

THE BEST WAY FORWARD FOR THE UNIFIED PATENT COURT: GERMAN RATIFICATION NOW AND A NEW PROTOCOL AGREEMENT BEFORE BREXIT

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I. Introduction

As the looming date for the United Kingdom's (U.K.) to exit from the European Union draws nearer, the fate of the European Unified Patent Court (UPC) hangs in the balance. The complex bureaucratic, legal, and chronological hurdles to the creation of a single patent court in which to litigate and prosecute patents throughout European nations. All signatory nations of the Agreement on a UPC (AUPC) are members of the European Union. As members, the signatory nations are all bound by the rulings of the Court of Justice of the European Union (ECJ). However, when the U.K. leave the European Union on March 29, 2019; it may no longer be bound to ECJ's rulings. This lack of legal hegemony threatens the existence of the UPC before it is even fully formed. But, if the Germans can ratify the AUPC before the U.K. leaves the European Union, the UPC might be able to continue as planned and protect intellectual property rights in the lucrative U.K. market. This would incentivize utilization of this new IP specific court system.

In addition to its substantial market, the U.K.'s participation is critical for other reasons. The U.K. is one of the three Member States of the European Union that produces the most European patent filings since 2012, when the AUPC was drafted.¹ Its importance within the patent structure of the European Union is so influential that in order for the European Patent Court to come into existence, the U.K. – in addition to Germany and France – had to ratify a treaty in order for the European Patent Court to be established in addition to ten other unnamed Member States.² The U.K. is also slated to be the site of one of three specialized centralized courts of first instance in the European UPC. This court's location was brought into question by the June 23, 2016 referendum by the citizens of the U.K. to leave the European Union, commonly referred to as Brexit.

The exit negotiations between the European Union and the U.K. will be finalized on March 29, 2019.³ The provisional separation agreement released in December 2018 does not mention the UPC.⁴ After the U.K. Brexits, there will be a statutorily mandated two-year exit of the U.K. from the European Union.⁵ In that

¹ Agreement on a Unified Patent Court, art. 89, § 2012, 16351/12. <https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf> .

² *Id.*

³ Alex Hunt & Brian Wheeler, *Brexit: All you need to know about the UK leaving the EU*, BBC News, Oct. 16, 2018, <https://www.bbc.com/news/uk-politics-32810887> .

⁴ Draft agreement on the withdrawal of the UK from the EU as agreed at negotiators' level on 14 November 2018, including text of Article 132, U.K. - E.U., Nov. 25, 2018. Can be found at https://www.consilium.europa.eu/media/37099/draft_withdrawal_agreement_incl_art132.pdf.

⁵ Peter C. Leung, *U.K.'s Exit Muddle May Help EU Unified Patent Court*, Bloomberg (Sept. 6, 2016), <https://www.bna.com/uks-exit-muddle-b73014447235/>

time, the U.K.'s continued participation in the European UPC should be ensured by ratifying the AUPC before the U.K. leaves the European Union. Then after the court is functioning, but before the seven-year transition period elapses, the Signatory Member States should introduce a new protocol to change the charter to allow non-European Union Member States to join and act as members of the UPC. Non-Member States should only be allowed to join if they agree to submit to the rulings of the Court of Justice of the European Union and modify their national patent law to comply with European Union Patent law.

II. Background

Since the 1970s, governments of European nations have been looking for ways to streamline the patent process from nation to nation to assist the private sector.⁶ Under EU Regulation No. 1257/2012, the statute establishing the European Unified Patent, there are now three systems of patents available to companies in Europe to protect their patentable subject matter.⁷ The three systems available are: (1) individual national patents, (2) European Patents, and (3) European Unified Patents.⁸ Conflicts regarding these patents will be resolved in one of two court systems: (1) individual national courts or (2) the newly formed UPC.⁹

A. There are three different patents available within the European Union, each with different strengths and weaknesses depending upon the size of the company and the invention being patented

1. Individual National Patents are a strong choice for inventions that may not be subject to patent protection across all nations or for companies with extensive legal budgets

Under the proposed system, companies will still be able to file patents in nations' patent systems. However, this system of filing creates many bars to innovation, research, and development. Most nations require that patent

⁶ Joseph Kenneth Yarsky, *Hastening Harmonization in European Union Patent Law through a Preliminary Reference Power*, 40 *B. C. Int'l & Comp. L. Rev.* 167, 179 (2017).

⁷ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, European Patent Office (July 17, 2017) <https://e-courses.epo.org/mod/page/view.php?id=1003>

⁸ *Id.*

⁹ Council Regulation (EU) No.1260/2012 of 17 Dec. 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. 2012 O.J. (L 361) 89. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32012R1260>

applications be submitted in the official language of the country.¹⁰ Securing a patent throughout every country that is a member of the European Union means that a company must translate its patent into twenty-two different languages.¹¹ ¹² Patent translation is a very specific skill because the translator must not only be fluent in the language that the patent is written and the language that she is translating it into, she must also be knowledgeable in the field that the patent is in in order to ensure that all necessary elements of the patent are contained in the translation. This is very expensive. Additionally, patent holders need to pay patent application and maintenance fees in all the countries they apply for a patent in, which is also expensive.¹³ The biggest obstacle to this system of patents is the different legal parameters for what makes a valid patent from state to state and the different countries' legal systems where the patents must be litigated.¹⁴ In order to secure the patent in every Member State, the patent may need to be altered, unless the multiple countries make significant changes to their existing patent laws to create a more homogenous European patent law in anticipation of compliance with the European UPC.¹⁵ The national patent systems are well adjudicated, so patent holders know what to expect. And patents are guaranteed to be enforced by national governments which have more teeth within their own borders than international law normally does.

2. European Patents are the original attempt at a solution to the issue of multiple filings in multiple countries in Europe. They are a halfway point between individual national patents and the European Unified Patent

In order to circumnavigate some of these hurdles, in 1977 the European Patent was established by the European Patent Convention.¹⁶ A single European Patent protects intellectual property the same way a national patent would in 38

¹⁰ Yarsky, *supra* note 5, at 169.

¹¹ Official Languages of the EU, https://europa.eu/european-union/topics/multilingualism_en (Last visited Dec. 15, 2018).

