Unitary patent and Unified Court — What lies ahead?
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Gleanings
Before dealing with the requirements for the patent package entering into force, it is worthwhile discussing some comments which became known after the vote on the regulations by the European Parliament and the signing of the Agreement. Apparently a few days before the vote by Parliament, the chairman of the Legal Affairs Committee, Klaus-Heiner Lehne, gave an interview to the German journal JUVE, a publication for the legal profession, which was published in January. It appears from some of his remarks that people in Brussels and Strasbourg believe that they have brought a valuable present to patent users which everyone would receive with open arms.

Transparency Brussels-style
Lehne was asked about the criticism voiced by a great number of people from the patent community with respect to the lack of transparency and a period of more than 12 months of secret negotiations. He answered as follows:

Lack of transparency is nonsense [Stuss]—there is no legislative process more transparent than the European one.

It must be recalled that between November 2011 and September 2012 all requests for documentation regarding the patent package addressed to the Council and the Commission were rejected. Citations of such rejections from this period, including the vote by the Council to back this secrecy practice, can be found in numerous publications and blogs. As long ago as August 2012 the Commission informed interested practitioners

The necessary consultations concerning this document are still in progress. Therefore, the time-limit for the General Secretariat to reply to your application has to be extended [!!] by 15 working days (30.8.2012), in accordance with Article 7(3) of Regulation (EC) No 1049/2001 of 30 May 2001 regarding public access to European Parliament, Council and Commission documents (Official Journal L 145, 31.5.2001, p 43).

How can Lehne, who has been so deeply involved in this project for years—and who must have participated in the secret negotiations behind closed doors—pretend that this procedure was ‘transparent’? MEP Bernhard Rapkay, one of the rapporteurs on the regulations in the Legal Affairs Committee, was closer to reality when admitting in a statement after the recess of the Parliament in October 2012:

Back then [a year earlier] they [the three legal services of the Commission, the Parliament and the Council] said one thing and now they are saying something different.

None of the users had even heard of these opinions, since the Council and the Commission obviously preferred that internal disputes or contradictory discussions concerning the legal issues around the patent package should not reach the public, but rather be sorted out internally. This reasoning was even used officially as a justification to users when rejecting their requests for documents on the legislative process as shown in the following example.

The . . . negative effects of divulgence to the public could . . . affect the ratification process in the Member States willing to participate in the envisaged agreement [emphasis added].

The same happened with the Rules of Procedure. The version which was supposed to be published for discussion with users was ready for circulation in November, even before the vote by Parliament in December and before the signing of the Agreement. The circulation of the draft was delayed, since it has proven a viable way to prevent discussions, if nobody knows what to discuss.

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1 Juve Rechtsmarkt No 1/2013, p 87 et seq.
3 Cf the citations by Pagenberg in ibid, fn 35.
Compromise by misrepresentation: Cameron misled?

(1) Lehne also speaks about the alleged compromise found after Articles 6–8 of the Regulation had been deleted upon request by David Cameron, a request which had been supported by the Council. Commenting on the solution, Lehne found that:

As a result of the reference from the regulation to the agreement these rules of national law have been adopted into European law so that referral proceedings to the CJEU are very likely. . . . Cameron sold the deletion of Articles 6–8 as a gigantic success [emphasis added].

This is a bit surprising since Cameron must have been persuaded that the solution found constituted a fulfilment of his request. Lehne is of the opinion that the substance of Cameron’s concerns has not changed, since he believes that the CJEU will remain competent to decide on issues of patent infringement as they are now contained in Articles 25–27 of the Agreement on the Unified Patent Court. This means that users must be prepared for having their cases referred to Luxembourg, and that questions of patent infringement which are at the core of nearly every patent case will be interpreted by judges who have no experience in patent law. This is contrary to what industry—and, rightly, Cameron—wanted to obtain.

(2) Resolutions and decisions have often been achieved in Brussels by selling to some Member States as white something which is in reality black, and then call this a compromise. This procedure was referred to as ‘horse trading’ a few month ago by the well-known German magazine Der Spiegel in a comprehensive article on the EU practice. In fact, Lehne and Rapkay used the same expression after the Summit ‘deal’ in June 2012, accusing the Council of ‘horse trading’ and of a ‘scandalous breach of procedure’.5

This shows that one must have sympathy for Cameron’s announcement of a referendum, since this kind of policy-making should no longer be tolerated. Is it not appalling when governments must expect that their colleagues in the Council, the Commission and the Parliament hide from them negative legal consequences and traps contained in a legislative proposal? How should a head of state or a prime minister react when, on top of such a wilful deception, its success is later announced as a victory over an in good faith unsuspicous government delegation?

