UNITARY PATENT AND UPC ARE ON: AND NOW WHAT?

GLOBAL DIGITAL ENCOUNTER 26, MARCH 28TH, 2023

Panelists:

- **Prof. Craig NARD**, Galen J. Roush Professor of Law and Director of the Spangenberg Center for Law, Technology & the Arts at Case Western Reserve University School of Law (Ohio, US)
- **Prof. Tuomas MYLLY**, Professor of Commercial Law at the Faculty of Law of the University of Turku (Finland), Director of the IPR University Center
- **Dr. Matthias LAMPING**, Senior Research Fellow, Max Planck Institute for Innovation and Competition (Munich, Germany)
- **Prof. Manuel DESANTES REAL**, Professor of Law at the University of Alicante (Spain), Former Vice-President of the European Patent Office (2001-2008)

REPORT

INTRODUCTION

Prof. Laurent Manderieux (Member of the International Academic Council of FIDE. Co-Director of the Global Digital Encounters) reminded the importance of getting at last in Europe a system permitting, as of June 2023, to grant a single patent and benefit from a single patent litigation procedure that applies to the majority of EU Member states. This system offers together fantastic opportunities, major challenges, and many question marks, that were underlined by academics and professionals, and are all the heart of the current Global Digital Encounter's debates.

Prof. Javier Fernandez Lasquetty (Member of the International Academic Council of FIDE. Academic Coordinator of the Global Digital Encounters) raised the issue of the delay in getting a unified system in Europe, and the comparison between the new unified patent system in Europe and the US system. He opened the discussion for the moderator and panelists.

Moderator, Prof. Manuel DESANTES REAL (Member of the International Academic Council of FIDE, Co-Director of the Global Digital Encounters and Moderator) assessed that the first Draft of the European (Community) Patent Convention dates back to 1962. Since then, a history of perpetual frustration has led the institutions of the European Communities and their Member States from failure to failure: 1975, 1989, 2000, 2005, 2007… finally, in 2012 two enhanced cooperation procedures led to the adoption of the Regulations 1257/2012 and 1260/2012 on the European patent with unitary effect, and in 2013 an international agreement opened to the signature of the Member States of the European Union completed the "Package" with the creation of the Unified Patent Court (UPC). Ten years later, the Unified Patent Court Agreement (UPCA) will enter into force and the two EU Regulations will be applicable on 1 June 2023 for seventeen of the twenty-seven Member States.

The moderator, **Prof. Manuel DESANTES REAL,** started with an introductory question, followed by a discussion on two main paradigms.

QUESTION 1: COULD YOU BRIEFLY SUMMARIZE THE PROS AND THE CONS OF THE EUROPEAN PATNET PACKAGE?

Prof. Manuel DESANTES REAL highlighted that the success of the patent package also considerably depends on how the system is and will be viewed by non-EU enterprises.

In this regard, **Prof. Craig NARD** informed the audience that in US there is a lot of discussion about the pros & cons of this system from a US perspective. From a general standpoint, the feedback is and has been overly positive. Yet, he highlighted that a minority of players presents concerns, mostly related to the intrinsic uncertainty that comes with the establishment of a new system. He believes that the uncertainty that some companies perceive, is similar to the uncertainty that they have experienced with the establishment of US Court of Appeals for the Federal Circuit in 1982.

He highlighted that the advantages of the system are significant, and the main ones can be divided in two categories: time and enforcement. When it comes to the former, he stresses for example, that a timeframe of only three months in order to respond with a revocation action to an infringement claim and with limited discovery, is very short. The overall speed of the envisaged process is welcomed and in general is seen as pro-patentee. For the very same reason, Germany with its bifurcated model, is currently seen as a preferred jurisdiction to litigate in. Secondly, as regards enforcement, **Prof. Craig NARD** stressed that uniformity of judgements is a great advantage also from an economic perspective and for cost savings. There will therefore be no need to wait for different judgements of different courts anymore. He also notes that the reformulated indirect infringement provisions are also perceived as pro-patentee.

