of-Law Rules, in Hilbig-Lugani et al. (eds.), *Zwischenbilanz – Festschrift für Dagmar Coester-Waltjen*, 2015, p. 361; *T. Mylly*, A Constitutional Perspective, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 77; *H. Ullrich*, The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda, 46 IIC 1 (2015); *M. Desantes Real*, Las sentencias del Tribunal de Justicia de 5 de mayo de 2015 sobre la patente europea con efecto unitario ¿Último peldaño de una malventurada escalera o primer eslabón de una novedosa cadena?, 75 Comun. Prop. Ind. Derecho Competencia 105 (2015); *Th. Jaeger*, Nach l'Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u. a., 50 EuR 461 (2015); *id.*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 261 et seq. (2017); *H. Ullrich*, EuGH und EPG im europäischen Patentschutzsystem: Wer hat was zu sagen? Versuch einer Standortbestimmung, Max Planck Institute for Innovation & Competition Discussion Paper No. 8 (2017); *id.*, Le système de protection du brevet unitaire de l'Union après le Brexit: désuni, mais unifié?, 64 Prop. Int. 27 (2017); *id.*, The European Union's Patent System after Brexit: Disunited, but Unified?, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018.

## II. THE SITUATION POST BREXIT

- 25 Here is the rub: the safeguards built into the UPCA may well appear to cater for a certain degree of respect for Union law. They are binding upon non-EU contracting states to the UPCA as a matter of international law and are thus, *prima facie*, not affected by the UK's withdrawal from the EU. While that is true, it misses the point. If formal safeguards along these lines were actually sufficient, virtually any court model – irrespective of its legal basis or institutional design – would be acceptable. Taken to the extreme, a judicial system could even be set up by third countries alone and would arguably still stand a chance of being held compatible with Union law.
- 26 In the following chapters three lines of argument will be explored in order to substantiate the claim that it will not be possible for the UK to remain a contracting state to the UPCA after having left the EU:
- (1) there is no legal basis in primary Union law for courts situated outside the judicial system of the Member States and, consequently, that of the EU, to cooperate with the CJEU by making references for a preliminary ruling within the scope of Art. 267 TFEU (Ch. II.1).
  - (2) as contracting parties, third countries would have a say in all matters that concern the UPC's polity and policy, including its reception of Union law and policies, and in particular with regard to the transposition of secondary Union law into the UPCA (Ch. II.2);
  - (3) the fact that the UPCA's provisions may have to be interpreted in the light of different principles and policies depending on the institution by which, and the context within which, they are applied may compromise the uniformity of the law embodied therein (Ch. II.3).
- 27 It is true that the CJEU has suggested in its Opinion 1/09 that several roads lead to Rome.<sup>63</sup> However, it was certainly not the Court's intention to open the dialogue that it traditionally maintains with the Member States on the correct implementation of the *acquis communautaire* at the national level to all sorts of submissive international courts, in particular where that dialogue concerns a policy area that is intrinsically linked to the functioning of the Internal Market. The CJEU was inordinately accommodating in the past with regard to the compatibility of the unitary patent package with the Treaties.<sup>64</sup> Member States would be well-advised not to push it too far.

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<sup>63</sup> Opinion 1/09 [supra n. 26], para. 62 et passim.

<sup>64</sup> See Judgment of 16 April 2013, *Spain and Italy v Council*, C-274/11 and C-295/11, ECLI:EU:C:2013:240; Judgment of 5 May 2015, *Spain v Parliament and Council*, C-

## 1. Preliminary rulings

In order to ensure that the specific characteristics and the autonomy of the Union legal order are preserved, the Treaties have established a judicial system that caters for consistency and uniformity in the interpretation of EU law.<sup>65</sup> Pursuant to Art. 19 TEU, it is for the courts and tribunals of the Member States and the CJEU to ensure the full application of EU law in all Member States and effective judicial protection of the rights of individuals under that law.<sup>66</sup> The preliminary ruling procedure provided for in Art. 267 TFEU is the centrepiece of that judicial system. It is conceived as an “instrument of cooperation”<sup>67</sup> between the CJEU and national courts by means of which the former provides the latter with insights on the interpretation of Union law as is necessary for them to give judgments in cases upon which they are called to adjudicate. That dialogue is meant to secure the uniform interpretation of the law established by the Treaties throughout the Internal Market, thereby ensuring its consistency, autonomy and full effect as well as, ultimately, its particular nature.<sup>68</sup> It is a dialogue between the EU and its Member States which are bound, pursuant to the principle of loyalty or sin-

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146/13, ECLI:EU:C:2015:298; Judgment of 5 May 2015, *Spain v Council*, C-147/13, ECLI:EU:C:2015:299.

<sup>65</sup> Opinion of the Court of 18 December 2014, *Accession of the European Union to the ECHR*, 2/13, ECLI:EU:C:2014:2454, para. 174 [hereinafter “Opinion 2/13”].

<sup>66</sup> *Ibid.*, para. 175; Opinion 1/09 [supra n. 26], para. 68; Judgment of 27 February 2018, *Associação Sindical dos Juizes Portugueses*, C-64/16, ECLI:EU:C:2018:117, para. 33; Judgment of 13 March 2007, *Unibet*, C-432/05, ECLI:EU:C:2007:163, para. 38; Judgment of 14 December 1995, *Peterbroeck*, C-312/93, ECLI:EU:C:1995:437, para. 12; Judgment of 19 June 1990, *Factortame*, C-213/89, ECLI:EU:C:1990:257, para. 19; Judgment of 9 March 1978, *Simmenthal*, 106/77, ECLI:EU:C:1978:49, paras. 21 et seq.; Judgment of 16 December 1976, *Rewe*, 33/76, ECLI:EU:C:1976:188, para. 5; Judgment of 16 December 1976, *Comet*, 45/76, ECLI:EU:C:1976:191, para. 12.

<sup>67</sup> Judgment of 18 October 1990, *Dzodzi*, C-297/88 and C-197/89, ECLI:EU:C:1990:360, para. 33; Judgment of 8 November 1990, *Gmurzynska-Bscher*, C-231/89, ECLI:EU:C:1990:386, para. 18; Judgment of 16 July 1992, *Meilicke*, C-83/91, ECLI:EU:C:1992:332, para. 22; Judgment of 12 March 1998, *Djabali*, C-314/96, ECLI:EU:C:1998:104, para. 17; Judgment of 12 June 2003, *Schmidberger*, C-112/00, ECLI:EU:C:2003:333, para. 30; Judgment of 5 February 2004, *Schneider*, C-380/01, ECLI:EU:C:2004:73, para. 20; Judgment of 24 March 2009, *Danske Slagterier*, C-445/06, ECLI:EU:C:2009:178, para. 65; Judgment of 12 February 2009, *Klarenberg*, C-466/07, ECLI:EU:C:2009:85, para. 25; Judgment of 19 June 2012, *CIPA*, C-307/10, ECLI:EU:C:2012:361, para. 31; Judgment of 19 December 2013, *Fish Legal and Shirley*, C-279/12, ECLI:EU:C:2013:853, para. 29; Judgment of 5 July 2016, *Ognyanov*, C-614/14, ECLI:EU:C:2016:514, para. 15; Judgment of 8 December 2016, *Eurosanamientos*, C-532/15 and C-538/15, ECLI:EU:C:2016:932, para. 20; Judgment of 12 October 2017, *Kubicka*, C-218/16, ECLI:EU:C:2017:755, para. 31.

<sup>68</sup> Opinion 2/13 [supra n. 65], para. 176; Opinion 1/09 [supra n. 26], paras. 67, 83; Judgment of 5 February 1963, *Van Gend en Loos*, 26/62, ECLI:EU:C:1963:1, p. 12; Judgment of 16 December 1981, *Foglia*, 244/80, ECLI:EU:C:1981:302, para. 16; Judgment of 15 June 1995, *Zabala Erasan*, C-422/93 to C-424/93, ECLI:EU:C:1995:183, para. 15.

cere cooperation enshrined in Art. 4(3) TEU, to assist each other in carrying out the tasks which flow from the Treaties on the basis of “full mutual respect”. The standing of the UPC within the judicial system of the Union must be assessed in the light of those considerations.

**a) Problem**

- 29 The classification of the UPC as an international court, a court of the Member States, or some sort of novel hybrid species is not just a matter of semantics. It is essential to whether the UPC can approach the CJEU in matters of interpretation of EU law. More precisely, the question is whether the UPC can be considered a “court or tribunal *of a Member State*” within the meaning of Art. 267 TFEU,<sup>69</sup> since only then would the CJEU’s jurisdiction under that provision extend to it. If not, the UPC may be required to make requests for a preliminary ruling pursuant to Art. 21 UPCA, but is not entitled to do so on grounds of Union law. Put another way, the CJEU has no jurisdiction to give preliminary rulings in cases referred to it by the UPC if the latter cannot be considered a “court or tribunal *of a Member State*”.

Before taking a closer look at that, it seems worthwhile to note three points:

- 30 First, the UPC’s nature and its status within the EU judicial system is governed by EU law alone. Art. 267 TFEU is subject to autonomous interpretation by the CJEU according to the general scheme, requirements and objectives of the Union.<sup>70</sup> Whatever the UPC calls itself is irrelevant.
- 31 Second, Art. 21 UPCA is a declaratory provision. The power and obligation of a court or tribunal situated *within* the judicial system of the Member States – as the UPC claims that it is<sup>71</sup> – to request a preliminary ruling from the CJEU derives from, and is governed by, primary Union law. Provided that the common court fiction holds (a matter to which we will come back in

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<sup>69</sup> In the French and German versions of Art. 267(2), (3) TFEU, it is referred to “jurisdiction nationale” and “einzelstaatliches Gericht”; the latter being most restrictive, since it literally translates to “single state court”.

<sup>70</sup> See Opinion of Advocate General Reischl delivered on 25 June 1981, *Broekmeulen*, 246/80, ECLI:EU:C:1981:150, p. 2335 et seq., stating that “concepts of [Union] law are to be classified within the independent legal order of the [Union] and thus fall to be interpreted according to the general scheme, requirements and objectives of the [Union]”. See also Judgment of 27 April 1994, *Almelo*, C-393/92, ECLI:EU:C:1994:171, para. 21; Judgment of 21 March 2000, *Gabalfrisa*, C-110/98 to C-147/98, ECLI:EU:C:2000:145, para. 33; Judgment of 30 November 2000, *Österreichischer Gewerkschaftsbund*, C-195/98, ECLI:EU:C:2000:655, para. 24; Judgment of 30 May 2002, *Schmid*, C-516/99, ECLI:EU:C:2002:313, para. 34; Judgment of 22 December 2010, *RTL Belgium*, C-517/09, ECLI:EU:C:2010:821, para. 36; Judgment of 19 December 2012, *Epitropos tou Elegektikou Synedriou*, C-363/11, ECLI:EU:C:2012:825, para. 18.

<sup>71</sup> Rec. 7 and Art. 21 UPCA.

the further course of this chapter),<sup>72</sup> the UPC is entitled or, as the case may be, required to cooperate with the CJEU by virtue of Union law, not the UPCA.<sup>73</sup> Anything else would imply that the UPC is situated – like the EEUPC<sup>74</sup> – *outside* the judicial system of the Member States and is, consequently, not part of the system provided for in Art. 19 TEU.<sup>75</sup>

Third, it bears noting that the obligation to request a preliminary ruling from the CJEU was already provided for in the EEUPCA, namely in its Art. 48; the EEUPCA could, however, not incorporate the Treaty’s preliminary ruling procedure, so it had to replicate it.<sup>76</sup> It is evident from Opinion 1/09 that the CJEU had a problem with that. The issue was, however, not whether Art. 48 EEUPCA was formulated appropriately, or whether it should have been supplemented by safeguard mechanisms to ensure respect for Union law and its primacy.<sup>77</sup> Otherwise, it seems likely that the Court would have pointed that out instead of indulging in an extensive discussion of the preliminary ruling mechanism’s *ratio legis*.<sup>78</sup> Even in the concluding part of Opinion 1/09, there is no mention that the EEUPCA lacks such mechanisms.<sup>79</sup> Instead, the Court’s finding rests upon the circumstance that the courts and tribunals of the Member States – with whom the Court arguably entertains a “sincere” and “direct”<sup>80</sup> relationship – would have been replaced by a supranational court with ramifications that extend beyond the Union. It stands to reason that the CJEU’s main concern was with the fact that a *new* legal creature, hitherto unknown within the judicial system of Art. 19 TEU, would have been entrusted with the interpretation and application of Union law, without being authorised to do so by the Treaties.

That being said, a closer look will be taken at the legal rationale of the common court fiction and its relevance for the legality of the UPCA.

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<sup>72</sup> See *infra* at II.1.b)(iv).

<sup>73</sup> Just like the Benelux Court, which refers cases to the CJEU for a preliminary ruling even though the Benelux Treaty does not explicitly entitle it to do so; see *Traité relatif à l’institution et au statut d’une Cour de Justice Benelux (version consolidée)*, signé à Bruxelles, le 31 mars 1965, tel que modifié et complété par Protocole du 10 juin 1981, Protocole du 23 novembre 1984, Protocole du 15 octobre 2012 [hereinafter the “Benelux Treaty” and the “Benelux Court”].

<sup>74</sup> *Supra* n. 27.

<sup>75</sup> See Opinion 1/09 [*supra* n. 26], paras. 71, 89.

<sup>76</sup> That is why Art. 48 EEUPCA contained, in contrast to Art. 21 UPCA, no reference to Art. 267 TFEU.

<sup>77</sup> As suggested by, *inter alia*, the Belgian and the French government; see Opinion 1/09 [*supra* n. 26], paras. 30 et seq.

<sup>78</sup> *Ibid.*, paras. 66 et seq., in particular paras. 81 et seq.

<sup>79</sup> That is, *nota bene*, not to say that the EEUPCA was safe in that respect; see Statement of Position on Opinion 1/09 [*supra* n. 26], paras. 79 et seq.

<sup>80</sup> *Ibid.*, para. 84.

## b) Analysis

### (i) A look into the Court's case law

- 34 Highly disparate judicial bodies have been allowed to make references for a preliminary ruling to the CJEU. Most of these bodies were anchored in national law, so the question typically was whether they would qualify as a “court or tribunal”.<sup>81</sup> The supranational aspect that comes into play with the UPC is a rather exotic problem. It appears that the only cases in which the CJEU had to deal with comparable circumstances are *European Schools*,<sup>82</sup> *Dior*<sup>83</sup> and, most recently, *Achmea*.<sup>84</sup> In all three cases the Court was confronted with courts or tribunals established by an international agreement. The pivotal question was whether Art. 267 TFEU needs to be interpreted literally – i.e. restrictively – or whether there is room for a purposive construction in light of the provision's objective of ensuring that the law established by the Treaties has the same effect in all Member States.<sup>85</sup>

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<sup>81</sup> In that regard the CJEU takes account of a number of factors, such as whether the body is established by law and on a permanent basis, whether it is independent, whether its jurisdiction is compulsory, whether it applies rules of law and a procedure comparable to that followed in ordinary courts (Judgment of 30 June 1966, *Vaassen-Göbbels*, 61/65, ECLI:EU:C:1966:39, p. 273; Judgment of 6 October 1981, *Broekmeulen*, 246/80, ECLI:EU:C:1981:218; Judgment of 11 June 1987, *Pretore di Salò*, 14/86, ECLI:EU:C:1987:275, para. 7; Judgment of 27 April 1994, *Almelo*, C-393/92, ECLI:EU:C:1994:171, para. 21; Judgment of 19 October 1995, *Job Centre*, C-111/94, ECLI:EU:C:1995:340, para. 9; Judgment of 17 September 1997, *Dorsch Consult*, C-54/96, ECLI:EU:C:1997:413, paras. 22 et seq.; Judgment of 21 March 2000, *Gabalfrisa*, C-110/98 to C-147/98, ECLI:EU:C:2000:145, para. 33; Judgment of 30 November 2000, *Österreichischer Gewerkschaftsbund*, C-195/98, ECLI:EU:C:2000:655, para. 24; Judgment of 30 May 2002, *Schmid*, C-516/99, ECLI:EU:C:2002:313, para. 34; Judgment of 31 May 2005, *Syfait*, C-53/03, ECLI:EU:C:2005:333, para. 29; Judgment of 14 June 2007, *Häupl*, C-246/05, ECLI:EU:C:2007:340, para. 16; Judgment of 18 October 2007, *ORF*, C-195/06, ECLI:EU:C:2007:613, paras. 18 et seq.; Judgment of 10 December 2009, *Umweltanwalt von Kärnten*, C-205/08, ECLI:EU:C:2009:767, paras. 34 et seq.; Judgment of 22 December 2010, *Koller*, C-118/09, ECLI:EU:C:2010:805, para. 22. Judgment of 31 January 2013, *Belov*, C-394/11, ECLI:EU:C:2013:48, para. 38). The UPC certainly meets all these requirements.

<sup>82</sup> Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388; see also Opinion of Advocate General Sharpston delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777.

<sup>83</sup> Judgment of 4 November 1997, *Parfums Christian Dior*, C-337/95, ECLI:EU:C:1997:517; see also Opinion of Advocate General Jacobs delivered on 29 April 1997, *Parfums Christian Dior*, C-337/95, ECLI:EU:C:1997:222.

<sup>84</sup> Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158; see also Opinion of Advocate General Wathelet delivered on 19 September 2017, *Achmea*, C-284/16, ECLI:EU:C:2017:699.

<sup>85</sup> See, to that effect, Judgment of 16 January 1974, *Rheinmühlen Düsseldorf*, C-166/73, ECLI:EU:C:1974:3, para. 2; Judgment of 12 June 2008, *Gourmet Classic*, C-458/06, ECLI:EU:C:2008:338, para. 20.



In *Dior* the question was whether the Benelux Court falls within the scope of Art. 267 TFEU. The Benelux Court was created by the Benelux Treaty,<sup>86</sup> an international agreement concluded between the member states of the Benelux Union, i.e. Belgium, the Netherlands and Luxembourg. It interacts with courts from those countries as a preliminary reference instance for the interpretation of legal rules common to them, such as the Benelux Convention on Intellectual Property.<sup>87</sup> As such, it complements their proceedings.<sup>88</sup> 35

On the basis of a rather cursory analysis, the CJEU decided that there was “no good reason” why a court such as the Benelux Court, being “a court common to a number of Member States”, should not be able to refer questions for a preliminary ruling to the CJEU.<sup>89</sup> The Court essentially justified its decision by reference to the need to ensure a coherent and uniform interpretation of Union law throughout the Internal Market.<sup>90</sup> 36

In support of its finding, the CJEU placed weight on two features: 37

- the Benelux Court is entrusted with the task of ensuring that the legal rules common to three Member States, namely the three members of the Benelux Union, are applied uniformly;<sup>91</sup> and
- the procedure before the Benelux Court is a step in the proceedings before the national courts of the Benelux countries<sup>92</sup> (i.e. it is incorporated into the national “*Instanzenzug*”, as the Germans would say).