(3) Ironically, the joy about the proclaimed ‘victory’ of the Brussels negotiators over the British request—which was also one of the biggest concerns of European industry at large—has not lasted long, since it may have added to a serious incident of blocking the whole project. The announcement of a referendum by the UK (one of the hosting countries for a branch of the Central Court and a member which must ratify the Agreement in order to fulfil one of the requirements for its entry into force) will create a growing uncertainty during the ratification process also in other countries.7 Will national parliaments enter into difficult discussions over an unpredictable new court system, which Lehne called in his interview ‘the second best solution’, with the prospect that one of the major and legally necessary players will withdraw from the project?

Cost

Another topic which has always been one of the most important issues for industry, in particular small and medium-sized enterprises (SMEs), is the promised reduction of costs for patent filing and patent litigation can be found by the hundred in political speeches and press releases from Brussels over the past years. Commissioner Barnier promised that the [patent package] under the enhanced cooperation will radically reduce the cost of patents in Europe by up to 80% . . . [emphasis added].8

The Council announced on 17 December 2012:

A big leap towards innovation for European companies making access to the patent system easier, less costly and legally secure . . . and eliminate [?] costs and complexity . . . especially for small- and medium-sized enterprises (SMEs) [emphasis added].9

4 In a behind-the-scenes report, Der Spiegel called the Brussels practice ‘Kuhhandel’: see issue No 52 of December 22, 2012 p 57 et seq which, however, describes the haggling in an oriental bazaar more than any intentional misleading of a negotiation partner.

5 ‘European Parliament blames EU Council’s “horse trading” as they delay unitary patent proposals until September’, IPRKat Blog, 12 July 2012.

6 Not only did the industry heavily oppose Arts 6–8 in the UK and Germany; the CEO of a French company which employs 10 000 people in research alone addressed a personal letter to the competent French minister for research and higher education and urgently requested the deletion of Arts 6–8.


For several years, users have not stopped asking for precise figures concerning patent filings, maintenance fees as well as litigation cost, and now will costs be eliminated altogether? The Chartered Institute of Patent Attorneys commented on one of those announcements:

[The statement is strong on hopes and weak on certainties . . . . We share the concerns expressed by the professions that the UPC will be prohibitively expensive [emphasis added].]

Even one of the economic advisors of the Commission, Pottelsberge, warned in an interview:

‘The new patent might well be very expensive’ [emphasis added].

The Commission and the Council preferred to keep silent on the details. They were only interested in obtaining political agreement of the Member States while imparting as little information as possible before disclosing the inevitable acknowledgement, which industry had feared and which Lehne has now admitted to for the first time after having pushed his equally uninformed colleagues in the Parliament to a favourable vote:

‘The new patent will not be cheaper. Therefore the parallel system of national and European (EP) bundle patents will be maintained as an option’ [emphasis added].

One of the many sceptical voices remarked:

‘[Even] 70% lower cost is not realistic and only political PR language or even autosuggestion.’

Now users can expect that after the signing of the UPC, one piece of information after another will be disclosed which had been deliberately withheld.

Does everybody really welcome the patent package?

Lehne who, on the one hand, seems to be realistic about the inferior quality of the patent package (‘second best’), on the other hand makes another remark in the interview which the great majority of users must have taken as a joke:

‘The Agreement is undisputed in Germany.’

It has become part of the realities in Brussels that Commissioners and other officials are no longer interested in what users have to say about legislative projects which concern them. Lehne cannot have overlooked the hundreds of letters, emails, legal opinions, resolutions and public warnings which had been addressed to the Parliament to complain about what he himself calls ‘second best solution’. A few of them are cited here.

Blogs had published headlines such as: ‘Big European businesses ask European Parliament to reject Unitary Patent.’

Letters by Ericsson, Nokia and BAE made it clear that: ‘The proposal as it stands is bad for European business and we urge you not to vote in favour on 11 December.’

The IAM Magazine blog warned: ‘Industry cannot afford a failing system as the only means for the protection of their greatest assets. After 40 years of work it is surely worth taking a few more months to get it right and avoid disaster . . .’

The World Intellectual Property Review magazine commented: ‘EU leaps into unknown with Unitary Patent Agreement’ and cited a number of practitioners who were very critical about the result of the parliament vote.

On 11 December 2012 the IPKat published the following comment after the vote in the European Parliament: ‘Operation successful, patient in suspended animation’

Even during the preceding months, personally addressed letters and emails must have reached the EU Commissioners, Parliament and Council by the hundreds, if not thousands, since one can read them still today on the internet.