However, one main concern, a 'con', relates to the centralization of revocation and the connected risks, which may be problematic for some American firms. In addition, another issue is that despite the fact that the reputation of judges is high, there is a lot of uncertainty in litigating in the new system, while the US companies know the current system, particularly the German one.

In connection to this, the Moderator highlighted that no one disputes the fact that Europe does need a unitary patent and unified court but asks whether this is the model that Europe actually needed.

On this point, **Prof. Tuomas MYLLY** reminded the audience that different alternatives to the now-to-be established system had been presented and discussed during the years and notes that he would have preferred a more full-scale EU Regulation envisaging the creation of an independent EU right and a specialized court. He agreed that the system presents many uncertainties and not only as regards the revocation action. There are indeed also systemic reasons which pertain to the role of EU and on how the Court of Justice (CJ) will interpret the system. In addition, he highlighted that exceptions to patent rights are very poorly regulated. For example, compulsory licensing is strictly linked to national laws' requirements and national territories. And, if we think and look at the Covid pandemic, it is evident that those should probably had been regulated differently.

Dr. Matthias LAMPING noted that if we talk about pros and cons, it is always a matter of perspective. If we think of centralized infringement, this is of course

a pro for patentees. If we think of centralized revocation, this is a pro for potential infringers, and so on. On the side of patentees there is another main issue and namely, the fact that a patentee cannot drop patents in non-profitable jurisdictions, because now they will only obtain a patent that covers everything. During the term of the patent right, this might create different problems.

Dr. Matthias LAMPING agreed that compulsory licensing is another issue. In fact, whether compulsory licenses are relegated to national systems and/or possible at all, is in fact, another important deficit. Overall, he stressed that it is a system that is built for big tech and big pharma. And this is also evident if we take the costs-matter into consideration. It is true that the fees are lower than in the USA and that there are reductions for micro and small enterprises. Yet, this does not solve the problem for 'medium' enterprises, as they do not benefit from the cost reduction, and it can be doubt whether they will be able to navigate this complex system.

The discussion then moved to the following two major paradigms.

QUESTION 2: FIRST PARADIGM: THE EUROPEAN PATENT PACKAGE AND THE "IDENTITY CRISIS". HOW TO COMBINE THE APPLICATION OF EU LAW, INTERNATIONAL LAW AND NATIONAL LAWS? HOW FAR GOES THE TIGHT LINKAGE TO THE EUROPEAN PATENT CONVENTION AND THE EUROPEAN PATENT OFFICE? WHAT IS GOING TO BE THE ROLE OF THE CJ AND THE RELATIONSHIP BETWEEN THE CJ AND THE UNIFIED PATENT COURT?

On this point, **Prof. Tuomas MYLLY** remarked that the regime combines indeed three different types of legal sources: international law, EU law and national law. The key international instruments are the European Patent Convention (EPC) and the Unified Patent Court Agreement (UPCA). In addition, also other international intellectual property law instruments, pertaining to patents, can be applicable. The key question will be how much EU law and especially the CJ will enter in the area of the unitary patent. In fact, many substantive law provisions are included in the EPC and in the UPCA, but those instruments fall indeed outside of EU law. This might have been an intention of the drafters to limit or exclude the influence of the CJ on the system.

In this regard, **Prof. Tuomas MYLLY** believes that from the perspective of EU constitutional law the CJ could find avenues to pronounce herself on the UPCA or on the compatibility of UPC decisions with EU Directives. In addition, another avenue for the CJ to pronounce on this area, would be matters of compatibility with the fundamental rights enshrined in the Charter of fundamental

rights of the EU. In practice, however, whether the CJ will have the chance to pursue this aim, will depend very much on the UPC itself and on whether or not the UCP will be filing preliminary reference questions to the CJ. This would mean that the UPC will be giving away part of its power to the CJ. He notes that from the perspective of the patentees, the opportunity for the CJ to pronounce on patent cases would represent a risk and probably make the system unpopular.

