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## **THE UNIFIED PATENT COURT – A NEW JUDICIAL BODY FOR THE SETTLEMENT OF PATENT DISPUTES WITHIN THE EUROPEAN UNION**

### **ABSTRACT**

*The Unified Patent Court is established by the Agreement on Unified Patent Court, signed in February 2013 by twenty five EU Member States. The Agreement will enter into force after the ratification of thirteen Member States, including France, Germany and United Kingdom. The Unified Patent Court is a judicial body for the settlement of disputes relating to the European Patents and European Patents with unitary effect. European patent means a patent granted under the provisions of the European Patent Convention (EPC), which does not benefit from unitary effect by the virtue of 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 the unitary patent protection. European patent with unitary effect means a patent granted under the provisions of the EPC which benefits from unitary effect by the virtue of Regulation (EU) No 1257/2012. Taking into consideration a number of attempts to create a unified patent protection system within the EU, the first part of the article represents an overview to the history of establishment of the unified patent litigation system. The second part analyses legal bases, sources of law and structure of the Unified Patent Court. The special attention is devoted to the relation between the Unified Patent Court and the European Court of Justice. In the third part, the author examines challenges that will face the users of the new court for the settlement of disputes relating to the European Patents and European Patents with unitary effect.*

**Keywords:** *Unified Patent Court, European patent, unitary patent, European Union, European Court of Justice.*

### **1. INTRODUCTION**

In Europe, patent protection currently can be obtained in three ways: first, through national patent offices which grant national patents based on the national patent law valid for the respective national territory; second, by the European Patent Office, which grants European patents based on the European Patent Convention

(EPC);<sup>1</sup> and third, on the base of Patent Cooperation Treaty under which only the procedure of examination of patentability of inventions is centralized, while the patents are indeed granted by national patent offices (Patent Cooperation Treaty is open not only to European countries, but also to the other countries outside the Europe and because of that it is not a subject of our interest in this paper).<sup>2</sup>

Under the EPC, the contracting states transfer their sovereign right to examine a patent application and to grant a patent with effect for their territory to an inter-governmental organization, the European Patent Organization (EPO).<sup>3</sup> So, with one single application, patent protection can be obtained in all EPO Member States. But, once a European patent is granted by the European Patent Office for all Member States, it has to be validated in each EPO Member State for which protection is being sought. As regards translation requirements, renewal fees and enforcement national laws are to be applied.

Therefore, Europe has a well-functioning and successful centralized application and granting procedure for all EPO Member States, but the European patent is not a unitary title. After granting, the European patent breaks down into a bundle of national patents, each governed by the national law of the Member State Country designed by the patent owner. The lack of a unitary post-grant procedure represents a substantial drawback of the EPO system. This has been criticized since the creation of the EPO.<sup>4</sup>

As a consequence, the terms of the exclusive rights, which they confer upon their owner, are determinate by the various national laws. It is to remedy this territorially fragmented and more or less diverse protection that, since about half century, the European Union attempts to establish an autonomous system of unitary patent protection of its own design, but has failed to achieve it whichever way it chose.<sup>5</sup>

In its paper, issued in 2007, the European Commission states that actions for infringement, invalidity counterclaim or revocation for the 'bundled' European patent are still subject to national laws and procedures. The existing system har-

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<sup>1</sup> The European Patent Convention [2016] OJ EPO 6/2016.

<sup>2</sup> Patent Cooperation Treaty, URL=<http://www.wipo.int/pct/en/texts/articles/atoc.htm>. Accessed 10 February 2017.

<sup>3</sup> European Patent Office, URL=<http://www.epo.org>. Accessed 10 February 2017.

<sup>4</sup> Hilt, R., Jager, T., Lamping, M., Ullrich H., *Comments of the Max Planck Institute for Intellectual Property, Competition and Tax law on the 2009 Commission Proposal for the Establishment of a Unified Patent Judiciary*, International Review of Intellectual Property and Competition Law, No. 7, 2009, p. 817.