¹² *Note*: because Ireland and Malta accept patents in English, it would be unnecessary to translate into Irish/Gaelic (Patent in Ireland (non-PTC), <https://www.ip-coster.com/IPGuides/patent-ireland> (Last visited Dec. 15, 2018)) or Maltese (Patents, https://commerce.gov.mt/en/Industrial_Property/Patents/Pages/Patent.aspx (Last visited Dec. 15, 2018)).

¹³ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra* note 6.

¹⁴ *Id.*

¹⁵ Yarsky, *supra* note 5, at 184-7.

¹⁶ HOW TO GET A EUROPEAN PATENT 9 (European Patent Office eds., 18th ed. 2018).

countries:^{17 18} However, contracting countries are allowed to insist that the single European Patent application be translated into their national languages to be enforceable within their borders.¹⁹ This could mean translating the patent into twenty-three languages.^{20 21}

Additionally, even though the one patent application is accepted in all thirty-eight countries, the countries' varying national laws regarding what constitutes a valid patent means that while the application is valid in all countries the patent subject matter itself may not be until the AUPC goes into full effect.²² Prior to the AUPC becoming fully effective, patent infringement would need to be defended individually in each of the signatory countries when the infringement was occurring subject to the laws of the country where the infringement occurred, which vary.²³

3. The Unified European Patent (European Patent with Uniform Impact) is the most consolidated and homogenous of the patent systems available, but some of the streamlining efforts leave some signing countries feeling overlooked

The Unified European Patent was enacted by two pieces of European Union legislation and became operational on Jan. 20, 2013.²⁴ One piece of legislation is the *Council Regulation implementing enhanced cooperation in creating a unified patent*, EU Regulation No. 1257/2012.²⁵ It went into effect on Dec. 17, 2012.²⁶ The other is the *Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation*

¹⁷ Albania, Austria, Belgium, Bulgaria, Cyprus, Croatia, Czech Republic, Denmark, Estonia, Finland, Former Yugoslav Republic of Macedonia, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, and the U.K..

¹⁸ *Id.* at 10, §II, ¶5 (citing, European Patent Convention, art. 67, Nov. 29, 2007).

¹⁹ *Id.* at 54, §IV, ¶178 (citing, European Patent Convention Art. 65, Nov. 29, 2007).

²⁰ Official Languages of the EU, https://europa.eu/european-union/topics/multilingualism_en (Last visited Dec. 15, 2018).

²¹ Turk Patent: Patent Fees, <http://www.turkpatent.gov.tr/TURKPATENT/fees/informationDetail?id=109> (Last visited Dec. 15, 2018).

²² Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

²³ Yarsky, *supra*. note 5, at 167.

²⁴ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

²⁵ *Id.*

²⁶ *Id.*

arrangements, EU Regulation No. 1260/2012. It was implemented on Dec. 17, 2012.²⁷ EU Regulation No. 1257/2012 creates the Unified Patents and establishes all of the elements discussed in detail in this section. EU Regulation No. 1260/2012 sets out the process for creating the AUPC.

As evidenced by the titles of the two pieces of legislation, the European Unified Patent system will alleviate the burdens of translation requirements and disparate patent law in individual Member States of the European Union. To qualify for a European Unified Patent, the patent must be in English, French, or German.²⁸ If a patent is in another language, it must be submitted with an English, French, or German translation.²⁹

This patent system also streamlines the fee process. Applicants in this system pay one application fee to the European Patent Organization.³⁰ Patent holders will also only pay one renewal fee per year to the European Patent Organization unlike other systems where individual governments had to be paid individually.³¹ The fees for the European Unified Patents are split between the European Patent Organization, European UPC and the Cosigning Member States.³² Half of the money funds the European Patent Organization and the UPC.³³ The other half of the money is divided between the signing countries.³⁴ This system is much less expensive and strait forward for patent holders.

In addition, the nations that signed the treaty have already begun to align their patent laws with those outlined in the treaty.³⁵ This homogenization of patent laws across participating countries will enable companies to apply for and defend patents on more solid ground. The European Unified Patent regulations also call for the creation of the UPC where disputes over infringement can be litigated.³⁶

B. European Patent Litigation Forums

1. Individual Member State Courts are the most tedious and expensive way to litigate European Patents and European Unified Patents

²⁷ *Id.* (citing Council Regulation (EU) No. 1260/2012 of 17 Dec. 2012, 2012 O.J. (L361).

²⁸ European Patent Convention [Pat.] art. 14 (1).

²⁹ *Id.* at art. 14 (2).

³⁰ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

³¹ *Id.*

³² *Id.*

³³ *Id.*

³⁴ *Id.*

³⁵ *Yarsky*, *supra*. note 5, at 186.

³⁶ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

Under all three previously discussed patent systems, companies still have the option to use individual countries' court systems to litigate their patents during the provisional process, the first seven years the UPC operates. Under the AUPC, patent holders of European Patents and European Unified Patents who applied for, or were granted, patent protection during the seven-year grace period after the commencement of the UPC will have the option to opt-out of the UPC governing their patents. All litigation about opted-out patents will take place in individual national courts.⁴⁴ This enables patent holders to take advantage of more lenient patent law individual Member States might have about subject matter that may be patented and length of patents. Also, national courts will have more established case law than the brand-new court, so patent holders will be more confident in the protections their patents are guaranteed. This provisional period may be prolonged by an additional seven years if after the first provisional period the UPC's Administrative Committee sees a need based on the number of patent holders who have opted out.⁴⁵

Patent holders who choose to litigate Unified European Patents and European Patents in the national patent systems cannot apply rulings in their favor based on counterclaims to any other jurisdictions.⁴⁶ However, they could submit these positive rulings as a persuasive opinion. They are not controlling opinions.

Holders of national patents must use the courts of the nation that they are issued by. Since they are not international patents, they cannot be litigated in international courts.

2. The European Unified Patent Court: the new way to litigate once and enforce a patent in the entire single economy.⁴⁷

The UPC is in the process of being created. The AUPC is not fully ratified, and the court will not be fully operational until at least four months after the treaty is fully ratified. The agreement has been ratified by sixteen Member States of the European Union.⁴⁸ The foundational document of the new court, the AUPC, is

⁴⁴ Agreement on a Unified Patent Court AUPC, art. 83, §1, 2, 2012, 16351/12. A draft of this treaty can be found at <https://www.unified-patent-court.org/sites/default/files/upc-agreement.pdf>.

