

Answers to certain comments on the motion (about the patent package and art. 118 TFEU) published on 13 March 2015 and supported by more than fifty university academics and practitioners.

The motion published on 13 March 2015, which is supported by more than fifty university academics and practitioners, has given rise to a variety of comments, to which answers are given below.

A couple of important points up front and in brief:

- The motion criticises the use that is made of an inter-governmental agreement to determine the scope and limits of the protection accorded to “unitary” European patents whereas it is for the EU’s lawmakers to set down the EU’s legal standards in these areas. There is no question of criticising the “patent package” as such.*
- The mechanism of referring to national law, is in and of itself unsuited to meeting the objective of creating true, uniform protection throughout the Union.*
- In practice, the UPC Agreement will hinder the European Union from passing future patent legislation.*
- It is questionable whether, by side-lining the Court of Justice of the EU, compliance with fundamental rights will be adequately ensured in the area of patents. The absence of a true parliamentary decision on the agreement (and the procedural rules) moreover poses difficulties in terms of the right to a fair trial.*

The motion published on 13 March 2015 has give rise to various comments that call for clarification and answers, particularly the extensive comments by Mr Wouter Pors on IP Kat, several days later.

1. Our motion is not directed against the “patent package” as such: we criticise the lack of conformity of the system adopted for patent protection with its legal basis (Art. 118 TFEU), which requires “uniform protection” defined by EU law. There is no intention on our part to “attack the patent package” as such. Our motion does not aim to raise a question over, or to criticise, the system as established. We simply point out here that it does not win wide support and, by far, not even in industry, or even among the “big companies”. That is another debate which goes beyond the purpose of our motion. What is more, nor is there any discussion here around the functioning of the European Patent Office or the issuance of patents in Europe by an institution outside of the Union. Others aside from us, particularly on IP Kat, are closely following the debate surrounding the Office’s governance.

Our challenge is at one and the same time more limited, and more serious.

More limited because our criticism is directed at the process by which the very heart of the protection attaching to European patents (whether unitary or “standard”) is, in its principle and the majority of its rules, detached from Union law and governed by an inter-governmental agreement that forms no part of EU law (the UPC Agreement). It is a fact that the terms and conditions for obtaining a European patent are governed by another international treaty (the European Patent Convention), and it would hardly be conceivable to change that, even if some do regret that. But this is no justification for the EU itself not governing the *other essential components* of a patent system, being the scope and limits of protection. Especially when it was agreed in the treaty that, with regard to EU-level patents, its regular legislative process would be followed (art. 118 TFEU).

What we are saying is all the more serious in that it extends beyond the area of patents. It touches on an essential issue of an institutional order and, more fundamentally, of a democratic order. The mechanism complained of entails a referral back to national law and, via that route, to an inter-governmental accord to govern the very substance of what should nonetheless be governed by the *Union’s regular legislature*. But, if it should be validated, this mechanism will in future *de facto* allow placement outside the realm of EU law of numerous matters¹ that ought properly to be included within it. How is it possible to see in that, as Mr Pors does, nothing but a “specific detail”?

2. Our motion comes at a time fully justified by the Spanish action before the Court of Justice. There is nothing odd in the timing of our motion, which seems to be criticised by Mr Pors: the question has been a live one since the summer of 2012, having been raised by the European Parliament’s own legal department, which came to the conclusion that there were very serious doubts as to whether article 118 TFEU was complied with (their opinion can easily be found on the internet by searching its reference: SJ-0462/12). Others before us, including certain European parliamentarians, have levelled criticism at the mechanism. But one has managed to circumvent these doubts and criticisms. It was therefore right and proper that the attention of the legal world, and, in short, of all the EU’s citizens, should be drawn to this divestment of its own prerogatives, as consented to by the European Parliament.

