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**JUDICIAL SPECIALISATION IN INTELLECTUAL PROPERTY:  
THE UNIFIED PATENT COURT AS A MODEL OF SPECIALISED  
COURT**

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*To the most loyal proofreader*

## **ABSTRACT**

The aim of this thesis is to discuss and develop the Unified Patent Court project to account for the role it could play in implementing judicial specialisation in the Intellectual Property field. To provide an original contribution to the existing literature on the topic, this work addresses the issue of how the Unified Patent Court could relate to the other forms of judicial specialisation already operating in the European Union context. This study presents a systematic assessment of the not-yet-operational Unified Patent Court within the EU judicial system, which has recently shown a trend towards being developed outside the institutional framework of the European Union Court of Justice.

The objective is to understand to what extent the planned implementation of the Unified Patent Court could succeed in responding to the need for specialisation and in being compliant with the EU legal and constitutional framework. Using the Unified Patent Court as a case study, it is argued that specialised courts in the field of Intellectual Property have a significant role to play in the European judicial system and offer an adequate response to the growing complexity of business operations and relations.

The significance of this study is to analyse whether the UPC can still be considered as an appropriate solution to unify the European patent litigation system. The research considers the significant deficiencies, which risks having a negative effect on the European Union institutional procedures. In this perspective, this work aims to make a contribution in identifying the potential negative consequences of this reform. It also focuses on considering different alternatives for a European patent system, which could effectively promote innovation in Europe.

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## LIST OF ABBREVIATIONS

<b>ADR</b>	Alternative Dispute Resolution
<b>BoA</b>	Board of Appeal
<b>BVerfG</b>	Bundesverfassungsgericht (German Federal Constitutional Court)
<b>BVerfGG</b>	Bundesverfassungsgerichtsgesetz (Act on the Federal Constitutional Court)
<b>CEP</b>	Council of Europe's Committee of Experts on Patents
<b>CFR</b>	Charter of Fundamental Rights of the European Union
<b>CST</b>	Civil Service Tribunal
<b>CJEU (also ECJ)</b>	Court of Justice of the European Union
<b>CoE</b>	Council of Europe
<b>COPAC</b>	Common Patent Appeal Court
<b>CPC</b>	Community Patent Convention
<b>EC</b>	European Community
<b>EC Treaty</b>	Treaty Establishing the European Community
<b>ECPC</b>	European and Community Patents Court
<b>ECHR</b>	European Convention on Human Rights or Convention for the Protection of Human Rights and Fundamental Freedoms
<b>EEC</b>	European Economic Community
<b>EEC Treaty</b>	Treaty on the European Economic Community
<b>EEUPC</b>	European and European Union Patents Court
<b>EnC</b>	Enhanced Cooperation

<b>EPC</b>	European Patent Convention
<b>EPJ</b>	European Patent Judiciary
<b>EPLA</b>	European Patent Litigation Agreement
<b>EPLAW</b>	European Patent Lawyers Association
<b>EPO</b>	European Patent Office
<b>EU</b>	European Union
<b>EUIPO</b>	European Union Intellectual Property Office
<b>GG</b>	Grundgesetz für die Bundesrepublik Deutschland (Basic Law for the Federal Republic of Germany)
<b>IBC</b>	International Business Court
<b>ICT</b>	Information and Communication Technology
<b>IP</b>	Intellectual Property
<b>IPRs</b>	Intellectual Property Rights
<b>PAP-Protocol</b>	Protocol on the Provisional Application of the Unified Patent Court Agreement
<b>SMEs</b>	Small and Medium-Sized Enterprises
<b>TEU</b>	Treaty on European Union
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>UPC</b>	Unified Patent Court
<b>UPCA</b>	Unified Patent Court Agreement
<b>UPLS</b>	Unified Patent Litigation System
<b>UPP</b>	Unitary Patent Package
<b>WIPO</b>	World Intellectual Property Organization

## **INTRODUCTION**

### **i. My Research Study and Its Place in the Context of the Existing Literature**

In the introductory sections of the present study, I will give an overview of my research and clarify my approach by comparing it with the one adopted by relevant existing literature. The present work analyses the evolution of judicial specialisation related to intellectual property disputes, as a response to the growing complexity of business operations in the Intellectual Property area. This topic has received extensive attention from many academics and commentators, who have analysed the phenomenon alternatively from a historical perspective or in its current features. To date, there has been no systematic assessment of the role of the establishing Unified Patent Court as an example of specialised judicial body decentralised with reference to the European institutional structure. This is the precise gap in literature that this contribution strives to fill. The not-yet-operational Unified Patent Court will be contextualised in the area of specialised protection within the EU judicial system, which has recently shown a trend towards being developed outside the institutional framework of the Court of Justice. As a first step, it is provided a brief explanation of the problem to be studied, the general background, and the approach proposed to answer the questions raised by the topics here examined. In particular, the present work aims at providing for an original approach to the exam of the different initiatives that have conduct to the creation of the Unified Patent Court.

The work will choose “the road not taken” by using the historical perspective to understand the rationale behind the need of intellectual property judicial specialisation. The obtained results will be used to examine the possible future developments for the Unified Patent Court, considered as a model of specialised Intellectual Property court.

In the present study it will be argued that specialised courts in the field of Intellectual Property have a significant role to play in the European judicial system. The implementation of a specialised court for patent disputes is certainly a long-awaited breakthrough within the EU. However, there are many open questions on the legislative solutions implemented. The present study concludes that the Unified Patent Court Agreement (UPCA) does have a number of significant deficiencies, which risks having a negative effect on the European Union institutional procedures. There is still time to consider the consequences of these reforms and consider the various alternatives for a European patent system that might effectively encourage European innovation.

## **ii. Major Objectives and Proposed Interpretative Keys**

The work deals with the origins and the roots of judicial specialisation related to intellectual property disputes, considering the historical development of the creation of a common specialised court dealing with European patents. The study presents the evolution of specialised IP courts, as a response to the growing complexity of business operations and relations. The aim of tracing the introduction and the evolution of IP judiciary specialisation is to appreciate, more deeply and in its complexity, the recent growing demand for specialised courts. The historical approach is applied in order to better understand the factors that have stimulated the rise of the specialisation and to verify if they can be taken into consideration also for the exam of the future European patent system.

Methodologically, this study turned to the academic literature. This stage engaged both a review of the available resources online such as databases, eBooks, scientific papers, policy papers from the EU institutions, online conferences (live and recorded), as well as physical library research to consult material not available online. In this respect, it was fundamental the research carried out in the libraries of the University



of Bologna and Pavia, but especially at Max Planck Institute for Comparative and International Private Law in Hamburg.

This is a comparative study engaging in an analysis of the primary and secondary sources available on the topic of the establishment of a common patent court, examined as the European answer to the global trend to specialise the handling of certain types of intellectual property (IP) disputes. In terms of scope, this study focuses on the reasons why a judicial specialisation for intellectual property matters is needed and the demand for certain issues to be devolved to judges with a particular expertise tends to increase.

## **PREMISE: THE INTEREST IN ANALYSING THE UNIFIED PATENT COURT AS A MODEL OF INTELLECTUAL PROPERTY SPECIALISED COURT**

In the present study it will be critically analysed the Unified Patent Court (UPC) as a “planned” model of specialised court for the settlement of disputes relating to Intellectual Property issues. Although its establishing Agreement has not entered into force yet and regardless of its future fortune, the creation of the UPC makes for a very stimulating case study to examine the issue of judicial specialisation for different reasons.<sup>1</sup> Some of these are briefly discussed below with the aim of giving a rough picture of the rationale for the decision to explore the European proposal creating a specialised Intellectual Property court. Undoubtedly, the setting up of a patent court, with exclusive jurisdiction in patent disputes towards the European Union, raises legal questions of great interest and suggests numerous institutional issues, principally related to the EU legal framework and to constitutional principles. Moreover, recent developments have put further hurdles in the difficult path of the Unified Patent Court, resulting in further delay the preparatory work. At the same time, however, the current situation of impasse has led to a renewed interest in evaluating the possible future scenarios and has heightened the need to suggest proposals with the aim of promoting a solution to the present stalemate.

As it will be pointed out in the first chapter of the study, in last decades there has been a global trend towards ever increasing specialisation of IP and patent courts, with the aim of incrementing the uniformity, efficiency and quality of patent litigation. The need to improve the EU patent judicial system, mainly through the creation of specialised courts, can be explained by considering the minor role played by Europe in encouraging technological innovation and economic growth. As a matter of fact,

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<sup>1</sup> The Litigation Committee of the Institute of Professional Representatives before the European Patent Office has recently published an updated overview on the ratification process of the Unified Patent Court Agreement, including Protocol on Provisional Application, Local/Regional Divisions, Language. The last version of 1 October 2021 is *available at* [https://patentepi.org/assets/uploads/documents/epi-reports/211001\\_Overview%20on%20Ratification%20of%20the%20UPCA.pdf](https://patentepi.org/assets/uploads/documents/epi-reports/211001_Overview%20on%20Ratification%20of%20the%20UPCA.pdf).

from the beginning of the 21<sup>st</sup> century, the European patent system has been gradually surpassed by the United States, Japan and China, despite EU's technological innovation being still dominant in certain fields. As highlighted by the Economic and Social Committee in the late 90s, the structural disadvantage the EU had in relation to its global competitors was caused mainly by the fragmented and expensive patent protection.<sup>2</sup> It is becoming increasingly difficult to ignore that such a fragmentation generates inconsistency of patent litigation among the Member States, thus hinder technological innovation. As a consequence, EU enterprises are clearly at a disadvantage comparing to US, Japanese and Chinese business, since the latter can take advantage of a system which offers unitary protection at affordable costs throughout the territory concerned.<sup>3</sup>

In light of the outlined framework, it is easier to understand why the reform of the current patent system has become a central issue and the creation of a unified patent court still plays a pivotal role in the EU legislative agenda, despite the great number of failures in the last fifty years.<sup>4</sup> The establishment of a specialised court for patent disputes has been identified as the most suitable solution to remove the deficiencies of the current European patent system and to assess full judicial consistency, aiming at encouraging European economic development. Actually, as it was demonstrated in the first chapter, the establishment of civil courts dedicated to a highly specialised field of law, such as Intellectual Property, may lead to more efficient proceedings and higher

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<sup>2</sup> Opinion of the Economic and Social Committee on "Promoting innovation through patents: Green Paper on the Community patent and the patent system in Europe", 27 Apr. 1998, 1998 O.J. (C 129) 8.

<sup>3</sup> See Tamar Khuchua, *Different 'Rules of the Game'. Impact of National Court Systems on Patent Litigation in the EU and the Need for New Perspectives*, JIPITEC – JOURNAL OF INTELLECTUAL PROPERTY, INFORMATION TECHNOLOGY AND E-COMMERCE LAW 257-271 (2019). In this paper the Author analysed the issue of forum shopping in patent litigation across the European Union, focusing on the lack of legal certainty. The study reported a considerable number of cases that were concluded in a divergent manner depending on the location of the proceedings, although concerning the same patented technology and the same parties.

<sup>4</sup> On the topic of the introduction of patent protection in Europe *see generally* Hanns Ullrich, *Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe?* 8 EUROPEAN LAW JOURNAL 433-491 (2002).

quality decisions.<sup>5</sup> This is notably the case of patent law, which requires the judges and the parties involved to have not only a deep knowledge of the peculiarities of the field of law, but also a certain understanding for technical elements.<sup>6</sup> Hence, after years of intense debates about the best strategies for the management of the problem, the development of a unified specialistic court has been identified as the best response to enhance the European patent judicial system and to withstand the competition posed by Asia and the United States.

Seven years have passed since the Agreement on a Unified Patent Court has been signed. However, the UPC has not begun to function yet, and its establishment is still facing the crucial challenge of the national approval process in each Member State. Pursuant to Articles 84 and 89 of the UPC Agreement,<sup>7</sup> it can enter into force only after the ratification of thirteen Member States, including France, Germany and, before Brexit, the United Kingdom, which were the three EU countries with the highest number of European patents in effect.<sup>8</sup> As of the beginning of 2022, instruments of ratification of some Member States are still missing, for instance Czech Republic, Ireland, Greece, Spain, Croatia and Poland.<sup>9</sup> The implications of Brexit on the future

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<sup>5</sup> For further details confer the interesting key findings of one of the first survey examining the role of specialised IP courts or tribunals in improving the quality of IP litigation and ensuring adequate enforcement of IP rights. See International Bar Association Intellectual Property and Entertainment Law Committee, *International Survey of Specialised Intellectual Property Courts and Tribunals* (2007).

<sup>6</sup> Stefan Luginbuehl & Dieter Stauder, *Specialised IP courts: the Unified Patent Court (UPC)*, in RESEARCH HANDBOOK ON PATENT LAW AND THEORY 323 (Toshiko Takenaka ed., 2<sup>nd</sup> ed. 2019).