<sup>5</sup> Ullrich, H., *Harmonizing Patent Law: the Untamable Union Patent*, Max Planck Institute for Intellectual Property and Competition Law Research Paper, No. 12-03, 2012, p.1.

bours the danger of multiple patent litigations, which weakens the patent system in Europe and fragments the single market for patents in Europe. This has serious consequences for European competitiveness facing challenges from the US, Japan and emerging economic powers such as China.<sup>6</sup>

The major shortcomings of the existing European patent system are related to translation and publication costs, renewal fees, administrative complexity, legal uncertainty, etc.<sup>7</sup> All those characteristics can be summarized under two major drawbacks: the costs and the enforcement of the European patent.

On one hand, the EPO Member States aware of the high costs caused by validation requirements after a European patent entered into the national phase negotiated the so-called London Agreement in 2000.<sup>8</sup> The contracting states agree to waive the requirements for translation of European patents in a way that patent applications are to be only in one of the EPO's three languages (English, French or German). However, the patent claims are still published in all three languages. It is also provided the right to demand that a patent owner provide translations in an official national language for a conflicting patent in case of a legal litigation remains unchanged by the Agreement. The London Agreement has significantly contributed to reducing the translation costs in the contracting states.

On the other hand, as regards the enforcement of European patents, neither unified regulations nor a single jurisdiction for patent disputes dealing with issues which go beyond the borders of an EPO Member State exist. Any infringement, invalidity counterclaim or revocation regarding a European patent may well be subject to multiple and diverse national laws and procedures. It may also involve costly translation requirements as each national court has its own official court language(s). Claimants and defendants risk costly, long term, multiple litigations in multiple EPO Member States regarding the same patent issue.<sup>9</sup>

This fragmentation of patent litigation involves the possibility of substantive patent law being applied and interpreted differently when enforcing a patent. As a

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<sup>6</sup> Communication from the Commission to the European Parliament and the Council, Enhancing the Patent System in Europe [2007] 165 Final.

<sup>7</sup> Machek, N. *How 'Unitary' is the Unitary Patent?* URL=[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2407357](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2407357). Accessed 9 February 2017.

<sup>8</sup> Agreement on the Application of the Article 65 of the Convention on the Grant of European Patents (London Agreement) [2001] OJ EPO 12/01.

<sup>9</sup> Addor, F., Mund, C., *A Patent Court for Europe— What's at stake for users?* URL=[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2236470&rec=1&srcabs=2117835&alg=1&pos=10](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2236470&rec=1&srcabs=2117835&alg=1&pos=10). Accessed 6 February 2017.

result, it is possible to have contradicting case law within national patent courts which might undermine the value of the European patent.

The way the European patent system is set up makes a danger of multiple patent litigation and costly procedure. So, there were a number of attempts to create a unified patent protection system within the EU. One cannot understand the unitary patent package as it is shaped today without a brief look back on its history. Thus the first part of the article represents an overview to those attempts that preceded the signing of the Agreement on the Unified Patent Court. The legal bases, sources of law and structure of the Unified Patent Court are analyzed in the second part of the article, while the third part is devoted to the challenges that will face the users of the new court for the settlement of patent disputes in Europe.

## **2. THE HISTORY OF ESTABLISHMENT OF THE UNIFIED PATENT LITIGATION SYSTEM IN EUROPE**

The current European patent system is dangerous in the way that multiple patent litigations may occur and procedures become very costly. Taking into consideration all possible negative consequences of this system on the competitiveness of the European innovation area, there were several attempts for establishing a reliable, cost-efficient patent litigation system that is highly effective and offers legal certainty for the territories of all EPO Member States.

### **2.1. The European Patent Litigation Agreement**

In 1999 the French government called an intergovernmental conference of the ECP contracting states to discuss the shortcomings of the EPO system and possible solutions. On that occasion a Working Party on Litigation was set up with a task to present a draft optional protocol to the EPC which would commit signatory EPO States to an integrated judicial system, including uniform rules of procedure and a common court of appeal. That protocol was supposed to define the terms under which a common judicial entity could be established for any litigation relating to validity and infringement of European patents.