It also became known that, on 26 November 2012, the Legal Affairs (JURI) Committee of the European Parliament, which is chaired by Lehne, held (once again) an exchange of views with the different legal services
More legal problems for the UPC to solve

It is still too early to speculate about the fate of the Agreement in the national parliaments during the ratification procedure. However, it may perhaps be interesting to examine the legal requirements for its entry into force which one finds in Article 89 of the Agreement on the Unified Patent Court (UPC).16

Few authors have dealt with the details of this provision of Article 89. Official Publications only mention the ratification procedure by a minimum number of Member States and keep silent about further conditions. The legal questions deriving from the second sentence of Article 89(1) may however create some intricate discussions which again had not been mentioned before the signing of the Agreement on 19 February 2013.

Amendment of Regulation 1215/2012

(1) The first condition in the second sentence of Article 89 UPC is quite clear, namely that the UPC cannot enter into force without prior amendment of Regulation 1215/2012—the amended Regulation 44/2001 on jurisdiction. It is interesting that this regulation has just been overhauled and recast in December 2012, but without any reference to the jurisdiction rules of the UPC. So it will be necessary to prepare another amendment of this regulation taking on board the jurisdiction rules of the UPC. What Article 89(1) second sentence UPC then stipulates when speaking of ‘amendments to the Regulation concerning its relationship with the Agreement’ is not immediately clear and needs further examination.

(2) In 2011, Axel Horns examined17 a piece of legal advice by the Commission’s legal services dealing with the compatibility between the Agreement and the EU legal order. The text of this legal advice18 was one of those ominous ‘non-papers’ the publication of which had first been withheld but, upon express request, made available, and has then been published on a private blog.19 This document not only examined the compatibility with respect to questions which were the subject of the CJEU decision of 8 March 2011. One of the recommendations of the legal service was that it would be highly desirable to clarify in the UPC how the jurisdiction rules of the Brussels I Regulation should apply in the context of the UPC Agreement.

It requested in this context modifications of the former Articles 15 and 15a of the UPC dealing with jurisdiction, which have now become Articles 32–34 in the last version of the Agreement.

(3) Further, referring to Regulation 44/2001, now 1215/2012, the opinion suggests that a recital could be inserted in the Jurisdiction Regulation clarifying that the reference to ‘courts’ may include supra-national courts such as the UPC. If one reads Regulation 1215/2012, one does not find such a recital. Also, if one compares the core provision on jurisdiction for patent cases, the former Article 22(4) of Regulation 44/2001 with the new Article 24(4) of Regulation 1215/2012, one will find a modified text.20 However, this text does not refer to the UPC or its much debated exclusivity clause of Article 15—which has now become Article 32 and which defines the jurisdiction for Unitary and EP patents.21 On the other hand, Article 31 UPC which deals with international jurisdiction cites Regulation 1215/2012, but not the other way round.

16 Article 89—Entry into force.
17 This Agreement shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.
19 Horns, above, n 18.
20 But this provision still contains a decade-old translation error, since the English version of Article 24(4) should read ‘in proceedings which have as their object instead of ‘concerned with’ , as the German, French etc versions show.
21 For the criticism on this rule, see Pagenberg, above, n 11.
It follows that Regulation 1215/2012 must once more be amended, this time concerning its relationship with the Agreement.\(^{22}\)

**Content of amendment**

(1) The text for this amendment is not discussed further. The obvious modifications which are required relate among others to Articles 7(2) and 8(2) for cases of patent infringement and Article 24(4) Regulation 1215/2012 with respect to revocation requests in accordance with Articles 32–34 UPC which provide a far-reaching cross-border power which national courts do not have under Regulation 1215/2012 now.

**Competence under Article 3(2) TFEU**

If agreement on the amendments of Regulation 1215/2012 can be achieved which satisfies the necessary ‘relationship’ between the UPC and Regulation 1215/2012, the legal significance of this amendment and its scope may open another construction site, as discussed by Gibus.\(^{23}\)

The critical point here is Article 3(2) of the Treaty on the Functioning of the European Union (TFEU), which reads:

The Union shall… have exclusive competence for the conclusion of an international agreement when… its conclusion may affect common rules or alter their scope. [emphasis added]

Does this mean that the member states would not be competent to conclude the UPC? That Regulation 1215/2012 belongs to the common rules of the EU legal order is obvious. That it would be affected and alter its scope if several of its core jurisdiction rules for patent cases are modified in a way by which the former national courts dealing with patent cases are replaced by an international court cannot be denied. This also applies when the scope of jurisdiction of existing courts will be considerably limited to cases based on national patents, and a new court which did not exist before would be added for EP and unitary patents.