<sup>7</sup> Agreement on a Unified Patent Court, Arts. 84, 89 (10), *date of signature* 19 Feb. 2013, *date of entry into force unknown* see art. 89, O.J. (C 175) 1–40 [hereinafter Agreement on a Unified Patent Court or UPCA]. As regards as the entry into force it is established that the UPCA “shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.”

<sup>8</sup> It is interesting to note that if the UK would withdraw from the UPCA the third Member State “in which the highest number of European patents” have effect would be the Netherlands, whose ratification was deposited in 2016.

<sup>9</sup> For a general overview on the Polish position see Zofia Zawadzka, *The Unitary Patent Protection – A Voice in the Discussion from the Polish Perspective*, 45 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 383, 388 (2014). See also *infra* para. 1.3 of Chapter

of the unitary patent system remain unclear<sup>10</sup>, but at the end of 2021 Germany and Austria deposited their ratification instruments.<sup>11</sup> Consequently, according to some commentators, the Unified Patent Court looks increasingly likely to come into force in 2022.<sup>12</sup>

Furthermore, it is worth underlining that the UPC Agreement is interconnected with two separate EU Regulations, establishing the so-called “unitary patent”, i.e. a single European patent with unitary effect towards the Member States engaged in the enhanced cooperation process.<sup>13</sup> Although the two Regulations have been valid since 2013, they will be fully applicable only from the date of entry into force of the international agreement on the Unified Patent Court, being the specialist court the third element to the Unitary Patent Package (UPP).<sup>14</sup> The legislative approach emphasises that the Unitary Patent Regulations and future Unified Patent Court form together a coherent and coordinated reform.<sup>15</sup> The following sections will deal with the two instruments of enhanced cooperation only for the purpose of scrutinising better certain key problems related to the Unified Patent Court, which will remain the major focus of the present study.

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III for an analysis on the potential economic effects of introducing the system of unitary patent protection in Poland, basing on the data presented by Deloitte.

<sup>10</sup> See discussion *infra* para. 3 of Chapter IV.

<sup>11</sup> For an analysis of the decision and the consequences of the BVerfG judgement see *infra* para. 2 of Chapter IV.

<sup>12</sup> For the latest updates on the status of the UPCA ratifications see <https://www.unified-patent-court.org/news>.

<sup>13</sup> European Parliament and Council Regulation 1257/2012, 17 Dec. 2012, 2012 O.J. (L 361) 1–8 (EU) [hereinafter 1257/2012 Regulation], which implemented enhanced cooperation in the area of the creation of unitary patent protection; Council Regulation 1260/2012, 17 Dec. 2012, 2012 O.J. (L 361) 89–92 (EU) [hereinafter 1260/2012 Regulation], which implemented enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. The Regulations entered into force for twenty-six EU Member States, as Spain and Croatia decided not to participate in the enhanced cooperation for a unitary patent. For a discussion in this regard see *infra* para. 5 of Chapter II.

<sup>14</sup> 1257/2012 Regulation, at Art. 18 (2) and 1260/2012 Regulation at Art. 7 (2) (“It shall apply from 1 January 2014 or the date of entry into force of the Agreement on a Unified Patent Court, whichever is the later.”).

<sup>15</sup> Critic on this approach Jochen Pagenberg, *Unitary Patent and Unified Patent Court—What Lies Ahead?*, 8 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 480, 483 (2013).

Although the Unified Patent Court has not begun to operate yet and there are considerable doubts on its future implementation, it is crucial to analyse how the European Union has planned to respond to the need of a judicial specialisation in Intellectual Property matters. Despite the topic has enjoyed wide and enduring interest among academics and practitioners, far too little attention has been paid to the specific features of the UPC as an example of specialised court with expertise in patent disputes. Thus, it seems appropriate to examine the new supranational forum for patent litigation as a prototype of specialised IP court, firstly through the debate that led to the adoption of the Unitary Patent Package (UPP), and secondly by investigating the main constitutional issues raised by the ratification of the Unified Patent Court Agreement. In the paragraphs that will follow, it will be argued that the establishment of a specialised court is to be considered the most appropriate measure to solve the issue of inconsistency in judgments of similar cases, to realize the unification of patent justice, and to promote the competitiveness of the European patent system. The purpose of this research is to determine whether the Unified Patent Court, as designed in the 2013 establishing agreement, is the most suitable instrument for successfully finding a remedy to the specific structural problems cited above.

## **CHAPTER I – JUDICIAL SPECIALISATION IN INTELLECTUAL PROPERTY AND COURT UNIFICATION PROCESS**

### **1. The Global Trend Towards Specialisation and the Need to Create Specialised Judicial Tribunals for Intellectual Property Disputes**

This study will focus on the supranational protection of Intellectual Property Rights (IPRs) - particularly patents - which has been the subject of numerous conventions and treaties, signed by both individual nations and international organisations. These types of agreements have aimed to standardise the regulation of Intellectual Property Rights, thus ensuring a highly effective level of protection of these rights. Over the years, commentators and academics have proposed different approaches and solutions; many agree on the importance of specific courts specialising in Intellectual Property, operating on both a national and a supranational level. The European Union patent legislation has finally undergone significant changes in recent years, aiming to establish a proficient and cost-effective patent protection system, in order to preserve new inventions and ensure consistency in regulations of its Member States.

This chapter will delve into the characteristics and features of judicial specialisation in intellectual property disputes, as well as highlight current and future trends in the creation of judicial bodies regulating IP-related matters. It is therefore crucial to investigate the reasons why IP disputes need to be decided by specialised judges following special substantive rules and special procedures. In order to truly understand what inherently distinguishes intellectual property disputes from the others, the investigation shall start with examining certain recurring features of specialised intellectual property courts. The ultimate objective of this part of the research is to determine that IP-specialised judicial institutions, despite having divergent features, share a common ground. It will be investigated that the creation of

courts or judges specialised in IP-related matters is a direct consequence of the growing complexity of said legal topics and of the relevance of appointing judges with a particular expertise.

### 1.1. Increasing Specialisation in Intellectual Property Law: the Growing Complexity of the Topics and the Conditions for Judiciary Specialisation

Following the United Kingdom's withdrawal from the European Union, the problem of offering companies a beneficial and efficient forum to settle their IP disputes has become a more urgent matter. The proposal regarding patent disputes that is currently under discussion is about a unified court with jurisdiction over unitary patents, which will complement the existing centralised or regional bodies. The latter may take the form of specialised chambers or divisions within the general national jurisdiction. According to a great number of commentators that studied the phenomenon of judicial specialisation, it is fundamental to identify the criteria and the conditions to create a specialised body.<sup>16</sup> Only jurisdictions that fulfil a number of economic, social, and institutional requirements are recommended for specialisation. To ensure that the specialised justice system operates efficiently, a specific caseload level is necessary, and the judges' expertise must be acquired and maintained through continuous training.<sup>17</sup>

In view of the above, it cannot be argued the criteria for assessing the need to create a specialised court for cross-border patent matters are met in each Member State. Indeed, when evaluating the opportunity to establish a new specialised court, it is crucial to consider the overall legal and judicial system and to determine whether the necessary signposts for a specialised body exist. Firstly, the establishment and creation of a specialised court is justified only by a relatively substantial caseload. However,

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<sup>16</sup> Edward Cazalet, *Specialised Courts: Are They a "Quick Fix" or a Long-Term Improvement in the Quality of Justice? A Case Study*, 9 (2001), available at <http://siteresources.worldbank.org/INTLAWJUSTINST/Resources/SpecialisedCourtsCazadet.pdf>.

<sup>17</sup> EUIPO (European Union Office for the Protection of Intellectual Property), *Specialised IP Rights Jurisdictions in the Member States. A compilation of available studies (Q3 2017)* 27 (Jul. 2018).



the volume or potential volume of work in certain European areas is not a sufficient condition that can justify the creation of a specialised court for cross-border disputes on both commercial and intellectual property issues. Although there has been a global increase in the number of litigated disputes between parties based in different jurisdictions - or with other international aspect - certain European countries still have a relatively developed system for commercial relations with foreign partners. Therefore, the urge to have a special bench of judges, exclusively dedicated to disputes arising out of cross-border transactions, is not always significant. Secondly, the creation of a specialised court can be expensive, thus the advantages of their creation should be weighed carefully against the cost implications. It cannot be assumed that each Member State has the sufficient resources to fund and maintain a specialised court for commercial and IP, considering the costs of trained court administrative staff, equipment and technologies that meet the highest standards of professional dispute resolution. Thirdly, the creation of a specialised court is the prerogative of a developed legal system - assuming that it pre-supposes the existence of an efficient legal system, which is already able to function adequately on a general basis.

With regard to the trend of a ‘federal’ system of specialised justice, we should also consider the proposal of establishing a European Commercial Court, reported in a study commissioned by the European Parliament’s Policy Department for Citizens’ Rights and Constitutional Affairs at the request of the European Parliament's Committee on Legal Affairs (JURI Committee). The proposed European Commercial Court would complement the Member States courts and position itself as a neutral forum, equipped with experienced commercial law judges from different states.<sup>18</sup> The study, requested by the European Parliament, has inevitably raised several issues, such as the proper legal basis which could allow its creation. In this regard, a suitable basis for the establishment of a European Commercial Court could be Article 81 paragraph 2 TFEU, which allows the European Union to adopt measures that ensure “effective

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<sup>18</sup> Giesela Rühl, *Building Competence in Commercial Law in the Member States*, a study commissioned by the European Parliament’s Policy Department for Citizens’ Rights and Constitutional Affairs, at the request of the European Parliament's Committee on Legal Affairs (JURI Committee), 2018.

access to justice” (lit. e) and eliminate “obstacles to the proper functioning of civil proceedings” (lit. f).<sup>19</sup> However, it has been argued that the establishment of a European Commercial Court does not fall within the scope of Art. 81 TFEU, namely the development of “judicial cooperation in civil matters having cross-border implications” between Member States. Furthermore, the proposal raises problematic issues on the European Commercial Court’s relations with both the European Court of Justice and the different International Business Courts established in the other Member States.<sup>20</sup> Undoubtedly, the role of CJUE within the European judicial system would indeed be called into question, considering that a European Commercial Court would “be responsible for settling international disputes between commercial parties and not for interpreting EU law”, applying primarily national law.<sup>21</sup>

In conclusion, the creation of a specialised court or chamber is not necessarily the most suitable and appropriate solution to improve the court infrastructure for commercial disputes in the Member States. In certain cases, it will be therefore necessary to discuss whether the problem can be dealt with other measures, including the creation of different form of tribunal, by legislation, or by adjustments within the existing legal structure.

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<sup>19</sup> TFEU, Art. 81 (2) (“For the purposes of paragraph 1, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall adopt measures, particularly when necessary for the proper functioning of the internal market, aimed at ensuring: (a) the mutual recognition and enforcement between Member States of judgments and of decisions in extrajudicial cases; (b) the cross-border service of judicial and extrajudicial documents; (c) the compatibility of the rules applicable in the Member States concerning conflict of laws and of jurisdiction; (d) cooperation in the taking of evidence; (e) effective access to justice; (f) the elimination of obstacles to the proper functioning of civil proceedings, if necessary by promoting the compatibility of the rules on civil procedure applicable in the Member States; (g) the development of alternative methods of dispute settlement; (h) support for the training of the judiciary and judicial staff”).

<sup>20</sup> See *infra* para. 4 of Chapter I.

<sup>21</sup> Rühl, *supra* note 18, at 61.

## 1.2. Different Organisational Models of Judicial Specialisation in Intellectual Property Field: the EUIPO Boards of Appeal and the Unified Patent Court

The key question is whether Europe is moving towards a more ‘federal’ system of specialised justice. The exam of the Unified Patent Court project, as a model of intellectual property specialised body, is a fine example of how the answer to this question seems to be a negative one. As it will be discussed in the following paragraphs, after the reform of the Court of Justice’s Statute, the establishment of new specialised courts appears like a rather remote possibility.<sup>22</sup> It is also interesting to observe that, after the abolition of the Civil Service Tribunal (CST), the areas of specialised protection within the EU judicial system have been developed outside the institutional framework of the Court of Justice. In the area of EU justice, the scope for specialisation has been limited to the creation of specialised chambers within the General Court, which nevertheless retains a strong generalist character. In this context it seems appropriate to mention the advancement of certain bodies characterised by high degree of judicial specialisation, but remain institutionally independent from the Court of Justice. Reference is made to the Boards of Appeal (BoAs) of some European agencies, whose role is a topic of increasing interest in EU law, and to the Unified Patent Court, which will be thoroughly explored in this study.<sup>23</sup>

The gradual strengthening of EU agencies with decision-making capabilities was followed by the establishment of specialised bodies to contest the agencies’ judgments.<sup>24</sup> These internal review mechanisms have become an integral part of the agencies with decision-making powers and nowadays have an important role in

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<sup>22</sup> See *infra* paras. 2 and 2.1 of Chapter I.