⁴⁵ *Id. at*, §5.

⁴⁶ David Wilson, Rachel Montagnon, & Christopher Sharp, *What Should Influence your decision to opt-out of the UPC?*, 250 *Managing Intell. Prop.* 36,37 (2015).

⁴⁷ The single economy refers to the single market of the European Union. It is the largest market in the world.

⁴⁸ AUPC (UPC): Entry into force, <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2013001&DocLanguage=en> (last visited Oct. 7, 2018) [hereinafter UPC Agreement Entry into Force].

nearing the full number of countries needed to ratify. According to the AUPC, the agreement must be ratified by ten of the unnamed Member States in addition to Germany, France, and the U.K. for a total of thirteen Member States.⁴⁹ Germany, France, and the U.K. were the Member States with the highest number of European Patents owned by their citizens and companies in 2012 when the agreement was finalized.⁵⁰ The ten unnamed Member States can be any Member State of the European Union that are not Germany, France, or the U.K.. At the time of publication, fourteen unnamed Member States have already ratified the treaty. While more than the required number of Member States have ratified the treaty, it cannot go into effect until all the named Member States ratify the treaty. Once the UPC Agreement is ratified, the court will begin to function.

As of the date of publication, the only ratification needed to begin is Germany's.⁵¹ The German Ratification is stalled while the German Federal Constitutional Court determines the constitutionality of the agreement.^{52 53} The basis of the challenge in German court alleges that the *Agreement on the UPC* violates German law because it forces German companies to comply with European Union patent law that is incompatible with German law.⁵⁴ The case before the *Bundesverfassungsgericht*⁵⁵, German Federal Constitutional Court, blocks the ratification of the AUPC and the commencement of the UPC. The complaint also alleges that the way in which the German government attempted to ratify the AUPC breached the requirement for a qualified majority in the Bundestag and Bundesrat (German national legislative bodies).^{56 57} The complaint also expresses concerns about the way the UPC will be administered and the independence of judges.⁵⁸

If the *Bundesverfassungsgericht* holds that the AUPC is valid under the German Constitution, then Germany can ratify the treaty and the UPC will begin to function four months later as outlined in the AUPC.^{59 60} Alternatively, if the

⁴⁹ AUPC, art. 89, *supra*. 1.

⁵⁰ *Id.*

⁵¹ UPC Agreement Entry into Force, *supra*. 45.

⁵² Anusha Pirani, The Unitary Patent Court - Caution Ahead, 5 Ct. Uncourt 5 (2018).

⁵³ Stéphanie Celare, *An Update On The UPC Agreement After The UK Has Finally Ratified It*, Lexology (May 14, 2018), <https://www.lexology.com/library/detail.aspx?g=7c39b534-5a74-4d7c-957b-b0aaaa31f84c> .

⁵⁴ *Id.*

⁵⁵ [Click here](#) for a pronunciation.

⁵⁶ Federal Constitutional Court (Oct. 20, 2018)

https://www.bundesverfassungsgericht.de/DE/Homepage/homepage_node.html .

⁵⁷ Celare, *supra*. 50.

⁵⁸ Celare, *supra*. 49.

⁵⁹ *Id.*

⁶⁰ Agreement on a Unified Patent Court AUPC, art. 89, ¶1, *supra*. 1.

German Federal Constitutional Court decides that the treaty violates the German constitution, then the case will be referred to the Court of Justice of the European Union.⁶¹ This will prolong the process of implementation. This might be remedied if the German Federal Constitutional Court allows Germany to ratify the treaty while waiting for the decision of the Court of Justice of the European Union, allowing the UPC to begin to form in the meantime.⁶² Ratification while waiting for the ECJ most likely means the difference between the UPC existing or not before or after Brexit occurs in 2019.⁶³

Until ratification can be completed, some countries are opting to provisionally bind themselves to the agreement via the Protocol to the Agreement on a Unified Patent Court on Provisional Application (PPA).⁶⁴ The PPA transferred the power from the Preparatory Committee to three new committees: (1) Administrative Committee, (2) Budget Committee, and (3) the Advisory Committee.⁶⁵ The new committees are closer aligned with the ones that will in place when the agreement is fully ratified.⁶⁶ Judges are already being interviewed in preparation for the first proceedings of the new patent court even though they cannot be hired until the agreement is fully ratified.⁶⁷

a. How the Unified Patent Court will function once ratified.

The court of first instance depends upon the type of legal action the parties are involved in. All patent infringement and counterclaims begin in the regional court of the jurisdiction where the infringement occurred.⁶⁸ Other patent litigation that is not related to infringement begins in a different court system within the UPC. Declarations of non-infringement and revocation actions must begin their legal journeys in the central division.⁶⁹ The central division has more expert judges available. Appeals from both branches of this new legal system go to the Court of Appeals in Luxembourg.

⁶¹ Celare, *supra*. 49.

⁶² *Id.*

⁶³ *Id.*

⁶⁴ Unified Patent Court, *Update on Provisional Application Phase*, July 7, 2017, <https://www.unified-patent-court.org/news/update-provisional-application-phase> (Oct. 20, 2018).