To support the patent package, people have said, the aim was to advance a debate “that had gone on for 40 years” and in which hoped-for harmonisation had proved elusive. The truth is that the debate has not been an intense one over a period of 40 years, that it

¹ We would cite the following provisions of the TFEU, which expressly provide that it is up to the *Union’s regular legislative process* to adopt rules in a range of matters: articles 14 (services of general economic interest), 15 (access to documents), 16 (personal data), 18, 21, 24 (non-discrimination and citizenship), 33 (customs cooperation), 43 (agricultural markets), 46, 48 (free movement), 50, 51, 52, 53 (freedom of establishment), 56, 59 (freedom to provide services), 64, 75 (capital; prevention of terrorism), 77, 78, 79 (immigration), 81, 82 to 85, 87, 88 (judicial and police cooperation), 91, 100 (transport), 114, 116, 118 (legislative harmonisation), 121, 129, 133 (economic and monetary policy), 153, 157, 164 (social policy), 168 (public health), 169 (consumers), 177, 178 (cohesion), 194 (energy), 207 (common commercial policy), 209, 212, 214 (cooperation with third countries, humanitarian aid), 224 (European parties), 257, 281, 291, 298 (institutional provisions), 322, 325 (financial provisions), 336 et 338 (Union officials, statistics).

went through long periods of inactivity at EU level and that the “stalemate” concerned not the substantive law of patents but just the question of *translations*.

3. Our motion does not criticise the reinforced cooperation procedure, but rather its use in violation of the TFEU. Contrary to what Mr Pors suggests, our aim is not to criticise the decision to apply the reinforced cooperation mechanism. When adopted in the course of the legislative procedure, this mechanism was doubtlessly the only means of circumventing the stalemate (regrettable though that was) on patent languages. However, the choice of reinforced cooperation does not at all relieve the participating States from complying with the Union’s constitutive treaties. In its judgment validating reinforced cooperation, the Court of Justice clearly stated this precisely with regard to article 118 TFEU (judgment of 16 April 2013, cases C-274/11 and C-295/11, points 66 and 67).

To accept reinforced cooperation is not to give *carte blanche* to breach of the founding treaties.

It is every bit as certain that the States cannot take back powers that have been attributed to the Union, and in particular themselves, alone or together under a treaty outside the Union, exercise a power that the TFEU *expressly* and specially attributes to the EU’s regular legislative process (art. 118 TFEU). To claim that States might be able, by dint of their original sovereignty, to take back a power attributed to the Union is clearly to misconstrue the very nature and effect of the constitutive treaties.

Nor can the circumvention of EU law be justified by citing the failure of the efforts that had been made, the need to succeed (at what price?), the incorporation into the UPC Agreement of provisions relative to the effect and limits of patents, provisions broadly accepted in various countries for many years or even a provision (art. 142) of the European Patent Convention. These arguments are equally vacuous in the face of the obligations flowing from a precise, express provision of the TFEU and, more fundamentally, for the necessity of adherence to the Union’s institutions as put in place.

4. An understanding of the mechanism complained of, by which EU law has been side-lined, requires joint examination of articles 5, 7 and 18 of the regulation.

Mr Pors’s discussion of articles 5, 7 and 18 of Regulation 1257/2012 (or, below, the “Regulation”) taken separately lacks relevance since it is by the *combination* of these three provisions that the mechanism complained of will function. To extricate the matter from the realm of EU law, there is first a reference to national law (art. 5(3)), which moreover means, *taken on its own*, that the Regulation is incapable of ensuring the uniform protection that is the ultimate goal (notwithstanding the words “unitary” and “uniform”, used more as an incantation than as persuasive, in paragraphs 1 and 2 of that article 5). Since it is necessary to find a national law, it is that that governs the patent ownership regime that is taken (art. 7) (other choices were possible; that matters little to the result sought). But, because this alone could not ensure uniformity in the rules (because national laws differ), it is added that the Regulation will only apply in States

where the UPC Agreement is effective (art. 18(2), second paragraph) (thus, including Germany, a country without which the UPC Agreement would not be in force and whose law is applicable in a subsidiary manner: article 7(3)). Because the agreement will be incorporated into the national laws of those countries, it is therefore the UPC Agreement (it alone and not any national law) that will govern not just the Unified Court but also, uniformly, protection and its limits (arts. 25 to 30) in all participating States that have ratified the UPC Agreement.