<sup>23</sup> Karen Walsh, *Promoting Harmonisation Across the European Patent System Through Judicial Dialogue and Cooperation*, 50 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 408, 423 (2019). In the paper the Author proposes an alternative to promote harmonisation in the European patent system through judicial dialogue and cooperation, also involving the activity of the Boards of Appeal (BoAs).

<sup>24</sup> See in general Paola Chirulli & Luca De Lucia, *Specialised Adjudication in EU Administrative Law: The Boards of Appeal of EU Agencies*, 40 EUROPEAN LAW REVIEW 832, 836 (2015).

improving the quality of the EU administrative action.<sup>25</sup> The core function performed by the BoAs is that of adjudication, resolving disputes between private parties or between the agency and a private party. Appeal bodies have been established as part of the internal governance of a number of EU agencies. They ensure that private parties directly affected by an administrative decision of the agency can resort to a preliminary review and provide them with extensive guarantees in terms of procedural efficiency. Currently, more than ten EU agencies have a Board of Appeal serving a quasi-judicial function in a variety of technical matters. Although these agencies retain information-gathering and cooperation functions, they do not have an appeal body. Conversely, considering the appeal bodies' main objective, only agencies with decision-making powers feature a BoA, namely the Agency for the Cooperation of Energy Regulators (ACER),<sup>26</sup> the Community Plant Variety Office (CPVO),<sup>27</sup> the European Railway Agency (ERA),<sup>28</sup> the European Chemicals Agency (ECHA),<sup>29</sup> the European Aviation Safety Agency (EASA),<sup>30</sup> and the European Intellectual Property Office (EUIPO),<sup>31</sup> formerly Office for the Harmonisation in the Internal Market (OHIM).<sup>32</sup> Moreover, with regard to the financial area, it is worth mentioning that the Board of Appeal of the European Supervisory Authorities (ESAs),<sup>33</sup> including the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority

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<sup>25</sup> European Commission, European agencies – The way forward, 11 Mar. 2008, SEC (2008) 323, COM (2008) 135 final.

<sup>26</sup> European Parliament and Council Regulation 2019/942, 5 June 2019, 2019 O.J. (L 158) 22–53 (EU).

<sup>27</sup> Council Regulation 2100/94, 27 July 1994, 1994 O.J. (L 227) 1–3 (EC).

<sup>28</sup> European Parliament and Council Regulation 881/2004, 29 Apr. 2004, 2004 O.J. (L 164) 1–43 (EC).

<sup>29</sup> European Parliament and Council Regulation 1907/2006, 18 Dec. 2006, 2006 O.J. (L 396) 1-850 (EC). *See among others* Luca Bolzonello, *Independent Administrative Review Within the Structure of Remedies under the Treaties: The Case of the Board of Appeal of the European Chemicals Agency*, 22 EUROPEAN PUBLIC LAW 573-575 (2016); Marcus Navin-Jones, *A Legal Review of EU Boards of Appeal in Particular the European Chemicals Agency Board of Appeal*, 21 EUROPEAN PUBLIC LAW 146-168 (2015).

<sup>30</sup> European Parliament and Council Regulation 552/2004, 10 Mar. 2004, 2004 O.J. (L 96) 26–42 (EC).

<sup>31</sup> Council Regulation 40/94, 20 Dec. 1993, 1994 O.J. (L 11) 1-36 (EC).

<sup>32</sup> Ginevra Greco, *Rapporti (sostanziali e processuali) dell'EUIPO con le proprie commissioni di ricorso*, EUROJUS 4, 72-80 (2019).

<sup>33</sup> European Parliament and Council Regulation 1093/2010, 24 Nov. 2010, 2010 O.J. (L 331) 12–47 (EU).

(EIOPA) and the European Securities and Markets Authority (ESMA).<sup>34</sup> Lastly, the Administrative Board of Review of the ECB in the framework of the Single Supervisory Mechanism (SSM),<sup>35</sup> and the Appeal Panel of the Single Resolution Board (SRB) in the framework of the Single Resolution Mechanism (SRM).<sup>36</sup>

The quasi-judicial character derives from the Boards of Appeal's hybrid nature, as they represent a purely internal administrative review and a fully judicial protection. Despite their inherent hybrid nature, the Boards of Appeal shall offer the parties at least minimum procedural safeguards, considering the increasing importance of their role within the European Union justice. Regardless of their specific features, all the Boards of Appeal constitute forms of protection for individuals and companies with a high degree of technical specialisation. The members of the Boards are both legal and technical experts, who review the merits of decisions issued by the agencies. One of the commonalities in all the Boards of Appeals' funding Regulations is that they do not only include legal practitioners, but also experts in the subject matter of the Agency.<sup>37</sup> The expertise of the board members is a key asset, because the agencies often deal with highly technical matters requiring specific expertise.<sup>38</sup> The members of the BoAs should be highly skilled and competent, as this was one of the key drivers behind the establishment of these agencies. The presence of experts can be justified by the effort to identify an instrument of judicial protection that shall be adequate to the

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<sup>34</sup> Marco Lamandini, *The ESAs' Board of Appeal as a Blueprint for the Quasi-Judicial Review of European Financial Supervision*, 11 EUROPEAN COMPANY LAW 290–294 (2014). See also William Blair, *Board of Appeal of the European Supervisory Authorities*, 24 EUROPEAN BUSINESS LAW REVIEW 165–171 (2013).

<sup>35</sup> Council Regulation 1024/2013, 15 Oct. 2013, 2013 O.J. (L 287) 63–89 (EU).

<sup>36</sup> European Parliament and Council Regulation 06/2014, 15 July 2014, 2014 O.J. (L 225) 1–90 (EU). For a comment on possible ways forward to enhance the role of financial appeal bodies see Marco Lamandini & David Ramos Muñoz, *Law and Practice of Financial Appeal Bodies (Esas' Board of Appeal, Srb Appeal Panel): a View from the Inside*, 57 COMMON MARKET LAW REVIEW 119–160 (2020).

<sup>37</sup> Art. 25 (2) Reg. 2019/492 (ACER); Art. 46(4) Reg. 2100/94 (CPVO); Art. 2 RoP (EASA) and Art. 106(1) 2018/1139 (EASA); Recital 10 EUTMDR and Art.165(2) EUTMR (EUIPO); Art. 55(3)(a) Reg. 2016/796 (ERA); Art. 85(2) Reg. 806/2014 (SRB); Art. 58(3) Reg. 1093/2010 (ESAs); Art 21 EPC (EPO) and Rule 12 EPCIR (EPO); Art. 27(3) European Convention 1994 (ES).

<sup>38</sup> On the topic see GINEVRA GRECO, *LE COMMISSIONI DI RICORSO NEL SISTEMA DI GIUSTIZIA DELL'UNIONE EUROPEA* 71–82 (2020).

complexity of the activities carried out by the bodies. Consequently, the agencies internalised the activity of safeguarding specific rights, trying to reduce as much as possible recourse to the Court of Justice for highly technical matters.<sup>39</sup>

The amendment of the Statute of the EU Court of Justice has given a new relevance to this topic, stressing the importance of the potential function of the Boards of Appeal in the EU judicial architecture. The role of BoA has become even more prominent in view of the reform adopted on 9 April 2019, which has severely restricted access to the Court and has introduced a new filtering mechanism for appeals.<sup>40</sup> By introducing Article 58a of the Statute of the CJEU and the Rules of Procedure, the reform has established a mechanism to reduce the appeals in cases that have already been considered twice - firstly by an independent board of appeal and, secondly, by the General Court.<sup>41</sup> The reform was justified by considering the Court's judgement largely superfluous, since disputes are already subject to a twofold review of legality - the independent Board of Appeal earlier and the General Court later.<sup>42</sup> The procedures affected by the additional procedural requirement referred to the decisions of the independent board of appeal of the EUIPO, the Community Plant Variety Office

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<sup>39</sup> Paola Chirulli & Luca De Lucia, *Tutela dei Diritti e Specializzazione nel Diritto Amministrativo Europeo. Le Commissioni di Ricorso delle Agenzie Europee*, RIVISTA ITALIANA DI DIRITTO PUBBLICO COMUNITARIO 1305, 1315 (2015).

<sup>40</sup> The amendments concerned the Chapter 1A in Title V of the Rules of Procedure of the Court of Justice of 25 September 2012 and Art. 58a Statute of The Court of Justice of the European Union.

<sup>41</sup> Art. 58a Statute of The Court of Justice of the European Union "An appeal brought against a decision of the General Court concerning a decision of an independent board of appeal of one of the following offices and agencies of the Union shall not proceed unless the Court of Justice first decides that it should be allowed to do so: (a) the European Union Intellectual Property Office; (b) the Community Plant Variety Office; (c) the European Chemicals Agency; (d) the European Union Aviation Safety Agency. The procedure referred to in the first paragraph shall also apply to appeals brought against decisions of the General Court concerning a decision of an independent board of appeal, set up after 1 May 2019 within any other office or agency of the Union, which has to be seised before an action can be brought before the General Court. An appeal shall be allowed to proceed, wholly or in part, in accordance with the detailed rules set out in the Rules of Procedure, where it raises an issue that is significant with respect to the unity, consistency or development of Union law. The decision as to whether the appeal should be allowed to proceed or not shall be reasoned, and it shall be published".

<sup>42</sup> Press Release No 53/19 of the Court of Justice of the European Union of 30 April 2019.

(CPVO), the European Chemicals Agency (ECHA) and the European Aviation Safety Agency (EASA).<sup>43</sup>

As far as the Unified Patent Court is concerned, it shall be a ‘quasi-federal’ court operating for the Member States which have signed the founding international agreement, as accurately recognised by some commentators.<sup>44</sup> When it becomes operational, it shall hear cases relating to European patents granted under the Munich Convention, as well as European patents with unitary effect. It shall be subject to the *primauté* of Union law and have the possibility to reach a guiding interpretation of the law via a preliminary ruling of the Court of Justice. In other words, the Unified Patent Court will create a judicial system completely equivalent to any national court, despite the unique character of its legal nature.

It is noteworthy that judicial specialisation in certain extremely technical matters is not required by the Treaties, but it is a demand expressed by the Member States themselves. Both the Boards of Appeal of EU agencies and the Unified Patent Court contribute to meet Member States’ specialisation demands essentially outside the institutional perimeter of the Court of Justice. It is also evident that these forms of ‘decentralised’ specialisation are declined and articulated in divergent and different ways. However, both the Boards of Appeal of EU agencies and the Unified Patent Court share common features which enable them to achieve a high degree of technical and judicial specialisation. For instance, they include the mixed technical and legal background of their judicial panels and the selecting criteria, which do not aim to represent the individual Member State but rather to recruit individuals with specific expertise. The development of “decentralised” judicial specialisation raises the question of the scope for further consolidation of the phenomenon, as well as the

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<sup>43</sup> It can be reasonably assumed that the principles established by the reform can also be extended to the other Boards of Appeal mentioned above.

<sup>44</sup> See Jacopo Alberti, *Verso un sistema giurisdizionale a “specializzazione decentrata”?* *Brevi note sulle forme di specializzazione del sapere giudiziario dell’Unione all’indomani della riforma del Tribunale*, *IL DIRITTO DELL’UNIONE EUROPEA* 23, 29 (2018). The paper was also published in *LA CORTE DI GIUSTIZIA DELL’UNIONE EUROPEA OLTRE I TRATTATI: LA RIFORMA ORGANIZZATIVA E PROCESSUALE DEL TRIENNIO 2012-2015* 373 (Chiara Amalfitano & Massimo Condanzi eds., 2018).

interest in analysing the challenges and opportunities it presents. In particular, the proposed analysis of the Unified Patent Court as a model of specialised court shall endeavour to understand whether the current judicial specialisation system is to be deemed functional and integrated or a ‘federalisation’ would eventually be the best solution in the future.