The Moderator, **Prof. Manuel DESANTES REAL**, stressed that indeed it is not only a matter of applicable law, but also of the different bodies that as a consequence are involved, such as the CJ and the European Patent Office (EPO).

Further on, **Dr. Matthias LAMPING** highlighted that a point of concern is also the governance, and namely the aspect of sovereignty and political autonomy. The key question is indeed who is going to develop the patent policy for the internal market? Who is going to set the direction for the development of law and jurisprudence in patent matters? His concern was that it is not going to be the EU, but rather the UPC together with the EPO. He stressed that the problem with international institutions is that overtime they often develop political ambitions. As a consequence, the EU will probably be sidelined between the UPC and the EPO and, in his view, this should not be the way to go forward. He highlights that the problems may not be tangible in the next ten years, but in 30 or 40 years. Importantly, he fears that the EU might have taken a step back and accepted the conclusion that it is better to have a system in place rather than trying to achieve a perfect one. Nevertheless, on a positive note, the speaker suggested that this could actually be a chance for the CJ to be more involved in the system.

Building on previous speakers' comments, **Prof. Craig NARD** highlighted that in the US, battles about lack of uniformity and the like, have been fought time ago and that looking 30 years afterwards, we can learn much from the mistakes that have been made in the US Court of Appeals for the Federal Circuit. In his view, the main important questions to be asked are: who is going the driver of the evolution of the patent law, the UPC or the CJ? How will the CJ intervene? If one of these Courts is going to be the driver, this approach suggests that there is a common law influence.

Prof. Craig NARD stressed that of course it is not possible to ignore or escape the policy implications of those decisions, but he questions both whether the judges are capable of doing this - while that role has not been in the forefront in the past - and what would be the role of the legislation compared to decisions coming from the UPC or the CJ. Nevertheless, he concludes that with all this uncertainty, there are however also two advantages. First, the open opportunity to shape and create something very great. Second, the possibility for multiple players, with different interests, to have a say. Overall, he believes that it is very interesting from an American perspective to see how the system will work and highlights that many lessons can be learned from the American experience.

QUESTION 3: SECOND PARADIGM: THE DAILY FUNCTIONING OF THE UNIFIED PATENT COURT. HOW THE COOPERATION BETWEEN DIVISIONS AND BETWEEN THE CENTRAL AND THE LOCAL DIVISIONS IS GOING TO FUNCTION? HOW DO YOU PERCEIVE THE ROLE OF THE COURT OF APPEAL IN THE FOLLOWING YEARS?

Dr. Matthias LAMPING stated that in terms of the daily operation of the Court, one of the relevant issues is the dynamics between the Central and the Local and Regional Divisions. As regards infringement litigation, it occurs at Local and Regional Divisions; therefore, the Central Division is only going to be involved in infringement when there is any declaration of non-infringement and when there is a counterclaim of revocation and both parties agree to refer the entire case. Those are the only instances where the Central Division deals with infringement issues. That raises an important question, as the main players of the Central Division are going to be the potential infringers, while the main players of the Local and Regional divisions will be patentees: How patentee and infringer-friendly are the divisions going to be?

Moreover, the follow-up question concerns the cooperation between those divisions, and namely, how willing will the Local divisions be, for example, to bifurcate proceedings and to refer the questions to the Central Division? It seems that judges, in general terms, are willing no to bifurcate, and many of them are going to deal with the entire process, both infringement and validity, including the German judges. He also highlighted another important question relevant for the daily operations, which concerns the system of preliminary references, and particularly, to what extent are these divisions going to make use of these preliminary references to the Court? What type of questions are they going to ask? And then, another issue is to what extent is the CJ willing to rephrase those questions? He also remarked another possible problem which relates to the fact that the divisions would not be prone to make references because it is costly and it takes time, and the parties would not welcome that.