In the following years the EPO Working Party on Litigation drew up the Draft European Patent Litigation Agreement (EPLA). It was provided the establishment of a new international organization, independent from the EPO, composed of two bodies: a European Patent Court and an Administrative Committee. The Court would comprise court of first instance with a central division and various

regional ones. As regards Administrative Committee, the representatives of all contracting states would be presented in it.<sup>10</sup>

According to the ELPA, the European Patent Court would be competent only for litigations concerning the infringement and validity of European patents effective in the territory of the contracting state. As regards the language of the proceedings of the European Patent Court, EPO's language regime (with English, French and German as official languages of the proceedings) would be applied.

When it comes to the application of the Community law (in particular, the Brussels Convention<sup>11</sup> and the Council Regulation 44/2001<sup>12</sup>), the European Patent Court could request the European Court of Justice (hereinafter: ECJ) to issue preliminary ruling. That preliminary ruling would be binding for the European Patent Court as pertaining to decisions with the effect in an EU Member State.

The ELPA was the first substantial approach towards a unified patent litigation system in Europe. It was drafted as an optional protocol, which means that it would be open for accession by all EPO Member States.

Users groups from industry, legal professions and patent judges have strongly supported the ELPA because the ELPA would be able to meet users' needs for an efficient court delivering fast, high quality first instance decisions at an affordable price. Additionally, the ELPA was expected to significantly reduce the number of cases and provide more legal certainty.<sup>13</sup>

However, in December 2005, the EPO Working Party on Litigation ceased its work. Namely, the European Commission announced its intention to engage in dialogue in order to ensure a sound IPR framework in EU. Despite the Commission's declaration that the ELPA was "a promising route towards a more unitary jurisdiction", it highlighted some institutional obstacles in the document. Introduction of the legal basis for the establishment of a Community patent jurisdiction in the Treaties<sup>14</sup> and the adoption of Directive 2004/48/EC<sup>15</sup> transfer the competence for establishing a unitary patent litigation system for the EU to the

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<sup>10</sup> Čeranić, J., *O upostavljanju jedinstvenog postupka rešavanja patentnih sporova u Evropi*, Pravo i privreda, 7-9/2014, pp. 74-75.

<sup>11</sup> Convention on jurisdiction and the enforcement of judgments in civil and commercial matters [1979] OJ C59.

<sup>12</sup> Council Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L012.

<sup>13</sup> Addor, Mund, *op.cit.* note 9.

<sup>14</sup> Articles 229a and 225a TEC (Nice).

<sup>15</sup> Directive 2004/48/EC on the Enforcement of Intellectual Property Rights [2004] OJ L195/16.

European Commission. Furthermore, with the adoption of Council regulation on a Community patent, Member States would no longer have the right to act individually or even collectively to undertake obligations with non-Member Countries which affect those rules. Therefore, the EPO Working Party on Litigation decided to suspend the work in view of the parallel work of the EU in this field.

In spite of its lack of success, ELPA was important for the shift it brought about EU discussions. ELPA highlighted the importance of designing a judiciary for patent enforcement, so that this issue moved from a mere side issue to becoming a core focus. Accordingly, ELPA set a number of facts straight that formed the basis for the way ahead afterwards: ELPA showed that the EPO system urgently required a more effective litigation structure to better exploit the economic value and legal potential of EPO patents.<sup>16</sup>

## 2.2. The European and EU Patent Court

In December 2009, the EU agreed on the establishment of the unified litigation system. The draft agreement also included jurisdiction over the new EU patent. Because of the double competence of a new judiciary body (for European patents and future EU patents), the EU did not choose the regular legislative procedure of issuing an EU regulation to establish a new patent judiciary in Europe. Its establishment was based on an international treaty according to Art. 218 of the Treaty on the Functioning of the EU. Since the proposed European and EU Patent Court (EEUPC) was to deal exclusively with disputes of European patents as well as future EU patents, the agreement was open not only to EU but to all EPO Member States.

As regards the institutional structure of the EEUPC, it was quite similar to the ELPA. However, there was one crucial difference – the exclusive jurisdiction for infringement and nullity actions over future EU patents. For that reason it was necessary to ensure the primacy of EU law by introducing preliminary rulings of the ECJ on the interpretation of the Treaty and the validity or interpretation of acts of EU institutions. Moreover, the ECJ's decisions would be binding on the EEUPC. So, it was not clear whether non-EU Members would have been obliged to accept the binding effects. And even had that been the case, whether they would have even accepted and joined the EEUPC under this condition, since they had not been involved in the drawing up of the EEUPC.