### 1.3. A Closer Look at Specialised Intellectual Property Rights Jurisdictions in the Member States: the Italian Model

To conclude this first introductory paragraph, it seems appropriate to briefly analyse the Italian *Tribunale delle Imprese*, which shall be viewed as a possible model of specialised intellectual property rights jurisdictions defined as “a tribunal or court, or a permanent division or a chamber within a civil or commercial court or administrative body having exclusive authority to hear IPR-related disputes or a particular kind of IPR-related dispute”.<sup>45</sup>

Despite its name *tribunale* may suggest the idea of a separate court, the legislator opted for the establishment of a separate bench within some Italian courts of first instance and courts of appeal (known as *Sezioni specializzate in materia di impresa*). This system - introduced in 2012 with an ambitious structural reform - replaced the existing specialised sections on industrial and intellectual property (IPP) rights with twenty-two benches exclusively working on business disputes. According to the explanatory memorandum of the Italian Parliament, the aim of this reform aim was to add value to the experience of the suppressed IPP specialised sections by establishing the specialised benches within the main regional courts of first instance and courts of appeal. The intent was to comprehensively extend the competence of *Tribunale delle Imprese* from industrial and intellectual property issues to general corporate litigations, having exclusive jurisdiction over disputes among business corporations, cooperatives

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<sup>45</sup> European Union Office for the Protection of Intellectual Property (EUIPO), *Specialised IP Rights Jurisdictions in the Member States A compilation of available studies (Q3 2017) 6* (2018). The study of the EUIPO Observatory covers crucial issues related to IP judicial specialisation and give information on various aspects of IPR protection within the European Union.



and groups.<sup>46</sup> Moreover, the establishment of courts specialised in the field of business law was thought to ensure efficient and rapid resolution of disputes. The Italian judicial system has been traditionally challenged due to lack of resources and major delays in proceedings. Therefore, the introduction of *Tribunale delle Imprese* was intended to provide for faster case processing and better decision quality. Considering the initial objectives of the reform, some critical remarks on the structural and systematic inefficiencies of the *Tribunale delle Imprese* should be outlined as a way to highlight some successes and failures of the Italian Legislator regulatory approach. The specialised benches have to deal with a wide range of cases involving different issues, all of which are characterised by a great level of technicality requiring judges to have certain expertise. However, the high number of courts distributed throughout the Italian territory have hindered the original ambition, since speed, quality and efficiency of decision-making could have been obtained by concentrating the specialisation in a smaller number of courts. Indeed, some of the more central sections - e.g. Milan, Rome and Turin - need to handle thousands of business lawsuits while others rarely are far less occupied. The jurisdictional fragmentation has permitted only few sections to become a specialised forum to determine disputes, involving internal affairs of corporations and other business entities. Accordingly, only some judges had the possibility to acquire a high degree of specialisation and to develop a respected body of case law over corporate disputes. Undoubtedly, the cooperation and coordination between the various benches of the *Tribunale delle Imprese* might represent a further incentive to contribute to build an efficient and effective system. This may lead the main and more central benches to achieve a fundamental role in developing efficient and predictable case law, capable of meeting the evolving needs of businesses. Furthermore, another important issue that must be considered is the

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<sup>46</sup> On this topic several inconsistencies of the issue assignment devolved to the specialised jurisdiction must be highlighted. Such discrepancies are well exemplified by the choice of excluding partnerships from the competence of the Specialised Court of Enterprise. Indeed, although partnerships do not constitute the majority of enterprises active in Italy, they are still significant in the Italian economic framework.

problem of the costs of such specialised justice. As to the filing fees, the reform of 2012 established costs that are the exact double of ordinary lawsuits, in order to reduce litigation by promoting alternative dispute resolution methods, provided by the law. However, higher fees might have a budgetary impact on certain companies (e.g. small and medium-sized businesses) as they would have to sustain higher costs for such legal matters. Should those same companies not have the capacity to sustain significant legal fees, they would not have access to adequate legal protection for any IPR-related issues.

## **2. The Creation of Intellectual Property Specialised Courts within the European Judicial Framework: the Relevant Legal Basis**

With regard to the possibility of setting up specialised courts within the European Union legal framework, Article 257 TFEU provides for the possibility of complementing the activities of the Court of Justice -especially the General Court - with courts responsible for hearing at first instance certain categories of actions brought in specific areas.<sup>47</sup> Pursuant to Article 256 TFEU, the General Court's jurisdiction is thus delimited with respect to disputes submitted to specialised courts.<sup>48</sup> However, the only specialised court ever created within the Union judicial system was

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<sup>47</sup> TFEU, Art. 257 ("The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may establish specialised courts attached to the General Court to hear and determine at first instance certain classes of action or proceeding brought in specific areas. [...] The regulation establishing a specialised court shall lay down the rules on the organisation of the court and the extent of the jurisdiction conferred upon it. Decisions given by specialised courts may be subject to a right of appeal on points of law only or, when provided for in the regulation establishing the specialised court, a right of appeal also on matters of fact, before the General Court. The members of the specialised courts shall be chosen from persons whose independence is beyond doubt and who possess the ability required for appointment to judicial office. They shall be appointed by the Council, acting unanimously. [...] Unless the regulation establishing the specialised court provides otherwise, the provisions of the Treaties relating to the Court of Justice of the European Union and the provisions of the Statute of the Court of Justice of the European Union shall apply to the specialised courts. [...]").

<sup>48</sup> Waltraud Hakenberg, *The Civil Service Tribunal of the European Union: a Model to Follow as a Specialised Court?*, in *THE NEW EU JUDICIARY. AN ANALYSIS OF CURRENT JUDICIAL* 161 (Emmanuel Guinchard & Marie-Pierre Granger eds., 2018).

the Civil Service Tribunal (CST), which was conferred jurisdiction to hear and determine at first instance disputes between the Union and the EU staff, in accordance with Article 270 TFEU.<sup>49</sup>

When reviewing the opportunities and methods for specialising the jurisdictional system, the issue of the governmental appointment of the Court's judges needs to be addressed. According to Article 19 paragraph 2 TEU, the Court of Justice consists of one judge per Member State, providing a clear link between the individual judge and the state that appoints them.<sup>50</sup> It should be noted that the Treaties do not specify the fact that judges have to be nationals of the Member States. It cannot be argued that the absence of a clear reference to the relationship of nationality between the judge and the Member State is due to the irrelevance of this requirement. The actual connection between the Member State and the individual ECJ judge becomes apparent when you consider the correspondence between the number of judges and the Member States.<sup>51</sup> It is thus recognised an implicit power of each Member State to nominate its judge.<sup>52</sup> The designation from each Member State does not aim at representing the interests of the appointing country, since the ECJ judges shall serve in their personal capacities. However, it is rather intended to ensure an equitable representation of the different legal systems and backgrounds in the Court of Justice.

The composition of the General Court - established by the Single European Act to lighten the workload on the Court of Justice - is different though.<sup>53</sup> Originally it was

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<sup>49</sup> Council Decision 2004/752, 2 Nov. 2004, 2004 O.J. (L 333) 7–11 (EC, Euratom). On the creation of the Civil Service Tribunal *see among others* Roberto Schiano, *Le «camere giurisdizionali» presso la Corte di Lussemburgo: alcune riflessioni alla luce dell'istituzione del Tribunale della funzione pubblica*, DIRITTO DELL'UNIONE EUROPEA 719-738 (2005).

<sup>50</sup> When the European Coal and Steel Community (ECSC) was established the number of judges of the Court of Justice did not correspond to the number of Member States. Originally there were seven judges at the Court, in order to avoid deadlock and paralysis in the adoption of the decisions.

<sup>51</sup> This is also confirmed by the fact that there are no cases of a judge who is not a national of the State appointing him or her or of a non-Member State national who has been appointed as a judge. Moreover, for internal practice the President of the Court does not appoint a rapporteur a judge of the nationality of the Member State having a specific interest in the case.

<sup>52</sup> *See in particular* Giuseppe Tesaurò, *Commento all'Art. 19 TUE*, in TRATTATI DELL'UNIONE EUROPEA 198-199 (Antonio Tizzano ed., 2014).

<sup>53</sup> Single European Act, 1987 O.J. (L 169) 1-28. In particular, Art. 168(a) stated that “[...] the Council may, acting unanimously, attach to the Court of Justice a court with jurisdiction to hear and determine

composed by twelve judges, one per Member State.<sup>54</sup> This correspondence was later confirmed by both the Treaties and the Statute of the Court of Justice.<sup>55</sup> In March 2011, the Court asked the Council and the European Parliament to increase the number of judges of the General Court to 39, taking into consideration the need to increase its efficiency.<sup>56</sup> Due to the difficulties in identifying common rotation criteria for equitable assignment of the 12 new judges, it was decided that the number of judges should be increased. It reached the number of 56 in 2019 and the total became 54 after Brexit on 31 January 2020.<sup>57</sup> This decision highlighted that the appointment was governmental, whereby each Member State could designate two judges.<sup>58</sup> Even if the nationality of a Member State is not a requirement for the appointment of a judge or an Advocate General, it is evident that the designation and rotation systems highlight a certain “intergovernmental instinct”.<sup>59</sup>

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at first instance, subject to a right of appeal to the Court of Justice on points of law only and in accordance with the conditions laid down by the Statute, certain classes of action or proceeding brought by natural or legal persons”.

<sup>54</sup> Council Decision 88/591, 24 Oct. 1988 establishing a Court of First Instance of the European Communities, 1988 O.J. (L 319), 1–8 (EEC, Euratom). *See* Art. 2(1).

<sup>55</sup> TFEU, Art. 254 (“The number of Judges of the General Court shall be determined by the Statute of the Court of Justice of the European Union.”). *See also* Protocol (No 3) on the statute of the Court of Justice of the European Union, Art. 48, 2008 O. J. (L 115) 210 – 229.

<sup>56</sup> The request was submitted pursuant to TFEU, Art. 281(2) (“The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, may amend the provisions of the Statute, with the exception of Title I and Article 64. The European Parliament and the Council shall act either at the request of the Court of Justice and after consultation of the Commission, or on a proposal from the Commission and after consultation of the Court of Justice.”).

<sup>57</sup> *See* Council of the European Union, Reform of the General Court of the European Union - Way forward, 8 Dec. 2014, Doc. 16576/14. The document explicitly stated that the doubling of the number of judges of the Tribunal was due to the impossibility of overcoming “differences as to the method of appointment of additional judges”.

<sup>58</sup> On the reform of the General Court *see* Franklin Dehousse, *The Reform of the EU Courts (II): Abandoning the Management Approach by Doubling the General Court*, EGMONT PAPER 83 (2016).

<sup>59</sup> Anthony Arnall, *The many ages of the Court of Justice of the European Union*, in *NEW LEGAL APPROACHES TO STUDYING THE COURT OF JUSTICE: REVISITING LAW IN CONTEXT* 41 (Claire Kilpatrick & Joanne Scott eds., 2021). The paper is also available at <https://cadmus.eui.eu/handle/1814/67273> and refers to the decision stating that “[...] the intergovernmental instincts of the Member States and the way the Union diffuses responsibility for spending public money rendered most of the Member States incapable of focusing on the main issue: did the General Court need to be reinforced and, if so, what was the most economical way in which that could be done? Instead, those who supported the reforms seem to have allowed themselves to be distracted by self-interest. Against that background, the risk that the reforms might make the General Court more difficult and more expensive to run proved to be a consideration that few were public-spirited enough to entertain”.

It should be also pointed out that the hypothesis of creating a specialised court for Intellectual Property is not currently being examined or considered in the context of EU justice. As a matter of fact, the entire structure of the European Court of Justice has been quite recently reformed by doubling the number of the General Court judges and abolishing of the Civil Service Tribunal (CST).<sup>60</sup> The very first Court of Justice's proposal in 2011 evoked the question of creating specialised chambers within the General Court, meeting the approval and the support of the Commission and the Council.<sup>61</sup> However, in 2015 - following an extremely long and thorough legislative process - the European Parliament and the Council agreed to double the number of members of the General Court and allocated a second judge to each Member State.<sup>62</sup> This was identified as best practice to overcome the difficulties associated with the Court's litigation, such as the excessive workload, the protracted duration of the proceedings, and the technical complexity of the cases.<sup>63</sup> Following a long debate on this subject, the EU legislator decided not to further exploit the provisions of the Treaties allowing the creation of new specialised courts, opting instead to move in the direction outlined by Article 19(2)(c) TEU, which allows to increase the number of judges of the General Court.<sup>64</sup>

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<sup>60</sup> On the contents of the reform *see among others* Alberto Alemanno & Laurent Pech, *Thinking justice outside the docket: a critical assessment of the reform of the EU's court system*, COMMON MARKET LAW REVIEW 129-175 (2017); Carlo Curti Gialdino, *Il raddoppio dei giudici del Tribunale dell'Unione: valutazioni di merito e di legittimità costituzionale europea*, 9 FEDERALISMI (2015); Marie-Pierre Granger & Emmanuel Guinchard, *Introduction: The Dos and Don'ts of Judicial Reform in the European Union, The Civil Service Tribunal of the European Union: a Model to Follow as a Specialised Court?*, in THE NEW EU JUDICIARY. AN ANALYSIS OF CURRENT JUDICIAL 1 (Emmanuel Guinchard & Marie-Pierre Granger eds., 2018); Fabio Fulpo, *La riforma della ripartizione di competenze nel contenzioso dell'Unione europea*, 3 FEDERALISMI (2018).

<sup>61</sup> Council of the European Union, Draft amendments to the Statute of the Court of Justice of the European Union and to Annex I thereto, 7 Apr. 2011, Doc. 8787/11, Interinstitutional file 2011/0901 (COD). The Commission supported the ECJ's perspective in its official opinion *see* European Commission, Opinion on the requests for the amendment of the Statute of the Court of Justice of the European Union presented by the Court, 30 Sep. 2011, COM (2011) 596 final.