Dr. Matthias LAMPING concluded pointing out a third aspect concerning the role of the Court of Appeals in creating some uniformity, in particular as regards to injunctions. In the context of the UPC, the Court may or may not grant an injunction, and in this regard, he questioned how comfortable the judges are going to be in dealing with equity and proportionality considerations within this context.

Prof. Tuomas MYLLY remarked that the role of the Court of Appeals might also become quite decisive and that its decisions will require consistent and coherent interpretation to achieve this in practice. Some of the current national Courts tend to be more favorable to the patentees and some not. How to avoid such situations in practice, will be a challenge. In his opinion, the Court of Appeals will start to create new patent doctrines. It is possible that they could start to act like Common Law judges in the absence of a proper background legal system. And in his view it is more likely for this scenario to happen, than the occurrence of any preliminary reference to the CJ.

Coming back to the architecture of the Courts and first instances' forum shopping, **Prof. Craig NARD** noted that in the US in the 1970s prior to the Courts of Appeals for the Federal Circuit being established. He highlighted that the forum shopping can be positive in the sense that it leads to experimentation and to divergency. Similarly, the various courts of first instance can learn from one another. Regarding the particular structure of the UPC Court of Appeals, he stresses that he would have preferred to see two Courts of Appeals that could learn from each other as peer institutions and that can work within the various cases from the Courts of First Instance. In his opinion, over time, this collaboration could have led to some consensus and then rendered the CJ as an institution similar to the American Supreme Court. Anyway, he stressed that it is important not to get blinded by the power of uniformity and to allow for some experimentation that can take place among the Courts of First Instance and then see how deferential the Courts of Appeals in terms of national norms and laws are. Therefore, it is important to balance uniformity and experimentation being that the real challenge.

QUESTIONS FROM THE AUDIENCE

QUESTION 1: THE PACKAGE AND THE UK: ENGLISH LAWYERS, INSTITUTIONS, ORGANIZATIONS AND PATENT ATTORNEYS MADE A TERRIFIC EFFORT TO ENHANCE THE AGREEMENT AND THEN THE RULES OF THE UPC SO, TO WHAT EXTENT WERE PROCEDURAL RULES BEFORE THE UPC SHAPED BY ENGLISH LAWYERS? AND TO WHAT EXTENT DO THEY EMULATE ENGLISH LAW PATENT LITIGATION? WOULD THE ABSENCE OF ENGLISH JUDGES BE FELT ONCE THESE PROCEDURAL RULES COME INTO FORCE? COULD THIS ABSENCE EVEN SCARE USERS OF FROM THE BEGINNING?

Prof. Craig NARD noted that this is still a question of the influence of a Common Law approach to interpreting the patent doctrine and cases that reach the Court of Appeals and until what extent are the judges going to be more proactive and evolve and move the law.

For its part, **Prof. Tuomas MYLLY** answered that the situation is quite ironic pointing out the absence of EU law and the absence of the competence of the CJ in those aspects. In his opinion, the judges will probably take into consideration English case-law but they are not bound by it to any extent. Therefore, this will lead to another interesting experiment, that is, to which direction the interpretation of the rules will develop.

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Dr. Matthias LAMPING pointed out that the absence of the English judges in the UPC is not a problem per se, as the existing ones are more than capable for that. The interesting matter is how companies are going to use the UK system in a strategical manner and how they can litigate there in comparison to litigating within the UPC system.

QUESTION 2: THE PACKAGE AND SPAIN. RECENTLY, THE FORMER SPANISH MINISTER OF INDUSTRY ANNOUNCED THAT THERE MIGHT BE CHANCES OF RECONSIDERATION OF THE SPANISH POSITION VIS-A-VIS THE UP, UPC, DURING THE SPANISH PRESIDENCY OF THE EUROPEAN COUNCIL LATER THIS YEAR. IS THAT A REAL POSSIBILITY OR WILL SPAIN REMAIN OUTSIDE FOR THE TIME BEING? BEYOND SPAIN, COULD THE SYSTEM AFFORD WORKING WITH 17 AND NOT WITH 27 MEMBERS? DO YOU THINK WE SHOULD MAKE SUCH A HUGE EFFORT TO GET THE ENHANCED COOPERATION ONE DAY BEEN REMOVED?