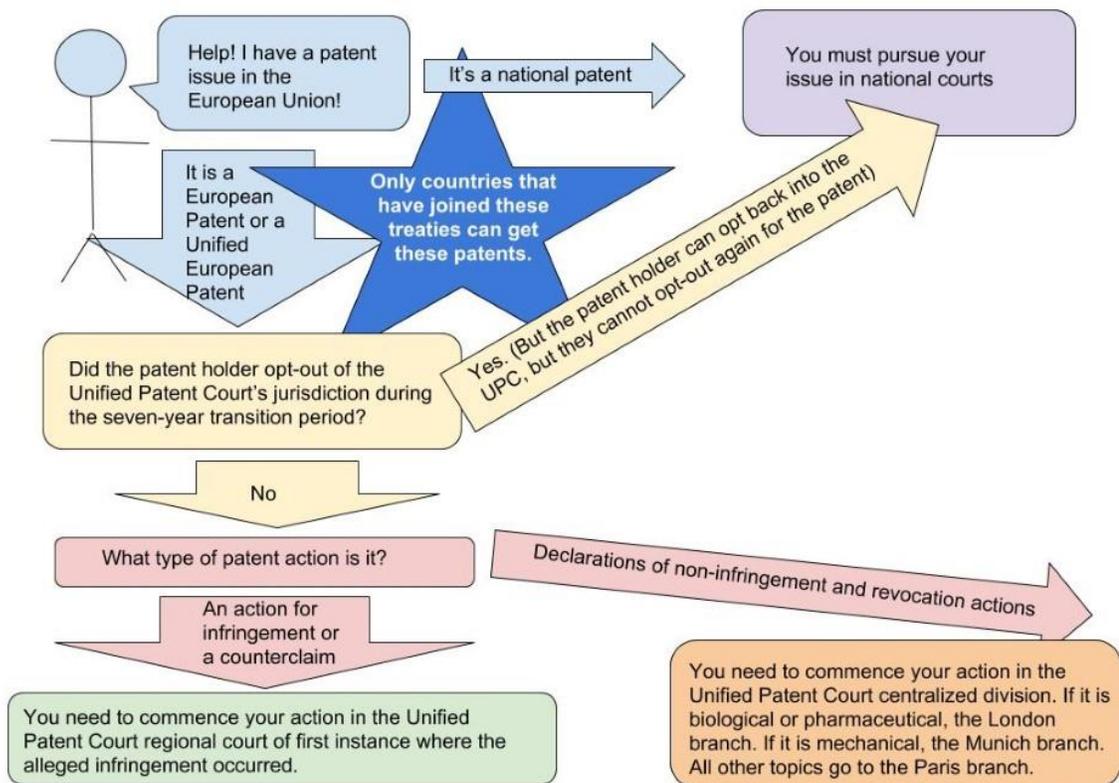
⁶⁵ *Id.*

⁶⁶ *Id.*

⁶⁷ Alexander Ramsay, *Summing up and Looking Forward to 2018*, UNIFIED PATENT COURT (Dec. 21, 2018), <https://www.unified-patent-court.org/news/summing-and-looking-forward-2018>.

⁶⁸ Dr. Sabine Boos, *WHAT IS THE STRUCTURE OF THE UNIFIED PATENT COURT?*, Hogan Lovells, http://www.theunitarypatent.com/what_is_the_structure_of_the_unified_patent_court (Oct. 20, 2018).

⁶⁹ *Id.*



The agreement enables countries to create their own regional patent courts if they choose to.⁷⁰ All countries that sign the AUPC can request to host a court of first instance within its borders.⁷¹ At this time, Germany plans to open four lower level regional courts.⁷² The number of regional courts is tied to the number of patent cases in a jurisdiction, for every one-hundred cases a court is supposed to create a lower level regional court.⁷³ A regional court can serve one nation, a group of nations, or a specific region of a certain nation.

Regardless of the area served, all regional courts are defined as the courts of first instance.⁷⁴ Even though these patent courts are analogous to US trial courts, where the facts of the case and the relevant law are argued, three judges will sit on a panel in each case.⁷⁵ The panels are composed of legally qualified judges and

⁷⁰ AUPC, art. 7, ¶1, *supra*. 1.

⁷¹ *Id.* at art. 7, ¶3, 2012.

⁷² UPC Locations, <https://www.unified-patent-court.org/locations> (Oct. 20, 2018).

⁷³ Agreement on a Unified Patent Court, art. 7, ¶4, *supra*. 1.

⁷⁴ *Id.* at art. 7.

⁷⁵ *Id.* at art. 8, ¶1.

technically qualified judges. Legally qualified judges are traditional judges that have legal degrees and backgrounds. Technically qualified judges, judges that have a background in science or technology who can understand if the patent does what it says it will do. Article 15 of the AUPC lays out the qualifications for both types of judges. “Legally qualified judges shall possess the qualifications required for appointment to judicial offices in a Contracting Member State.”⁷⁶ “Technically qualified judges shall have a university degree and proven expertise in a field of technology. They shall also have proven knowledge of civil law and procedure relevant in patent litigation.”⁷⁷

The panels in the regional courts of first instance are composed of one or two legally qualified judges from the region where the court of first instance is located, the number depends upon the caseload of the region.⁷⁸ The panels also consists of one judge from a different signing country.⁷⁹ This judge from a different country than where the court is located is selected from a pool of legally qualified judges that will stay long-term in the region.⁸⁰ In addition, by request of either party or the three-judge panel, the court can appoint a fourth technically qualified judge to the panel.⁸¹ Technically qualified judges function as neutral expert witnesses, they are included on panels when the legally qualified judges need help sorting through complex patents. A technically qualified judge may not chair the four-judge panel.⁸² The treaty establishing the UPC also allows for both parties to waive their rights to a three-judge panel in the court of first instance and have only one judge.⁸³

The other option for the court of first instance in the UPC is the central division. As of now, there are three proposed centralized UPCs of first instance. The locations proposed so far are: (1) London is slated to host the biotech and pharmaceuticals division, (2) Munich is slated to focus on engineering, and (3) Paris which is not specialized.⁸⁴ These locations will have the three judge panels. Two of the judges will be legally qualified judges and one will be technically qualified.⁸⁵ The Paris court is the main hub, where the administration for the centralized courts will be located.⁸⁶ The London and Munich locations are

⁷⁶ *Id.* at art. 15, ¶2.

⁷⁷ *Id.* at art. 15, ¶3.

⁷⁸ *Id.* at art. 8, ¶2-4.

⁷⁹ *Id.* at art. 8, ¶4.

⁸⁰ *Id.*

⁸¹ *Id.* at art. 8, ¶5.

⁸² *Id.* at art. 8, ¶8.

⁸³ *Id.* at art. 8, ¶7.

⁸⁴ Boos, *supra*. note 64.