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<sup>16</sup> Jaeger, T., *What's in the Unitary Patent package?*, Max Planck Institute for Innovation and Competition Research Paper No. 14-08, 2014, p. 5.

Despite the obligation for non-EU Members to comply with the ECJ's decisions and the dubiousness of acceptance, the EEUPC was a promising proposal to develop a pan-European patent litigation system with 27 EU Member States<sup>17</sup> as well as the 11 non-EU EPO Member States. It would have successfully eliminated some of the shortcomings that users of the patent system still have to face in Europe. The EEUPC would have brought lower costs, greater effectiveness and enhanced legal certainty through an integrated, two-level judicial system for patent litigations related to infringement and validity of European and EU patents, and with uniform rules of procedure and a common Court of Appeal.<sup>18</sup>

Nevertheless, with the EEUPC, not all concerns regarding the fragmentation of the patent litigation system in Europe were dismissed. The obligation to comply with the EU law as well as the unpredictable political will by interested non-EU EPO Member States in accepting the primacy of EU law when accessing the EEUPC could lead to the situation in which a patent owner or a third party involved in a patent conflict could still be confronted with the multiple patent litigations.

The EEUPC, as an international agreement, provided the establishment of an international court outside the legal EU framework. This court had exclusive jurisdiction to deal with infringement and revocation of EU patents. But the question regarding the compatibility of the EEUPC with the EU Treaties was open recently after the signing of the Agreement.

Thus, on 24 April 2009, the Council of the EU requested an opinion by the ECJ regarding the compatibility of the mentioned agreement with the EU law. On March 2011, the ECJ issued Opinion 1/09, finding that the EEUPC was not compatible with the EU Treaties. The ECJ based its opinion on the following considerations:<sup>19</sup>

- Under the current agreement, the EEUPC is an institution which is outside the institutional and judicial framework of the EU with a distinct legal personality under national law;
- The draft agreement confers on the EEUPC exclusive jurisdiction to hear a significant number of actions brought by individuals in the field of patents. To that extent, the courts of the EU Member States are divested of that jurisdiction;

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<sup>17</sup> By that time, the Republic of Croatia was not a Member State of the EU.

<sup>18</sup> Addor, Mund, *op. cit.* note 9.

<sup>19</sup> EJC Opinion 1/09, *Draft Agreement on the Creation of a European and Community Patent Court* [2011].

- The creation of the EEUPC would deprive national courts the power of, as the case may be, the obligation to refer questions to the ECJ for a preliminary ruling in the field of patents;
- The EEUPC has, unlike other international judicial systems on which the ECJ has ruled in the past, the duty to interpret and apply not only the envisaged international agreement, but also provisions of European Union law;
- If a decision of the EEUPC were to be in breach of EU law, it could not be the subject of infringement proceedings nor could it give rise to any financial liability on the part of one or more Member States.

The ECJ observed that the agreement would alter the essential character of powers conferred on the institutions of the EU and EU Member States, powers which are indispensable to the preservation of the very nature of EU law. In consequence, the ECJ concluded that the envisaged agreement on the creation of the EEUPC was not compatible with the provisions of EU law.

### 3. THE UNIFIED PATENT COURT

After the Opinion 1/09 of the European Court of Justice, the Council started to revise the Agreement on the creation of the EEUPC according to the considerations of the Court. In 2011 the European Commission presented a solution for a unified patent litigation system in response to Opinion 1/09 and a large majority of Member States endorsed it. It was agreed that a Unified Patent Court (UPC) should be established by an agreement creating a jurisdiction common to EU Member States only.<sup>20</sup>

The question of compatibility of a new unified patent litigation system with the EU law was raised once again in October 2012. Namely, a group of professors of law and lawyers launched an initiative, considering necessary to draw attention to the situation of a project for European Court System, specifically for patents. In that initiative they expressed the opinion that the compliance of the new patent litigation system with the provisions of the EU law should be reexamined.<sup>21</sup>

In their initiative they stated that the system would be the result of a treaty to be agreed between the majority of EU Member States. The aim of the treaty, at that time still at the draft stage, was to create a new court of an international nature

<sup>20</sup> Unified Patent Court, URL=<https://www.unified-patent-court.org/>. Accessed 10 February 2017.