This process, of EU law referring to a national law that itself incorporates international law, is ingenious but undisguised as to its objective: to make as if extra-Union law were in fact Union law... On the matter of protection itself and its limits, the Regulation has no substantive law content. It is not possible to contend that true “uniform protection in the Union” to be defined by the Union’s legislature (as required in the very terms of article 118 TFEU) results from a rule (art. 5(3)) that does nothing but designate a *national* law that is supposed to incorporate international standards.

Since, by its very nature, the UPC Agreement is entirely outside the realm of EU law, how, moreover, can one claim that the UPC Court of Appeal will, by virtue of the Regulation’s article 5, be under an obligation to put questions to the Court of Justice on the matter of uniform protection of a unitary patent? The answer is, it won’t: the Unified Court is obliged to seek preliminary rulings only with regard to provisions of EU law, and therefore, at the most, with regard to article 5, which does not say a great deal, but not regarding articles 25 to 30 of the UPC Agreement, which, alone, *specifically* define protection and its limits.

5. The principle of loyal cooperation does not imply a legal obligation on the Member States to ratify the UPC Agreement. Advocate General Bot, in his opinion on Spain’s action before the Court of Justice, considers that the principle of loyal cooperation contained in article 4(3) TFEU makes it incumbent on the Member States to ratify the UPC Agreement. But can that provision have the effect that the Member States ought to ratify a treaty of classic public international law *that is situated outside Union law*? On the ground that a Union regulation refers indirectly to it? When the very legality of this reference is in doubt? The weakness of the reasoning is manifest.

How, furthermore, can Mr Pors’s suggestion be justified, that by requesting reinforced cooperation, the requesting States had bound themselves to ratifying a treaty, given that its ultimate terms were unknown at the time and could prove contrary to EU law?

If the advocate general’s argument is followed, democratic control over the entire terms of the UPC Agreement would be non-existent. Neither at EU level nor at the level of the States would the agreement be subject to any true *decision* by a democratically elected body.

Should the advocate general’s argument become enshrined, it would require reflection on compliance with the requirement for legality (“court established by law”) set down in

article 6(1) of the European Convention on Human Rights and Fundamental Freedoms. The case law is clear in saying that, in a democratic society, it falls to parliament to establish the very existence of juridical bodies; furthermore, the essence of the organisation of the courts system cannot be left to the discretion of the executive power.²

6. The absence of independent democratic or judicial control over the official committee charged with laying down rules of procedure, appointing judges, amending the UPC Agreement, etc. raises legitimate concerns. Our criticism has extended to the acts of the official committee provided for under the UPC Agreement, whose powers would particularly include laying down any code of procedure, appointing judges, amending the UPC Agreement, etc. Though it can certainly be said that it is “indirectly” subject to democratic control via the States, each of them being represented by members of that committee, it is nonetheless clear to all that control exercised so indirectly is far removed from the elected assemblies and is therefore highly theoretical. That such a committee might have powers over acts of a strictly administrative or ancillary regulatory nature is acceptable, but it is inconceivable for all the basic rules of judicial procedure. And, aside from the question raised in the previous point, the issue further arises here of compliance with article 6(1) of the European Convention on Human Rights and Fundamental Freedoms (see the cases cited above). Without in any way wanting to cast question over the quality of the work done, or on the competence and unstinting devotion of the drafters of the procedural regulation, the question is a legitimate one: does it conform to our European democratic traditions for a very extensive, complete code of procedure applying to any citizen or any undertaking to be decided on by an administrative body, especially where there exists no right of recourse to an independent jurisdiction outside the aegis of the UPC itself?

The system instituted to lay down the law of procedure wends its way around a whole series of democratic and judicial filters. Bearing in mind the fact that the EU’s Court of Justice will not be competent, this system therefore seems to us to lack legitimacy on two scores. First, no direct recourse is available to set aside the procedural rules (are they on all points in conformity with the UPC Agreement and the other basic texts?). Second, were this question to be raised in a case before a Unified Court, it is true that it would be able to rule on it but, thereafter, no one but it could, except if a case were taken to the European Court of Human Rights, though that would be as a last resort and, more often than not, would have no real impact on the specific dispute.