Apart from that, the judgment contains no further elaboration of the arguments in support of the CJEU’s conclusion as regards the entitlement of the Benelux Court to make use of the preliminary ruling mechanism.

The *European Schools* judgment concerned the Complaints Board of the European Schools, an independent administrative court created by the European Schools Convention,<sup>93</sup> an international agreement between the EU and its Member States. It was set up to provide legal protection against acts of the Board of Governors and the Administrative Boards. Its jurisdiction is 38

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<sup>86</sup> Supra n. 73.

<sup>87</sup> Convention Benelux en matière de propriété intellectuelle (marques et dessins ou modèles), signée à La Haye, le 25 février 2005 [hereinafter the “Benelux Convention”].

<sup>88</sup> See *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should Be Examined, 61 GRUR Int. 2012, 219.

<sup>89</sup> Judgment of 4 November 1997, *Parfums Christian Dior*, C-337/95, ECLI:EU:C:1997:517, para. 21 (emphasis added).

<sup>90</sup> Ibid., para. 23.

<sup>91</sup> Ibid., para. 22.

<sup>92</sup> Ibid.

<sup>93</sup> Convention defining the Statute of the European Schools, OJ L 212, 17.8.1994, p. 3 [hereinafter the “European Schools Convention”].

strictly limited to such acts<sup>94</sup> and without prejudice to the national courts' jurisdiction in relation to other matters, such as civil and criminal liability.<sup>95</sup>

- 39 The dispute revolved around the question of whether a provision of the European Schools Convention was compatible with the principles of equal treatment and non-discrimination on grounds of nationality and the freedom of movement for workers, as enshrined in Arts. 18 and 45 TFEU. The Complaints Board argued that it had been set up by means of a convention that exclusively concerns the EU and its Member States, and that its judgments are enforceable by competent authorities of the Member States. Even though it does not fall directly within the authority of any Member State in particular, it would thus be paradoxical if it were not allowed to make references to the CJEU.<sup>96</sup> In support of the Board's argumentation, the Commission referred to it as "a court common to all the Member States which takes the place of the national courts which would otherwise have had jurisdiction".<sup>97</sup>
- 40 The CJEU refused, contrary to Advocate General *Sharpston's* recommendation,<sup>98</sup> to accept the request for a preliminary ruling lodged by the Complaints Board.<sup>99</sup> It did so on two grounds:

- the Complaints Board is not a court common to the Member States, because – in contrast to, for example, the Benelux Court – it has no links with their judicial system;<sup>100</sup> and, moreover,
- although the Complaints Board was created by all the Member States and by the EU, the fact remains that it is "a body of an international organisation which, despite the functional links which it has with the Union, remains formally distinct from it and from those Member States".<sup>101</sup>

Neither the fact that the Complaints Board is required to apply general principles of EU law when it has a dispute before it nor that its decisions are enforceable by national courts satisfied the CJEU's requirements for an ex-

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<sup>94</sup> As specified in Arts. 7 et seq. of the European Schools Convention.

<sup>95</sup> Rec. 4 and Art. 27(2) of the European Schools Convention.

<sup>96</sup> Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388, para. 27; see also Opinion of Advocate General Sharpston delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777, para. 65.

<sup>97</sup> Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388, para. 33.

<sup>98</sup> Opinion of Advocate General Sharpston delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777, paras. 54 to 77, 88.

<sup>99</sup> Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388, para. 46.

<sup>100</sup> *Ibid.*, para. 41.

<sup>101</sup> *Ibid.*, para. 42; see also Judgment of 11 March 2015, *European Schools II*, C-464/13 and C-465/13, ECLI:EU:C:2015:163, para. 33.

tension of its jurisdiction under Art. 267 TFEU to an international court.<sup>102</sup> On the contrary, the Court made it rather clear that an amendment of the Treaties pursuant to Art. 48 TEU would be necessary for the Complaints Board to be able to make references for a preliminary ruling to the CJEU.<sup>103</sup>

Interestingly, the CJEU did not refer back to the analogy drawn by the Advocate General between the Complaints Board of the European Schools and the Appeals Committee of the Royal Netherlands Society for the Promotion of Medicine,<sup>104</sup> which was subject to scrutiny in the Court's earlier *Broekmeulen* judgment.<sup>105</sup> The Royal Netherlands Society is constituted as a private association under Netherlands law. It consists of three bodies: the Council for General Medicine, the Registration Committee and the Appeals Committee, which hears appeals against decisions of the Registration Committee. It is not part of the national judiciary and the procedure before it is not a step in the proceedings before ordinary courts; it was uncertain whether there is even a right of appeal to ordinary courts.<sup>106</sup> Nonetheless, the CJEU took a purposive approach and considered it to be a "court or tribunal of a Member State" within the meaning of Art. 267 TFEU.<sup>107</sup> There are several possible explanations to the CJEU's silence on that analogy and as to what it says about the differences in nature between the Appeals Committee and the Complaints Board. Even though the Appeals Committee has no links with the national judiciary, it operates under the umbrella of national law,<sup>108</sup> whereas the Complaints Board deals with an autonomous body of rules that has no connection whatsoever to the national legal order. The reason why the *Broekmeulen* judgment is mentioned here is its potential relevance for the relative weighting of the criteria on which the CJEU based its decision in *Dior*, namely that the Benelux Court is entrusted with the task of ensuring uniformity of common Benelux rules and that the procedure before it is a step in the proceedings before the national courts. In the light of *Broekmeulen*, it may be argued that the second criteria – which concerns the procedural dimension – carries less weight than the first.

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<sup>102</sup> Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388, para. 43.

<sup>103</sup> *Ibid.*, para. 45, referring to Judgment of 25 July 2002, *Unión de Pequeños Agricultores*, C-50/00 P, ECLI:EU:C:2002:462, paras. 44 and 45.

<sup>104</sup> Opinion of Advocate General Sharpston delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777, paras. 58 et seq.

<sup>105</sup> Judgment of 6 October 1981, *Broekmeulen*, 246/80, ECLI:EU:C:1981:218.

<sup>106</sup> *Ibid.*, paras. 15, 17; see also Opinion of Advocate General Sharpston delivered on 16 December 2010, *European Schools*, C-196/09, ECLI:EU:C:2010:777, para. 59.

<sup>107</sup> Judgment of 6 October 1981, *Broekmeulen*, 246/80, ECLI:EU:C:1981:218, paras. 16 et seq.

<sup>108</sup> The Royal Netherlands Society is a private organisation to which certain regulatory tasks are delegated, and it is accountable to the national ministry of health.

- 42 In *Achmea* the question was whether an Arbitral Tribunal instituted by an intra-EU bilateral investment treaty between the Netherlands and Slovakia<sup>109</sup> falls within the scope of Art. 267 TFEU.<sup>110</sup> According to the investment treaty, the parties commit themselves to promoting investments by investors of the other contracting party in their territory and to permit such investments in accordance with their law. They consented to submit disputes between one contracting party and an investor of the other party concerning an investment of the latter, as well as disputes between themselves, to an ad hoc Arbitral Tribunal. The Tribunal decides on the basis of, inter alia, the law in force of the contracting party concerned, the provisions of the investment treaty and other relevant agreements between the contracting parties, the provisions of special agreements relating to the investment, and general principles of international law.<sup>111</sup> Even though the arbitration clause does not refer to EU law in particular, the latter must be regarded as forming part of the law in force in every Member State.<sup>112</sup> The Arbitral Tribunal may thus be called on to interpret and indeed apply Union law.
- 43 The CJEU's answer to the question of whether the Arbitral Tribunal can be classified as a "tribunal of the Member States" was negative. As before, the Court based its decision on a lack of links with the national judicial system:
- the Arbitral Tribunal is not "a court common to a number of Member States, comparable to the Benelux Court of Justice", because it has no "links with the judicial systems of the Member States";<sup>113</sup>
  - indeed, it only exists because of the "exceptional nature of [its] jurisdiction compared with that of the courts of those two Member States".<sup>114</sup>

According to the Court, that characteristic of the Arbitral Tribunal "means that it cannot in any event be classified as a court or tribunal 'of a Member State' within the meaning of Art. 267 TFEU".<sup>115</sup>

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<sup>109</sup> Agreement on encouragement and reciprocal protection of investments between the Kingdom of the Netherlands and the Czech and Slovak Federal Republic, signed on 1 August 1975 in Helsinki.

<sup>110</sup> For a discussion of the judgment's broader implications, see *T. Jaeger*, *Gerichtsortorganisation und EU-Recht: Eine Standortbestimmung*, EuR 2018 (forthcoming).

<sup>111</sup> Arts. 8 and 10 of the investment treaty between the Netherlands and Slovakia [supra n. 109].

<sup>112</sup> Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, paras. 33, 41.

<sup>113</sup> *Ibid.*, paras 45 and 48.

<sup>114</sup> *Ibid.*, para. 45.

<sup>115</sup> *Ibid.*, para. 46.

The Court went on to reiterate the special – arguably crucial – features of the Benelux Court, namely that it “has the task of ensuring that the legal rules common to the three Benelux States are applied uniformly” and that “the procedure before it is a step in the proceedings before the national courts leading to definitive interpretations of common Benelux legal rules”.<sup>116</sup> It also explicitly referred to the Complaints Board of the European Schools, which arguably lacks such links.<sup>117</sup> Consequently, the CJEU denied the Arbitral Tribunal’s entitlement to make references,<sup>118</sup> thereby confirming the stringent standard established in the *European Schools* case. 44

(ii) An attempt to make sense of the Court’s case law

The fact that the CJEU reached different conclusions regarding the Benelux Court, on the one hand, and the Complaints Board and the Arbitral Tribunal, on the other, begs the question of which differences between these entities are decisive in terms of their classification as a “court or tribunal of a Member State” within the meaning of Art. 267 TFEU. On that basis, it may be possible to draw more accurate conclusions with respect to the UPC. 45

However, before getting to the differences, it seems reasonable to deal with the similarities first. The most obvious one is that the Benelux Court, the Complaints Board, and the Arbitral Tribunal all have their legal bases in an international agreement. Formally, they are thus all international courts. Furthermore, they all apply international law. While the Complaints Board’s jurisdiction is confined to the application of the European Schools Convention<sup>119</sup> and measures adopted thereunder, the Arbitral Tribunal settles disputes on the basis of, inter alia, the provisions of a bilateral investment treaty.<sup>120</sup> The Benelux Court deals with legal rules common to the Benelux countries, which are established by way of international conventions between these countries, such as the Benelux Convention.<sup>121</sup> 46

Within the ambit of their jurisdiction, the Arbitral Tribunal, the Complaints Board, and the Benelux Court may all be called on to interpret and indeed 47

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<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

<sup>118</sup> Ibid., para. 49.

<sup>119</sup> Supra n. 93.

<sup>120</sup> Supra n. 109.

<sup>121</sup> Supra n. 87. Technically speaking, the Benelux Convention harmonises trade mark and design law (see Arts. 2.1 et seq. of the Benelux Convention) in the Benelux Union by virtue of an intergovernmental treaty which gives a supranational court, the Benelux Court, the power to hear questions from national courts concerning the interpretation of that treaty (Art. 1.15 of the Benelux Convention and Art. 6 of the Benelux Treaty [supra n. 73]), and, conversely, entitles national courts to refer questions to the Benelux Court.

apply Union law, whereas only the latter is entitled to consult the CJEU regarding the uniform interpretation and correct application thereof.

48 The differences between the three judicial bodies are as follows:

- the Benelux Court has a legal basis in primary Union law;<sup>122</sup>
- the EU is a contracting party to the European Schools Convention, whereas the Benelux Treaty and the investment treaty between the Netherlands and Slovakia are concluded between Member States only;
- the European Schools Convention and the investment treaty between the Netherlands and Slovakia are autonomous bodies of rules (i.e. they have no precedents in the legislation of the contracting states), whereas the Benelux Convention is de facto a harmonisation measure;
- the procedure before the Benelux Court is a step in the proceedings before the national courts, meaning that disputes originate in the national sphere (in fact, the Benelux Court is a preliminary reference instance), whereas the proceedings before the Complaints Board and the Arbitral Tribunal are autonomous and independent from the national judiciary.

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<b>Benelux Court</b>	<b>Complaints Board</b>	<b>Arbitral Tribunal</b>
legal basis in EU law	no legal basis in EU law	no legal basis in EU law
created by int'l agreement between three MS	created by int'l agreement between all MS and the EU	created by int'l agreement between two MS
applies its own int'l agreement (harmonised nat'l law)	applies its own int'l agreement	applies its own int'l agreement and nat'l law
is an instance in national proceedings	is part of an autonomous dispute settlement system	is part of an autonomous dispute settlement system

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<sup>122</sup> Art. 350 TFEU states that “[the] provisions of the Treaties shall not preclude the existence or completion of regional unions between Belgium and Luxembourg, or between Belgium, Luxembourg and the Netherlands, to the extent that the objectives of these regional unions are not attained by application of the Treaties.”

<p>⤵</p> <p>is situated within the nat'l judicial system; can make references for a preliminary ruling to the CJEU</p>	<p>⤵</p> <p>is situated outside the nat'l judicial system; cannot make references for a preliminary ruling to the CJEU</p>	<p>⤵</p> <p>is situated outside the nat'l judicial system; cannot make references for a preliminary ruling to the CJEU</p>
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*Ceteris paribus*, the question of whether a court or tribunal created by an international agreement is situated inside or outside the judicial system of the Member States and whether it is thus entitled or not to make references for a preliminary ruling pursuant to Art. 267 TFEU seems to hinge on the functional links of that court or tribunal with the legal and judicial system of the Member States, both procedurally and in terms of substantive law. It is not entirely clear, however, what these links ought to look like and how strong they ought to be. Those of the Benelux Court have been recognised as sufficient, whereas those of the Arbitral Tribunal and the Complaints Board have been deemed non-existent or too weak. 50

By all means, the mere fact that a court may have to apply Union law in cases upon which it is called to adjudicate is not enough. Rather the CJEU seems to require that the body of rules which the court is called on to interpret and apply derives from national law and falls, consequently, within the scope of actual or potential acts of approximation or harmonisation on behalf of the Union. This is the kind of law that the CJEU cares about and with respect to which it is eager to have a say. 51

We will see what that means for the UPC after a short detour into the question of whether, and if so, under which conditions, the CJEU's jurisdiction under Art. 267 TFEU may be extended to courts or tribunals situated *outside* the EU judicial system. More specifically, the question is whether it may be possible to *replicate* the preliminary ruling mechanism in the context of an international agreement to which not only Member States are parties without running into a conflict with EU law. If that were possible, Art. 21 UPCA could indeed be a constitutive – rather than just a declaratory – provision. 52

(iii) Preliminary rulings with extraterritorial effect

In Opinion 1/09 the CJEU drew certain parallels to the judicial system of the European Economic Area (hereinafter the “EEA”) and the European Common Aviation Area (hereinafter the “ECAA”).<sup>123</sup> This begs for a closer look 53

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<sup>123</sup> Opinion 1/09 [supra n. 26], paras. 65, 67, 74 et seq.

at Opinions 1/91<sup>124</sup> and 1/92<sup>125</sup> on the compatibility of the EEA Agreement<sup>126</sup> with the Treaties and Opinion 1/00<sup>127</sup> on the compatibility of the ECAA Agreement<sup>128</sup>. They dealt with, inter alia, the conferral of new judicial powers on the CJEU by way of an international treaty, and the question of whether such conferral is possible without amending primary EU law.

- 54 The aim of the EEA Agreement – concluded between the EU, its Member States and EFTA states – was to create a homogeneous economic area on the basis of a uniform legal order.<sup>129</sup> That was to be achieved through the incorporation of provisions into the EEA Agreement which are identical to those of EU law, and the establishing of a judicial machinery with organic links<sup>130</sup> to the European courts. The draft EEA Agreement under scrutiny in Opinion 1/91 entitled courts and tribunals of EFTA states (i.e. those of Austria, Finland, Iceland, Liechtenstein, Norway, Sweden and Switzerland) to ask the CJEU to “express itself” on questions of interpretation of provisions of the EEA Agreement which are identical in substance or wording to provisions of the Treaties.<sup>131</sup> The Court had a major problem with that: the answer given by the CJEU would not have been binding for the referring court. That was perceived as changing the nature of the function of the CJEU as conceived by the Treaties, namely that of a court whose judgments are binding.<sup>132</sup> The issue was resolved in a subsequent draft and officially cleared by Opinion 1/92.<sup>133</sup>
- 55 The ECAA Agreement under scrutiny in Opinion 1/00, concluded between the EU and third countries (i.e. Bulgaria, the Czech Republic, Estonia, Hungary, Iceland, Latvia, Lithuania, Norway, Poland, Romania, the Slovak Re-

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<sup>124</sup> Opinion of the Court of 14 December 1991, *Draft agreement between the Community, on the one hand, and the countries of the European Free Trade Association, on the other, relating to the creation of the European Economic Area*, 1/91, ECLI:EU:C:1991:490 [hereinafter “Opinion 1/91”].

<sup>125</sup> Opinion of the Court of 10 April 1992, *Draft agreement between the Community, on the one hand, and the countries of the European Free Trade Association, on the other, relating to the creation of the European Economic Area*, 1/92, ECLI:EU:C:1992:189 [hereinafter “Opinion 1/92”].

<sup>126</sup> Agreement on the European Economic Area, OJ L 1, 3.1.1994, p. 3.

<sup>127</sup> Opinion of the Court of 18 April 2002, *Agreement on the Establishment of a European Common Aviation Area*, 1/00, ECLI:EU:C:2002:231 [hereinafter “Opinion 1/00”].

<sup>128</sup> Multilateral Agreement on the establishment of a European Common Aviation Area, OJ L 285, 16.10.2006, p. 3.

<sup>129</sup> Opinion 1/91 [supra n. 124], p. 6092 et seq.

<sup>130</sup> See Arts. 95 et seq. of the draft EEA Agreement [cited in Opinion 1/91, supra n. 124].

<sup>131</sup> Art. 104(2) of the draft EEA Agreement and Protocol 34 to that Agreement [cited in Opinion 1/91, supra n. 124].

<sup>132</sup> Opinion 1/91 [supra n. 124], paras. 61 et seq.