<sup>21</sup> *Motion on the project on European Patent Court by Law professors and lawyers*, URL=<http://www.unitary-patent.eu/content/motion-project-european-patent-court-law-professors-and-lawyers>. Accessed 9 February 2017.



to give rulings on the validity and infringement of European patents and future unitary patents. The jurisdiction of this proposed court would take precedence over that of national courts.

On 8 March 2011, the ECJ gave a negative opinion on the draft treaty submitted by the Council. It declared this draft incompatible with the European Union Treaty and the Treaty on the Functioning of the European Union. Thereafter the draft treaty was amended with particular regard to the objections made by the Court. Nevertheless, serious doubts had been expressed on the conformity of the new draft with these objections.

In the main these doubts arise from the fact that the draft deprives the national courts of their own jurisdiction on those matters under consideration, hence depriving those taking legal action (companies) from being judged by them while, according to the Court, the European Union judicial system is founded upon joint cooperation between EU and national courts.<sup>22</sup>

It is also interesting to mention that the opinion of the Legal Department of the Council was sought on the compatibility of the modified draft with that of the Court. Public access to the complete wording of this opinion has been prohibited. If this opinion concluded that the modified project conformed to the Treaties, it was not apparent why the content was inaccessible to the public. The secrecy reinforced the doubts expressed beforehand and elsewhere.

Despite the great impact of this initiative in public, its initiators did not achieve what they pleaded for.<sup>23</sup>

Shortly after, in December 2012 the European parliament and the Council adopted the unitary patent package consisted of three components: two regulations (Regulation (EU) No 1257/2012 implementing enhanced cooperation in the area of the creation of the unitary patent protection<sup>24</sup> and Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of the creation of the unitary patent protection with regard to the applicable translation agreements<sup>25</sup>) and the Agreement on a Unified Patent Court.<sup>26</sup>

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<sup>22</sup> *Ibid.*

<sup>23</sup> Čeranić, J., *Jedinstveni patentni sud – novi pravosudni organ za rešavanje sporova u vezi sa evropskim i unitarnim patentom*, Strani pravni život, No. 3/2013, 2013, pp. 124-125.

<sup>24</sup> Regulation (EU) No 1257/2012 of the European parliament and of the Council implementing enhanced cooperation in the area of the creation of the unitary patent protection [2012] OJ L361.

<sup>25</sup> Council Regulation (EU) No 1260/2012 implementing enhanced cooperation in the area of the creation of the unitary patent protection with regard to the applicable translation agreements [2012] OJ L361.

<sup>26</sup> The Agreement on a Unified Patent Court, URL=<https://www.unified-patent-court.org/sites/default/>

### 3.1. Legal basis

In contrast to the ELPA and the EEUPC, a new patent litigation system is based on an international treaty among EU Member States only: the Agreement on a Unified Patent Court (UPC) and the Draft Statute. According to the Agreement the UPC will have exclusive jurisdiction in respect to infringement or revocation actions over both European patents and future unitary patents – European patents with unitary effect. The exclusive competence is however subject to exceptions during the transitional period. The UPC's rulings will have effect in the territory of those Contracting Member States having ratified the UPC Agreement at the given time. The UPC will not have any competence with regard to national patents.

The UPC Agreement is open to accession by any Member State of the EU. Namely, the Agreement is also open for EU Member States which do not participate in the enhanced cooperation in the field of patent protection (i.e. and Spain). At the same time, it is not be open to the accession for EU Member States that are EPO members (such as Switzerland, Turkey or Norway). As a result, decisions by the UPC regarding unitary patents will only be binding on the EU Member States participating in the enhanced cooperation while decisions regarding 'classic' European patents will only be binding on contracting Member States of the UPC.<sup>27</sup>

The Agreement on a UPC was concluded on 19 February 2013. Up to date, the Agreement was signed by all EU Member States, except: Spain, Poland and Croatia. Even though negotiated under the ambit of the Council, the Agreement was concluded outside of the EU legal framework and therefore would be organizationally separated and essentially independent from both the national and the European Union's judicial system.<sup>28</sup>

It is provided that 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 the amendments to

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files/upc-agreement.pdf. Accessed 10 February 2017 (UPC Agreement).