⁸⁵ *Id.*

⁸⁶ *Id.*

subdivisions of the Paris court.⁸⁷ During the Brexit process, the fate of the London centralized court will need to be negotiated by the U.K. and the European Union.⁸⁸

An appeal from a regional or centralized court of first instance goes to the Court of Appeals in Luxembourg.⁸⁹ This court is comprised of three legally qualified judges and two technically qualified judges.⁹⁰ All three of the legally qualified judges must be from different signing countries.⁹¹ One of the legally qualified judges must head the panel.⁹² Any appeals from this court go to the Court of Justice of the European Union.⁹³

C. What and when is the British Exist (Brexit)?

On Friday, March 29, 2019, the U.K. will exit the European Union cementing the process colloquially referred to as Brexit.⁹⁴ However, there will also be a twenty-one-month transition period after the exit date.⁹⁵ The people of the U.K. voted via referendum to leave the European Union on June 23, 2016.⁹⁶ This triggered a negotiation process that is still ongoing. On Nov. 25, 2018, the European Union and the U.K. released a draft of the framework for Brexit.⁹⁷ The draft does not mention the UPC or any of the foundational legislation of the UPC.⁹⁸

While the U.K. was never a member of the EuroZone, so it never switched from pounds to Euros. Also, the U.K. never signed the Schengen Agreement, so the passport and customs checks at its borders remained in place. So leaving the European Union will not change the way the U.K. has been operating as much as it would other Member States who have adopted these policies. However, as a member of the European Union the U.K. was still able to participate in the single

⁸⁷ *Id.*

⁸⁸ Pirani, *supra*. note 49, 7.

⁸⁹ Agreement on a Unified Patent CourtAUPC, art. 9, *supra*. 1.

⁹⁰ *Id.* at ¶ 1.

⁹¹ *Id.*

⁹² *Id.* at ¶ 3.

⁹³ *Id.* at Art. 38 ¶ 2.

⁹⁴ Alex Hunt & Brian Wheeler, *Brexit: All you need to know about the UK leaving the EU*, BBC News, Oct. 16, 2018, <https://www.bbc.com/news/uk-politics-32810887> .

⁹⁵ *Id.*

⁹⁶ *Id.*

⁹⁷ Special meeting of the European Council (Art. 50), 25/11/2018 <https://www.consilium.europa.eu/en/meetings/european-council/2018/11/25/> (last visited Nov. 30, 2018).

⁹⁸ Draft agreement on the withdrawal of the UK from the EU as agreed at negotiators' level on 14 November 2018, including text of Article 132, U.K. - E.U., Nov. 25, 2018. Can be found at https://www.consilium.europa.eu/media/37099/draft_withdrawal_agreement_incl_art132.pdf.

economy. It also was obligated allow migration of citizens of other Member States of the European Union into its borders and submit European Law.

III. Discussion

There are multiple issues that must be taken into account when measuring any solution to the conflict created by the creation of the UPC and the U.K.'s leaving the European Union. The three main issues are: (1) the extreme amount of time that nearing ratification of the AUPC has taken, (2) how to ensure the supremacy of European Union Law in branches of the UPC in the U.K. and cases in which citizens or companies located in the U.K. are parties, and (3) ensuring that international and European Union law are not violated.

A. Issues that must be dealt with by any true solution to the functioning of the United Patent Court post-Brexit

1. The ratification process of the Agreement on a Unified Patent Court has already taken years longer than expected and is still not fully ratified

The UPC has exceeded multiple estimates for its date of completion ranging from January 1, 2014;¹⁰¹ to April 2017;¹⁰² to August 2018.¹⁰³ All of which have been surpassed.

The AUPC was signed on February 19, 2013.¹⁰⁴ The agreement mandated that the European UPC could not start before January 1, 2014.¹⁰⁵ The AUPC has yet to be fully ratified.¹⁰⁶ Judges cannot be hired., Court of first instance cannot be set up. The registry for European Patents and Unified European Patents is not able to begin to function., All the other administrative work that goes into creating a new court is unable to begin until the treaty is fully ratified.¹⁰⁷

In order to gain some momentum, the countries that have signed AUPC also signed the Protocol to the Agreement on a Unified Patent Court on provisional application (PPA). This supplementary treaty enabled the court to start to function

¹⁰¹ Agreement on a Unified Patent CourtAUPC, art. 89, *supra*. 1.

¹⁰² Prof. Dr. Winfried Tilmann, The Future of the UPC After Brexit, *Hogan Lovells*, available at <https://perma.cc/8LXY-UTBQ> (last accessed Nov. 21, 2018).

¹⁰³ Summing Up and Looking Forward to 2018, Unified Patent Court, Dec. 17, 2017, <https://www.unified-patent-court.org/news/summing-and-looking-forward-2018> (Last visited Nov. 2, 2018).

¹⁰⁴ UPC Agreement Entry into Force, *supra*. 45.

¹⁰⁵ Agreement on a Unified Patent CourtAUPC, art. 89, *supra*. 1.

¹⁰⁶ UPC Agreement Entry into Force, *supra*. 45.

¹⁰⁷ Agreement on a Unified Patent CourtAUPC, art. 89, *supra*. 1.

in a prototype phase.¹⁰⁸ The PPA did not enable the UPC to begin to recruit, hire, or interview judges. Nor did it enable the Registry, equivalent to the USPTO, to begin its critical work of ordering the new patent system.¹⁰⁹ What it did do is transfer the power from the Preparatory Committee to three new committees: (1) Administrative Committee, (2) Budget Committee, and (3) the Advisory Committee.¹¹⁰ These three committees more closely resemble the signatory government oversight of the court dictated by the AUPC. If agreement is fully ratified, these three oversight entities will continue to function and become entities with legal personality.¹¹¹ This will at least smooth the path for creation of the oversight mechanisms, even though the court will not begin to fully function until four months after Germany ratifies the treaty, as mandated by Article 89 of the AUPC. Additionally, the creation of the Budget Committee enables the European Patent Organization to begin to grant European Unified Patents despite the final home of the registry in Luxemburg not functioning yet. The fees brought in by these patent application fees and renewal fees will fund the European Patent Organization, the UPC, and the signatory Member States national patent systems.¹¹²

Despite having been ratified by sixteen of the required thirteen countries, the court still cannot move forward because of the extra considerations outlined in Article 89 on the AUPC.¹¹³ The court is still waiting for one of the three specified countries (France, Germany, and the U.K.) whose citizens and corporations owned the highest number of European Patents in 2012 to ratify the AUPC.^{114 115} France ratified on March 14, 2014.¹¹⁶ The U.K. ratified on April 26, 2018.¹¹⁷ The UPC would begin to form as soon as Germany ratifies the AUPC.¹¹⁸

There has been a legal challenge to the way the treaty sought to be ratified in Germany's highest court.¹¹⁹ The challenge alleges that the agreement forces German companies to comply with European Union patent law that violates

¹⁰⁸ Summing Up and Looking Forward to 2018, Unified Patent Court, Dec. 17, 2017, <https://www.unified-patent-court.org/news/summing-and-looking-forward-2018> (Last visited Nov. 2, 2018).