<sup>133</sup> Art. 107 of the amended draft EEA Agreement and Protocol 34 to that Agreement [cited in Opinion 1/92, supra n. 125]; see also Opinion 1/00 [supra n. 127], para. 25.



public and Slovenia), introduced a similar mechanism. It gave third countries the power to authorise their courts to make references to the CJEU regarding the interpretation of provisions of the ECAA Agreement which are identical in substance or wording to provisions of the Treaties.<sup>134</sup>

However, in neither of the opinions did the CJEU acknowledge that its jurisdiction under Art. 267 TFEU may be extendable to courts or tribunals of third countries. The question was whether it is possible to confer on the CJEU, by way of an international agreement, the power to interpret provisions of that agreement (i.e. a parallel body of law, which may be identical in substance or wording to Union law, but is distinct and formally independent from it),<sup>135</sup> even though such competence of the Court was not provided for in the Treaties.<sup>136</sup> That – and only that – was acknowledged by the Court. It stated that “there is no provision of the [Treaties] which prevents an international agreement from conferring on the [CJEU] jurisdiction to interpret the provisions *of such an agreement* for the purposes of its application in *non-member countries*”,<sup>137</sup> and went on to indicate that an international agreement “may confer *new* powers on the Court, provided that in doing so it does not *alter* the nature of the function of the Court as conceived in the [Treaties]”.<sup>138</sup> For the avoidance of any doubt, it bears recalling that the purpose of the EEA and the ECAA Agreement was to “*extend the *acquis communautaire* to new states, by implementing in a larger geographical area rules which are essentially those of [Union] law*”.<sup>139</sup>

The CJEU’s approval of the reference mechanisms envisaged in the EEA and the ECAA Agreement is based on the following reasoning: preservation of the autonomy of Union law requires, inter alia, “that the essential character of the powers of the [Union] and its institutions as conceived in the [Treaties] remains unaltered”.<sup>140</sup> However, a mere *extension* of the Court’s interpretative powers as compared to what is laid down in the Treaties is no *alteration*. An international agreement providing for such an extension is thus not, in principle, incompatible with Union law. Neither the EEA nor the ECAA Agreement deprived the Union or its Member States of powers vest-

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<sup>134</sup> Art. 23(2) of the draft ECAA Agreement and Protocol IV to that Agreement [cited in Opinion 1/00, supra n. 127].

<sup>135</sup> *Th. Jaeger*, *Reset and Go: The Unitary Patent System Post-Brexit*, 48 IIC 270 et seq. (2017).

<sup>136</sup> Opinion 1/92 [supra n. 125], para. 33.

<sup>137</sup> Opinion 1/91 [supra n. 124], para. 59 (emphasis added).

<sup>138</sup> Opinion 1/92 [supra n. 125], para. 32 (emphasis added); see also Opinion 1/00 [supra n. 127], paras. 12, 20.

<sup>139</sup> Opinion 1/00 [supra n. 127], para. 3 (emphasis added), see also paras. 7 et seq.

<sup>140</sup> *Ibid.*, paras. 12, 20, with references to Opinion 1/91 [supra n. 124], paras. 61 et seq., and Opinion 1/92 [supra n. 125], paras. 32 and 41.

ed in them by the Treaties. What they did is to create *new* powers for the CJEU. The existing powers and their allocation were left untouched.

- 58 In more general terms, this means that the Treaties' preliminary ruling mechanism may be replicated in an international agreement, but only for the purpose of requesting a CJEU ruling with "extraterritorial" effect – i.e. outside the territory of the Internal Market. Anything else would interfere with the intra-community procedure between the EU and its Member States as established by Art. 19 TEU and Art. 267 TFEU. In the context of the EEA and the ECAA, there was indeed no such interference. It would be speculative to read anything more into the Court's opinions.

(iv) Limits to the common court fiction

- 59 That being said, we may come back to the question of whether the UPC is truly a common Member State court;<sup>141</sup> and thus entitled or, as the case may be, required to collaborate with the CJEU, like any other national court, to ensure the correct application and uniform interpretation of Union law by requesting preliminary rulings in accordance with Art. 267 TFEU.
- 60 To date the only supranational court instituted on the basis of an international agreement that has been able to satisfy the CJEU's expectations under Art. 267 TFEU is the Benelux Court. The Court refers to it as "a court common to a number of Member States, situated, *consequently*, within the judicial system of the European Union".<sup>142</sup> That wording suggests a causal link between the classification of the Benelux Court as a common court and its embedment within the judicial system established by Art. 19 TEU – and, consequently, its entitlement to request preliminary rulings from the CJEU. In the light of the case law analysed above, the binding force of that causality seems to be the court's jurisdiction *ratione materiae*.
- 61 It remains to be seen whether the UPC meets the CJEU's high expectations. Technically speaking, it is an "international organisation with legal personality in each Contracting Member State".<sup>143</sup> As such, it is formally distinct from the Member States; by its organisation and composition, it operates as an international court.<sup>144</sup> There is no need to quibble about that.

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<sup>141</sup> As stated in Rec. 7 and Art. 1 UPCA; see also Art. 71a of the Brussels I Regulation [supra n. 49].

<sup>142</sup> Opinion 1/09 [supra n. 26], para. 82 (emphasis added).

<sup>143</sup> Rec. 1 of the Protocol on Privileges and Immunities of the Unified Patent Court, signed in Brussels on 29 June 2016.

<sup>144</sup> See *H. Ullrich*, *The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda*, 46 IIC 2 (2015).

Nonetheless, it may be argued that the UPC is part of the Contracting Member States' judicial system.<sup>145</sup> It is the institutional backbone of a comprehensive package of legislative measures initiated under the auspices of the EU. The effect of Arts. 5(3) and 7 of Reg. 1257/2012 is de facto a harmonisation of the participating Member States' post-grant patent law<sup>146</sup> via the backdoor of the UPCA.<sup>147</sup> In this respect, the UPC seems to be closer to the Benelux Court<sup>148</sup> than to the Complaints Board or the Arbitral Tribunal and may actually stand a chance of being recognised by the CJEU as a common court that falls within the scope of Art. 267 TFEU – provided that the material and structural flaws<sup>149</sup> inherited from the EEUPC which stand in the way of the UPC's compatibility with the Treaties are sorted out.

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However, as soon as third countries join in as contracting parties, the common court fiction falls apart for good. The UPC cannot be part of the judicial system of the Member States and at the same time an international or-

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<sup>145</sup> For a different (more restrictive) view, see *J. Gruber*, Das Einheitliche Patentgericht: vorlagebefugt kraft eines völkerrechtlichen Vertrags?, 64 GRUR Int. 2015, 323; *M. Amort*, Zur Vorlageberechtigung des Europäischen Patentgerichts: Rechtsschutzlücke und ihre Schließung, 52 EuR 73 et seq. (2017).

<sup>146</sup> Although the harmonising effect only extends to the law applicable to European patents, including unitary patents, whereas the law applicable to national patents granted by national patent offices remains unaffected – and may thus diverge from that applicable to European and unitary patents granted by the EPO.

<sup>147</sup> The scope of exclusivity is defined – for every single patent anew – by reference to one single national law (Arts. 5(3) and 7 of Reg. 1257/2012). That is either where the applicant had his/her residence or place of business on the date of filing of the application, or, where none of those apply (i.e. for third country applicants with no connection to any of the participating Member States), where the EPO has its headquarters, i.e. Germany (for details, see *T. Müller-Stoy* and *F. Paschold*, Europäisches Patent mit einheitlicher Wirkung als Recht des Vermögens, 63 GRUR Int. 2014, 649 et seq.; *H. Ullrich*, The European Union's Patent System after Brexit: Disunited, but Unified?, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018, at II.4.a)(v); *J. Drexel*, The European Unitary Patent System: On the 'Unconstitutional' Misuse of Conflict-of-Law Rules, in Hilbig-Lugani et al. (eds.), *Zwischenbilanz – Festschrift für Dagmar Coester-Waltjen*, 2015, p. 361). That law is presumably the same in all participating Member States, because all of them are – or rather have to be for Reg. 1257/2012 to enter into force (Art. 18(2) of Reg. 1257/2012; see also Art. 7(2) of Reg. 1260/2012; Rec. 15 and Art. 89(1) UPCA) – contracting states to the UPCA. Although this link between the regulations and the UPCA, which makes the applicability of Union law conditional upon the coming into force of an international treaty, is questionable (see *Th. Jaeger*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 265 (2017)), the CJEU waived it through without much hesitation (Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 104 et seq.).

<sup>148</sup> Although it has been suggested that there are intrinsic differences between both courts; see *Th. Jaeger*, Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, 43 IIC 299 et seq. (2012); *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, 61 GRUR Int. 2012, 220.

<sup>149</sup> See sources cited supra in n. 62.

ganisation that is open to accession by whatever country agrees to subject itself to Union law. While the participation of third countries would not change the nature of the law embodied in the UPCA, it would alter its character by expanding its scope of application beyond that of the Treaties. Due to the functional and substantive interdependence between Reg. 1257/2012 and the UPCA, which divide amongst each other the post-grant law applicable to unitary patents, the UPCA must be conceived as an integral part of the measures implementing enhanced cooperation and is thus subject to the overarching requirements and objectives associated therewith.<sup>150</sup> The participation of third countries compromises that by diluting the principles and policies that ought to underpin and inform the interpretation of the rules enshrined in the UPCA.<sup>151</sup> It also affects the atmosphere of the dialogue entertained between the UPC and the CJEU as regards the interpretation of Union law applicable within the ambit of unitary patent protection.

- 64 Those considerations must be seen in light of the specific nature of the EU. The Union is not just a “marriage of convenience”. For better or worse, it is a community of solidarity based on common values and objectives. They determine the particular nature and character of the law established by the Treaties and have a formative influence on its implementation in the Member States. By the same token, the EU is not just a melting pot of sovereign nations and interests. The Union integrates the Member States into an independent and autonomous organism with its own constitutional identity. This implies and justifies the need for a considerable degree of solidarity, cohesion and mutual understanding between the Member States. This is, however, the root of the actual problem. The UK has chosen to leave the EU precisely because it is no longer willing to solidarise with the other Member States under the terms and conditions of the Treaties.
- 65 Even if the above concerns were set aside, the logic simply does not work. Where would the line be drawn? What if other Member States left the EU or further non-EU states joined the UPC? At what point would the UPC cease to be a court common to the Member States? Is it enough if the majority of contracting states are Member States? Or is there a need at all for Member States to be involved in view of the UPC’s obligation to apply Union law and respect its primacy? The fact alone that a matter of principle would be degraded to a question of degree should be reason enough to refrain from trying to pigeonhole the UPC into something it cannot be.

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<sup>150</sup> Art. 20(1) TEU and Arts. 326 et seq. TFEU.

<sup>151</sup> For a discussion of the differences and correlations between principles, policies and rules (in the context of international harmonization), see *M. Lamping*, Intellectual Property Harmonization in the Name of Trade, in Ullrich et al. (eds.), *TRIPS plus 20 – From Trade Rules to Market Principles*, 2016, p. 340 et seq., with further references.

The classification of the UPC as an international court<sup>152</sup> *stricto sensu* is not an option either. Regardless of any safeguards introduced into the UPCA to protect the supremacy and autonomy of Union law,<sup>153</sup> it is not possible to extend the CJEU's jurisdiction under Art. 267 TFEU to courts that are not part of the judicial system of the Member States. The CJEU has been very strict about that in the past;<sup>154</sup> and it has been for good reasons. While it is true that the CJEU's jurisdiction to give preliminary rulings may be extended to third country courts,<sup>155</sup> including international courts, this is possible only to the extent that the preliminary reference concerns the interpretation of EU law for the purpose of its extraterritorial application.<sup>156</sup>

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### c) Conclusion

Brexit drives a wedge straight into the common court fiction – a construct which is innately fragile by design, even if the UK were to remain in the EU. It is enough of a stretch to accept that a supranational court created by an international agreement between the Member States can be “a court or tribunal of a Member State” within the meaning of Art. 267 TFEU.<sup>157</sup> It seems like the Contracting Member States to the UPCA would overplay their hand if they allowed non-EU states to get involved. Without an explicit authorisation in the Treaties,<sup>158</sup> there is simply no place within the judicial system of Art. 19 TEU for judicial bodies that are not fully integrated into the judicial system of the Member States, and for whose actions the Member States are, consequently, fully accountable by virtue of Union law.<sup>159</sup>

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<sup>152</sup> As suggested by *R. Gordon* and *T. Pascoe*, Re the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement, op. cit. [supra n. 20], para. 59 et passim.

<sup>153</sup> See supra at I.3.

<sup>154</sup> See Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388; Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158.

<sup>155</sup> See Opinion 1/91 [supra n. 124]; Opinion 1/92 [supra n. 125]; Opinion 1/00 [supra n. 127].

<sup>156</sup> See supra at II.A.2(c).

<sup>157</sup> See *J. Gruber*, Das Einheitliche Patentgericht: vorlagebefugt kraft eines völkerrechtlichen Vertrags?, 117 GRUR Int. 2015, 323; *M. Amort*, Zur Vorlageberechtigung des Europäischen Patentgerichts: Rechtsschutzlücke und ihre Schließung, 52 EuR 73 et seq. (2017); *T. Jaeger*, Gerichtsorganisation und EU-Recht: Eine Standortbestimmung, EuR 2018 (forthcoming).

<sup>158</sup> The need for an amendment of primary Union law can also be read between the lines of the *European Schools* judgment, in which the Court states that “while it is possible to envisage a development [...] of the system of judicial protection established by the European Schools’ Convention, it is for the Member States to reform the system currently in force” (Judgment of 14 June 2011, *European Schools*, C-196/09, ECLI:EU:C:2011:388, para. 45, referring to Judgment of 25 July 2002, *Unión de Pequeños Agricultores*, C-50/00 P, ECLI:EU:C:2002:462, paras. 44 and 45). The Court’s reference leads to Art. 48 TEU.

<sup>159</sup> On the latter, see infra at III.

- 68 It has been argued that the UPC could be authorised to make references for a preliminary ruling by virtue of an exit agreement between the UK and the EU pursuant to Art. 50(2) TEU.<sup>160</sup> However, the entitlement of an international court to request a preliminary ruling is not simply an *extension* of the CJEU's jurisdiction under Art. 267 TFEU. It introduces a *new* protagonist into the judicial landscape painted by Art. 19(3) TEU in conjunction with Art. 267 TFEU. It is thus an *alteration* of the powers allocated by the Treaties. As such, it requires an amendment of the Treaties.
- 69 In the light of those considerations, it comes down to the question of whether primary Union law can be amended by way of an exit agreement. The answer is a qualified no. An accession to the EU requires a unanimous decision of the Council and an agreement between the Member States and the applicant state setting out the conditions of admission and the adjustments to the Treaties which such admission entails (Art. 49 TEU). The treaty of accession and the act of accession attached to it form an integral part of primary Union law.<sup>161</sup> In turn, a withdrawal from the EU must only be notified to the European Council.<sup>162</sup> It is thus not an *actus contrarius* to an accession.<sup>163</sup> Despite the *pactum de negotiando* set forth in Art. 50(2) TEU, withdrawal is a unilateral act that requires no further action on behalf of the Union, the remaining Member States or the withdrawing Member State in order to take effect.<sup>164</sup> The facultative exit agreement that may be concluded between the Union and the withdrawing Member State is negotiated in accordance with Art. 218(3) TFEU, and it is concluded on behalf of the Union by the Council, acting by a qualified majority,<sup>165</sup> after obtaining the consent

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<sup>160</sup> See *R. Gordon and T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, op. cit. [supra n. 20], para. 107.

<sup>161</sup> Judgment of 28 April 1988, *LAISA*, 31/86 and 35/86, ECLI:EU:C:1988:211, para. 12; Judgment of 11 September 2003, *Austria v Council*, C-445/00, ECLI:EU:C:2003:445, para. 62. See also *W. Meng* in von der Groeben et al. (eds.), *Europäisches Unionsrecht*, 7<sup>th</sup> ed. 2015, Art. 49 EUV, paras. 42, 44; *C. Ohler* in Grabitz, Hilf and Nettesheim (eds.), *EUV/AEUV*, December 2017, Art. 49 EUV, paras. 28, 36; *M. Pechstein* in Streinz (ed.), *EUV/AEUV*, 3<sup>rd</sup> ed. 2018, Art. 49 EUV, paras. 10 et seq.

<sup>162</sup> Art. 50(2) TEU.

<sup>163</sup> In contrast to a treaty of accession and the act of accession attached to it (see *M. Pechstein* in Streinz (ed.), *EUV/AEUV*, 2<sup>nd</sup> ed. 2012, para. 15), an exit agreement can be subject to annulment proceedings under Art. 263 TFEU and can give rise to liability of the Union under Arts. 268 and 340(2) TFEU. It may even be subject of an opinion of the CJEU within the meaning of Art. 218(11) TFEU (see *O. Dörr* in Grabitz, Hilf and Nettesheim (eds.), *EUV/AEUV*, December 2017, Art. 50 EUV, para. 32; *R. Streinz* in Streinz (ed.), *EUV/AEUV*, 3<sup>rd</sup> ed. 2018, Art. 50 EUV, para. 14).

<sup>164</sup> Art. 50(3) TEU. See *O. Dörr* in Grabitz, Hilf and Nettesheim (eds.), *EUV/AEUV*, December 2017, Art. 50 EUV, paras. 13, 17 et passim.; *R. Streinz* in Streinz (ed.), *EUV/AEUV*, 3<sup>rd</sup> ed. 2018, Art. 50 EUV, paras. 6 et seq., 9; *C. Callies* in Callies and Ruffert (eds.), *EUV/AEUV*, 5<sup>th</sup> ed. 2016, Art. 50 EUV, para. 3.

<sup>165</sup> Defined, according to Art. 50(4) TEU, in accordance with Art. 238(3) lit. (b) TFEU.

of the European Parliament.<sup>166</sup> It may *envisage* certain amendments to the Treaties in view of the withdrawing state's future relationship with the Union. However, the *implementation* of such amendments in the Treaties is only possible pursuant to the revision procedures provided for in Art. 48 TEU.<sup>167</sup> It is not for the Union to make them, but for the Member States; they are the "Masters of the Treaties".<sup>168</sup> Whatever revision procedure is followed (whether ordinary or simplified), they can only act unanimously.

Against this background it must be concluded that the UPC cannot be authorised to make references for a preliminary ruling to the CJEU by virtue of an exit agreement pursuant to Art. 50(2) TEU – or, for that matter, any agreement between the EU and the UK.<sup>169</sup> Without a revision of Art. 267 TFEU, which requires the consent of *all* Member States (including, *nota bene*, the consent of those currently not participating in the unitary patent package or parts thereof, i.e. Croatia, Poland and Spain),<sup>170</sup> the UPCA would have to be considered incompatible with the Treaties. Whether an amendment of Art. 267 TFEU along these lines would be compatible with general principles of Union law is another question altogether.