<sup>62</sup> European Parliament Resolution, 29 Apr. 2015, 2015 O.J. (L 255/118) 3–20.

<sup>63</sup> *See* Daniel Sarmiento, *The Reform of the General Court: An Exercise in Minimalist (but Radical) Institutional Reform*, 19 CAMBRIDGE YEARBOOK OF EUROPEAN LEGAL STUDIES 236–251 (2017).

<sup>64</sup> Chiara Amalfitano, *La recente proposta di riforma dello Statuto della Corte di giustizia dell'Unione europea: molti dubbi e alcuni possibili emendamenti*, 3 FEDERALISMI (2018).

The reform was also implemented in light of the position expressed by the Court of Justice in a document sent to the Council, in which they explained the reason why specialised courts were not a viable alternative.<sup>65</sup> The arguments against a court specialised in intellectual property matters concerned the presence of structural weaknesses, which mainly consisted in the inability of Member States to agree on the allocation of the judges.<sup>66</sup> Without going into the details of the reform -which cannot be examined in depth here - it is worth noting that the choice of doubling the number of posts was thought to improve effectiveness, manage urgency and allow flexibility and consistency. Moreover, this approach would enable a faster implementation than the creation of a specialised court.<sup>67</sup> Additionally, this solution prevented addressing numerous problems related to the consistency of the EU law - namely concerning the balance between specialised courts and the role of the Court of Justice in ensuring the correct interpretation and application of primary and secondary legislation in the Union. In this respect, it is worth noting that, when the possibility of implementing the reform through the creation of an IP specialised court was raised, the most controversial issue concerned the hypothesis that it would be necessary to transfer to the IP court the competence for preliminary rulings on its areas of jurisdiction.<sup>68</sup>

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<sup>65</sup> Court of Justice of the European Union, *Response to the invitation from the Italian Presidency of the Council to present new proposals in order to facilitate the task of securing agreement within the Council on the procedures for increasing the number of Judges at the General Court*, available at <https://curia.europa.eu/jcms/upload/docs/application/pdf/2015-05/8-en-reponse-274.pdf>. The Court of Justice's proposal was accompanied by a letter from Mr Vassilios Skouris, President of the European Court of Justice, to Mr Stefano Sannino, President of Coreper and by a financial statement, see Vassilios Skouris, *Response of the Court of Justice to the Presidency's Invitation to Present New Proposals on the Procedures for Increasing the Number of Judges at the General Court of the European Union*, 20 Nov. 2014, Interinstitutional file 2011/0901B (COD) 2–3.

<sup>66</sup> On the various passages and projects leading up to the reform, see Franklin Dehousse, *The Reform of the EU Courts (II). Abandoning the Management Approach by Doubling the General Court*, EGMONT PAPER 83 (2016).

<sup>67</sup> The reform was achieved by the sole amendment of the ECJ Statute, at the request of the Court itself, in accordance with the rules laid down in Article 281 TFEU, as the European Parliament and the Council adopted by ordinary legislative procedure 2422/2015 Regulation. Therefore, it was not necessary to have recourse to a revision of the Treaties pursuant to Article 48 TEU. However, it should be noted that the very same procedure is required for the creation of new specialised courts under Article 257 TFEU, which similarly does not require an amendment of the Treaties.

<sup>68</sup> On the judicial specialisation topic see extensively Marco Lamandini & David Ramos Muñoz, *Finance, Law, and the Courts: Financial Disputes, and Adjudication*, forthcoming.

In conclusion, it can be stated that the amendments implemented in 2015 rejected the specialised court model for intellectual property disputes under Article 257 TFEU, which had already been expressly dismissed by the EU institutions after wide discussions.

## 2.1. Specialised Intellectual Property Chambers at the General Court of the European Union

It seems appropriate to recall that there is presently no formalised specialisation within the General Court, even though, with regard to the assignment criteria, Article 25 of the Rules of Procedure states that “the General Court may make one or more Chambers responsible for hearing and determining cases in specific matters”.<sup>69</sup> A progressive specialisation within the Court of Justice is however proposed by the report submitted in December 2020, drafted with the help of an external consultant and addressed to the Parliament, the Council, and the Commission.<sup>70</sup> The document was concerning the functioning of the General Court, focusing not only on the efficiency of the General Court and the proper use of its resources, but also on the establishment of additional specialised chambers.<sup>71</sup> The document detailed that the criteria, according to which cases are allocated by the President of the General Court, changed significantly in September 2019 when two groups of specialised chambers were introduced. Until that moment, cases were to be assigned indistinctly to the chambers according to four separate rotas, which included intellectual property matters and which could be derogated to ensure a balanced allocation of the judges’ workload. It was then decided the introduction of two different groups of specialised chambers, and

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<sup>69</sup> Rules of procedure of the General Court, 23 Apr. 2015, 2015 O.J. (L 105) 1–66.

<sup>70</sup> General Secretariat of the Council, Report of the Court of Justice on the functioning of the General Court, 23 Dec. 2020, Doc. 13902/20.

<sup>71</sup> On the topic of the General Court’s specialisation see Ulf Öberg, Mohamed Ali & Pauline Sabouret, *On Specialisation. of Chambers at the General Court*, in *THE COURT OF JUSTICE OF THE EUROPEAN UNION: MULTIDISCIPLINARY PERSPECTIVES* 211 (Mattias Derlén & Johan Lindholm eds., 2018); Jacopo Alberti, *Verso un sistema giurisdizionale a “specializzazione decentrata”?* *Brevi note sulle forme di specializzazione del sapere giudiziario dell’Unione all’indomani della riforma del Tribunale*, in *LA CORTE DI GIUSTIZIA DELL’UNIONE EUROPEA OLTRE I TRATTATI: LA RIFORMA ORGANIZZATIVA E PROCESSUALE DEL TRIENNIO 2012-2015* 373 (Chiara Amalfitano & Massimo Condinanzi eds., 2018).

six of them were assigned to intellectual property disputes - namely trademarks, designs and plant varieties.<sup>72</sup> Such a resolution was so favourably welcomed that it was the same mechanism was considered in other extremely technical and specific areas, since the specialisation approach was deemed as an element of quality, consistency, and efficiency.<sup>73</sup>

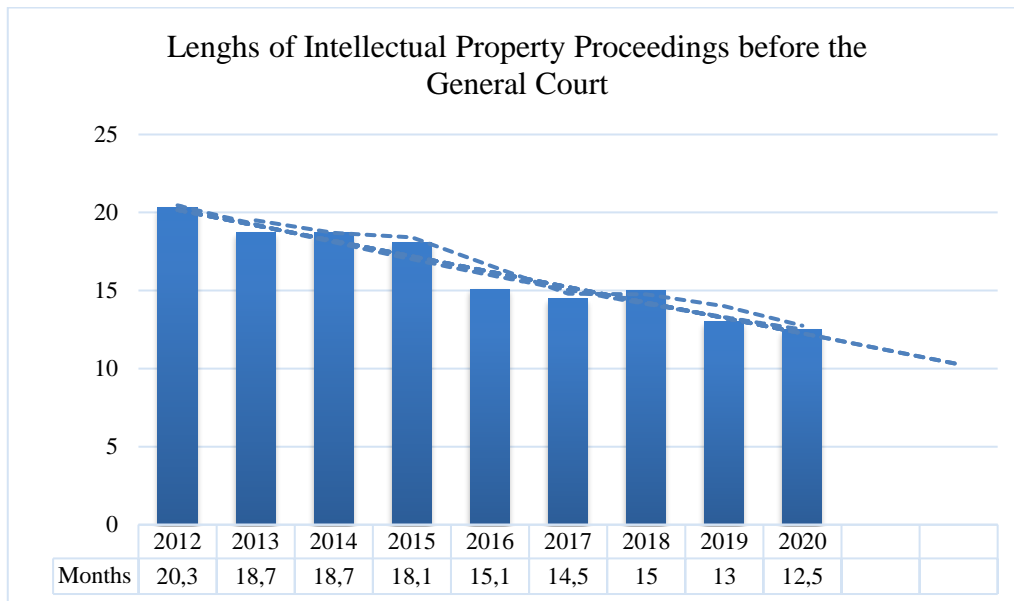
The report also presents some interesting data showing that the duration of proceedings has been drastically reduced after the implementation of the reform. This is particularly noticeable in the Intellectual Property area which, as shown in the figure below, have been resolved in a decreasing period of time since 2011. The drive to reduce the length of Intellectual Property proceedings began in 2013 and in 2019 reached the value of 12,5 months, which represents a reduction of the 38,4 % compared to 2012.

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<sup>72</sup> Press Release, Court of Justice of the European Union, The General Court of the European Union prepares to welcome additional Judges (19 Sep. 2019).

<sup>73</sup> In line with the objective of historical reconstruction of the long process leading to the UPCA, which will be the core of the second chapter of this study, it seems appropriate to mention a previous attempt at specialisation within the Court of Justice. The Commission, in its working paper of 30 August 2002 proposed the creation of “a centralised Community jurisdiction specialised in patent matters” within the Court, in order to “best ensure unity of law and consistency of case law regarding the unitary Community patent”. See European Commission, Commission Working Document on the Planned Community Patent Jurisdiction, 30 Aug. 2002, COM (2002) 480 final. See also on this matter Massimo Scuffi, *Un brevetto comune per l'Europa: dall'accordo di Lussemburgo al progetto EPLA*, RIVISTA DI DIRITTO INDUSTRIALE 211, 219-220 (2007). The following year, in 2003, the Commission again came back to the proposal to set up a Community Patent Court, which would act as a specialised chamber of the Court of Justice and would provide technical experts assisting the judges throughout the case. See European Commission, Proposal for a Council Decision Establishing the Community Patent Court and Concerning Appeals before the Court of First Instance, 23 Dec. 2003, COM (2003) 828 final. For a more detailed analysis of the proposals and the context in which they were presented, see *infra para.* 4.1.2 of Chapter II.





*Figure 1. Lengths of Intellectual Property proceedings of cases disposed of by judgment or order (in months). Own elaboration based on data obtained from the Report of the Court of Justice on the functioning of the General Court of 23 Dec. 2020. Data as 30 Sep. 2020.*

To assess whether the establishment of specialised chambers for intellectual property disputes will bring further benefits in terms of speed of proceedings, it will be necessary to evaluate the data a few years after the introduction of new assignment criteria. It is interesting to observe trends in the length of proceedings precisely because this factor is one of the most crucial indicators in evaluating the performance of a court, considering that the right to an effective remedy consists also in the necessity to have a case heard within reasonable time.<sup>74</sup> Consequently, the need to resolve and manage potential disputes swiftly and efficiently is an even more pressing issue in the intellectual property area, since these disputes over IP rights can have a negative impact on crucial aspects of business life, such as innovation and competitiveness.

The report also underlines the data concerning the caseload of the Court of Justice in the area of Intellectual Property disputes. It is worth analysing this aspect because,

<sup>74</sup> Such a keystone is recognised by Article 47 of the Charter of Fundamental Rights of the European Union (CFR) and by article 6 of the European Convention on Human Rights (ECHR).

as we have seen above, caseload is one of the key elements in deciding whether to introduce a specialised court or chamber.<sup>75</sup> As it was confirmed and illustrated in a study published by the World Bank in 2013, a specialisation process seems to be justified only in the event the subject area has a high volume of cases.<sup>76</sup> The information on the number of cases concerning the Intellectual Property field, represented in the figure below, clearly illustrates that this specific area of law had the highest case load, and consequently the highest need for specialised treatment. In particular, the number of Intellectual Property cases is constant and predominant compared to competition and state aid proceedings, as it represents around one third of all new cases each year.