¹⁰⁹ *Id.*

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

¹¹³ UPC Agreement Entry into Force, *supra*. 45.

¹¹⁴ Agreement on a Unified Patent Court/AUPC, art. 89, *supra*. 1.

¹¹⁵ Celare, *supra*. 50.

¹¹⁶ UPC Agreement Entry into Force, *supra*. 45.

¹¹⁷ *Id.*

¹¹⁸ Celare, *supra*. 50.

¹¹⁹ *Id.*

German law.¹²⁰ This constitutional challenge has lasted much longer than expected. It has elongated the entire ratification process. If the ratification process had concluded two years ago as anticipated, the court would most likely be functioning already. The issues arising from the U.K.'s exit from the European Union would be different if the UPC had begun to function years ago. However, the U.K. itself only ratified the agreement on April 26, 2018.

Also, any proposed solution to this problem must fully consider the amount of time ratification of this treaty took. Solutions must also address the amount of time ratification of an amended treaty, an additional treaty, or a new treaty founding the UPC would take.

2. In order for any solution to truly be a solution, it must ensure that all participating countries recognize the supremacy to the Court of Justice of the European Union and ensure that European Union law will be deferred to in all branches of the European Patent Court

The AUPC only allows for Member States of the European Union to sign the agreement and become members of the court. “The Unified Patent Court shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of the signatory Member States.”¹²¹ Article 2(b) of the AUPC goes on to define Member State as “a Member State of the European Union.” Article 2(c) defines a Contracting Member State as “a Member State party to this Agreement.” It is clear from the language of the *AUPC* that the framers intended this court to only be open to European Union Member States.

The framers of the AUPC excluded non-Member States for multiple reasons. One reason was that the framers wanted to create a court of European Union Member States, so that European Union law would be supreme to all national laws. Article 21 of the AUPC requires that the UPC coordinate with the Court of Justice of the European Union to ensure that the UPC interprets and applies European Union law correctly.¹²² Article 21 also requires that the UPC complies with Article 267 of the Treaty on the Functioning of the European Union.¹²³ Article 267 of the Treaty on the Functioning of the European *Union* requires that the Court of Justice of the European Union give primary rulings on treaties and, more critically to the UPC, the validity of actions taken by European Union's

¹²⁰ *Id.*

¹²¹ Agreement on a Unified Patent Court AUPC, art. 1, *supra*. 1.

¹²² *Id.* at art. 21.

¹²³ *Id.*

institutions.¹²⁴ So the actions of the UPC can be overruled or declared to be contrary to European Union Law by the Court of Justice of the European Union. But, Article 267 goes on to require the courts of individual Member States to refer questions about either interpreting treaties, which are the basis for European Union Law, or the legality of actions of European Union institutions, bodies, offices, or agencies to the Court of Justice of the European Union.¹²⁵

Article 21 of the AUPC means that the Court of Justice of the European Union is the final court of appeals for the UPC. This applies Article 267 of the Treaty on the Functioning of the European Union to the UPC. In order to ensure that the order of the appeals process was clear, Article 38 of the AUPC also establishes that questions of law of the European Union and appeals from the UPC to the Court of Justice of the European Union.¹²⁶ Article 38 also explicitly states that if a question of European Union law arises both the courts of first instance and the court of appeals located in Luxembourg must stay all other proceedings on the matter until the Court of Justice of the European Union rules on the correct interpretation of the law.¹²⁷ This ensures the homogeneity of European Union law within the UPC.

The referral of appeals or questions about European Union law to the Court of Justice of the European Union is not the only section of the AUPC specifies that UPC is supposed to apply European Union law, not the national laws of the Member States.¹²⁸ This concept is explicitly stated in Art. 20 of the AUPC. “The Court shall apply Union law in its entirety and shall respect its primacy.”¹²⁹

Ensuring that there is one set of law being applied to patents in this new system is key to the system's success. The major benefit of this system is uniformity of law and efficiency of enforcement across borders. This system is being offered in competition with the national system already in place. If the court cannot guarantee the same level of security for patents that the national system does, it will not survive.

The only way a patent system can function is if patent holders feel that their rights are guaranteed by the system and that the system enables them to enforce their rights granted by the system. Without these critical assurances, the UPC will fail like many such efforts before to create a patent court for Europe. Inventors and

¹²⁴ Consolidated Version of the Treaty on the Functioning of the European Union, art. 267, 2012 O.J. (C 326/47).

¹²⁵ *Id.*

¹²⁶ Agreement on a Unified Patent Court AUPC, art. 38 (1), *supra*. 1.

¹²⁷ *Id.*

¹²⁸ *Id.* at art. 20.

¹²⁹ *Id.*

companies that chose to use Unified European Patents or European Patents, opt-out of the UPC via the mechanism set forth in Article 38 of the AUPC.¹³⁰ Even though this opt-out option is only available for the first seven years the UPC begins to operate, the implications of mass avoidance of the UPC could mean the end of the UPC before it even begins to fully function.¹³¹ If there are not enough cases being litigated before the UPC, it will fail to support itself. The money required to pay for the quality of judges mandated by the AUPC, will mean that there needs to be many European Patents and Unified European Patents filed, prosecuted, and litigated. If the UPC does not work well or effectively protect intellectual property rights, patent holders will avoid the UPC by utilizing national patents.

One of the reasons the founding document of the UPC reiterates that this body is only for European Union Member States is that all Member States agree that their national laws must comply with European Union law and that their national courts must comply with the rulings of Court of Justice of the European Union on European Union law.¹³² When a country becomes a Member State of the European Union, they must first bring their national laws into compliance with European Union law. Additionally, the countries contractually agree that all of the questions of law about European Union law will be referred to the European Union's Court of Justice of the European Union. This legal hegemony of European Union law ensures consistency of rulings.