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## 2. Governance

Union law is based on the fundamental premise that all Member States share the values and objectives set out in the Treaties, most prominently in Arts. 2 and 3 TEU.<sup>171</sup> That implies and justifies the existence of the principle of loyalty or sincere cooperation enshrined in Art. 4(3) TEU. That principle does not only entrust the Member States with the duty of preserving the full effectiveness of Union law, but also with that of ensuring that the Union retains full control over the attainment of its objectives and policies. In the

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<sup>166</sup> Art. 50(2) TEU.

<sup>167</sup> See *O. Dörr* in Grabitz, Hilf and Nettesheim (eds.), EUV/AEUV, December 2017, Art. 50 EUV, para. 10; *C. Callies* in Callies and Ruffert (eds.), EUV/AEUV, 5<sup>th</sup> ed. 2016, Art. 50 EUV, para. 7.

<sup>168</sup> Bundesverfassungsgericht (German Federal Constitutional Court), Judgment of 12 October 1993, 2 BvR 2134/92, BVerfGE 89, 155, 204.

<sup>169</sup> For a contrary view, see *R. Gordon* and *T. Pascoe*, Re the Effect of 'Brexit' on the Unitary Patent Regulation and the Unified Patent Court Agreement, *op. cit.* [supra n. 20], para. 88; *M. Aránzazu Gandía Sellens*, The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court, 49 IIC 144 (2018).

<sup>170</sup> Hungary may have to be added to that list, depending on what its government intends to do about the recent decision of the Hungarian Constitutional Court which considered the transfer of exclusive jurisdiction on certain civil lawsuits to the UPC – i.e. to an international court without legal basis in Union law – incompatible with Hungary's Fundamental Law; see Judgment of the Constitutional Court of Hungary of 26 June 2018, X/01514/2017; for a discussion of the decision, see *E. Vardy*, UPC – Hungarian constitutional complaint, IPKat Blog, 5 July 2018.

<sup>171</sup> Opinion 2/13 [supra n. 65], para. 168.

context of enhanced cooperation, this is reinforced by the requirements and objectives associated therewith: “Enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process”;<sup>172</sup> it shall “not undermine the Internal Market or economic, social and territorial cohesion”;<sup>173</sup> it shall “not constitute a barrier to or discrimination in trade between Member States, nor shall it distort competition between them”;<sup>174</sup> the “Council and the Commission shall ensure the consistency of activities undertaken in the context of enhanced cooperation and the consistency of such activities with the policies of the Union”.<sup>175</sup>

### a) Problem

- 72 If participation of third countries in the patent judiciary established by the UPCA were to be accepted as compatible with Union law, it can only be as a matter of principle. It cannot be a matter of degree. The downside of that is that every accession of a non-EU state brings with it a loss of control of the Contracting *Member States* over the attainment of the Union’s objectives and policies in the area of unitary patent protection.
- 73 Membership entails obligations, but it also involves rights and influence. The body of the UPC where that influence culminates is the Administrative Committee. According to Art. 12(2), (3) UPCA, the Committee adopts its decisions by a majority of three quarters of the contracting states represented and voting, except where the UPCA or the Statute provide otherwise. The Administrative Committee’s duties include: appointing judges;<sup>176</sup> granting exemptions for full-time judges to engage in other occupations;<sup>177</sup> establishing the requirements for European Patent Attorneys to act as party representatives;<sup>178</sup> affixing court fees and periodically reviewing the level thereof;<sup>179</sup> setting the level of legal aid and the rules on bearing the costs thereof;<sup>180</sup> determining the rules governing the contracting states’ contributions to damages that have to be paid due to an infringement of Union law by the UPC;<sup>181</sup> deciding about prolonging the transitional period (on the basis of stakeholder consultation and an opinion of the UPC);<sup>182</sup> approving the au-

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<sup>172</sup> Art. 20(1) TEU.

<sup>173</sup> Art. 326 TFEU.

<sup>174</sup> Ibid.

<sup>175</sup> Art. 334 TFEU.

<sup>176</sup> Art. 16(2) UPCA.

<sup>177</sup> Art. 17(2) UPCA.

<sup>178</sup> Art. 48(3) UPCA.

<sup>179</sup> Art. 36(3) UPCA.

<sup>180</sup> Art. 71(3) UPCA.

<sup>181</sup> Art. 22(3) UPCA.

<sup>182</sup> Art. 83(5) UPCA.



thenticity of translations of the UPCA;<sup>183</sup> amending the Rules of Procedure (on the basis of a proposal from the UPC and after consultation with the European Commission);<sup>184</sup> amending the Statute of the UPC (on the basis of a proposal of the UPC or of the Contracting Member States after consultation with the UPC);<sup>185</sup> deciding about revisions of the UPCA with a view to improving the functioning of the judiciary (on the basis of a stakeholder consultation and an opinion of the UPC);<sup>186</sup> amending the UPCA to bring it into line with an international treaty relating to patents or Union law.<sup>187</sup>

Even if only the remaining non-EU member states of the EPO<sup>188</sup> joined in, 74  
this would alter the decision-making process. The EPO has 38 member states, of which 28 (27 without the UK) are Member States of the EU – and thus bound by the principle of sincere cooperation set out in Art. 4(3) TEU. If all remaining contracting states to the UPCA ratified, the UPC would have 24 Contracting *Member States* (without the UK). Together with non-EU EPO states, the UPC would have 35 contracting states in total, of which 24 are Member States of the EU. The Member States alone would not represent a majority of three-quarters of the contracting states and would thus always depend on a third country to constitute a quorum.

That alone is unfortunate enough from a governance perspective, because 75  
those who were meant to actually *govern* the UPC – which claims to be a court of EU Member States<sup>189</sup> – may not be able to do so. If the Member States depend on third countries to constitute a quorum, they may have to make concessions that are detrimental to the functioning of the unitary patent system as an integration mechanism for the Internal Market.

As regards the Administrative Committee’s competence to amend the 76  
UPCA with a view to improving the functioning of the judiciary or bringing it into line with an international treaty relating to patents or Union law,<sup>190</sup> the situation is even worse: each and every contracting state to the UPCA, including non-EU contracting states, enjoys a veto right regarding such amendments. According to Art. 87(3) UPCA a decision of the Administrative Committee shall not take effect if a Contracting Member State declares that “it does not wish to be bound” by it. In this case, a review conference of

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<sup>183</sup> Art. 88(2) UPCA.

<sup>184</sup> Art. 41(2) UPCA.

<sup>185</sup> Art. 40(2) UPCA.

<sup>186</sup> Art. 87(1) UPCA.

<sup>187</sup> Art. 87(2) UPCA.

<sup>188</sup> Albania, Iceland, Liechtenstein, Monaco, North Macedonia, Norway, Serbia, San Marino, Switzerland, Turkey and, in the future, also the United Kingdom.

<sup>189</sup> Rec. 7 and Art. 1 UPCA; see also Art. 71a of the Brussels I Regulation [supra n. 49].

<sup>190</sup> Art. 87(1), (2) UPCA.

the contracting states would have to be convened; and since the UPCA does not provide otherwise, Art. 40 of the Vienna Convention<sup>191</sup> would apply. This means that all contracting states would have the right to take part in the decision as to the action to be taken and in the negotiation and conclusion of any amendment agreement. Consequently, each and every contracting state, including non-EU states, would be in a position to block amendments to the UPCA, including notably those required to align it with Union law.

- 77 While Art. 87(3) UPCA makes sense in the EPC, from where it has been copied verbatim,<sup>192</sup> it appears to be *de trop* in the UPCA. The provision was odd in the pre-Brexit era. Why should Member States be given the right to oppose the alignment of the UPCA with Union law that has been properly adopted pursuant to the legislative procedures provided for in the Treaties?<sup>193</sup> It is dangerous in the post-Brexit era, because it enables non-EU contracting states to shield the UPCA against developments of the *acquis*.
- 78 While the veto right is not problematic with regard to primary Union law and directly applicable secondary Union, such as regulations, it is with regard to secondary Union law which is not directly applicable, i.e. directives, since the very nature of that category of EU legislative acts means that their effectiveness is dependent upon their transposition into national law. In contrast to regulations, directives are not a direct source of rights and obligations.<sup>194</sup> It is not the directive itself but the national implementation legislation that confers rights and obligations upon individuals.
- 79 In the absence of such legislation implemented into the UPCA, the UPC can therefore, in principle, not give effect to the rights and obligations provided for by a directive. While Art. 20 requires the UPC to “apply Union law in its entirety”, that only applies – i.e. can only apply – to directly applicable Union law. Directives lack direct applicability by virtue of Union law, and it is not possible for an international treaty to change the nature and function of EU legislative acts. That means that the UPCA, which takes the place of national law with respect to post-grant law applicable to European and unitary patents, needs to be amended in order to give effect to a directive that

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<sup>191</sup> Supra n. 23.

<sup>192</sup> According to Art. 33(1)(b) EPC the “Administrative Council shall be competent to amend [...] [the EPC] to bring [it] into line with an international treaty relating to patents or European Community legislation relating to patents”. According to Art. 35(3) EPC, a decision taken on the basis of that provision “shall not take effect if a Contracting State declares [...] that it does not wish to be bound by that decision”.

<sup>193</sup> The only legitimate reason for a Member State to exercise its veto regarding the transposition of a directive into the UPCA would appear to be disagreement on “the choice of form and methods” (Art. 288(3) TFEU). However, a review conference does not solve that problem, it just relocates the dispute to another forum.

<sup>194</sup> Art. 288(2), (3) TFEU.

concerns the rights and obligations of individuals under the UPCA. And that may require, as illustrated above, a joint effort of *all* contracting states.

As regards the transposition of directives into the UPCA, there is a general and a specific problem. Both concern the effectiveness of Union law.

Even if only Member States were concerned, one would expect friction to arise among them when it comes to determining the specific modalities of transposing a directive into the UPCA. According to Art. 288(3) TFEU, directives shall be “binding as to the result to be achieved” but shall leave discretion as to “the choice of form and methods” of their implementation. It is not uncommon that the margins of discretion left to the Member States lead to an inconsistent transposition of directives into national law, with a potential negative impact on the attainment of the Union’s policies in the field concerned. It is also not news that the late transposition of directives by Member States is a constant headache for the European Commission, and that the numbers of late transposition infringement cases has recently been on the rise again; in fact, they constitute the lion’s share of all infringement proceedings initiated by the Commission.<sup>195</sup> It will only make things worse if all Member States need to agree on a common approach. 80

Brexit adds yet another layer to that problem. Coming to terms is difficult enough amongst Member States; it does not get any easier if third countries are involved. The mere fact that a non-EU state is a party to an agreement setting up a court that is required to apply Union law and respect its primacy does not mean that that country will – or even can – readily accept, in its capacity as a sovereign and democratic nation state, all future legislative measures taken by the Union and its institutions in the court’s field of jurisdiction. In addition to the fact that such measures may not enjoy democratic legitimacy in that country, they may be undesirable from a policy perspective or inconsistent with other bodies of national law, including, in particular, fundamental constitutional principles and values. 81

The bottom line is that the UK will, even as a non-EU contracting state, retain a veto right regarding the transposition of directives into the UPCA. 82

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<sup>195</sup> In 2016 there were 70 directives to transpose, up from 56 in 2015. New late transposition infringement cases increased sharply, to 847 from 543. The total number of new infringement cases launched by the Commission in 2016 was 986. Consequently, the share of late transposition infringement cases in the total number of infringement proceedings initiated under Art. 258 TFEU was 86%. At the end of 2016 868 late transposition infringement cases were still open; this is a 67.5% increase from the 518 cases open at the end of 2015, and 52% of the total number of infringement cases open at the end of 2016. All 28 Member States were involved in late transposition infringement cases. See *European Commission*, Monitoring the application of European Union law, 2016 Annual Report, COM(2017) 370 final, 6 July 2017, paras. 25, 28 et seq.

Neither the UPC nor the Member States are in any position to do anything about that. If diplomacy fails, there will be stalemate. A British veto may only be “levered out” where a directive can produce “direct effect”.

## b) Analysis

### (i) About the direct effect of directives

- 83 Half a century after the “discovery” of the direct effect of EU law,<sup>196</sup> the debate about how and when individuals can invoke provisions of Union law in national proceedings has not come to rest. Directives are an everlasting bone of contention in that regard. The issue touches upon the very core of EU constitutional law and the EU’s relationship with the Member States.
- 84 When confronted with the dilemma of having to choose between formal legality dictated by the nomenclature of the Union’s legislative measures and the pragmatic desire to ensure the effectiveness of Union law, the CJEU has sought to balance both concerns by accepting that a directive can, under certain circumstances, produce direct effect at the national level.<sup>197</sup> Recognition of the direct effect of directives was initially based on the binding effect attributed to them by Art. 288 TFEU,<sup>198</sup> and subsequently underpinned by an *estoppel* argument: the Court found that a Member State which has not transposed a directive within the prescribed deadline should not be able to rely on its own failure to comply with Union law.<sup>199</sup> It is settled case law that wherever the provisions of a directive appear, as far as their subject-matter is concerned, to be unconditional and sufficiently precise, those provisions may, in the absence of implementing measures adopted by the

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<sup>196</sup> Judgment of 5 February 1963, *Van Gend en Loos*, 26/62, ECLI:EU:C:1963:1.

<sup>197</sup> Judgment of 17 December 1970, *Spa SACE*, 33/70, ECLI:EU:C:1970:118, para. 10; Judgment of 4 December 1974, *Van Duyn*, 41/74, ECLI:EU:C:1974:133, paras. 12 et seq.; Judgment of 5 April 1979, *Ratti*, 148/78, ECLI:EU:C:1979:110, paras. 20 et seq.; Judgment of 19 January 1982, *Becker*, 8/81, ECLI:EU:C:1982:7, para. 23; for further details and references, see *M. Nettesheim* in Grabitz, Hilf and Nettesheim (eds.), EUV/AEUV, December 2017, Art. 288 AEUV, paras. 137 et seq.; *W. Schroeder* in Streinz (ed.), EUV/AEUV, 3<sup>rd</sup> ed. 2018, Art. 288 AEUV, paras. 86 et seq.; *M. Ruffert* in Callies and Ruffert (eds.), EUV/AEUV, 5<sup>th</sup> ed. 2016, Art. 288 AEUV, paras. 57 et seq.

<sup>198</sup> Judgment of 4 December 1974, *Van Duyn*, 41/74, ECLI:EU:C:1974:133, para. 12.

<sup>199</sup> Judgment of 5 April 1979, *Ratti*, 148/78, ECLI:EU:C:1979:110, para. 22; Judgment of 19 January 1982, *Becker*, 8/81, ECLI:EU:C:1982:7, para. 24; Judgment of 26 February 1986, *Marshall*, 152/84, ECLI:EU:C:1986:84, paras. 47, 49; Judgment of 24 March 1987, *McDermott*, 286/85, ECLI:EU:C:1987:154, para. 12; Judgment of 8 October 1987, *Kolpinghuis Nijmegen*, 80/86, ECLI:EU:C:1987:431, para. 8; Judgment of 12 July 1990, *Foster*, C-188/89, ECLI:EU:C:1990:313, para. 16; Judgment of 19 November 1991, *Francoovich*, C-6/90 and C-9/90, ECLI:EU:C:1991:428, para. 11; Judgment of 14 July 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:292, paras. 22 et seq.; Judgment of 7 March 1996, *El Corte Inglés*, C-192/94, ECLI:EU:C:1996:88, para. 16; Judgment of 5 February 2004, *Rieser Internationale Transporte*, C-157/02, ECLI:EU:C:2003:438, para. 22.

Member State, be relied upon as against any national provision which is incompatible with the directive or in so far as the provisions define rights which individuals are able to assert against the state.<sup>200</sup> The Court has also clarified that this applies to the state and all emanations of the state. A Member State's obligation arising from a directive to achieve the result envisaged by it is binding on all judicial and administrative authorities of that Member State; thus including, for matters within their jurisdiction, the courts.<sup>201</sup> This includes the UPC, provided that it is indeed part of the Mem-

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<sup>200</sup> Judgment of 5 April 1979, *Ratti*, 148/78, ECLI:EU:C:1979:110, para. 23; Judgment of 19 January 1982, *Becker*, 8/81, ECLI:EU:C:1982:7, para. 25; Judgment of 25 January 1983, *Smit*, 126/82, ECLI:EU:C:1983:14, para. 10; Judgment of 22 September 1983, *Auer*, 271/82, ECLI:EU:C:1983:243, para. 16; Judgment of 26 February 1986, *Marshall*, 152/84, ECLI:EU:C:1986:84, para. 46; Judgment of 24 March 1987, *McDermott*, 286/85, ECLI:EU:C:1987:154, para. 11; Judgment of 8 October 1987, *Kolpinghuis Nijmegen*, 80/86, ECLI:EU:C:1987:431, para. 7; Judgment of 22 February 1990, *Busseni*, C-221/88, ECLI:EU:C:1990:84, para. 22; Judgment of 22 June 1989, *Fratelli Costanzo*, C-103/88, ECLI:EU:C:1989:256, para. 29; Judgment of 12 July 1990, *Foster*, C-188/89, ECLI:EU:C:1990:313, para. 16; Judgment of 19 November 1991, *Francoovich*, C-6/90 and C-9/90, ECLI:EU:C:1991:428, para. 11; Judgment of 30 May 1991, *Karella*, C-19/90 and C-20/90, ECLI:EU:C:1991:229, para. 17; Judgment of 23 February 1994, *Cava*, C-236/92, ECLI:EU:C:1994:60, paras. 8 et seq.; Judgment of 9 February 1999, *Seymour-Smith and Perez*, C-167/97, ECLI:EU:C:1999:60, para. 39; Judgment of 20 March 2003, *Kutz-Bauer*, C-187/00, ECLI:EU:C:2003:168, para. 69; Judgment of 5 February 2004, *Rieser Internationale Transporte*, C-157/02, ECLI:EU:C:2003:438, para. 22; Judgment of 6 March 2014, *Napoli*, C-595/12, ECLI:EU:C:2014:128, para. 46.