<sup>27</sup> Addor, Mund, *op. cit.* note 9.

<sup>28</sup> Čeranić, J. *Unitarni patent*, Institut za uporedno pravo, Pravni fakultet Univerziteta u Banjoj Luci, Beograd 2015, pp.63-65.

the Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.<sup>29</sup>

### **3.2. The Primacy of Union Law, Liability and Responsibility of the contracting Member States**

The agreement includes a new chapter on the Primacy of Union Law, Liability and Responsibility of the contracting Member States. This chapter was introduced in order to take account of the ECJ's negative Opinion 1/09, in which it stated that the creation of the European and Community patent Court was incompatible with the EU law if – while applying EU law – it was outside of the EU's legal order. Thus important amendments have been introduced in the UPC Agreement. According to the Agreement the Court shall apply Union law in its entirety and shall respect the primacy.<sup>30</sup> Therefore, the Agreement addresses the recognition of the absolute primacy of EU law and the contracting Member State's obligation to ensure that the UPC complies with EU law.

The Agreement also contains provisions for preliminary rulings by the ECJ which are binding on the UPC and for the rules governing the responsibilities of the contracting states. As a court common to the contracting Member States and as a 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 the Article 267 TFEU in particular. Decisions of the ECJ shall be binding on the Court.<sup>31</sup>

As regards liability for damages in the case of infringement of EU law, it is provided that contracting Member States are jointly and severally liable for damage resulting from an infringement of Union law by the 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>32</sup>

The Agreement on UPC will be supplemented by separate Rules of procedure (RoP), which will lay down the details of the procedure for the UPC. Work on a preliminary draft for the RoP started in 2009.

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<sup>29</sup> Art. 89 UPC Agreement.

<sup>30</sup> Art. 20 UPC Agreement.

<sup>31</sup> Art. 21 UPC Agreement.

<sup>32</sup> Art. 22 UPC Agreement.

### 3.3. Sources of law

The sources of law applied by the UPC are precisely enumerated by the Agreement. It is provided that the Court shall base its decisions on:<sup>33</sup>

- Union law, including Regulation (EU) No 1257/2012 and Regulation (EU) No 1260/2012;
- The Agreement on UPC;
- The EPC;
- Other international agreements applicable to the patents and binding on all the contracting Member States; and
- National laws.

### 3.4. Structure

The Agreement on the UPC provides the institutional structure of the UPC. The Court shall comprise a Court of the First Instance, a Court of Appeal and a Registry.<sup>34</sup>

The Court of First Instance shall comprise a central division as well as local and regional divisions.<sup>35</sup>

The central division shall have its seat in Paris, with sections in London and Munich.<sup>36</sup> Section in London<sup>37</sup> shall deal with human necessities and chemistry, including pharmaceuticals, while Munich section shall deal with mechanical engineering. The central division in Paris shall deal with cases concerning performing operations; transporting, textiles, fixed constructions, physics and electricity.

A local division shall be set up in a contracting Member State upon its request in accordance with a Statute. A contracting Member State hosting a local division shall designate its seat.<sup>38</sup> The Agreement also provides a possibility of establishing

<sup>33</sup> Art. 24 UPC Agreement,.

<sup>34</sup> Art. 6(1) UPC Agreement,.

<sup>35</sup> Art. 7(1) UPC Agreement.

<sup>36</sup> Art. 7(2) UPC Agreement.

<sup>37</sup> The Brexit has also influenced the Unitary Patent System. It is to be seen whether the United Kingdom would ratify the Agreement. And even if a way is found to keep the United Kingdom in the Unitary Patent System after the Brexit, it is questionable whether London can keep its seat as a of a central division of UPC. Milan is often mentioned as a possible solution for the seat of a central division of UPC (the European Patent Office in 2015 granted 2476 patents to Italian patentees, ranking Italy in 3rd position in the European Union after Germany and France and before the United Kingdom).