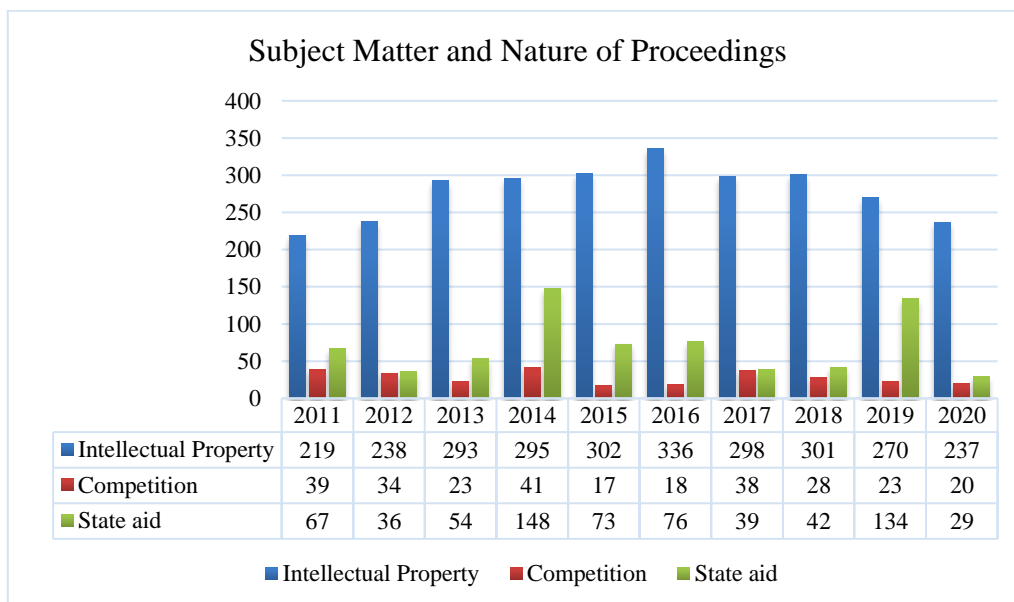


Figure 2. Trends in allocation by subject matter. Own elaboration based on data obtained from the Report of the Court of Justice on the functioning of the General Court of 23 Dec. 2020. Data as 30 Sep. 2020.

In the context of the increased specialisation of the General Court, particular emphasis should be put on the role of the advisory panel on judicial appointments

<sup>75</sup> See *supra* para. 1.1 of Chapter I.

<sup>76</sup> Heike Gramckow & Barry Walsh, *Developing Specialized Court Services. International Experiences and Lessons Learned*, JUSTICE AND DEVELOPMENT WORKING PAPER SERIES NO 24/2013.

established under Article 255 TFEU.<sup>77</sup> Under Article 254 second paragraph TFEU, the judges are appointed unanimously by the governments of the Member States. The main task of the Panel is to provide an opinion on the applicants' capacity to undertake the responsibilities of judge of the Court of Justice and the General Court before the Member States announce their governmental appointments.<sup>78</sup> The Panel's opinion is not legally binding; however it can be observed that Member States have appointed no judges to this day, who received an unfavourable rating. In general, the Panel recognizes the positive aspects of being generalists and, consequently, it does not search for specialisation. Nevertheless, a specialisation in certain highly technical areas may be seen favourably by the board. Some academics also noted that the requirements for appointment at the Court of Justice can be deemed as slightly different from the criteria provided for the designation of General Court judges, "given the specialisation of the General Court compared to the general competences the Court of Justice enjoys".<sup>79</sup>

In conclusion, it can be stated that the field of Intellectual Property presented all the relevant features to advocate for an internal judicial specialisation within the General Court through the creation of a specific chamber. Based on these considerations regarding the establishment of a specialised IP chamber at the EU General Court, it can be argued that the conditions for creating a judicial specialisation were completely met in the present case. Hence, the efficiency and effectiveness of the

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<sup>77</sup> The panel regularly produces an activity report of its work and the last is *available at* <https://comite255.europa.eu/documents/5642886/5678369/6eme+Rapport+d%27activit%C3%A9+du+D255+-+EN.pdf/>.

<sup>78</sup> TFEU, Art. 255 ("1. A panel shall be set up in order to give an opinion on candidates' suitability to perform the duties of Judge and Advocate-General of the Court of Justice and the General Court before the governments of the Member States make the appointments referred to in Articles 253 and 254. 2. The panel shall comprise seven persons chosen from among former members of the Court of Justice and the General Court, members of national supreme courts and lawyers of recognised competence, one of whom shall be proposed by the European Parliament. The Council shall adopt a decision establishing the panel's operating rules and a decision appointing its members. It shall act on the initiative of the President of the Court of Justice.").

<sup>79</sup> Tomáš Dumbrovský, Bilyana Petkova & Marijn Van Der Sluis, *Judicial Appointments: The Article 255 TFEU Advisory Panel and Selection Procedures in the Member States*, 51 COMMON MARKET LAW REVIEW 455, 464 (2014).

General Court can be enhanced through the appropriate use of the established specialised chambers. To improve the General Court's standing, the judicial appointment procedure should start to take into consideration also the relevant expertise of each candidate. The Panel provided for by Article 255 of the TFEU, should especially continue to play a critical role in issuing independent opinions when the governmental nominees are not appropriate, also considering the lack of a specific expertise that is deemed important for that role.

## 2.2. Specialised Patent Court within the European Legal Order

When discussing how judicial specialisation in the field of Intellectual Property has been implemented at European level, one should consider a few remarks on the Unified Patent Court project, which will be analysed in detail in the following chapters. Certain features expressed the Agreement establishing the UPC should be highlighted early on as a first general overview on judicial specialisation.

On 20 June 2013, the agreement establishing the Unified Patent Court was published in the Official Journal of the European Union, creating a specialised judicial body for the settlement of disputes concerning both 'classic' European patents and 'new' European patents with unitary effect. It should be mentioned at this point that the UPC Agreement provides that the unified patent protection system shall enter into force after approval by thirteen Member States, including the three countries with the highest number of European patents - namely Germany, France and, before the Brexit scenario, the United Kingdom. Currently, although the Agreement has reached the required minimum number of ratifications, the unified patent system is not operative yet. Despite numerous bureaucratic and administrative difficulties, it is worth noting that Member States have urged the introduction of new judicial instruments with the aim of implementing the process of patent integration in Europe.

The special features of the Unified Patent Court as specialised judicial body are immediately apparent from Article 1 of the Unified Patent Court Agreement (UPCA). It is provided that the UPC shall be a "court common to the Contracting Member

States” and therefore shall be “subject to the obligations under Union law as any other national court of the Contracting Member States”.<sup>80</sup> The provision is then supplemented by Article 84(4), which allows the Agreement to be ratified only by the EU Member States, thus excluding the possibility of adhesion by non-Member States, international organisations and the European Union.<sup>81</sup> In addition, the Unified Patent Court shall cooperate with the Court of Justice of the European Union, in order to ensure the correct application and interpretation of EU law, in accordance with Article 267 TFEU. The rulings of the ECJ, therefore, remain binding on the Unified Patent Court, which has legal standing in each Contracting Member State.

The final objective of the UPC Agreement is to establish a unified patent jurisdiction applying to all the Contracting Member States, which presently includes all European Union Member States except Spain, Poland, and Croatia. Currently, the competence to decide on infringement and validity of European patents is entrusted to national courts and authorities. In practice, this situation can lead to difficulties when a patent holder demands the enforcement of the same European patent in more than one country. Litigation in different countries can entail high costs and can enhance the risk of having to deal with totally divergent decisions. The UPC Agreement is intended to overcome these significant shortcomings by introducing a single patent court with exclusive jurisdiction and by unifying the rights conferred by patent. The UPC is designed to be a specialised court, having exclusive jurisdiction over matters concerning both the European patent with unitary effect and the ‘classic’ European Patent. Its decisions shall be immediately enforceable throughout the entire territory of the Contracting Member States, as if they were to be issued by a national court.

As for the language of the proceedings before the regional or local divisions, it shall be an official language of the European Union or one of the official languages of the Contracting Member State hosting the relevant division. Notwithstanding this provision, one or more official languages of the European Patent Office (EPO) may be

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<sup>80</sup> Agreement on a Unified Patent Court, Art. 1.

<sup>81</sup> *Id.*, Art. 84 (4) (“This Agreement shall be open to accession by any Member State.”).

designated - namely English, German or French. However, the parties may agree to use as the language of proceedings the language in which the patent was granted, subject to the approval of the competent panel.<sup>82</sup>

It is also interesting to analyse the special indication on the composition of the Unified Patent Court, which shall comprise a Court of First Instance, a Court of Appeal and a Registry.<sup>83</sup> The Court of First Instance shall be divided into various local and regional divisions as well as a central division, which shall be based in Paris. Other two sections of the central division – both dealing with cases concerning specific patent classifications - shall be set in London and Munich.<sup>84</sup> However, the division specialised in pharmaceutical and life science patent cases, which was originally to be set in London, will have to find a new location following the United Kingdom's withdrawal from the UPCA on 20 July 2020. Few months after Brexit, in September 2020, Italy announced its intention to nominate Milan as a candidate city to host the third headquarters of the Unified Patent Court, which would rule on new inventions developed in the field of pharmaceuticals and human sciences. The panels of the Court of First Instance must necessarily have a multinational composition and shall be composed of three judges, of whom two would be legally qualified and one judge with proven track record in the technical field concerned. Notwithstanding the provisions, the parties may decide altogether to have their case heard by a single judge, who is both technically and legally qualified.<sup>85</sup> Lastly, the Court of Appeal of the UPC has its seat in Luxembourg and its President is elected by all the judges for three years and

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<sup>82</sup> *Id.*, Art. 49. The provision continues stating that “4. With the agreement of the parties the competent panel may, on grounds of convenience and fairness, decide on the use of the language in which the patent was granted as the language of proceedings. 5. At the request of one of the parties and after having heard the other parties and the competent panel, the President of the Court of First Instance may, on grounds of fairness and taking into account all relevant circumstances, including the position of parties, in particular the position of the defendant, decide on the use of the language in which the patent was granted as language of proceedings. In this case the President of the Court of First Instance shall assess the need for specific translation and interpretation arrangements. 6. The language of proceedings at the central division shall be the language in which the patent concerned was granted”.

<sup>83</sup> *Id.*, Art. 6.

<sup>84</sup> *Id.*, Art. 7 (1, 2).

<sup>85</sup> *Id.*, Art. 8 (7).

their election can be renewed twice.<sup>86</sup> The Agreement also provides for the possibility of the President of the Court of Appeal deferring cases of exceptional importance to the court in its full composition, undertaking the chairmanship.<sup>87</sup>

If it succeeds in entering into force, the specialised court for patent disputes shall ultimately pursue the objective of eliminating market fragmentation and the wide discrepancies between the different national legal systems, which can be detrimental to both research and innovation. As it will be underlined in the following chapters, despite the undeniably innovative essence of the project, the whole Agreement was met with much criticism, thus curbing the early enthusiasm created by the great expectations of the reform.

### **3. The Development of Alternative Dispute Resolution (ADR) in Intellectual Property Disputes**

If this study is focused on examining thoroughly specialised intellectual property judicial bodies, it should also take into consideration the growing importance of alternative dispute resolution (ADR) mechanisms, whose expanding trend is particularly visible with regard to intellectual property disputes. It is undeniable that the efficiency of resolution methods alternative to traditional court litigation may have an impact on the demand of judicial specialisation regarding IP issues.<sup>88</sup> Thus, arbitration, as well as other Alternative Disputes Resolution procedures, are increasingly being selected to resolve disputes involving Intellectual Property Rights (IPRs), especially when concerning parties are from different jurisdictions. Before exploring the development of Alternative Dispute Resolution in Intellectual Property

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<sup>86</sup> *Id.*, Art. 9.

<sup>87</sup> *Id.*, Art. 21(2) (“When a case is of exceptional importance, and in particular when the decision may affect the unity and consistency of the case law of the Court, the Court of Appeal may decide, on the basis of a proposal from the presiding judge, to refer the case to the full Court.”).

<sup>88</sup> Jacques de Werra, *Specialised Intellectual Property Court-Issues and Challenges*, 2 GLOBAL PERSPECTIVES FOR THE INTELLECTUAL PROPERTY SYSTEM, CEIPI-ICTSD 11, 23 (2016).

disputes, it seems important to provide a brief overview on the main features of ADR methods - with a special focus on arbitration.

“ADR” is a general term used to refer to both formal and informal procedures that go beyond the traditional resolution of disputes in a courtroom. ADR methods are used in most cases to resolve disputes more efficiently, confidentially and at a lower cost than traditional litigation. In addition, these methods enable to achieve practical solutions that satisfy the commercial interests of the parties and allow them to preserve their economic and commercial relations. ADR refers to both adjudicative procedures resulting in a legally binding decision (e.g. arbitration) and non-adjudicative procedures having non-binding outcomes, (e.g. mediation). It is noteworthy that alternative dispute resolution can be handled directly by the parties (self-administered procedure) or administered with the assistance of an organisation offering ADR services (administered procedure).

As far as the instrument of arbitration is concerned, this can be defined as a private dispute resolution mechanism based on a contractual agreement, since the parties agree to submit any dispute to one arbitrator or to a panel with the power to issue a legally binding award. The arbitrator or arbitration panel is a neutral, independent, and impartial third party that is conferred the power to adjudicate the dispute by the parties. The entire proceeding shall be governed by the arbitration agreement signed by the parties and shall be conducted under the rules contained in the rules of procedure of an institution chosen by the parties, should this be provided in the arbitration agreement. The award may be subject to appeal, in the event this possibility should be explicitly provided for in the arbitration agreement or it should fall within the limited number of cases in which the relevant jurisdiction allows the appeal of the arbitral award. Moreover, the courts of the state in which the arbitration is based generally have the power to set aside the award on the basis of specific grounds, mostly relating to the compliance with some fundamental principles, such as the right to defence. Arbitration is characterised by its very own contractual nature since the parties can decide the procedure for resolving the dispute with much greater discretion than



ordinary court proceedings. Also, arbitration offers the parties a great degree of flexibility in the determination of the arbitrator or the arbitral tribunal, allowing them to specify the qualifications and type of experience the arbitrators should have. In addition, arbitration is generally considered to be a method that guarantees the confidentiality of the documents produced during the proceedings and of the proceedings themselves. Nevertheless, the applicable law, the regulations of bodies administering the arbitration proceeding or practice may provide otherwise.