3. The U.K. can only continue to participate in the Unified Patent Court after leaving the European Union if this participation does not violate European Union law

Some of the fear surrounding the U.K. remaining in the UPC after it leaves the European Union involve the ability to ensure that UPC branches in the U.K. observe European Union law after Brexit. Also, there is a concern that companies and inventors in the U.K. will not abide by the decisions of the Court of Justice of the European Union. The fear stems from the fact that the U.K. will no longer be bound by the assurances to do either of these as it is as a member of the European Union. Once the U.K. is no longer bound by Article 267 of the *Treaty on the Functioning of the European Union*, are there other ways to compel the U.K. to comply with European Union law and the rulings on the Court of Justice of the European Union? Legal scholars have devised many legal solutions.¹³³

¹³⁰ *Id.* at art. 38.

¹³¹ *Id.*

¹³² Tilmann, *supra*. 98.

¹³³ *Id.*

There are also fears that allowing the U.K. to continue to participate in the UPC after Brexit would violate international and European Union law.¹³⁴ Case law in the Court of Justice of the European Union seems to imply that this might be the case. In Opinion 1/09, the court ruled that:

82. It must be emphasized that the situation of the PC envisaged by the draft agreement would differ from that of the Benelux Court of Justice which was the subject of Case C-337/95 Parfums Cristian Dior [1997] ECR I-6013, paragraphs 21 to 23, Since the Benelux Court is a court common to a number of Member States, situated, consequently, within the judicial systems of the European Union.¹³⁵

Opinion 1/09 was a question about the compliance of a forerunner to the AUPC with the European Union's founding treaties and therefore European Union law.¹³⁶ This legal question was referred to the Court of Justice of the European Union by the Council¹³⁷ after consulting with the Parliament of the European Union.¹³⁸ This case holds that for the UPC to be in compliance with European Union law, all of the signatory nations of the court must be Member States of the European Union.¹³⁹

However, the agreement discussed in this case was altered and updated before the ratification process began. The *Agreement on the UPC* currently being ratified was drafted in 2012.¹⁴⁰ Opinion 1/09 was made and recorded in 2011.¹⁴¹ Also, there have been evolutions in European Union law since the case was decided.¹⁴² The addition of Articles 20–22 to the *Agreement on the UPC* ensures that the mandates of Opinion 1/09 are mandatory for all signatory Member States.¹⁴³ Article 22 (1) mandates that all:

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-

¹³⁴ *Id.*

¹³⁵ *Id.* (quoting Opinion 1/09, Opinion delivered pursuant to Article 218(11) TFEU, 2011 E.C.R. I-01137).

¹³⁶ Opinion 1/09, Opinion delivered pursuant to Article 218(11) TFEU, 2011 E.C.R. I-01137.

¹³⁷ The Council is the European Union body that represents the desires of the individual national governments composed of the cabinet official of the governments, or all the heads of state.

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ Agreement on a Unified Patent Court AUPC, *supra*. 1.

¹⁴¹ Opinion 1/09, *supra*. 129.

¹⁴² See Tilmann, *supra*. 98.

¹⁴³ *Id.*

contractual liability of Member States for damage caused by their national courts breaching Union law.¹⁴⁴

Professor Dr. Winfried Tilmann proposes that since the U.K. ratify the AUPC while it was still a Member State of the European Union it may have already agreed to both of these things.¹⁴⁵ Professor Dr. Tilmann speculates that this issue can be contracted around for the following reasons.¹⁴⁶ (1) The U.K. was a Member State when it ratified the AUPC. (2) When the U.K. ratified the agreement it accepted Articles 21 and 22, which declare the supremacy of European Union Law and bind the U.K. to follow Article 267 of the Treaty on the Functioning of the European Union. (3) after the U.K. exits the European Union it continues to accept referrals from the UPC to the Court of Justice of the European Union. (4) The U.K. continues to adhere to the rulings of the Court of Justice of the European Union on questions of European Union Law and appeals from the UPC to the Court of Justice of the European Union.¹⁴⁷

B. Solutions to the European Patent Court Brexit issue take many forms

There are four proposed solutions to the issues outlined above. First, the European Union and the U.K. could continue and not make any alterations. Alternatively, the European Union could force the U.K. to cease participating in the UPC. Also, the parties could redraft the agreement entirely and start the ratification process to account for the change in the composition of the European Union. Lastly, the parties could draft another supplementary agreement, in addition to the PPA, to incorporate the changes that would need to be addressed to ensure a long-lasting, legally-sound UPC. The final option is the best given all the factors outlined above.

1. Allow the Unified Patent Court to continue progressing, allow the U.K. to remain a party, but not make any alterations to the organizing documents or treaties

The ratification process for the AUPC has defied multiple expectations of how long it would take to ratify. This option to ignore Brexit as it interacts with the UPC would allow for the court to get up and running with no extra preparations or steps. Given the length of the preparations thus far are approaching five years, this solution makes sense in the short-term when European Union officials, governing

¹⁴⁴ Agreement on a Unified Patent Court AUPC, art. 22 (1), *supra*. 1.

¹⁴⁵ Tilmann, *supra*. 98.

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

bodies, Member States, and patent holders around the world are anxious to get the UPC to fruition. Also, both the European Union and the U.K. want this system to go into effect. The U.K. wants to use the UPC. The members of the UPC want their patent holders to be able to protect intellectual property in the U.K.'s substantial market.

However, this solution is incredibly vulnerable to challenges based on international law. If a ruling does not satisfy either the U.K. or a Contracting Member State, either party might challenge the legality of the UPC under the Vienna Convention.¹⁴⁸ This arrangement might violate Art. 62, 65, and 67.¹⁴⁹ Article 62 of the Vienna Convention on the law of treaties enables nations that sign treaties, like the *Agreement on the UPC*, to withdraw from said treaty without violating it if there is a “fundamental change of circumstance.”¹⁵⁰ A signatory Member State ceasing to be a Member State of the European Union would qualify.¹⁵¹ Article 65 of the Vienna Convention on the law of treaties outlines the procedure to resign from a treaty.¹⁵² First, the treaty signatory objecting to the breach of the treaty must notify the other parties of the breach and the objecting signatories proposed remedy.¹⁵³ Then, barring a case of “special urgency,” the objecting signatory must wait at least three months after the other parties were notified to enact their remedy.¹⁵⁴ If any of the non-objecting parties oppose the remedy proposed by the objecting party or disagree that there was a breach, during this three-month transition period, the non-objecting members are allowed to challenge the proceedings via Article 33 of the same treaty.¹⁵⁵ If there is no challenge or if the challenge is overruled, then the objecting party formalizes the nullification of its participation in the treaty via Article 67.¹⁵⁶

Article 67 of the Vienna Convention on the law of treaties allows for signatory nations to void their own participation in a treaty when they give notice from their head of state or foreign minister that Article 62 has been violated.¹⁵⁷

2. Demand the U.K. to stop participating in the Unified Patent Court when it leaves the European Union

¹⁴⁸ *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ Vienna Convention on the Law of Treaties art. 62, May 23, 1969, 1155 U.N.T.S. 331 (entered into force 27 Jan. 1980).