<sup>38</sup> Art. 7(3) UPC Agreement

additional local divisions. An additional local division shall be set up in a contracting Member State upon its request for every one hundred patent cases per calendar year that have been commenced in that contracting Member State during three successive years prior to or subsequent to the date of entry into force of this Agreement. The number of local divisions in one contracting Member State shall not exceed four.<sup>39</sup> Given that in Germany there is a sufficiently high case count, it is likely that altogether four local divisions will be set up, seated in Dusseldorf, Mannheim, Hamburg and Munich.<sup>40</sup> According to the Agreement any panel of a local division in a contracting Member State where, during a period of three successive years prior or subsequent to the entry into force of this Agreement, less than fifty patent cases per calendar year on average have been commenced shall sit in a composition of one legally qualified judge who is a national of the contracting Member State hosting the local division concerned and two legally qualified judges who are not nationals of the contracting Member State concerned and are allocated from the Pool of judges.<sup>41</sup> For local divisions that deal more than fifty patent cases per calendar year, it is provided that the panel comprises two national judges and one foreign judge. This third judge shall serve at the local division on a long term basis, where this is necessary for the efficient functioning of divisions with a high work load.<sup>42</sup>

A regional division shall be set up for two or more contracting Member States, upon their request in accordance with the Statute. Such contracting Member State shall designate the seat of the division concerned. The regional division may hear cases in multiple locations.<sup>43</sup> The Agreement does not list which countries are going to set up local or regional divisions. The first of such regional divisions was however considered by Scandinavian countries: Denmark, Sweden and Finland. The panels of regional divisions will comprise two judges from participating Member States that are hosting the division and a third judge from another Member State.<sup>44</sup>

The Court of Appeal, located in Luxembourg, shall sit in a multinational composition of five judges. It shall sit in a composition of three legally qualified judges who are nationals of different Contracting Member States and two technically qualified judges with qualifications and experience in the field of technology concerned.<sup>45</sup>

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<sup>39</sup> Art. 7(4) UPC Agreement.

<sup>40</sup> Machek, *op. cit.* note 7.

<sup>41</sup> Art. 8(2) UPC Agreement.

<sup>42</sup> Art. 8(3) UPC Agreement.

<sup>43</sup> Art. 7(5) UPC Agreement.

<sup>44</sup> Art. 8(4) UPC Agreement.

<sup>45</sup> Art. 9(1) UPC Agreement.

The Registry shall be set up at the seat of the Court of Appeal, i.e. in Luxembourg.<sup>46</sup> The training centre for the judges shall be in Budapest and the Patent Arbitration and Mediation Centre shall be divided between Lisbon and Ljubljana.

### **3.5. The entry into force of the UPC Agreement**

The Preparatory Committee is composed of all the Signatory States to the Unified Patent Court Agreement. All these states undertook to establish the new court and the Preparatory Committee's function is to oversee the various work streams. There are five major work streams which will constitute the work which needs to be completed. These are: legal framework, financial aspects, information technology, facilities, and human resources and training.

The Preparatory Committee will exist until the Court is established. Currently this is expected to last two years and during this time it will have its own Rules by which it is governed.

The Preparatory Committee is now working under the assumption that the Provisional Application Phase will start end of spring 2017, presumably in May, and that the Agreement on the UP can enter into force and the Court become operational in December 2017.

## **4. CHALLENGES OF A NEW PATENT LITIGATION SYSTEM**

The long-term objective of effective patent protection and a final goal of a unified patent litigation system in Europe is to remedy the drawbacks of the European patent system in the long run, and to meet users needs. However, there are some believes that a new patent litigation system is not addressing the current drawbacks of the European patent successfully or in a suitable way because it only partially covers the European territory. Significant players within the innovation market, such as Switzerland and Spain or growing players like Turkey are kept on the side. Instead of creating a pan-European patent system, the UPC would ultimately perpetuate fragmentation of patent litigation. Such a situation would not be for the benefit of the innovative industry in Europe.<sup>47</sup>

Therefore the question is which challenges would face the users of the unitary patent protection system if UPC, as it is provided by Agreement, remains exclusively

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<sup>46</sup> Art. 10(1) UPC Agreement.