Binding and final arbitral awards are commonly recognised in states other than those in which they are issued under the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as New York Convention. The international agreement requires the courts of contracting states to recognise an award rendered in a foreign jurisdiction as effective and enforceable, subject to certain exceptions, generally similar to those that may result in the annulment of the award by the court of the nation where the arbitration originally took place.<sup>89</sup> Despite its enforcement occurred 60 years ago, the New York Convention can still serve as a model for national reforms in the attempt to unify the discipline of arbitrability. The adoption of the New York Convention is one of the most important successes in international arbitration of the last fifty years, since it has received 167 ratifications up to this date<sup>90</sup>.

### 3.1. The Arbitrability of Intellectual Property Disputes

It is a well-known fact that arbitration, as the main instrument for dispute resolution alternative to ordinary jurisdiction, shall satisfy the specific need of companies and economic operators for immediacy of decisions. It is essentially a much more agile and faster procedure, especially if compared to traditional litigation where

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<sup>89</sup> The New York Convention refers to the question whether the subject matter of a dispute is “capable of settlement by arbitration” at article V (2)(a). On this point for a general comment *see* GARY B. BORN, INTERNATIONAL COMMERCIAL ARBITRATION 948 (2d ed. 2014).

<sup>90</sup> Loukas A. Mistelis, *Arbitrability – International and Comparative Perspectives: Is Arbitrability a National or an International Law Issue?*, in *ARBITRABILITY: INTERNATIONAL AND COMPARATIVE PERSPECTIVES* 1 (Loukas A. Mistelis & Stavros L. Brekoulakis eds., 2009).

justice is overloaded due to the excessive workload of judges and the lack of staff. Several countries made the decision to provide a specific regulation for arbitration to ensure a swifter and more effective definition of IP controversies, providing alternative forms of dispute resolution. Indeed, reforms of the intellectual property sector were often necessary because inefficiencies and excessive length of trials infringed the general principle of legal certainty.

Traditionally, the question of whether the subject matter of a dispute should be resort to arbitration arose in relation to certain intellectual property disputes, and the issue of arbitrability has been the subject of a great speculation and debate.<sup>91</sup> Since patents - as well as other IP rights - are granted by national authorities, the key consideration here is whether disputes relating to intellectual property issues are arbitrable or should be resolved by ordinary courts.<sup>92</sup> It is a priority to evaluate whether an issue is arbitrable, and it is indeed crucial to guarantee that parties are aware of this option in advance.<sup>93</sup> Court decisions are often incoherent when it comes to establishing which disputes can be referred to arbitration.<sup>94</sup> Such inconsistency traces back to the confusion in interpreting different national provisions. The notion of arbitrability relates to issues governed by domestic laws, such as the statutory jurisdiction of courts, the public administration of justice and the organisation of the judiciary system. Indeed, arbitrability is increasingly held to be governed by substantive rules of the forum as far as the issue of arbitrability concerns the legislative policy of each country, as well as the choices of each legislative power.<sup>95</sup> Therefore, every national legislation adopts different criteria to verify which intellectual property controversies may be

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<sup>91</sup> Dario Moura Vicente, *Arbitrability of intellectual property disputes: a comparative survey*, 31 *ARBITRATION INTERNATIONAL* 151, 152 (2015).

<sup>92</sup> William Grantham, *The Arbitrability of International Intellectual Property Disputes*, 14 *BERKELEY JOURNAL OF INTERNATIONAL LAW* 173, 176 (1996).

<sup>93</sup> Steven A. Certilman & Joel E. Lutzker, *Arbitrability of Intellectual Property Disputes*, in *ARBITRATION OF INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES* 58 (Thomas D. Halket ed., 2012).

<sup>94</sup> See ALBERT JAN VAN DEN BERG, *CONSOLIDATED COMMENTARY CASES REPORTED IN VOLUMES XXII (1997) – XXVII (2002), XXVIII YEARBOOK COMMERCIAL ARBITRATION* 666 (Albert Jan van den Berg ed., 2003).

<sup>95</sup> WILLIAM LAURENCE CRAIG, WILLIAM W. PARK, JAN PAULSSON, *INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION* 60 (2000).

referred to arbitration and which ones must be litigated. National laws often provide limitations and restrictions on what matters can be submitted to arbitration and those that are in the power of the judiciary. The rationale behind the decision of considering certain disputes non-arbitrable can be identified in the involvement of sensitive public policy issues.<sup>96</sup> The determination of the disputes reserved for the exclusive domain of national courts reflects both the political prerogatives and their attitude towards arbitration of the country.<sup>97</sup> However, domestic provisions significantly differ from each other in determining which disputes can be referred to arbitration.<sup>98</sup>

Different criteria are generally adopted by European legal systems. According to Italian<sup>99</sup> and French<sup>100</sup> legislations, on one hand, any dispute can be submitted to arbitration when it is objectively related to rights of which one may dispose freely. Consequently, parties may only enter into an agreement with regard to rights that they can dispose of, and the rule rely on the concept of “capacity of the parties to reach an agreement”. The uncertainty derives from the difficulty to identify which disputes involve those rights, since the definition is still subject to active debate. On the other hand, other legislations have preferred to use completely different criteria. More specifically, German<sup>101</sup>, Portuguese<sup>102</sup>, Belgian and Swiss legal reforms introduced the economic parameter to identify which issues can be submitted to an arbitration panel and which ones must be decided by ordinary court of competent jurisdiction. Pursuant to the economic criterion, any claim involving an economic interest can be the subject

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<sup>96</sup> On this topic *see in particular* M.A. Smith, M. Cousté, T. Hield, R. Jarvis, M. Kochupillai, B. Leon, J.C. Rasser, M. Sakamoto, A. Shaughnessy, J. Branch, *Arbitration of Patent Infringement and Validity Issues Worldwide*, 19 HARVARD JOURNAL OF LAW AND TECHNOLOGY 299, 307 (2006).

<sup>97</sup> Julian D.M. Lew, *Final Report on Intellectual Property Disputes and Arbitration*, 9 ICC INTERNATIONAL COURT OF ARBITRATION BULLETIN 37, 95 (1998).

<sup>98</sup> Bernard Hanotiau, *L'arbitrabilité des litiges de propriété intellectuelle*, in RESOLUTION OF INTELLECTUAL PROPERTY DISPUTES/LA RESOLUTION DE LITIGES DE PROPRIETE INTELLECTUELLE 155, 162 (Jacques de Werra ed., 2010).

<sup>99</sup> Diego Corapi, *Appunti in tema di arbitrato societario*, RIVISTA DEL DIRITTO COMMERCIALE E DELLE OBBLIGAZIONI 1, 8 (2015).

<sup>100</sup> Emmanuel Gaillard, *Réflexions sur le nouveau droit français de l'arbitrage international*, 4 RIVISTA DELL'ARBITRATO 525, 526 (2011).

<sup>101</sup> Rolf M. Winkler & Armin Weinand, *Deutsches internationales Schiedsverfahrensrecht*, DER BETRIEBS-BERATER. ZEHNTAGEDIENSTS FÜR WIRTSCHAFTS-, STEUER- UND SOZIALRECHT 597 (1998).

<sup>102</sup> Duarte Gorjão Henriques, *Arbitration in Portugal*, PRACTICAL LAW (2015).

of an arbitration agreement. The uncertainty derives from the difficulty to identify which rights the parties can dispose of, since the definition is not univocal. Instead, the economic criterion contributes to reduce the ambiguity in identifying which matters are arbitrable. Indeed, it is easier to distinguish between patrimonial and extra patrimonial rights rather than between disposable and non-disposable rights. As a result, the countries that adopted the patrimonial parameter have succeed in facilitating arbitration and in positioning themselves as modern forums for arbitration.

Since different criteria are adopted in determining arbitrability, different grounds have been offered to justify inarbitrability. As a result, the notion of arbitrability is often too vague to provide clear guidance. Indeed, despite its fundamental role, the notion of arbitrability is far from being unquestionably determined. Although arbitration is considered a very effective instrument to solve technical disputes, there is still a high degree of uncertainty over which claims may be submitted to arbitration. In this specific case, legal uncertainty might discourage foreign investors and cause the escape of the national investors towards more attractive law systems. Lastly, one serious concern over the exclusive application of national legislations to the issue of arbitrability is the concern that it might enable the parties to resolve their dispute in disregard of domestic limits of public policy. This problem, however, may be overcome by adopting a constant parameter to identify what is arbitrable and what must be litigated in front of a court.

After long debate, it was unanimously concluded that patents and IP rights in general can be the subject of an arbitration agreement.<sup>103</sup> As already mentioned, arbitration cannot apply to disputes concerning non-disposable rights, and any arbitration agreement to that effect is invalid. As a result, disputes are arbitrable only where the parties have the liberty to establish or dispose of their rights. Conversely, ‘non-disposable rights’ relate to matters that may not be the subject of legal acts or transactions by the right holder - such as rights pertaining to the status and capacity of

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<sup>103</sup> Jacques de Werra, *International Intellectual Property Arbitration: How to Use it Efficiently?*, SINGAPORE LAW GAZETTE 27, 28 (2012).

individuals. Industrial and intellectual property rights can be divided into two broad categories: personal rights (e.g. the moral right of the inventor) and property rights, which concern the economical exploitation of an invention in any possible way. While the former are very personal and inalienable rights, the latter are disposable and transferable rights. Therefore, there is no doubt, that disputes relating to patrimonial rights arising from the infringement of patents can be submitted to arbitration, as an alternative resolution method. This applies to any disputes relating to the granting of a patent - for example, those concerning the limits or extensions of the grant itself, the determination of remuneration, the compensation for damages resulting from the non-performance of one of the parties or the breach of non-competition agreements.<sup>104</sup>

### 3.2. The Development of Arbitration in the Intellectual Property Field

As already mentioned, disputes over Intellectual Property rights can have a negative impact on business innovation and competitiveness. Despite carefully drafting contracts - which is an important element in preventing future disputes - these types of disputes might still arise. Therefore, it is essential for businesses to be aware of the different ways in which such disputes can be resolved, so that they can be handled quickly and efficiently.

From this perspective, arbitration has a greatly important role, since it is a more efficient alternative to litigation and a way to enable the competitiveness of the market system as well. Moreover, arbitration also allows the involved parties to choose an arbitrator, or a panel, with specific expertise in intellectual property and technology, thus stressing the importance of specialisation as a crucial argument as far as IPR-related issues are concerned.<sup>105</sup> It is an important governance issue for innovative companies to provide an adequate mechanism to resolve disputes related to IP rights

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<sup>104</sup> Marc Blessing, *Arbitrability of Intellectual Property Disputes*, 12 *ARBITRATION INTERNATIONAL* 191, 197 (1996).