¹⁵¹ Tilmann, *supra*. 98.

¹⁵² Vienna Convention on the Law of Treaties art. 65, *supra* note 144.

¹⁵³ *Id.*

¹⁵⁴ *Id.*

¹⁵⁵ *Id.* at art. 33.

¹⁵⁶ *Id.* at art.67.

¹⁵⁷ *Id.* at art. 67.

This is not what either party wants. The U.K. was home to the one of the three highest number of European Patent holders in 2012.¹⁵⁸ Its citizens and companies are interested in a streamlined patent process embodied in the UPC and the European Unified Patent.

Also, the U.K. has one of the largest national markets in the European Union. The International Monetary Fund estimates that in 2016 the U.K.'s GDP was \$2,649.893 billion in U.S. dollars.¹⁵⁹ During 2016, the International Monetary Fund estimates the GDPs of Germany at \$3,494.898 billion, France at \$2,488.284 billion, Austria at \$387.299 billion, Finland at \$239.186, Denmark at \$302.571 billion, and Bulgaria at \$50.466 billion.¹⁶⁰ While the European Union collectively still has a very robust GDP without the U.K., the U.K. is still a market that patent holders would want to secure their intellectual property rights in using the Unified European Patent or European Patents. It is unlikely that the U.K. will continue to participate in either of these systems if it is not allowed to host its own regional court or the specialized subdivision of the centralized division. This would result in users of either multinational patents needing to file separately in the U.K. in addition to using the multinational patents.

3. Amending or redrafting the Agreement on the Unitary Patent Court

This option is undesirable because of the time it would take to re-ratify the treaty. It has already taken more than five years to get this close to nearing full ratification. Another draft of the agreement would mean that all the Cosigning Member States would have to re-ratify the treaty. Additionally, opening the treaty to allow former European Union Member States to ratify the treaty might create even more of a time delay because the Cosigning Member States will see this as an opportunity to renegotiate the agreement for terms more favorable to their own national patent holders. Italy and Spain would most likely attempt to add Italian and Spanish to the list of official languages.¹⁶¹

Europe has been trying to create something like the UPC since the European Patents were created in the 1970s.¹⁶² This goal might fail again if the process takes

¹⁵⁸ Celare, *supra*. 50.

¹⁵⁹ IMF, Report for Selected Countries and Subjects, World Economic Outlook Database (Oct. 2016), available at <https://tinyurl.com/yco5dv33> (last visited Nov. 21, 2018).

¹⁶⁰ *Id.*

¹⁶¹ Yarsky, *supra* note 5, at 179.

¹⁶² *Id.* at 173-75.

another five years, and then Europe may have to wait another forty years to create a truly complete Europe-wide patent system.

4. Add another “protocol” to the agreement, like the one that established by the Protocol to the Agreement on a Unified Patent Court on provisional application (PPA), after the UPC is fully ratified during the seven-year transition phase of the UPC

By creating such a protocol, the signatory Member States could alter Article 84 of the AUPC to allow a signatory Member State that was a member of the European Union at the time of ratification to remain within the UPC after they have left the European Union.¹⁶³ The PPA has already been ratified by enough signatory Member States to bring it into force even before the actual agreement is fully ratified and operational.¹⁶⁴ This would bind the U.K. to enforce European Union law in the UPCs located within its borders and ensure that British holders of Unified European Patents adhere to the rulings of the Court of Justice of the European Union via Articles 20-22 of the AUPC.¹⁶⁵

I. Conclusion

The way forward for the European UPC is heavily dependent upon the timeline of German ratification of the AUPC. If the German government can ratify the treaty before the Brexit process is complete, then the U.K. can begin the process of creating the UPC as a member of the European Union.¹⁶⁶ So long as no Member State objects to this, the U.K. could just remain a member of the European UPC after it leaves the European Union.¹⁶⁷ However, this state of indecision is not conducive to any patent system, especially when there are others available. Also, the fate of the central court of first instance in London is being questioned.¹⁶⁸ However, the court will be funded by the patent application fees.¹⁶⁹ If the U.K. still participates in the Unified Patent System, the U.K. may be able to keep its central court of first instance.

¹⁶³ Tilmann, *supra*. 98.

¹⁶⁴ Unified Patent Court, *Update on Provisional Application Phase*, July 7, 2017, <https://www.unified-patent-court.org/news/update-provisional-application-phase> (Oct. 20, 2018).

¹⁶⁵ Tilmann, *supra*. 98.

¹⁶⁶ Yarsky, *supra* note 5, at 181-82.

¹⁶⁷ *Id.*

¹⁶⁸ Pirani, *supra*. note 49, 7.

¹⁶⁹ Webinar: *Unitary Patent Protection & Patent Court/Webinar*, *supra*. note 6.

If the German government does not ratify in time for the U.K. to sign all the necessary agreements before they exit the European Union, there are still two other options for the UPC to proceed while incorporating the U.K. even though it is no longer a Member State.¹⁷⁰ The European UPC could become an international court system outside the jurisdiction of the European Union or the treaty could be altered to allow non-European Union Members to become members of the European UPC while leaving the court within the jurisdiction of the European Union.¹⁷¹

All of these options have strengths and weaknesses. The best course for all involved is to ratify before the U.K. leaves and then after the court is up in running, but still within the seven-year transition period introduce changes to the charter to allow non-European Union Member States to join and act as members of the UPC if they will agree to submit to the Court of Justice of the European Union and modify their national patent law to comply with European Union Patent law. This is what is best for the UPC, the U.K., the international business community, small businesses, and mid-sized firms.

¹⁷⁰ Yarsky, *supra* note 5, at 181-82.

¹⁷¹ *Id.*