7. The mechanism adopted more than likely and in practice hinders the European Union from passing further future legislation in the field of patents. The ability of the European Union to pass future legislation on the substantive law of patents is nothing more than theoretical. Mr Pors cites examples of past European legislation in the form of the “Biotechnology” Directive and the “Doha” Regulation. However, the

² Case 7360/76, 12 October 1978, *Zand v. Austria*, points 68 and 69; case 17214/05, *Savino and others v. Italy*, 28 April 2009, point 94; case 30323/02, *Pandjikidzé and others v. Georgia*, points 103 to 105; case 59000/08, *Kontalexis v. Greece*, point 38: “a body not established in conformity with the will of the legislature would necessarily be deprived of the legitimacy required in a democratic society to hear individuals’ cases”.

principle moving ahead would henceforth be: because the terms and conditions for protection are governed by the European Patent Convention, whereas protection and its limits are governed by the UPC Agreement, it is the rules under those treaties that will be followed as regards revision of their respective provisions. It will be more intuitive and easier to fall in with those revision procedures than to take the EU law route.

The UPC Agreement's precedence could only be got around in two ways:

- either by amending article 5(3) of the Regulation, which is hardly imaginable since that goes to the very mechanism that lies at the heart of the system,
- or by adopting a regulation or a directive, either of which would necessarily also have an impact on *national* patent laws, the last domain in which the States would still enjoy a certain degree of autonomy: would the Member States consent to such changes, imposed by the European legislature and, therefore, by the European Parliament?

In practice, therefore, Europe's legislature has implicitly renounced its legislative prerogative over the substantive law of patents in Europe.

8. Certain comments on our motion call for a number of limited observations on the UPC system itself. It would be possible to extend the discussion to the jurisdictional scheme of the UPC Agreement, but that is not the aim of the motion. Some of the comments received do nonetheless induce us to raise a couple of observations on that score.

The very open choice for claimants to ask the competent division to act against counterfeiting, the so called bifurcation system, the short periods for documenting and arguing the case, the limitation on appeal debates, the as yet still uncertain costs, which would nevertheless be high to ensure the self-financing of the system, and other aspects have already been highlighted. These several elements in a highly complex system form a legitimate source of worry for litigants, especially small and medium-sized undertakings that have to defend themselves before the Unified Court.

One might also wonder as to the consistency between the exclusive external competence of the Union in many areas of intellectual property (see especially the judgment on the *Convention of the Council of Europe on the protection of the rights of broadcasting organisations* of 4 September 2014, case C-114/12, and the *Daiichi* judgment of 18 July 2013, C-414/11) and such an accord among Member States in relation to patents outside the realm of EU law.

To say that the system as adopted is the only optimum solution for want of any other for having patent law applied by specialist judges seems to us strange on at least two counts.

For one, the need for specialist judges should not lead one to forget that patent law raises other issues, especially fundamental rights. The experience of judges that also sit in other types of cases allows them to bring qualified enlightenment for which the law's

evolution and social need have a use, not to mention a need, as is exemplified by the growing interaction nowadays between copyright or trademark law and the freedom of expression, competition law, freedom to do business, etc., and, in the field of patents, certain rulings by the Court of Justice on the use of embryonic stem cells and the scope of patents over genetic information. Though it can certainly be said that the texts will oblige the unified court to take account of these aspects, the natural tendency of highly specialised judges could be to take a less than receptive stance.

Second, experience in the field of Community trademarks and Community models shows that taking action in national courts to apply EU law in these areas is satisfactory overall. The route of a similar regulation with an analogous judicial system seems never to have been studied in any depth by the Commission. What is more, the fact that two very different judicial systems will coexist in future, the UPC system for patents and “Community” courts for Community trademarks and models is without a doubt not the best result for the European Union. Having a similar judicial system for all types of uniform protection at EU level in terms of intellectual property is to be preferred (that might, for example, reduce the number of parallel actions between the same parties for multiple infringements of different intellectual property rights, as is illustrated by the recent court battles fought over patents and models in the field of portable phones).

Justifying the adoption of a judicial system for the UPC Agreement on the ground that many countries have no, or not enough, judges sufficiently experienced in patent law is hardly consistent with the institution of continuous training for judges as is provided for in the UPC Agreement itself and is already being organised to prepare a large number of candidate judges for the Unified Court (the training centre could be used to train national judges in patent law and just as well to train them in the uniform law of trademarks and models where there exists a similar training need).