**The ESM case of the CJEU (‘Pringle’)**

The CJEU only recently provided an interpretation of Article 3(2) TFEU in *Pringle*.\(^{24}\) The Court held in paras 100 and 101:

100. It must be recalled that, under Article 3(2) TFEU, the Union is to have ‘exclusive competence for the conclusion of an international agreement when its conclusion… may affect common rules or alter their scope.

101. It follows also from that provision that Member States are prohibited from concluding an agreement between themselves which might affect common rules or alter their scope. [emphasis added]

In such a case the EU has exclusive competence and the member states are no longer competent to conclude the Agreement. The reason why in the decided case the Court denied the application of Article 3(2) TFEU was that:

[the] amendment does not confer any new competence on the Union\(^{25}\)

– the activities of the ESM do not fall within the monetary policy [of the EU]\(^{26}\)
– the [now amended] EFSF was established by the Member States… outside the framework of the Union\(^{27}\)
– tasks hitherto allocated… to the EFSM, established on the basis of Article 122(2) TFEU, … [cannot] affect common rules of the Union or alter their scope.\(^{28}\)

The situation with respect to the required modification of the Regulation on jurisdiction is entirely different. Regulation 1215/2012 is part of the EU legal order, and its amendment would affect and alter its core jurisdiction rules, since these would be considerably extended if one only takes the so far very limited competence of the national courts in Article 24 (4) which would be replaced by the jurisdiction rules of the UPC. One may ask the question why the CJEU did not deal with this question in its Opinion of 8 March 2011.\(^{29}\) The explanation is that there was no need to discuss this point since compatibility with the Treaty had already been denied by the CJEU on other grounds. Also, there was no specific question asked with respect to Article 3(2) TFEU.\(^{30}\)

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22 The amendment of Regulation 44/2001 from the proposal of the Commission to the enactment of Regulation 1215/2012 by Parliament took about two years.


25 Recital 73.

26 Recital 95.

27 Recital 102.

28 Recital 103.

29 Opinion 1/09, 8 March 2011.

30 The CJEU in case Opinion 1/09 simply stipulated in Recital 76 “provided that… there is no adverse effect on the autonomy of the European Union legal order.”
Article 89 (1) 2nd sentence UPC in conjunction with Article 3(2) TFEU may constitute a serious obstacle to the adoption of the Agreement by the Member States. If they cannot continue with the project by way of an international agreement, this would lead to a virtual turnaround of the patent package project. In fact one would come back to the original proposal of the EU Commission in 2000 which provided for a Community Patent Regulation which included also the establishment of a Community intellectual property court.31 This project failed for many reasons, among others, because industry did not want a court system totally integrated into the European court structure in Luxembourg.

Is there a way out?

Is this now a chance finally to get it right? Not under an embellished Community Patent Regulation of 2000, but by choosing one of the options which the Advocates General (AG) had mentioned as being outside the EU legal order. In the AG’s Statement of Position of 2 July 2010 in Case O1/09 one can read

58. . . . Union law is not in principle opposed to an international agreement providing for its own judicial system . . .

60. We should first point out that it is not the competences of the future PC concerning the European patent that pose a problem here. . . . the Member States are therefore free to assign them to an international body, . . . The future Community patent is more delicate [emphasis added].

Maybe it would have been a good idea choosing the option mentioned by the Advocates General and to create an international court outside the EU legal order limited to EP patents, instead of choosing a mix of EU law and international law which has created so many legal problems. The link between the Unitary Patent and a common jurisdiction for EP patents may look as a great achievement for politicians — for the users it is not.

The IAM blog made a good point in this respect:32

. . . There is an old saying that if something is worth doing it is worth doing well. It is an undeniable fact that a deeply flawed unified patent system will do no-one in Europe any favours.

The goal of users has never been a ‘second best’ political compromise, but the best solution with options for all users. And if one asks the representatives of industry, their choice has always been that national courts keep their jurisdiction for EP patents. This would also solve the problem with Article 3(2) TFEU since there would be no need for an amendment of Regulation 1215/2012 as to this point, and therefore Article 3(2) TFEU is not applicable the Member States would not legally be prohibited from concluding the UPC after deleting “EP patents” from Art. 32.

32 http://www.iam-magazine.com/blog/Detail.aspx?g=ac02bcdb-0254-46f2-b733-76bc7e773374