<sup>201</sup> Judgment of 10 April 1984, *Von Colson and Kamann*, 14/83, ECLI:EU:C:1984:153, para. 26; Judgment of 22 June 1989, *Fratelli Costanzo*, C-103/88, ECLI:EU:C:1989:256, paras. 30 et seq.; Judgment of 13 November 1990, *Marleasing*, C-106/89, ECLI:EU:C:1990:395, para. 8; Judgment of 14 July 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:292, para. 26; Judgment of 24 October 1996, *Kraaijeveld*, C-72/95, ECLI:EU:C:1996:404, para. 55; Judgment of 18 December 1997, *Inter-Environnement Wallonie*, C-129/96, ECLI:EU:C:1997:628, para. 40; Judgment of 5 October 2004, *Pfeiffer*, C-397/01 to C-403/01, ECLI:EU:C:2004:584, para. 110. It follows that, in applying national law, the national court called upon to interpret that law is required to do so, as far as possible, in the light of the wording and purpose of the directive in order to achieve the result pursued by it (Judgment of 10 April 1984, *Von Colson and Kamann*, 14/83, ECLI:EU:C:1984:153, para. 26; Judgment of 13 November 1990, *Marleasing*, C-106/89, ECLI:EU:C:1990:395, para. 8; Judgment of 5 May 1994, *Habermann-Beltermann*, C-421/92, ECLI:EU:C:1994:187, para. 10; Judgment of 14 July 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:292, para. 26; Judgment of 16 December 2013, *Wagner Miret*, C-334/92, ECLI:EU:C:1993:945, para. 8; Judgment of 11 July 1996, *MPA Pharma*, C-232/94, ECLI:EU:C:1996:289, para. 12; Judgment of 25 February 1999, *Carbonari*, C-131/97, ECLI:EU:C:1999:98, para. 48; Judgment of 5 October 2004, *Pfeiffer*, C-397/01 to C-403/01, ECLI:EU:C:2004:584, paras. 113 et seq.; Judgment of 16 June 2005, *Pupino*, C-105/03, ECLI:EU:C:2005:386, paras. 41 et seq.). However, there are natural limitations to the principle of consistent interpretation. It cannot serve as the basis for an interpretation of domestic law *contra legem* (Judgment of 8 October 1987, *Kolpinghuis Nijmegen*, 80/86, ECLI:EU:C:1987:431, para. 13; Judgment of 16 June 2005, *Pupino*, C-105/03, ECLI:EU:C:2005:386, paras. 44 and 47; Judgment of 4 July 2006, *Adeneler*, C-212/04, ECLI:EU:C:2006:443, para. 110; Judgment of 15 April

ber States' judicial system<sup>202</sup> – which requires, as argued above, that all contracting states to the UPCA are Member States of the EU.<sup>203</sup>

- 85 Ever since the CJEU developed the doctrine of direct effect, it has resisted the temptation to extend it to cover disputes between private parties. In an *obiter dictum*, it declared that a directive cannot produce direct effect in the sphere of relationships between individuals.<sup>204</sup> It can give rise to claims against the state and emanations of the state, but not against fellow citizens; it can, in other words, produce “vertical” but not “horizontal” direct effect.
- 86 In deciding the issue, the Court relied on the wording of Art. 288 TFEU. It stated that the binding nature of a directive, which constitutes the basis for the possibility of relying on it before a national court in a case which is not covered by the state's own legislation or implementing provisions, exists only in relation to “each Member State to which it is addressed”.<sup>205</sup> The Court went on to draw a comparison with regulations. To recognise horizontal direct effect of directives “would be to recognise a power in the [Union] to enact obligations for individuals with immediate effect, whereas it has competence to do so only where it is empowered to adopt regulations or decisions”.<sup>206</sup> While regulations are capable of creating rights and obligations by their very nature and function within the system of sources of EU law, directives are limited as to their effect vis-à-vis citizens.<sup>207</sup>

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2008, *Impact*, C-268/06, ECLI:EU:C:2008:223, para. 100; Judgment of 16 July 2009, *Mono Car Styling*, C-12/08, ECLI:EU:C:2009:466, para. 61).

<sup>202</sup> As claimed by Rec. 7 and Art. 1 UPCA.

<sup>203</sup> See *supra* at II.1.b)(iv).

<sup>204</sup> Judgment of 26 February 1986, *Marshall*, 152/84, ECLI:EU:C:1986:84, para. 48.

<sup>205</sup> *Ibid.*; Judgment of 8 October 1987, *Kolpinghuis Nijmegen*, 80/86, ECLI:EU:C:1987:431, para. 9.

<sup>206</sup> Judgment of 14 July 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:292, para. 24; Judgment of 7 March 1996, *El Corte Inglés*, C-192/94, ECLI:EU:C:1996:88, para. 17.

<sup>207</sup> On the importance of distinguishing between directives and regulations in terms of their effect, see Opinion of Advocate General Léger delivered on 11 January 2000, *Linster*, C-287/98, ECLI:EU:C:2000:3, paras. 30 et seq.

In the context of this paper it is neither possible nor necessary to determine whether the Court's reasoning carries conviction.<sup>208</sup> Its stance on the issue is straightforward: a directive cannot by itself impose an obligation on an individual which would otherwise not exist under national law, and may therefore not be relied upon as such against an individual – neither by another individual nor, *a fortiori*, by the state.<sup>209</sup> Conversely, a directive cannot by itself give rise to a subjective right (which, by definition, creates certain obligations on behalf of other individuals),<sup>210</sup> just as it cannot deprive an individual of a right which he/she enjoys under national law. By the same token, an individual may not rely on a directive against the state where it is a matter of a state obligation directly linked to the performance of another obligation falling on a third (private) party.<sup>211</sup> To make a long story short: “even a clear, precise and unconditional provision of a directive seeking to

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<sup>208</sup> For a comprehensive discussion of the Court's judicial practice, see *K. Lenaerts and T. Corthout*, *Of Birds and Hedges: The Role of Primacy in Invoking Norms of EU Law*, 31 *E.L. Rev.* 287 (2006); for a critical response to the Court's judicial practice from within the ranks of the Advocates General, see Opinion of Advocate General Van Gerven delivered on 26 January 1993, *Marshall*, 152/84, ECLI:EU:C:1993:30; *W. Van Gerven*, *The Horizontal Effect of Directive Provisions Revisited: The Reality of Catchwords*, in Curtin and Heukels (eds.), *The Institutional Dynamics of European Integration – Essays in Honour of Henry G. Schermers*, Vol. II, 1994, p. 335; Opinion of Advocate General Jacobs delivered on 27 January 1994, *Vaneetveld*, C-316/93, ECLI:EU:C:1994:32, paras. 20 et seq.; Opinion of Advocate General Lenz delivered on 9 February 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:45, paras. 47 et seq.; see also *T. Tridimas*, *Black, White, and Shades of Grey: Horizontality of Directives Revisited*, 21 *YEL* 327 (2001); *P. Craig*, *The Legal Effect of Directives: Policy, Rules and Exceptions*, 34 *E.L. Rev.* 349 (2009).

<sup>209</sup> Judgment of 26 February 1986, *Marshall*, 152/84, ECLI:EU:C:1986:84, para. 48; Judgment of 8 October 1987, *Kolpinghuis Nijmegen*, 80/86, ECLI:EU:C:1987:431, para. 9; Judgment of 12 May 1987, *Traen*, 372/85 to 374/85, ECLI:EU:C:1987:222, paras. 24 et seq.; Judgment of 11 June 1987, *Pretore di Salò*, 14/86, ECLI:EU:C:1987:275, paras. 19 et seq.; Judgment of 26 September 1996, *Arcaro*, C-168/95, ECLI:EU:C:1996:363, paras. 36 et seq.; Judgment of 4 December 1997, *Daihatsu*, C-97/96, ECLI:EU:C:1997:581, paras. 24 et seq.; Judgment of 5 October 2004, *Pfeiffer*, C-397/01 to C-403/01, ECLI:EU:C:2004:584, para. 108; Judgment of 7 January 2004, *Wells*, C-201/02, ECLI:EU:C:2004:12, para. 56.

<sup>210</sup> Judgment of 14 July 1994, *Faccini Dori*, C-91/92, ECLI:EU:C:1994:292, paras. 22 et seq.; Judgment of 7 March 1996, *El Corte Inglés*, C-192/94, ECLI:EU:C:1996:88, paras. 15 et seq.

<sup>211</sup> Judgment of 22 February 1990, *Busseni*, C-221/88, ECLI:EU:C:1990:84, paras. 23 et seq.; Judgment of 4 December 1997, *Daihatsu*, C-97/96, ECLI:EU:C:1997:581, paras. 24, 26. On the other hand, mere adverse repercussions on the rights of a third party, even if these repercussions are certain, do not prevent an individual from invoking the provisions of a directive against the state (Judgment of 22 June 1989, *Fratelli Costanzo*, C-103/88, ECLI:EU:C:1989:256, paras. 28 et seq.; Judgment of 12 November 1996, *Smith & Nephew Pharmaceuticals*, C-201/94, paras. ECLI:EU:C:1996:432, paras. 33 et seq.; Judgment of 26 September 2000, *Unilever*, C-443/98, ECLI:EU:C:2000:496, paras. 45 et seq.; Judgment of 7 January 2004, *Wells*, C-201/02, ECLI:EU:C:2004:12, para. 57).

confer rights or impose obligations on individuals cannot of itself apply in proceedings exclusively between private parties”.<sup>212</sup>

88 A finding of non-conformity or non-compliance by the CJEU pursuant to proceedings under Arts. 258 or 259 TFEU changes nothing. The addressee of a judgment under Art. 260(1) TFEU is the Member State that has failed to transpose the directive, including its judicial and administrative authorities. If the Court finds that national legislation is inconsistent with obligations which it has under the Treaties, the courts and authorities of that state are bound to draw the necessary inferences from the CJEU’s judgment.<sup>213</sup> They may even have to examine *ex officio* whether national law is in conformity with the provisions of the untransposed directive.<sup>214</sup> However, that is conditional upon those provisions having direct effect. The rights accruing to individuals do not derive from the Court’s judgment, but from the actual provisions of Union law that have direct effect in the internal legal order.<sup>215</sup> It thus comes back to the question of whether the provision in question is capable of producing horizontal direct effect. Unless that is the case, there is nothing upon which individuals could rely and nothing which courts could enforce. The courts of the recalcitrant Member State cannot apply the directive, just as they cannot refrain from applying national law, if that would deprive individuals of a right which they enjoy thereunder.

89 For the sake of completeness, it bears noting that there is a minority dissenting opinion that has also found support among the Advocates General.<sup>216</sup> In a case concerning a conflict between Spanish law and a consumer protection directive, *Antonio Saggio* argued that a proper application of the principle of primacy and the need to ensure a uniform application of Union law should render national law that is inconsistent with an untransposed directive inapplicable, even if the provisions of that directive are neither precise, unconditional nor capable of producing direct effect.<sup>217</sup> The Court did not pick up

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<sup>212</sup> Judgment of 5 October 2004, *Pfeiffer*, C-397/01 to C-403/01, ECLI:EU:C:2004:584, para. 109.

<sup>213</sup> Judgment of 19 January 1993, *Commission v Italy*, C-101/91, ECLI:EU:C:1993:16, para. 24; Judgment of 22 June 1989, *Fratelli Costanzo*, C-103/88, ECLI:EU:C:1989:256, para. 33; Judgment of 13 July 1972, *Commission v Italy*, 48/71, ECLI:EU:C:1972:65, para. 7.

<sup>214</sup> Judgment of 11 July 1991, C-87/90, C-88/90 and C-89/90, *Verholen*, ECLI:EU:C:1991:314, paras. 5 et seq.

<sup>215</sup> Judgment of 14 December 1982, *Waterkeyn*, 314/81 to 316/81 and 83/82, ECLI:EU:C:1982:430, para. 16; see also *U. Karpenstein* in Grabitz, Hilf and Nettesheim (eds.), EUV/AEUV, December 2017, Art. 260 AEUV, para. 8.

<sup>216</sup> For further references, see *W. Schroeder* in Streinz (ed.), EUV/AEUV, 3<sup>rd</sup> ed. 2018, Art. 288 AEUV, para. 109.

<sup>217</sup> Opinion of Advocate General Saggio delivered on 16 December 1999, *Océano Grupo Editorial*, C-240/98 to C-244/98, ECLI:EU:C:1999:620, para. 29 et seq., with further supporting arguments and references.



*Saggio*'s reasoning in its judgment, and it has apparently not done so in any other case since then.<sup>218</sup> Instead of putting things straight (one way or another), the CJEU stated that it falls to the national court to interpret the provisions of national law, as far as possible, in accordance with the provisions of the untransposed directive.<sup>219</sup> The Court thereby insinuated that the only way of enforcing provisions of an untransposed directive that lack direct (horizontal) effect is by means of consistent interpretation.

With regard to the different, but related question of whether a national provision that is inconsistent with an untransposed directive may be set aside by a national court confronted with it,<sup>220</sup> the CJEU has made explicit – albeit in the context of criminal proceedings<sup>221</sup> – that “there is no method of procedure in [Union] law allowing the national court to eliminate national provisions contrary to a provision of a directive which has not been transposed where that provision may not be relied upon before the national court”.<sup>222</sup> Eliminating a national provision is, in any case, only possible if that does not equal the creation of a subjective right which national law does not otherwise provide for (and which cannot be derived from national law by means of interpretation), since that would mean attributing horizontal direct effect to the directive in question.<sup>223</sup>

To sum up: unless a directive has been transposed into the UPCA, the UPC cannot give effect to its provisions in the sphere of relationships between individuals. It is bound to interpret the UPCA in accordance with the untransposed directive, but it may not interpret it *contra legem*. The fact that Art. 20 UPCA requires the UPC to “apply Union law in its entirety” and “respect its primacy” is of no relief here, because it has no relevance for the question of whether, and to what extent, Union law which is not directly applicable can be invoked. For the time being and with a view to horizontal relationships, the CJEU seems to have settled the dilemma between the de-

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<sup>218</sup> The Court had a chance to take a stand in its Order of 24 March 2011, *Hypo Real Estate*, C-194/10, ECLI:EU:C:2011:182, but evaded to answer the question; see *M. Foerster*, *Richtlinienwirkung im Horizontalverhältnis?*, *EuR* 2012, 190.

<sup>219</sup> Judgment of 27 June 2000, *Océano Grupo Editorial*, C-240/98 to C-244/98, ECLI:EU:C:2000:346, para. 31. See also *supra* n. 201.

<sup>220</sup> See *K. Lenaerts and T. Corthaut*, *Of Birds and Hedges: The Role of Primacy in Invoking Norms of EU Law*, 31 *E.L. Rev.* 302 et seq. (2006).

<sup>221</sup> Whether the Court's statement is generalisable is debatable, given that criminal law deserves special treatment in light of the principle of “*nullum crimen, nulla poena sine lege*” enshrined in Art. 7 of the European Convention on Human Rights (hereinafter the “ECHR”).

<sup>222</sup> Judgment of 26 September 1996, *Arcaro*, C-168/95, ECLI:EU:C:1996:363, para. 43.

<sup>223</sup> *K. Lenaerts and T. Corthaut*, *Of Birds and Hedges: The Role of Primacy in Invoking Norms of EU Law*, 31 *E.L. Rev.* 306, 309 et seq. (2006).

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sire to ensure the effectiveness of Union law and the urge to abide by the nomenclature of the Union's legislative measures in favour of the latter.

(ii) Of private rights and empty chairs

- 92 Now let's have a look at what this means in concrete terms for the system of unitary patent protection. After all, the act of granting a patent may be an administrative act of a public authority, but the right which is granted by that authority is a private – exclusive and thus subjective – right.
- 93 Consequently, the fact that directives cannot produce horizontal direct effect is of relevance for a significant number of disputes that fall within the UPC's jurisdiction. Any amendment of the scope of exclusivity (i.e. the acts against which the patent provides protection, including limitations thereto) or the conditions of enforceability (e.g. the conditions upon and the extent to which a patentee is entitled to injunctive relief, damages or other remedies) is bound to have repercussions on the rights or obligations of individuals, may it be the patent proprietor, its business partners, competitors or other market participants.<sup>224</sup> In the absence of implementing legislation, provisions of a directive that impose rights or obligations which would otherwise not exist under the UPCA – on a patent proprietor, infringer, licensee, licensor, prior user, prospective user or any other private party – may not be relied on in proceedings between such parties.
- 94 On the face of it, it appears that the level of protection of individuals' rights afforded in the context of the UPCA is no less than in any other situation where a Member State has failed to transpose a directive. In both cases, the directive is incapable of producing horizontal direct effect and individuals may thus be deprived of rights provided for by the directive.

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<sup>224</sup> To give some arbitrary examples: new limitations may be added to the directives referred to in Art. 27 UPCA, such as the Biotechnology or the Software Directive (cf. Art. 10 of Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the legal protection of biotechnological inventions, OJ L 213, 30.7.1998, p. 13 [hereinafter the "Biotechnology Directive"], and Art. 27 lit. (l) UPCA; Arts. 5 and 6 of Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs, OJ L 111, 5.5.2009, p. 16 [hereinafter the "Software Directive"], and Art. 27 lit. (k) UPCA); the measures, procedures and remedies provided for in the Enforcement Directive may be revised (Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, OJ L 195, 2.6.2004, p. 16 [hereinafter the "Enforcement Directive"]); the effects of supplementary protection certificates may be amended; or new directives may be enacted in order to regulate the effects of patent protection in specific fields of technology (within the limits of the TRIPS Agreement; see Declaration on Patent Protection – Regulatory Sovereignty under TRIPS, 45 IIC 679 (2014) (also available at [SSRN](#))). However, in the absence of implementing measures adopted within the UPCA, the rights and obligations provided for by such amendments may not be invocable vis-à-vis individuals.

However, the UPC exacerbates the problem in two ways:

First, the transposition of a directive into the UPCA requires all Contracting Member States to agree on a common approach as regards implementation modalities – or, in other words, the “choice of form and methods”.<sup>225</sup> If they fail to agree, the effectiveness of Union law is not only impaired in relation to a particular Member State, but in relation to all participating Member States *en bloc*. One renitent state is enough to prevent a directive from having effect throughout the Internal Market. 95

Second, Brexit makes things worse. The effectiveness of Union law would not only lie in the hands of all participating Member States, which are at least bound by the principle of sincere cooperation set out in Art. 4(3) TEU, but also those of a non-EU state. The UK, for its part, will not be involved in the legislative procedure by which directives are adopted, nor will it be an addressee of such legislative measures. It will thus be even less inclined to support the transposition of directives, in particular where they implement EU policies that are inconsistent with those of the UK.<sup>226</sup> 96

Against this background and in view of the patent system’s interaction with the market economy, fundamental rights and public policies, it would be a matter of time before the UPC plunges into an “empty chair crisis”.<sup>227</sup> As long as the revision provisions of the UPCA put non-EU contracting states in a position to block – or even just delay<sup>228</sup> – the Agreement’s alignment with Union law, it should be deemed incompatible with the Treaties. 97

### (iii) State liability as an alternative to direct effect

The question that may be raised subsequently is whether state liability can be an adequate alternative to direct effect. In *Francovich* the CJEU recognised that individuals who have suffered loss and damage as the result of a Member State’s failure to transpose a directive may hold that Member State liable before the national courts where the conditions for the directive to have direct effect are not met.<sup>229</sup> That principle holds good for any case in 98

<sup>225</sup> Art. 288(3) TFEU.

<sup>226</sup> See *Ullrich*, *infra*, at II.3 et passim.