Dr. Matthias LAMPING emphasized that this is not only a possibility, but it is already expected. In his opinion, all of them will have joined eventually. The question about the enhanced cooperation is much more complex instead, as it is not possible to remove it and then start a new EU system.

Prof. Craig NARD stated that he could not refer directly to the Spanish case, but in general he would like the fact that initially there will be jurisdictions outside of the package for strategic reasons. For example, it makes sense to litigate in a particular jurisdiction outside of the UPC whether you file a national patent in UK or in Spain.

Prof. Tuomas MYLLY pointed out that from the whole system perspective, it would be great if Spain were to become part of it. It makes much more economic sense to apply for the new unitary patent if the covered area is broader. But, on the other hand, the EU members states that are outside, can also obtain many of the benefits although they are not take part of it.

Prof. Manuel DESANTES REAL highlighted that this is an issue that for Spanish people is very sensitive. In any case, he did suggest as a potential option and at a certain point, the possibility of splitting the two issues: one matter would be the European Patent with Unitary Effect -where the language regime plays a key role- and the other matter would be the UPC -dealing, not only with 'unitary patents' but also with classic 'European patents-. Thus, in his opinion, perhaps there could be a new way to be explored, leaving the political issues aside and looking for the possibilities of moving further in this field.

QUESTION 3: HOW COULD THE CREATION OF AN EU PATENT RIGHT FIT TOGETHER WITH THE CREATION OF THE UPC? WILL THE CREATION OF THE UPC PROHIBIT THE FUTURE CREATION OF A HARMONIZED EU PATENT RIGHT?

In this regard, **Prof. Tuomas MYLLY** noted that it is very difficult to amend the UPCA, as major modifications will require unanimity. This would be even more difficult with the EPC. As a consequence, there will be even more impediments to the creation of a harmonized EU patent right, also in addition to the fact that the political pressure is not there anymore.

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Dr. Matthias LAMPING agreed with this view. In addition, he highlighted that the problem is also being that if we want and will have a really unitary patent right, then there would also be the need of an EU institution that grants the patent on the basis of EU law and thus we would need to take the EPO out of the equation. As long as this is not the case, it will be difficult to get from where we are now to a truly EU patent.

According to **Prof. Craig NARD** instead, there will always be a political influence and we need to let the system work and then see what courts will decide and how the system will develop.

On the point of political influence, **Dr. Matthias LAMPING** stressed that we have a problem of democratic legitimacy in this regard, in particular as regards the EPO. He importantly highlighted that we must make sure that what these institutions -including the UPC- do, is also what society wants, especially when it comes to developing patent law for the future.

At the end of the Encounter, all the participants were invited by the moderator, **Prof. Manuel DESANTES REAL,** to give a last remark. In this regard, **Dr. Matthias LAMPING** concluded that the greatest lesson over the past 60 years is to hope for the best and expect the worst. For its part, **Prof. Craig NARD** highlighted how exciting this period in Europe is, especially to be a student, a practitioner, a scholar of patent law. Finally, **Prof. Tuomas MYLLY** expressed that he was very happy that this system is finally coming into force and excited to see how it would develop.

Prof. Manuel DESANTES REAL concluded that it is only a couple of months until the entry into force of the system and we should enhance discussions like the one held within this Encounter, that is, a broad discussion that opens the Pandora´s box, but in a calm way and going further into details.

In the end, the moderator gave the floor to **Prof. Laurent MANDERIEUX,** who stated that we are constructing together the way the stakeholders will react before the new `creature´ discussed in this Encounter. This is an important moment for these digital Encounters as we are also helping to shape the future of the European Patent system.

Report written by **Letizia TOMADA** and **Luz SÁNCHEZ GARCÍA**

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