9. Side-tracking the Court of Justice of the European Union as a court of last instance for matters of substantive patent law means that the relevant rules should only be interpreted and applied by a specialised judge. We do not believe that to be a good approach. We at least agree with Mr Pors when he recognises that the political decision to shift the provisions of substantive patent law into the UPC Agreement (arts. 25 to 27) “aimed at limiting the involvement of the Court of Justice”. Side-tracking the Court of Justice of the European Union from questions of substantive patent law was indeed one of the major objectives of the highly complicated system of the patent package. That does not seem to excessively preoccupy the advocates of the patent package given that, on the contrary, some of them are inclined to regard the Court of Justice’s influence on intellectual property with a certain disdain. The discussion on the impact of the Court of Justice’s jurisprudence on intellectual property goes beyond the discussion sketched out here regarding the patent package. The case law handed down by the Court in relation to intellectual property might not be fully satisfactory, we agree, but that does not mean that the Court should be entirely prevented from ruling on issues of substantive patent law.

There are good arguments for entrusting technically complex patent matters to specialised judges or experts in first instance courts. But the courts system, at the very least at its highest level, should call on judges of a general legal background. For a unitary patent which is supposed to have EU pedigree, the highest court made up of non-specialist judges is in principle the Court of Justice of the European Union.

In the legal system of the United States of America, where exclusive patent jurisdiction has been accorded to the Court of Appeals for the Federal Circuit – a system that has often been criticised – the Supreme Court, made up of judges with varied types of experience and background, remains the final judge in terms of substantive patent law. Over the past ten years, the US Supreme Court has contributed to re-balancing a number of important rules of patent law against other legal principles. Contrary to the US, the highest European court for substantive patent law (the Court of Appeal of the Unified Patent Court) will only comprise judges specialised in patent law. Is that the best system for setting a good balance between the interests of patent holders and the other interests needing to be considered? We have serious reservations as to whether that would be the case.

By preventing the Court of Justice from looking into matters of substantive patent law, the political accord on the patent package will probably have the effect of reducing, or even diminishing, the influence that, say, the Charter of Fundamental Rights of the European Union might have on the aspects of procedure and interpretation of the provisions of substantive patent law. Mr Pors seems to be quite confident that breach of fundamental rights is “a rather theoretical situation given the quality of the current draft of the Rules of procedure; fundamental rights have specifically been taken into account in the drafting”. Can we be certain that *all* the requirements flowing from the fundamental rights have been incorporated into the rules of procedure and that their interpretation will *necessarily* be compatible with these rights? We hope that Mr Pors is right, given there is no obvious path of redress against decisions by the Court of Appeal of the Unified Patent Court on such aspects. We are not sure that the future Unified Court, whose divisions will comprise judges without particular experience in taking account of the fundamental rights, will take into consideration all the fundamental rights of the European Union as well as would a non-specialised supreme court.

As regards the substantive law, such an attempt to isolate the law of patents from the demands resulting from fundamental rights runs counter to the tendency observed in numerous other areas of the law, including intellectual property law, where the influence of these demands has been recognised. At the present time, many new technology factors are shifting the boundaries of patent law on the information-protection side *per se* (for example genetic information or certain aspects of inventions implemented by computer). At the same time, the effect that patent law has of inciting invention is being cast more into question. The strategic use of patents has also developed so that patents are often above all used to protect a market and not stimulate innovation. In the new environment (at least as far as digital technologies such as mobile telephone networks are concerned), confronting these patent rights with other, fundamental rights is

becoming necessary. If the isolation of patent law is what is ultimately to happen, it will probably end up being much more complicated for a defendant to rely on a fundamental right to ward off very extensive injunction measures that might be ordered by the Unified Patent Court, and, potentially, reduce their effects.

We do not think that the law of patents has to be treated such as to ensure its isolation from other areas of the law. Beyond the “technical nature” of patents, there are economic, social, and even moral, considerations that play a part in the development and application of that law.

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