<sup>227</sup> See *M. Lamping*, *Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 IIC 880, n. 3 (2011);

<sup>228</sup> See Judgment of 9 March 1978, *Simmenthal*, 106/77, ECLI:EU:C:1978:49, para. 23; Judgment of 22 June 2010, *Melki and Abdeli*, C-188/10 and C-189/10, ECLI:EU:C:2010: 363, para. 44; Judgment of 11 September 2014, *A v B*, C-112/13, ECLI:EU:C:2014:2195, para. 37; Judgment of 4 June 2015, *Kernkraftwerke Lippe-Ems*, C-5/14, ECLI:EU:C:2015: 354, para. 33.

<sup>229</sup> Judgment of 19 November 1991, *Francovich*, C-6/90 and C-9/90, ECLI:EU:C:1991:428, paras. 28 et seq.

which a Member State breaches Union law, whatever be the organ of the state whose act or omission was responsible for the breach.<sup>230</sup> State liability has been instated as a measure of last resort in order to offset the adverse consequences stemming from a Member State's failure to transpose.<sup>231</sup>

- 99 In light of that, a number of sub-questions arise. Is state liability really suitable to offset the adverse consequences for an individual stemming from his/her inability to rely directly on a directive? Is state liability a sufficient deterrent against infringements of Union law? Can non-EU contracting states to the UPCA be effectively held liable at all?

With regard to the first two questions, the answer is a tentative no.

- 100 First, state liability does not restore any individual's rights. It only provides for financial restitution in form of a damages claim against the state. It is, however, impossible to put a number on every right that an individual – for example, a patent proprietor, infringer, licensee, licensor, prior user, prospective user or any other private party – may be deprived of because it has not been transposed into the UPCA. It does not take a lot of imagination to see that there are quite a few scenarios within the ambit of patent protection where pecuniary compensation is insufficient: the damage suffered may be unquantifiable, unverifiable, or for other reasons irreparable.
- 101 Second, state liability guarantees a right to reparation for individuals in individual cases, but it is no solution to the general governance problem entailed in Art. 87(2), (3) UPCA. It does not restore the effectiveness of Union law, but only compensates for its ineffectiveness.
- 102 Admittedly, both problems are not specifically related to Brexit, or even the UPCA. They are part of a larger and older problem which revolves around the Court's everlasting odyssey in search of an adequate restitution for its reluctance to attribute horizontal direct effect to directives. And yet Brexit adds another dimension to it. The existence and scope of the UK's liability for loss and damage will not be governed by the Treaties, but only by what is set out in the UPCA, namely in its Art. 22.<sup>232</sup> According to that the Contracting Member States are “jointly and severally liable for damage resulting

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<sup>230</sup> Judgment of 5 March 1996, *Brasserie du Pêcheur*, C-46/93 and C-48/93, ECLI:EU:C:1996:79, para. 32; Judgment of 1 June 1999, *Konle*, C-302/97, ECLI:EU:C:1999:271, para. 62; Judgment of 4 July 2000, *Haim*, C-424/97, ECLI:EU:C:2000:357, para. 27; Judgment of 30 September 2003, *Köbler*, C-224/01, ECLI:EU:C:2003:513, para. 31; Judgment of 25 November 2010, *Fuß*, C-429/09, ECLI:EU:C:2010:717, para. 46; Judgment of 11 June 2015, *Berlington Hungary*, C-98/14, ECLI:EU:C:2015:386, para. 103.

<sup>231</sup> Opinion of Advocate General Léger delivered on 11 January 2000, *Linster*, C-287/98, ECLI:EU:C:2000:3, para. 62.

<sup>232</sup> See also Rec. 11 of the preamble of the UPCA.

from an infringement of Union law by the [UPC's] Court of Appeal, in accordance with Union law concerning non-contractual liability of Member States for damage caused by their national courts breaching Union law".

However, that provision is surrounded by uncertainties.

First, Art. 22(1) UPCA establishes state liability for infringement of EU law by the UPC. However, failure to adopt implementing legislation for a directive is not covered by that. In fact, one does not imply the other. The fact that the contracting states have failed to transpose a directive into the UPCA, or failed to do so correctly, does not imply an infringement of Union law by the UPC unless the latter has to apply a provision of the UPCA which is inconsistent with a provision of the directive in question, or cannot enforce a right or obligation provided for by the directive because it has no counterpart in the UPCA. It may even be argued that there is no infringement of Union law on the part of the UPC within the meaning of Art. 22(1) UPCA at all, because the UPC is in no position to apply Union law which is not directly applicable and has not been transposed into the UPCA, but only on the part of the contracting states which have failed to transpose it. Whether that argument carries conviction is debatable. But it is certainly an argument that may be raised by the UK – or, for that matter, any other non-EU contracting state – by reference to the principle of *in dubio mitius*. 103

In any case, responsibility for the contracting states' failure to transpose lies with the Contracting *Member States*. Contracting non-EU states are neither liable by virtue of Union law, for obvious reasons, nor by virtue of the UPCA, since that only covers actions of the court.<sup>233</sup> 104

Second, damage claims are national matters. While the CJEU has developed criteria that must be satisfied for a Member State to be required to make reparation for loss and damage,<sup>234</sup> it is, in principle, for the national courts 105

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<sup>233</sup> Arts. 22(1) and 23 UPCA.

<sup>234</sup> Namely that the rule of law infringed is intended to confer rights on individuals, that the breach is sufficiently serious, and that there is a direct causal link between the breach and the loss or damage sustained (Judgment of 5 March 1996, *Brasserie du Pêcheur*, C-46/93 and C-48/93, ECLI:EU:C:1996:79, para. 51; Judgment of 26 March 1996, *British Telecommunications*, C-392/93, ECLI:EU:C:1996:131, para. 39; Judgment of 8 October 1996, *Dillenkofer*, C-178/94 et al., ECLI:EU:C:1996:375, para. 21; Judgment of 23 May 1996, *Hedley Lomas*, C-5/94, ECLI:EU:C:1996:205, para. 25; Judgment of 4 July 2000, *Haim*, C-424/97, ECLI:EU:C:2000:357, para. 36; Judgment of 30 September 2003, *Köbler*, C-224/01, ECLI:EU:C:2003:513, para. 51; Judgment of 12 December 2006, *Test Claimants in the FII Group Litigation*, C-446/04, ECLI:EU:C:2006:774, para. 209; Judgment of 24 March 2009, *Danske Slagterier*, C-445/06, ECLI:EU:C:2009:178, para. 20; Judgment of 26 January 2010, *Transportes Urbanos y Servicios Generales*, C-118/08, ECLI:EU:C:2010:39, para. 30; Judgment of 25 November 2010, *Fuß*, C-429/09, ECLI:EU:C:2010:717, para. 17; Judgment of 14 March 2013, *Leth*, C-420/11, ECLI:EU:C:2013:166, para. 41; Judg-

to apply those criteria.<sup>235</sup> In accordance with the Court’s case law, Art. 22(2) UPCA stipulates that an action for damages shall be brought before a national court, by default where the claimant has its residence or principal place of business. That court shall apply *lex fori* to all questions not regulated by Union law or by the UPCA. In light of this, one may have doubts whether the principle of non-contractual liability can be effectively put into practice in relation to claimants that are situated in a non-EU contracting state, such as the UK. For one thing, UK courts would have to apply the criteria developed by the CJEU without being entitled to refer to it questions for a preliminary ruling on the correct interpretation thereof.<sup>236</sup> For another, UK courts would have to resort to national law – nota bene, the law of a non-EU state – in order to apply the abstract criteria to a concrete case.

106 In addition to damage claims from individuals on the basis of non-contractual liability, the contracting states may also face infringement proceedings under Arts. 258 and 259 TFEU and, subsequently, a lump sum and/or<sup>237</sup> penalty payment pursuant to the “special judicial procedures”<sup>238</sup> provided for under Art. 260(2), (3) TFEU.<sup>239</sup> They are individually and collectively accountable therefor according to Art. 23 UPCA. Yet again, that encompasses just another version of the same problem. The contracting states’ responsibility under Art. 23 UPCA concerns “actions of the court”, i.e. the UPC, not such of the states. Late transposition infringement proceedings, as well as judicial procedures for the imposition of penalties, can

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ment of 10 July 2014, *Ogieriakhi*, C-244/13, ECLI:EU:C:2014:2068, para. 50); for further details and references, see *R. Rebhahn*, Non-Contractual Liability in Damages of Member States for Breach of Community Law, in Koziol and Schulze (eds.), *Tort Law of the European Community*, 2008, p. 188 et seq.

<sup>235</sup> Judgment of 5 March 1996, *Brasserie du Pêcheur*, C-46/93 and C-48/93, ECLI:EU:C:1996:79, para. 58; Judgment of 1 June 1999, *Konle*, C-302/97, ECLI:EU:C:1999:271, para. 58; Judgment of 12 December 2006, *Test Claimants in the FII Group Litigation*, C-446/04, ECLI:EU:C:2006:774, para. 210; Judgment of 14 March 2013, *Leth*, C-420/11, ECLI:EU:C:2013:166, para. 43.

<sup>236</sup> See also *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 830.

<sup>237</sup> Judgment of 12 July 2005, *Commission v France*, C-304/02, ECLI:EU:C:2005:444, 82; Judgment of 14 March 2006, *Commission v France*, C-177/04, ECLI:EU:C:2005:717, para. 60; Judgment of 7 July 2009, *Commission v Greece*, C-369/07, ECLI:EU:C:2009:428, para. 143; Judgment of 4 June 2009, *Commission v Greece*, C-109/08, ECLI:EU:C:2009:346, para. 28 et passim; see also *European Commission*, Implementation of Article 260(3) of the Treaty, SEC(2010) 1371 final, OJ C 12, 15.1.2011, p. 1, para. 20.

<sup>238</sup> Judgment of 12 July 2005, *Commission v France*, C-304/02, ECLI:EU:C:2005:444, paras. 91 et seq.; Judgment of 10 September 2009, *Commission v Portugal*, C-457/07, ECLI:EU:C:2009:531, para. 47; Judgment of 15 January 2014, *Commission v Portugal*, 292/11 P, ECLI:EU:C:2014:3, para. 40.

<sup>239</sup> See also Rec. 12 of the preamble of the UPCA.

therefore only be brought against Contracting *Member States*.<sup>240</sup> It would be up to them to pursue, after the CJEU has found that there is indeed an infringement, the non-EU contracting states for a contribution corresponding to their share.<sup>241</sup> However, this would imply an extension of liability to non-EU countries based on their refusal to support the transposition of an act of secondary EU law which is, by definition, only binding upon EU Member States. Currently, such extension of liability is not provided for in the UPCA. Even if a provision to that effect were conceivable (may it be as part of the UPCA or a separate agreement<sup>242</sup> between the UK and EU), the share of the total that the renitent state faces may be worth incurring if it helps to impede, or at least delay, the advancement of undesirable EU policies.<sup>243</sup>

(iv) Putting the problem into context

The Union cannot turn a blind eye to the governance situation, because the unitary patent is – unlike its predecessors – not a self-sufficient EU intellectual property title. It is a uniform and indivisible right,<sup>244</sup> but that is as far as it goes.<sup>245</sup> Both the grounds and effects of the unitary patent are governed by international treaties, namely the EPC and the UPCA.

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<sup>240</sup> See also *M. Leistner and P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 830.

<sup>241</sup> The European Commission has adopted guidelines for determining how the lump sums or penalty payments are to be calculated for individual Member States. See *European Commission*, Application of Article 228 of the EC Treaty (SEC(2005) 1658); OJ C 126, 7.6.2007, p. 15, as updated every year since 2010, most recently by *European Commission*, Updating of data used to calculate lump sum and penalty payments to be proposed by the Commission to the Court of Justice in infringement proceedings, C(2017) 8720 final, 13 December 2017; *European Commission*, Implementation of Article 260(3) of the Treaty, SEC(2010) 1371 final, OJ C 12, 15.1.2011, p. 1; confirmed by C-387/97, *Commission v Greece*, ECLI:EU: C:2000:356, paras. 84 et seq. It remains to be seen whether the methodology can be applied in relation to non-EU contracting states.

<sup>242</sup> See *M. Aránzazu Gandía Sellens*, The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court, 49 IIC 149 et seq. (2018).

<sup>243</sup> It is difficult to say what “degree of persuasion and deterrence” (Judgment of 12 July 2005, *Commission v France*, C-304/02, ECLI:EU:C:2005:444, paras. 91, 97) in terms of “economic pressure” (ibid., para. 91) is required and appropriate in order to induce the defaulting state to take action (Judgment of 12 July 2005, *Commission v France*, C-304/02, ECLI:EU:C:2005:444, paras. 80, 90, 97; Judgment of 14 March 2006, *Commission v France*, C-177/04, ECLI:EU:C: 2005:717, paras. 59, 61 et seq.).

<sup>244</sup> Arts. 3 and 5 of Reg. 1257/2012.

<sup>245</sup> See also *Th. Jaeger*, Nach l'Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u. a., 50 EuR 466 et seq. (2015); id., Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 261 et seq. (2017), with further references.

108 To begin with, the administrative task of granting unitary patents is entrusted to the EPO, which decides on the basis of the EPC.<sup>246</sup> There are no (direct) procedural links between the EPO and the CJEU. Reg. 1257/2012 remains silent on the grounds for revocation, and the UPCA merely contains a reference to Arts. 138(1) and 139(2) EPC.<sup>247</sup> In contrast to the state of affairs in the area of other European intellectual property rights (i.e. Union trade marks,<sup>248</sup> Community designs<sup>249</sup> and plant variety rights<sup>250</sup>), there is – *prima facie* – no possibility for the EU to review the substantive conditions upon which unitary patents come into force (and remain in force).<sup>251</sup> Neither the UPC nor the CJEU can make the EPO adopt any particular interpretation of the conditions for patentability and exceptions thereto (Arts. 52 et seq. EPC).<sup>252</sup> Even if such interpretation were conditioned by Union law, this may not bother the EPO. For one thing, Union law is not applicable by the boards of appeal of the EPO unless it has been incorporated into the EPC.<sup>253</sup> For another, the boards of appeal interpret Union law independently. Because the EPO is not part of the judicial system of the Union, the boards are neither entitled to request a preliminary ruling from the CJEU<sup>254</sup> nor are they bound by the Court’s case law. As a result, the EPO may interpret and apply EPC provisions which are juxtaposed to provisions of EU law without being in any way legally bound by how those provisions are interpreted and applied within the ambit of the Union. Indeed, there is some sort of gentle-

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<sup>246</sup> Including, *nota bene*, the Implementing Regulations (Arts. 90, 92, 94 et passim EPC). They are an integral part of the EPC (Art. 164(1) EPC).

<sup>247</sup> Art. 65(2) UPCA.

<sup>248</sup> Arts. 7 et seq. of Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark, OJ L 154, 16.6.2017, p. 1 [hereinafter the “Union Trade Mark Regulation”].

<sup>249</sup> Arts. 4 et seq. of Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3, 5.1.2002, p. 1 [hereinafter the “Community Design Regulation”].

<sup>250</sup> Arts. 5 et seq. of Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJ L 227, 1.9.1994, p. 1 [hereinafter the “Community Plant Variety Regulation”].

<sup>251</sup> For a brief constitutional glimpse at that issue, see *S. Broß* and *M. Lamping*, Das Störpotenzial des rechtsstaatlich-demokratischen Ordnungsrahmens am Beispiel der europäischen Patentgerichtsbarkeit, GRUR Int. 2018 (forthcoming); a shortened English version has been published in 49 IIC 886 (2018).

<sup>252</sup> *Th. Jaeger*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 262 (2017); for a different view, see *S. Luginbuehl*, An Institutional Perspective I: The Role of the EPO in the Unitary (EU) Patent System, in Pila and Wadlow (eds.), The Unitary EU Patent System, 2015, p. 52 et seq.

<sup>253</sup> Take, for example, the Biotechnology Directive [supra n. 224], which has been incorporated into Rules 26 et seq. of the Implementing Regulations to the EPC.

<sup>254</sup> They are not “courts or tribunals of a Member State” within the meaning of Art. 267 TFEU, allegedly not even courts or tribunals at all (see, *inter alia*, *S. Broß*, Die Patenterteilungspraxis nach dem EPÜ – Erosion des Rechtsstaates?, 66 GRUR Int. 2017, 670; *H. Ullrich*, The European Patent and Its Courts: An Uncertain Prospect and an Unfinished Agenda, 46 IIC 4 et seq. (2015)).



men's agreement between the EPO and the EU regarding the application of EPC provisions originating in EU law, such as those of the Biotechnology Directive.<sup>255</sup> But there should be no doubt as to who holds the whip hand.<sup>256</sup> The mere fact that an international organisation may be called upon to interpret and apply Union law under the loose ties of a gentlemen's agreement should raise fundamental concerns. Despite all due respect for the EPO's technical expertise, the situation seems unbearable from the perspective of the EU, where the patents granted are ultimately to take effect.

Subsequently to the grant of the patent by the EPO, "unitary effect" is attached to it upon request of the patent proprietor by virtue of Reg. 1257/2012,<sup>257</sup> the European patent is thereby "transformed"<sup>258</sup> into a unitary patent. According to the regulation, unitary effect ought to be interpreted uniformly throughout all participating Member States.<sup>259</sup> However, regarding the acts against which the European patent with "unitary effect" provides protection (i.e. direct and indirect infringement) and the limitations

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<sup>255</sup> For example, the EPO has – somewhat surprisingly – amended Rules 27 and 28 of the Implementing Regulations to the EPC so as to exclude from patentability plants and animals exclusively obtained by means of an essentially biological process (thereby revisiting its prior case law on that matter: EPO, Decision of the Enlarged Board of Appeal of 25 March 2012, G 2/12, *Tomatoes II*, ECLI:EP:BA: 2015:G000212.20150325; EPO, Decision of the Enlarged Board of Appeal of 25 March 2012, G 2/13, *Broccoli II*, ECLI:EP:BA: 2015:G000213.20150325) following a Notice of the European Commission on the interpretation of the Biotechnology Directive [supra n. 224] (*European Commission*, Notice on certain articles of Directive 98/44/EC of the European Parliament and of the Council on the legal protection of biotechnological inventions, OJ C 411, 8.11.2016, p. 3).

<sup>256</sup> One should not forget that the EPO has 38 contracting states, of which only 28 (soon to become 27) are Member States of the EU – and thus bound by the principle of sincere cooperation set out in Art. 4(3) TEU. Every decision requiring a three-quarters majority or more requires the support of third countries.

<sup>257</sup> Rec. 5 and Art. 9(1) lit. (a) of Reg. 1257/2012.