<sup>47</sup> Addor, Mund, *op. cit.* note 9.

a court for the EU Member States? And what would happen if the Agreement is amended in a way that it becomes open for all EPO Member States?

#### **4.1. UPC –only EU Member States**

If the UPC remains a court only for the EU Member States, the consequences are different when it comes to European patent and European patent with unitary effect – unitary patent.

In the first case, national courts of the EPO Members outside the EU would remain competent for patent disputes regarding European patent. Therefore, neither would they have to respect the primacy of EU law nor would the UPC's decisions be binding on these national courts. In the other words, there is no conflict of law.

In the second case, the jurisdiction of the UPC over the unitary patent would bring much more legal certainty in patent litigation for all system users seeking patent protection in the area of the enhanced cooperation. In this case, the UPC clearly carries significant advantages for businesses in Europe in terms of reduced costs, simplified procedures and enhanced legal certainty.

However, the lack of legal certainty would remain an essential obstacle for 'classic' European patents which have been validated in non-EU EPO Member State (i.e. Switzerland, Turkey or Norway) or country not participating in the enhanced cooperation (i.e. Spain). The situation will be worse if these countries do not have special national courts with the legal and technical expertise needed to deal with a complex patent litigation in due time and with acceptable costs. Equipping EPO Member States with effective and reliable national patent courts within their jurisdiction is a big step towards legal certainty. However, owners of European patents with effect in these countries still face the disadvantages of an un-harmonized EPO patent landscape.<sup>48</sup> In the other words, fragmentation will be a crucial feature of the European patent landscape, if the IPC remains a court only for EU Member States.

#### **4.2. UPC – all EPO Member States**

It is interesting to examine what would happen if a step forward is taken in a way that non-EU Members were to be invited and wished to sign the UPC Agreement? There are, at least, four questions to be answered.

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<sup>48</sup> *Ibid.*

First, when it comes to European patents, taking into consideration the binding effect of the UPC's decisions, the national courts outside the EU would have to respect the jurisdiction of the UPC. Since some national patent laws in non-EU countries are different from EU law, the binding effect of the UPC's decisions would lead to an indirect harmonization of the patent law in Europe.

Second, keeping in mind that non-EU EPO Member States had not been involved in setting up of the UPC, would they be politically willing to access the UPC and its institutional framework?

Third, when it comes to judges from non-EU EPO Member States, could they participate in the UPC (and under what conditions in terms of immunities or privileges)? Another issue is whether non-EU EPO Member States would be allowed to build up additional regional courts of first instance.

And forth, as regards financing, how much would non-EU EPO Member States have to contribute to the costs of the UPC if participating in this new judiciary?

## 5. CONCLUSIONS

The decision of the EU Member States to create a unitary patent and a Unified Patent Court is undoubtedly a step forward to improving patent protection in Europe. The intention was to create a solution that fits the EU in terms of institutional structure and political feasibility. But such an approach resulted in fragmentation of the European patent landscape. Namely, a common patent litigation system for all countries participating in the European patent area was not created. System users are the ones that would have to swallow the bitter pill of this fragmentation, which implies forum shopping, patent torpedoed and legal uncertainty for European patents.<sup>49</sup>

However, the system provided by the UPC Agreement is undoubtedly a step forward. It will not be a unified court for all European countries, but still it will be a single court for 25 EU Member States. Furthermore, the UPC Agreement brings the European bundle patent a large step closer to becoming a self-contained system of protection, and therefore, reinforces its position vis-à-vis the European Union's own patent system.<sup>50</sup>

The way things stand today, it seems that in foreseeable future the UPC Agreement will enter into force (December 2017). Anyway, at the moment, when uni-

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<sup>49</sup> *Ibid.*

<sup>50</sup> Ullrich, H., *Select within the System: the European Patent with Unitary Effect*, Max Planck Institute for Intellectual Property and Competition Law Research Paper, No. 12-11, 2012, pp. 22-23.



tary patent protection has not been implemented yet, it is premature to evaluate whether a new unitary patent and the UPC will contribute to the competitiveness of the EU industry by providing more effective and less expensive patent protection in Europe. The time will show whether this new patent litigation system can satisfy the needs of the users.

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