<sup>258</sup> The dispute whether the grant of unitary patents takes place by way of "delegation" or "transformation" seems to have been settled by the CJEU in favour of the latter (Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, para. 31). According to the theory of delegation, which was supported by the European Parliament and the Council, the EU delegates the administrative powers to grant unitary patents to the EPO, which acts instead of and in the place of an EU agency, whereas according to the theory of transformation, which was supported by the European Commission and ultimately confirmed by the Court, the EPO grants a European patent which is later transformed into a unitary patent by virtue of secondary Union law (see Statement of Position on Opinion 1/09 [supra n. 26], para. 69). For a critical comment, see *Th. Jaeger*, *Reset and Go: The Unitary Patent System Post-Brexit*, 48 IIC 264 et seq. (2017).

<sup>259</sup> A unitary patent shall be granted with the same set of claims in respect of all the participating Member States (Art. 3(1) of Reg. 1257/2012); it shall have "unitary character", provide "uniform protection", and have "equal effect" (Art. 3(2) of Reg. 1257/2012); and its scope and limitations shall be uniform (Art. 5(2) of Reg. 1257/2012); for a critical comment on that approach, see *H. Ullrich*, *The European Union's Patent System after Brexit: Disunited, but Unified?*, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018, passim.

thereto, it is referred to national law – and, via that detour, to the UPCA.<sup>260</sup> The reason for that is as simple as it is blunt: since large parts of the patent community do not want the Court to get involved in patent jurisdiction,<sup>261</sup> Reg. 1257/2012 was stripped of all substantive patent law provisions. In an attempt to keep them out of the CJEU’s reach, they were exported to the UPCA and concomitantly transformed into provisions of international law.<sup>262</sup> As a matter of fact, the UK was one of the main protagonists in that fascinating spectacle.<sup>263</sup> Ever since then, the UPCA harbours the bulk of the rules that put flesh to the bones of the “paper tiger” granted by the EPO.

110 The result of the legislative “technique” which has been opted for is as blunt as it is striking: the pre-grant phase of European and unitary patents is governed by the EPC, and the post-grant phase by the UPCA, whereas Reg. 1257/2012, which is meant to implement enhanced cooperation in the area of unitary patent protection, remains a shadow of its former self. That legislative potpourri cries out for controversy about the CJEU’s competence to authoritatively interpret the law applicable to European and unitary patents, notably the substantive law embodied in the UPCA.<sup>264</sup>

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<sup>260</sup> See *supra* n. 147.

<sup>261</sup> For a summary of the arguments, see *House of Commons European Scrutiny Committee*, *The Unified Patent Court: Help or Hindrance?*, Sixty-fifth Report of Session 2010-12, Vol. I, 2012, paras. 64 et seq., 77; for details, see *R. Kraßer*, *Effects of an inclusion of regulations concerning the content and limits of the patent holder’s rights to prohibit in an EU regulation for the creation of unitary European patent protection*, 1 September 2011 (printed *ibid.*, Ev 31); *R. Jacob*, *Opinion on Unified Patent Court and Unitary Patent*, 2 November 2011 (available [here](#)); *EPLAW Resolution on Regulation*, 7<sup>th</sup> Venice Judges Forum, 29 October 2011; *J. Pagenberg*, *Das zukünftige europäische Patentgerichtssystem – Status Quo nach den Anträgen der Generalanwälte*, 113 GRUR 2011, 32; *id.*, *Back to the Future with EPLA? Compatibility of the Draft Agreement on the European and Community Patents Court denied by the Advocates General*, in Götting and Schlüter (eds.), *Nourriture de l’esprit – Festschrift für Dieter Stauder zum 70. Geburtstag*, 2011, p. 205 et seq.; *id.*, *Die EU-Patentrechtsreform – zurück auf Los?*, 114 GRUR 2012, 586 et seq.

<sup>262</sup> Arts. 6 to 8 of the Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent protection (COM(2011) 215 final of 13.4.2011) can now be found in Arts. 25 to 27 UPCA (see *European Council*, *Cover Note from General Secretariat of the Council to Delegations: Conclusions 28/29 June 2012*, doc. EUCO 76/12 of 29 June 2012, p. 2).

<sup>263</sup> *David Cameron*, quoted in *House of Commons Official Report, Parliamentary Debates (Hansard)*, 2 July 2012, column 586: “In finalising the [UPCA], Britain had two objectives: that the new patent should be redrafted so that it did not get snarled up in the processes of the European Court of Justice, and that a significant part of the court, covering pharmaceutical and life science industries, would be based in London. I am pleased to say that we secured both those outcomes.” The Legal Service of the European Parliament initially opposed to the replacement of Arts. 6 to 8 (because it feared that Art. 118 TFEU would no longer be applicable as a legal basis), but ultimately backed down (see *I. Stjerna*, “Unitary Patent” and Court System – No “Light on the Horizon”, 26 November 2012).

<sup>264</sup> On the one hand: *Th. Jaeger*, *Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives*, 43 IIC

In what seemed to be a moment of despair, the CJEU turned a blind eye to all of that. Seemingly unimpressed by the distrust and the allegation of incompetence which lies at the heart of the Member States' attempt to keep substantive patent law out of the Court's reach by vesting the power to grant unitary patents with the EPO and the power to enforce them with the UPC, without subjecting the decisions of either institution to judicial review by the CJEU,<sup>265</sup> the Court brushed aside all claims raised by Spain in its annulment actions against Reg. 1257/2012 and 1260/2012.<sup>266</sup>

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291 et seq. (2012); *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, 61 GRUR Int. 2012, 220 et seq.; *W. Tilmann*, The Compromise on the Uniform Protection for EU Patents, 8 JIPLP 78 et seq. (2013); *A. Dimopoulos* and *P. Vantsiouri*, Of TRIPs and Traps: the Interpretative Jurisdiction of the Court of Justice of the EU over Patent Law, 39 E.L. Rev. 230, n. 120 (2014); *A. Dimopoulos*, An Institutional Perspective II: The Role of the CJEU in the Unitary (EU) Patent System, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 57 et seq.; *H. Ullrich*, EuGH und EPG im europäischen Patentschutzsystem: Wer hat was zu sagen? Versuch einer Standortbestimmung, Max Planck Institute for Innovation & Competition Discussion Paper No. 8 (2017), p. 23 et seq.; and on the other: *M. Haedicke*, Rechtsfindung, Rechtsfortbildung und Rechtskontrolle im Einheitlichen Patentsystem, GRUR Int. 2013, 616; *T. Mylly*, A Constitutional Perspective, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 83.

<sup>265</sup> See *Th. Jaeger*, Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives, 43 IIC 291 et seq. (2012); *id.*, Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise, 43 IIC 389 et seq. (2013); *id.*, Hieronymus Bosch am Werk beim EU-Patent?, 24 EuZW 16 et seq. (2013); *T. Mylly*, A Constitutional Perspective, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 109; *A. Plomer*, A Unitary Patent for a (Dis)United Europe: The Long Shadow of History, 46 IIC 527 et seq. (2015); *H. Ullrich*, The European Union's Patent System after Brexit: Disunited, but Unified?, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018, *passim*.

<sup>266</sup> See Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298; Judgment of 5 May 2015, *Spain v Council*, C-147/13, ECLI:EU:C:2015:299. The Court did not question the assumption that Reg. 1257/2012 is a "special agreement" within the meaning of Art. 142 EPC, although this is questionable in terms of both the EPC and EU law (Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, para. 28 et *passim*; see *Th. Jaeger*, Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise, 43 IIC 389 (2013); *id.*, Nach l'Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u. a., 50 EuR 463 et seq. (2015); *id.*, Reset and Go: The Unitary Patent System Post-Brexit, 48 IIC 263 et seq., 271 et seq. (2017)). It did also not care for the fact that Art. 118 TFEU was introduced into the Lisbon Treaty as a legal basis (whose scope of application needs to be delimited from that of Art. 114 TFEU) for the creation of autonomous European intellectual property rights rather than the creation of an "empty shell" (Judgment of 5 May 2015, *Spain v Parliament and Council*, C-146/13, ECLI:EU:C:2015:298, paras. 39 et seq.; see *F. de Visscher*, European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined, 61 GRUR Int. 2012, 220 et seq.; *Th. Jaeger*, Hieronymus Bosch am Werk beim EU-Patent?, 24 EuZW 17 et seq. (2013); *M. Desantes Real*, Hacia un tribunal unificado y un efecto unitario para las patentes europeas en casi todos los Estados miembros de la Unión Europea, 65 REDI 57 et seq.

112 Be that as it may, the attempt seems rather futile anyway. For one thing, a considerable number of the UPCA's substantive patent law provisions fall plainly within the CJEU's prerogative of interpretation, regardless of their formal appearance, because they either contain direct references<sup>267</sup> to Union law, are juxtaposed<sup>268</sup> to it, or intrinsically linked<sup>269</sup> with it. For another, the mere fact that the UPCA constitutes international law may not prevent the CJEU from authoritatively expressing itself on the interpretation of the UPCA's substantive patent law provisions, even if they have no counterpart in Union law.<sup>270</sup> Regardless of the effect of the referral embodied in Arts. 5(3) and 7 of Reg. 1257/2012 on the legal nature of the UPCA's provisions,<sup>271</sup> it seems to be a matter of common sense that the CJEU should have a say as regards the effects of unitary intellectual property titles. It is not about formally declaring parts of the UPCA Union law (at least in relation to unitary patents), but about assuming regulatory responsibility for the effects of unitary patent protection on the conditions of innovation and com-

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(2013); *Th. Jaeger*, *Nach l'Europe à la carte nun la loi européenne à la carte? Zur Erlaubnis der Umgehung der Unionsmethode nach dem Urteil in Rs. C-146/13 u. a.*, 50 *EuR* 465 et seq. (2015); *id.*, *Reset and Go: The Unitary Patent System Post-Brexit*, 48 *IIC* 264 (2017).

<sup>267</sup> Art. 27 lit. (d) UPCA refers to Directive 2001/82/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to veterinary medicinal products, OJ L 311, 28.11.2001, p. 1, and Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use, OJ L 311, 28.11.2001, p. 128; Art. 27 lit. (i) UPCA refers to the Community Plant Variety Regulation [*supra* n. 250]; Art. 27 lit. (k) UPCA refers to the Software Directive [*supra* n. 224]; Art. 27 lit. (l) UPCA refers to the Biotechnology Directive [*supra* n. 224]; Art. 30 UPCA concerns supplementary protection certificates granted under secondary Union law (see Art. 2 lit. (h) UPCA), namely under Regulation (EC) No 469/2009 of the European Parliament and of the Council of 6 May 2009 concerning the supplementary protection certificate for medicinal products, OJ L 152, 16.6.2009, p. 1, and under Regulation (EC) No 1610/96 of the European Parliament and of the Council of 23 July 1996 concerning the creation of a supplementary protection certificate for plant protection products, OJ L 198, 8.8.1996, p. 30.

<sup>268</sup> Arts. 56 et seq. UPCA on the powers of the UPC are partly copied verbatim from the Enforcement Directive [*supra* n. 224]. The Rules of Procedure of the UPC are also closely intertwined with the subject-matter of the Enforcement Directive.

<sup>269</sup> Art. 27 lit. (c) UPCA concerns "the use of biological material for the purpose of breeding, or discovering and developing other plant varieties", and must thus be interpreted in conjunction with the Biotechnology Directive [*supra* n. 224] and the Community Plant Variety Regulation [*supra* n. 250]. Art. 27 lit. (e) UPCA concerns the extemporaneous preparation of a medicine by a pharmacist and must thus be interpreted in conjunction with Directive 2001/83/EC [*supra* n. 267], which contains a legal definition of "medicinal products". Art. 29 UPCA concerns the exhaustion of rights within the Internal Market.

<sup>270</sup> See *Th. Jaeger*, *Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives*, 43 *IIC* 291 et seq. (2012) and sources cited *supra* in n. 264.

<sup>271</sup> See, in particular, *W. Tilmann*, *The Compromise on the Uniform Protection for EU Patents*, 8 *JIPLP* 81 (2013), who argues that the referral in Art. 5(3) of Reg. 1257/2012 must be understood as an "incorporating referral", which implies that Arts. 25 et seq. UPCA become – at least in relation to unitary patents – an integral part of Union law.

petition within the Internal Market. After all, we are talking about subjective (private) rights with direct market effects. Hence, regardless of the level of detail in which the modalities of unitary patent protection are regulated within Union law, and the nature of the institutions to which the administration of unitary patent protection is delegated, it is up to the CJEU to ascertain the scope of individual protection afforded by such rights and the effects of that protection on other market participants' freedom to operate.

But, for the time being, the Court seems to have come to terms with the idea that the prime responsibility for the law applicable to unitary patents lies with the EPO and the UPC. The former already has, and the latter is sure to develop, a great sense of self-confidence when it comes to shaping the future of European patent law. It just remains to be seen how long the EU can stand to watch that spectacle from the side-line. 113

Against this background, it is all the more important to be clear about the general terms of the *ménage-à-trois* between the EPO, the UPC and the EU. The EPO and the UPC are responsible for ensuring that worthy inventions receive adequate patent protection and that such protection can be effectively enforced, whereas it is for the EU to set the regulatory framework within which the EPO and the UPC ought to operate. In that context, the CJEU has a prominent role to play. In contrast to the situation in other areas of unitary intellectual property protection (i.e. trade marks and designs),<sup>272</sup> the UPC has its own court of appeal above the divisions of first instance, thus relieving the CJEU of the task of ensuring uniformity of jurisprudence. What remains is its responsibility for translating Union policies into applicable law.<sup>273</sup> For better or worse, the CJEU is a quasi-constitutional court and, as such, it assumes a political role within the ambit of its jurisdiction. Whenever a policy choice needs to be made as regards the conditions and effects of unitary patent protection that does not accrue from the text or context of the EPC or the UPCA, it is for the CJEU to set the scene. 114

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<sup>272</sup> Where designated courts and tribunals of the Member States act as first and second instance; see Arts. 123 et seq. of the Union Trade Mark Regulation [supra n. 248]; Arts. 80 et seq. of the Community Design Regulation [supra n. 249].

<sup>273</sup> The more politicised the patent system becomes in the wake of new technologies, new market players (universities, non-practicing entities, standard-setting organisations, etc), blurring market borders (due to digitalisation, artificial intelligence, etc), public policies (public health, data security, biodiversity, environmental protection, etc), government interventions (public research funding, etc), sophisticated patent prosecution, exploitation, and enforcement strategies, and, more generally, changes in the function of patents as strategic business assets, the more important becomes the cooperation between the generalist CJEU and the specialised UPC judiciary. See *H. Ulrich*, *EuGH und EPG im europäischen Patentschutzsystem: Wer hat was zu sagen? Versuch einer Standortbestimmung*, Max Planck Institute for Innovation & Competition Discussion Paper No. 8 (2017), p. 13 et seq.

### c) Conclusion

- 115 Even without Brexit the governance challenge is obvious. In order to give effect to a directive in the UPCA 25 Member States must come to terms.<sup>274</sup> That is already out of the ordinary. Considering that everyday transposition business is hard enough as it is makes this all the more discomfoting. Brexit ups the ante. Coming to terms would have been difficult enough among Member States. It will be even more so after the UK has left the EU.
- 116 The problem may appear overstated in view of the current state of affairs, where it is only about the UK's participation – in other words, it is one “outsider” against 24 Member States. However, it would be naïve to ignore the extended ramifications of the problem. For one thing, the UK is not just a random contracting state. It is a major player with its own strong interests in the direction of development of patent law and policy. For another, the UK's participation may just be the beginning. If participation of third countries in the UPC's judicial system is accepted as a matter of principle, and not only as a matter of degree, then with every additional state that accedes to the UPCA the governance situation becomes worse.
- 117 The governance dilemma explored above, which is essentially due to the UPCA's peculiar revision arrangements, could be solved by amending Art. 87 UPCA so as to remove any ability of non-EU contracting parties to block amendments to the UPCA with a view to bringing it into line with Union law. Alternatively, an agreement could be concluded with the UK – or, for that matter, any other non-EU state that joins the UPCA – with a view to requiring the latter to refrain from any action that may interfere with the transposition of Union law into the UPCA. It is, however, hard to imagine that any third country would go along with any of that. A third but arguably insufficient approach would be to tighten the economic sanctions for recalcitrant contracting states by making it explicit – in the UPCA or, for that matter, in a separate agreement – that all contracting states, including non-EU states, are directly accountable and liable for failures of the Contracting Member States to fulfil any obligation under the Treaties.<sup>275</sup>
- 118 The fact that a non-EU state would enjoy a veto right regarding the transposition of Union law into the UPCA is a deal breaker, regardless of whether that state or any other contracting state can be held accountable for the lack of transposition or any infringement of Union law that may result therefrom. Even if an impediment to the effectiveness of EU law were only tempo-

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<sup>274</sup> Assuming that all remaining contracting states to the UPCA ratify the Agreement. That number may go down to 24 depending on what Hungary intends to do about the recent decision of its constitutional court [see supra n. 170].

<sup>275</sup> See also *M. Leistner* and *P. Simon*, *Auswirkungen des Brexit auf das europäische Patentsystem*, 66 GRUR Int. 2017, 829 et seq., 832.

rary,<sup>276</sup> it would seem unbearable. The mere risk of a transposition “embargo” should be reason enough to refrain from opening the UPCA to accession by third countries. As long as there is no certainty that their involvement would have no undesirable side effects on the implementation of the *acquis* within the ambit of unitary patent protection in full support of the Union’s objectives and policies, the stakes are too high.

### 3. Uniformity of law

#### a) Generally

There are two sides to the uniformity of law: uniformity of sources – i.e. appearance – and uniformity of results. The first is a precondition for the second, whereas the second does not necessarily follow from the first. The extent to which it does depends on the degree of uniformity at the meta-level: principles inform policies, and policies inform rules.<sup>277</sup> Since an international treaty needs to be interpreted “in the light of its object and purpose”,<sup>278</sup> uniformity in its interpretation and application hinge on the institution by which, and the context within which, the treaty is applied. 119

For non-EU contracting states the UPCA is an ordinary international treaty. Its objective and purpose is, for better or worse, of a technocratic nature: to defragment the patent prosecution market and improve the international enforcement of rights.<sup>279</sup> For the Member States of the EU the UPCA is more than that. The overarching goal of the unitary patent package is to create a common market for innovation, its protection, and its enjoyment. The project’s legitimacy is subject to the conditions of legality of enhanced cooperation; i.e. it “shall aim to further the objectives of the Union, protect its interests and reinforce its integration process”;<sup>280</sup> it shall “not undermine the Internal Market or economic, social and territorial cohesion”;<sup>281</sup> it shall “not constitute a barrier to or discrimination in trade between Member States, nor 120

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<sup>276</sup> Judgment of 9 March 1978, *Simmenthal*, 106/77, ECLI:EU:C:1978:49, para. 23; Judgment of 22 June 2010, *Melki and Abdeli*, C-188/10 and C-189/10, ECLI:EU:C:2010:363, para. 44; Judgment of 11 September 2014, *A v B*, C-112/13, ECLI:EU:C:2014:2195, para. 37; Judgment of 4 June 2015, *Kernkraftwerke Lippe-Ems*, C-5/14, ECLI:EU:C:2015:354, para. 33.

<sup>277</sup> See *M. Lamping*, Intellectual Property Harmonization in the Name of Trade, in Ullrich et al. (eds.), *TRIPS plus 20 – From Trade Rules to Market Principles*, 2016, p. 340 et seq.

<sup>278</sup> According to Art. 31 of the Vienna Convention [supra n. 23], “[a] treaty shall be interpreted in good faith in accordance with the ordinary meaning to be given to the terms of the treaty in their context and in the light of its object and purpose”.

<sup>279</sup> See Rec. 2, 5 and 6 of the UPCA.

<sup>280</sup> Art. 20(1) TEU.

<sup>281</sup> Art. 326 TFEU.

shall it distort competition between them”;<sup>282</sup> it shall be consistent with the policies of the Union.<sup>283</sup> The UPCA is an integral part of the unitary patent package and must thus be measured by its contribution to these overarching objectives. This requires a meta-teleological approach of interpretation. Just as the CJEU has a “predisposition to resolve legal uncertainty in favour of further integration of the Union’s interests”,<sup>284</sup> the UPC should, at least as far as unitary patents and European patents granted for EU Member States are concerned, have a predisposition to resolve patent disputes in favour of a smooth functioning of the Union’s Internal Market.

- 121 Traditionally, uniformity is framed as an issue of legal certainty and predictability. In the context of unitary patent protection, it is also a matter of autonomy. Depending on what kind of European patent they have in front of them (a European patent granted for Member States, or a European patent granted for the UK or any other non-EU contracting state), judges of the UPC may have to – as a matter of public international law – interpret and apply the same UPCA rules but in the light of different principles and policies, in order to take account of the Janus-faced nature and purpose of the UPCA – as an ordinary international agreement, on the one hand, and as an implementation measure of enhanced cooperation between the Member States, on the other. To give an example: according to Art. 63 UPCA, granting permanent injunctive relief is a discretionary act. In taking its decision, the UPC may take a variety of factors into account,<sup>285</sup> none of which are mentioned in the UPCA or its Rules of Procedure. The court may want to weigh up countervailing interests of the parties (e.g. as regards the relationship between the right to property and other fundamental rights, such as the general freedom of action) and the public (e.g. as regards the relationship between the right to property and the state’s duty to provide its citizenry with essential public goods or services). The outcome of that balancing act depends on the relative importance attached by the legislator to the interests concerned at the given point in time. There may, however, be considerable differences between Member States and third countries as to how they evaluate and deal with conflicts among private interests or between private and public interests. The extent to which property rights must give way to other fundamental rights, or to which private rights can be curtailed in the public interest, is a reflection of the state’s current socio-economic situation and its general system of values. In relation to the Member States, the Treaties are the benchmark for such trade-offs, and the functioning of the Internal Mar-

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<sup>282</sup> Ibid.

<sup>283</sup> Art. 334 TFEU.

<sup>284</sup> *G. Beck*, *The Structural Impact of General International Law on EU Law*, 35 *YEL* 496 (2016); see also *id.*, *The Legal Reasoning of the Court of Justice of the EU*, 2012.

<sup>285</sup> For examples, see *R. Hilty et al.*, *Comments on the Preliminary Set of Provisions for the Rules of Procedure of the Unified Patent Court*, Max Planck Institute for Intellectual Property & Competition Law Research Paper No. 13-16, para. 25.



ket is an important factor to take into account. For the UK, that will not be the case anymore. The UK will be able to – as a matter of fact it will have to – formulate its own values, objectives and policies, without being in any way bound by those of the EU. In fact, this is precisely what the Brexiteers strived for. And that is precisely where the rub is. On the one hand, the UPC cannot just ignore the fact that the UPCA’s objective and purpose may be different for Member States and non-EU contracting states. On the other, it has no measures at hand to take due account of such differences.

It would in fact be untenable to adopt a Janus-faced approach to the construction of the UPCA – as ordinary international law (applicable to European patents granted for the UK or any other non-EU contracting state), on the one hand, and as international law with a special EU twist (applicable to unitary patents and European patents granted for Contracting Member States), on the other hand. In the context of determining the scope of the CJEU’s jurisdiction to interpret provisions of the TRIPS Agreement, the Court has emphasised that “where a provision can apply both to situations falling within the scope of national law and to situations falling within the scope of [Union] law, it is clearly in the [Union’s] interest that, in order to forestall future differences of interpretation, that provision should be interpreted uniformly, whatever the circumstances in which it is to apply”.<sup>286</sup> While the situation of the TRIPS Agreement, which was concluded by the Union and its Member States under joint competence,<sup>287</sup> does not make for a perfect analogy, it may nevertheless be adduced to exemplify the Court’s potential concerns with the UPCA’s interpretation.

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On a more abstract level, the situation is reminiscent of the first EEA Agreement (which was subject to Opinion 1/91),<sup>288</sup> which intended to create organic links between the EEA Court and the CJEU by providing that judges from the CJEU were to sit on the EEA Court in order to ensure a homogeneous interpretation of the EEA Agreement and EU law. The CJEU found this to be a potential threat to the autonomy of the latter, because it would be

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<sup>286</sup> Judgment of 16 June 1998, *Hermès International*, C-53/96, ECLI:EU:C:1998:292, para. 29; Judgment of 14 December 2000, *Dior*, C-300/98 and C-392/98, ECLI:EU:C:2000:688, para. 35; see also Judgment of 17 July 1997, *Giloy*, C-130/95, ECLI:EU:C:1997:372, para. 28; Judgment of 17 July 1997, *Leur-Bloem*, C-28/95, ECLI:EU:C:1997:369, para. 34; Judgment of 18 October 1990, *Dzodzi*, C-297/88 and C-197/89, ECLI:EU:C:1990:360, para. 37.

<sup>287</sup> See Opinion of the Court of 15 November 1994, *Competence of the Community to conclude international agreements concerning services and the protection of intellectual property*, 1/94, ECLI:EU:C:1994:384, para. 105. It follows that the Court has jurisdiction to define the obligations which the Union has thereby assumed and, for that purpose, to interpret the TRIPS Agreement; see Judgment of 14 December 2000, *Dior*, C-300/98 and C-392/98, ECLI:EU:C:2000:688, para. 33; Judgment of 16 June 1998, *Hermès International*, C-53/96, ECLI:EU:C:1998:292, para. 29.

<sup>288</sup> Opinion 1/91 [supra n. 124]; see supra at II.1.a)(iii).

difficult, if not impossible, for the judges to keep an open mind while slipping in and out of different roles, depending on whether the provisions they had in front of them were part of EU law or the EEA Agreement.<sup>289</sup>

### **b) Transitionally**

124 By the same token, a threat to the autonomy of Union law may also emanate from the UPCA's transitional regime. According to Art. 83 UPCA a proprietor of, or an applicant for, a European patent granted or applied for prior to the end of the transitional period (seven years after the date of entry into force) will have the ability to “opt out from the exclusive competence” of the UPC, provided that so far no action has been brought before it.<sup>290</sup>

125 There is an ongoing debate as to the consequences attached to an opt-out in terms of applicable law. It could mean that

- the patentee opts out from the applicability of the UPCA in its entirety, meaning that national courts remain competent and national law remains applicable;<sup>291</sup> or
- the patentee only opts out from the “exclusive jurisdiction” of the UPC, meaning that national courts remain competent but will need to apply the substantive patent law provisions of the UPCA.<sup>292</sup>

It is not necessary to determine which interpretation carries conviction. Since the wording of Art. 83 UPCA is inconclusive, both options must be considered. It is only safe to say that the UPCA is compatible with EU law if it leaves no doubt about that. Uncertainty is a deal breaker.

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<sup>289</sup> *Ibid.*, paras. 47 et seq.

<sup>290</sup> Art. 83(1), (3) UPCA.

<sup>291</sup> *UPC Preparatory Committee*, Consequences of the application of Article 83 UPCA, 29 January 2014, para. 17; *A. Ohly and R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 6 et seq.; *M. Leistner and P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 831.

<sup>292</sup> See *W. Tilmann*, The Transitional Period of the Agreement on a Unified Patent Court, 9 *JIPLP* 575 (2014); *M. Eck*, Europäisches Einheitspatent und Einheitspatentgericht – Grund zum Feiern?, 63 GRUR Int. 2014, 119; *M. Nieder*, Materielles Verletzungsrecht für europäische Bündelpatente in nationalen Verfahren nach Art. 83 EPGÜ, 116 GRUR 2014, 628; *R. Pinckney*, Understanding the Transitional Provisions of the Agreement on the Unified Patent Court, 37 *EIPR* 276 (2015); *W. Tilmann*, 125 Jahre GRUR – Patentrecht, 118 GRUR 2016, 1224; *id.*, UPCA and EPUE-Reg – Construction and Application, 65 GRUR Int. 2016, 418 et seq.

According to the second interpretation UK courts would be required to apply and interpret the UPCA, in particular its Arts. 25 to 28, without being entitled to request a preliminary ruling from the CJEU.<sup>293</sup> Without a specific authorisation along the lines of the procedures established for the EEA and the ECAA,<sup>294</sup> UK courts would have to interpret the UPCA autonomously. This may give rise to differences prejudicial to the operation of the unitary patent system. One cannot readily expect that UK courts will align their jurisprudence regarding European patents with that of the UPC. It may actually be quite the contrary: one should rather expect competition between the UPC and national courts during the transitional period, because they will both need to attract business; they need to make sure that litigants make use of their opt-in and opt-out rights to their advantage. 126

This must be seen in the light of the CJEU's thoughts on the EU's accession to the ECHR and its potential effect on the autonomy of the EU legal order.<sup>295</sup> Even though it is clear that neither the UPC nor the CJEU would be bound by any particular interpretation of the UPCA by UK courts, there is a risk of inhomogeneity during the transitional period. This may not pose a serious threat to the autonomy of the Union legal order that would (by itself) jeopardise the UPCA's compatibility with the Treaties.<sup>296</sup> But it is a situation that could be considered suboptimal from the perspective of the EU and may thus call for appropriate safeguard mechanisms to be put in place.<sup>297</sup> 127

### III. CONCLUSION

Brexit heralds a new chapter in the European patent saga that appeared to have been closed for good after Opinion 1/09: about whether non-EU states may be incorporated into a patent and court system established on the basis of enhanced cooperation between EU Member States. In the past two years since the Brexit referendum, that question has been discussed extensively from all kinds of angles and with all kinds of predispositions. Whether out of political desire or legal conviction, most analyses of the legal state of affairs after Brexit come to the conclusion that the UK may still participate in the unitary patent system and its court after leaving the EU. 128

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<sup>293</sup> See also supra at II.1.

<sup>294</sup> Opinion 1/91 [supra n. 124], paras. 55 et seq.; Opinion 1/92 [supra n. 125], paras. 33 et seq.; Opinion 1/00 [supra n. 127], paras. 30 et seq., regarding the requirements laid down by the CJEU for such arrangements (inter alia, that decisions of the CJEU have to be binding for the referring court); for details, see supra at II.1.b)(iii).

<sup>295</sup> Opinion 2/13 [supra n. 65], paras. 179 et seq.

<sup>296</sup> See *A. Ohly* and *R. Streinz*, Can the UK stay in the UPC system after Brexit?, 66 GRUR Int. 2017, 6.

<sup>297</sup> See *M. Leistner* and *P. Simon*, Auswirkungen des Brexit auf das europäische Patentsystem, 66 GRUR Int. 2017, 831.

- 129 That also seems to be the official position of the UK itself. In July 2018, Her Majesty’s Government published a white paper on the future relationship between the United Kingdom and the European Union confirming that “the UK has ratified the Unified Patent Court Agreement” and that it “intends to explore staying in the Court and unitary patent system after the UK leaves the EU”.<sup>298</sup> It appears that this was the first time since the Brexit referendum in June 2016 that the British government has openly and publicly declared its intention to implement the unitary patent package as a whole, both in terms of the substantive right created by Reg. 1257/2012 and the judicial machinery built around it by the UPCA.
- 130 While the UK intends to explore staying on board, the EU might draw a different conclusion from Brexit. As it stands, opening the UPCA to accession by third countries would render the Agreement incompatible with the Treaties. It would entail a threat to the autonomy and effectiveness of EU law and, ultimately, to the EU’s control over the conditions of innovation and its legal protection within the Internal Market. The beauty of the UPC being designed as a court common to the Member States<sup>299</sup> 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*.<sup>300</sup> Put another way: it is not the safeguards incorporated into the UPCA in the aftermath of Opinion 1/09<sup>301</sup> 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.

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<sup>298</sup> *Her Majesty’s Government*, The Future Relationship between the United Kingdom and the European Union, July 2018 (Cm 9593), para. 151.

<sup>299</sup> Rec. 7 and Art. 1 UPCA; see also Art. 71a of the Brussels I Regulation [supra n. 49].

<sup>300</sup> See, to that effect, Judgment of 6 March 2018, *Achmea*, C-284/16, ECLI:EU:C:2018:158, para. 43; Opinion 1/09, op. cit. [supra n. 26], para. 82.

<sup>301</sup> See supra at I.2.

This is not to say that it may not be worth considering how to *associate* non-EU states to the UPC judiciary, notably non-EU member states of the EPO. But that is another story. And it is for another day. 131

Be that as it may, it is not entirely comprehensible why the UK would want to delegate jurisdiction over its patents to the UPC at all.<sup>302</sup> It would have to accept that all cases brought before the court are decided in the light of the “letter and spirit of the Treaties”. The UPCA is an integral part of the legislative package implementing enhanced cooperation and is thus subject to the overarching objectives associated therewith.<sup>303</sup> The UPC is bound to interpret and apply the UPCA as if it were an ordinary EU harmonising measure: as a framework regulation for the Internal Market; in conjunction with other bodies of rules on EU intellectual property rights (trade marks, design rights, plant variety rights) and *sui generis* rights (database protection, trade secrets) in order to cater for coherence and avoid overlaps between different regulatory regimes; and in consideration of other spheres of the Union legal order, such as the fundamental freedoms, competition law,<sup>304</sup> fundamental rights,<sup>305</sup> and general principles of EU law.<sup>306</sup> The UK would also have to accept that the EU could amend the UPCA anytime through the “backdoor” of secondary Union law.<sup>307</sup> But even without amendments along these lines, the provisions of the UPCA should be – contrary to what the Member States intended by stripping Reg. 1257/2012<sup>308</sup> – subject to autonomous interpretation by the CJEU.<sup>309</sup> Nota bene, that does not only hold good for the law applicable to unitary patents but also for that applicable to other European 132

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<sup>302</sup> For a general discussion of that issue, see *H. Ullrich*, *Le système de protection du brevet unitaire de l’Union après le Brexit: désuni, mais unifié?*, 64 *Prop. Int.* 27 (2017); *id.*, *The European Union’s Patent System after Brexit: Disunited, but Unified?*, in Lamping and Ullrich (eds.), *The Impact of Brexit on Unitary Patent Protection and its Court*, 2018.

<sup>303</sup> Art. 20 TEU and Arts. 326 et seq. TFEU.

<sup>304</sup> On the application of competition law within the context of unitary patent protection, see *S. Enchelmaier*, *A Competition Law Perspective I: Competition Law Aspects of European Patents with Unitary Effect*, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 111; *S. Anderman*, *A Competition Law Perspective II: The Relationship between Patents and Competition Rules*, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 129.

<sup>305</sup> On the application of fundamental rights within the context of unitary patent protection, see *T. Mylly*, *A Constitutional Perspective*, in Pila and Wadlow (eds.), *The Unitary EU Patent System*, 2015, p. 85 et seq.

<sup>306</sup> Opinion 1/09 [supra n. 26], para. 78 et passim; Statement of Position on Opinion 1/09 [supra n. 26], paras. 83 et seq.

<sup>307</sup> In fact, it may even replace the referral to the UPCA embodied in Arts. 5(3) and 7 of Reg. 1257/2012 by fully fledged substantive patent law provisions; see *W. Tilmann*, *Glücklich im Hafen: das Einheitspatent*, 117 *GRUR* 2015, 532.

<sup>308</sup> See supra at II.2.b)(iv).

<sup>309</sup> See, in particular, *Th. Jaeger*, *Back to Square One? An Assessment of the Latest Proposals for a Patent and Court for the Internal Market and Possible Alternatives*, 43 *IIC* 291 et seq. (2012), and sources cited supra in n. 264.

patents, since they are both governed by the same body of rules. Those rules must be interpreted uniformly in the light of uniform policies and principles, whatever the circumstances in which they are to apply.<sup>310</sup>

133 In short, the UK would have to accept that the EU is in full control of post-grant patent law. That, however, sounds like a very far cry from the truth. In an oral statement delivered on 29 March 2017 to the House of Commons on her letter notifying *Donald Tusk* of the UK's intention to leave the EU *Theresa May* made the UK's position very clear: "We will take control of our own laws and bring an end to the jurisdiction of the European Court of Justice in Britain. Leaving the European Union will mean that our laws will be made in Westminster, Edinburgh, Cardiff and Belfast, and those laws will be interpreted not by judges in Luxembourg, but in courts across this country."<sup>311</sup> That does not sound like the UK is in any mood to make the deep curtsy that it would have to in view of its commitments under the UPCA.

134 Before concluding, it bears repeating that the issue of legality should not be taken lightly. It will not just disappear after the UPC has become operational. There is a good chance that it will end up on the CJEU's agenda once again either in the shape of an infringement action under Arts. 258 or 259 TFEU against the Contracting Member States of the UPCA or as a request for a preliminary ruling lodged by a national court asserting a lack of competence of the UPC due to the UPCA's incompatibility with EU law<sup>312</sup> – and this does not even begin to address the constitutional problems that may arise at the national level.<sup>313</sup> Unless the outstanding issues are sorted out in advance, uncertainty will hang over the system like the Sword of Damocles for as long as it is in force. It should therefore be in the interests of all contracting parties and all potential users of the system to be sure of the UPCA's compatibility with EU law and of the consequences that the UK's upcoming withdrawal from the EU may have in that regard.

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<sup>310</sup> See *supra* at II.3.

<sup>311</sup> *Theresa May*, quoted in House of Commons Official Report, Parliamentary Debates (Hansard), 29 March 2017, Vol. 624, column 252.

<sup>312</sup> Since the EU is not a party to the UPCA, an opinion of the CJEU pursuant to Art. 218(11) TFEU is not an option.

<sup>313</sup> See *S. Broß* and *M. Lamping*, Das Störpotenzial des rechtsstaatlich-demokratischen Ordnungsrahmens am Beispiel der europäischen Patentgerichtsbarkeit, GRUR Int. 2018 (forthcoming); a shortened English version has been published in 49 IIC 886 (2018).