<sup>105</sup> For a discussion on what special elements of intellectual property disputes justify the need for a specialist arbitration institution or special arbitration rules see Julian D.M. Lew, *The Arbitration of Intellectual Property Disputes*, 5 *AMERICAN REVIEW OF INTERNATIONAL ARBITRATION* 110-116 (1994).

that may arise. Considering the legal framework in a comparative perspective, it is interesting to note that many issues arisen from the application of IP arbitration are addressed by the evolution of the approach of the courts and corporate practice.<sup>106</sup>

In disputes concerning industrial property rights, there are numerous advantages of arbitration over ordinary proceedings, considering that they have a number of particular features that may be better addressed by arbitration than by court litigation.<sup>107</sup> First of all, IP disputes often need to be settled urgently and arbitration allows greater speed and effectiveness of the procedure, as the parties may have better control over the duration of proceedings. Moreover, arbitration may include provisional measures and does not preclude seeking court-ordered injunction. Secondly, the choice of the place of arbitration can be left at the discretion of the parties, disassociating it from the territorial jurisdiction criteria that are binding in ordinary proceedings. This aspect gains particular relevance in international disputes, where it can be important that arbitral procedure and nationality of arbitrators are

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<sup>106</sup> For a European comparative perspective on the topic of intellectual property issues in arbitration see Sophie Lamb & Alejandro Garcia, *Arbitraje de Disputas sobre Derechos de Propiedad Industrial e Intelectual*, REVISTA DEL CLUB ESPANOL DEL ARBITRAJE 105-114 (2008); Jochen Pagenberg, *The Arbitrability of Intellectual Property Disputes in Germany*, 5 THE AMERICAN REVIEW OF INTERNATIONAL ARBITRATION 44-53 (1994); Giorgio Recchia, *Arbitrating Italian IP Conflicts*, 3 MANAGING INTELLECTUAL PROPERTY 2527 (1994). For an extra-European overview see Alan Jeftha, *Arbitrating IP in South Africa*, 3 MANAGING INTELLECTUAL PROPERTY 14-15 (1994); Kei Konishi, *Mediation/Arbitration Under Japanese Law*, LES NOUVELLES, JOURNAL OF THE LICENSING EXECUTIVES SOCIETY INTERNATIONAL 337 (2007); Khajaque Kortian, *Mediation And Arbitration Of Intellectual Property Disputes in Australia*, LES NOUVELLES, JOURNAL OF THE LICENSING EXECUTIVES SOCIETY INTERNATIONAL 315 (2007); Julia Martin, *Arbitrating in the Alps Rather Than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution*, 49 STANFORD LAW REVIEW 917-970 (1997); Vidal Pearlman, *Arbitration of IP in Israel*, 3 MANAGING INTELLECTUAL PROPERTY 23-24 (1994); David W. Plant, *Arbitrability of Intellectual Property Issues in the United States*, 5 THE AMERICAN REVIEW OF INTERNATIONAL ARBITRATION 11-27 (1994); Iris Quadrio & Veronica Canese, *A New Way to Resolve Disputes in Argentina*, 6 MANAGING INTELLECTUAL PROPERTY 27-30 (1997); Kamen Troller, *Specific Aspects of Intellectual Property Disputes in Arbitration - The Swiss Perspective*, SWISS ARBITRATION ASSOCIATION SPECIAL SERIES NO. 6, 155-163 (1994). For more recent insights see Ignacio de Castro, Leandro Toscano & Andrzej Gadkowski, *An Update On International Trends In Technology, Media And Telecoms Dispute Resolution, Including Intellectual Property Disputes*, LES NOUVELLES, JOURNAL OF THE LICENSING EXECUTIVES SOCIETY INTERNATIONAL 116- 122 (2018).

<sup>107</sup> See generally TREVOR COOK & ALEJANDRO I. GARCIA, INTERNATIONAL INTELLECTUAL PROPERTY ARBITRATION 23 (2010), which constitutes one of the most elaborate contribution on all relevant issues of intellectual property arbitration.

neutral to law, language, and institutional culture of the parties. Thirdly, the confidentiality of the proceedings and the final award may be of particular interest, considering that trade secrets and reputation jeopardy are to be considered common features of many IP disputes.<sup>108</sup>

However, the most important feature is the possibility for the parties to select arbitrators who have expertise and specific experience in the sector involved in the dispute. In the current economic context, characterised by a high degree of specialisation, the specific competence of arbitrators is of paramount importance, ensuring that they have an effective knowledge of strictly legal and technical issues, as well as economic and commercial dynamics, which are not irrelevant aspects in better assessing the facts and responsibilities of the case.<sup>109</sup> Arbitration, therefore, is a very efficient way of resolving intellectual property conflicts, as it provides accurate decisions in increasingly dynamic economic realities.

As already underlined, the expanding trend of ADR is particularly relevant with reference to intellectual property disputes. ADR mechanisms can be connected to specialised intellectual property courts mainly for two reasons. Firstly, the alternative resolution system is encouraged by the progressive growth of the WIPO Arbitration and Mediation Center. Secondly, the creation of a Patent Mediation and Arbitration Center should be considered as provided for in Article 35 of the Agreement on a Unified Patent Court. Both these elements will be analysed and discussed thoroughly in the following paragraphs.

### 3.3. The World Intellectual Property Organization (WIPO) Arbitration and Mediation Center

As it is widely known, the World Intellectual Property Organization (WIPO) is one of the specialised agencies of the United Nations, created in 1967 with the aim to

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<sup>108</sup> Jacques de Werra, *Arbitrating International Intellectual Property Disputes: Time to Think Beyond the Issue of (Non-)Arbitrability*, INTERNATIONAL BUSINESS LAW JOURNAL 299, 304 (2012).

<sup>109</sup> Murray Lee Eiland, *The Institutional Role in Arbitrating Patent Disputes*, 9 PEPPERDINE DISPUTE RESOLUTION LAW JOURNAL 283, 302 (2009).

encore creative activity and promote the protection of intellectual property in the world.<sup>110</sup> The Organization currently has 193 Member States and is headquartered in Geneva, Switzerland.<sup>111</sup> It was the Paris Convention for the Protection of Industrial Property - which will be investigated thoroughly in the next chapter - that established a union of States in 1883 that would develop into the current World Intellectual Property Organisation.<sup>112</sup> The predecessor of WIPO was actually the BIRPI (*Bureaux Internationaux Réunis pour la Protection de la Propriété Intellectuelle*) which was set up to administer the Paris Convention for the Protection of Intellectual Property and the Berne Convention for the Protection of Literary and Artistic Works of 1886.<sup>113</sup> The BIRPI was originally a small organisation based in Berne, which significantly changed its structure and form over the years as the importance of protecting intellectual property started to grow. In 1960, the headquarters were moved to Geneva, thus closer to the United Nations and other international organisations. Subsequently, following the ratification of the Convention Establishing the World Intellectual Property Organization, the BIRPI changed its name to the current WIPO.

The WIPO Arbitration and Mediation Center, however, is an intergovernmental organisation independent from WIPO, which is based in Geneva and has had an office in Singapore since January 2010.<sup>114</sup> It was established to promote the resolution of Intellectual Property issues through Alternative Dispute Resolution (ADR) mechanisms.<sup>115</sup> The Center is one of the international bodies specialising in technology

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<sup>110</sup> Ignacio de Castro & Panagiotis Chalkias, *WIPO Arbitration and Mediation Center*, in *ARBITRATION WORLD: JURISDICTIONAL COMPARISONS* 231-248 (Karyl Nairn & Patrick Heneghan eds., 2012).

<sup>111</sup> On the WIPO website are available information about treaty membership, national intellectual property laws, IP statistics, technical cooperation, outreach activities, case studies on each member state participating to the Organization *see* <https://www.wipo.int/members/en/>.

<sup>112</sup> *See infra* para. 2 of Chapter II.

<sup>113</sup> For a general overview on the institution refer to the presentation of Francis Gurry, who guided WIPO as Director General from 2008 to 2020. *See* Francis Gurry, *The WIPO Arbitration Center and its Services*, 5 *THE AMERICAN REVIEW OF INTERNATIONAL ARBITRATION* 197-201 (1994).

<sup>114</sup> *See* Heike Wollgast & Chiara Accornero, *The WIPO Arbitration and Mediation Center Singapore Office – Recent Developments*, *LAW SOCIETY OF SINGAPORE GAZETTE* (2020), available at <https://lawgazette.com.sg/news/updates/wipo-recent-developments/>.

<sup>115</sup> Heike Wollgast & Andrzej Gadkowski, *Arbitration and Mediation Center: World Intellectual Property Organization (WIPO)*, in *MAX PLANCK ENCYCLOPEDIA OF INTERNATIONAL PROCEDURAL LAW [MPEiPRO]* (2019).



and IP disputes, playing also a very important role in the administration of arbitration proceedings in contractual matters and financial transactions.<sup>116</sup> The Center assumes a fundamental role in designing and implementing tailor-made dispute resolution procedures, offering a number of alternatives to help the parties settle their controversies.<sup>117</sup> First of all, they utilise the instrument of mediation whereby the parties attempt to reach an agreement through the intervention of a third party, but are free to leave the procedure at any time.<sup>118</sup> Furthermore, they employ the tool of mediation followed by arbitration, whereby the procedure should begin with mediation, but in the event it should fail, the parties can refer the procedure to an arbitrator. Beside the ordinary arbitration procedure, a procedure known as expedited arbitration was introduced in October 2002 and it represents an abbreviated or accelerated arbitration procedure characterised by certain features.<sup>119</sup> Namely, expedited arbitration differs for faster proceedings, due to shorter deadlines marking the stages of the procedure, for lower costs and for providing the appointment of a single arbitrator, pursuant to the WIPO Expedited Arbitration Rules.<sup>120</sup> In addition, Emergency Relief Proceedings are also provided in the event a party should be in urgent need of summary proceedings before the arbitral tribunal, thus satisfying the need to obtain interim measures to protect the rights claimed in the arbitration proceedings.<sup>121</sup>

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<sup>116</sup> See generally Ignacio de Castro, Heike Wollgast & Andrzej Gadkowski, *Review of the World Intellectual Property Organization's Arbitration and Mediation Center*, in INTERNATIONAL COMMERCIAL ARBITRATION PRACTICE: 21ST CENTURY PERSPECTIVES (Horacio A. Grigera Naon & Paul E. Mason eds., 2018).

<sup>117</sup> The Center made available tailored model submission agreements that parties may use to refer a dispute concerning the determination of fair, reasonable and non-discriminatory (FRAND) terms. See Ignacio de Castro, Heike Wollgast & Chiara Accornero, *WIPO Arbitration and Mediation Center: The WIPO Rules; WIPO FRAND ADR*, GIURISPRUDENZA ARBITRALE 106-124 (2018).

<sup>118</sup> See generally on the WIPO mediation procedure THÉOPHILE MARGELLOS, SOPHIA BONNE, GORDON HUMPHREYS & SVEN STÜRMAN, *MEDIATION: CREATING VALUE IN INTERNATIONAL INTELLECTUAL PROPERTY DISPUTES* 116-126 (2018).

<sup>119</sup> On the topic of expedited procedures, considered as a tool aimed at accelerating key aspects of arbitral proceedings, see Michael Mustill, *Comments on Fast Track Arbitration*, 10 JOURNAL OF INTERNATIONAL ARBITRATION 121-123 (1993).

<sup>120</sup> WIPO Expedited Arbitration Rules, Art. 14. The procedural rules are available on the WIPO website at <https://www.wipo.int/amc/en/arbitration/expedited-rules/>.

<sup>121</sup> WIPO Expedited Arbitration Rules, Art. 43 and WIPO Arbitration Rules, Art. 49.

In conclusion, the great success and growing expansion of the WIPO Arbitration and Mediation Center depends largely on the element of judicial specialisation. The Center appoints arbitrators who have a great degree of expertise in IP matters, combining professional experience in the field of arbitration and mediation with legal, technical and commercial knowledge of the intellectual property area. As demonstrated in the first section of this study, the specialisation of the judging authority is particularly relevant in intellectual property disputes, as they often involve highly technical subject matter - especially as far as patent issues or novel subject matter are concerned.<sup>122</sup>

### 3.4. Latest Trends in International Intellectual Property Arbitration

As previously underlined, arbitration and alternative dispute resolution methods in the intellectual property area have been increasingly important in recent years, especially when it comes to cross-border transactions. Traditionally, disputes over IP rights have been heard mainly in national courts. Nevertheless, we have observed a clear shift towards arbitration in recent years. The acknowledgement that arbitration is in fact the appropriate forum for IP disputes is driven by multiple factors. Firstly, arbitration “provides a single neutral forum”, since the parties can decide to settle the dispute under the chosen law, thus avoiding both the costs and the complexity of a multi-jurisdictional arbitration proceeding.<sup>123</sup> This aspect is crucial, as IP disputes frequently involve parties from different countries and concern rights protected under the laws of different judicial systems. But even more important is the fact that comprehensive technical knowledge is required to effectively decide those cases and

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<sup>122</sup> Lew, *supra* note 105, at 111-112.

<sup>123</sup> Jennifer Mills, *Alternative Dispute Resolution in International Intellectual Property Disputes*, 11 OHIO STATE JOURNAL ON DISPUTE RESOLUTION 229-232 (1996). The Author continues arguing that “[...] neither party is likely to want to litigate in the other party’s court, and a single forum may be preferable to a multiplicity of national court actions for disputes involving different national and regional intellectual property titles covering the same subject matter. This may be particularly important for disputes pitting nationals from developing countries against nationals from developed countries in light of the disparate approaches of developing and developed countries towards intellectual property protection”.

by appointing suitably qualified arbitrators you can achieve best results. Lastly, the effectiveness of IP arbitration is partly due to the territorially limited scope of court proceedings, which are often unable to meet the requirements of current international commercial transactions.

The data summarised in the figures below, published by the WIPO Arbitration and Mediation Center, show widespread use of both expedited and non-expedited arbitration, mediation, and expert determination in the field of IP. As the figure covers the period 2012-2020, it is evident that the majority of mediation, arbitration and expert determination cases were administered in recent years, considering that the Center reported a 33 % increase in case numbers from 2017 to 2020. It is thus clear that the number of cases handled by the WIPO Center is consistently growing, since the chart shows a rising demand for such specialised services.

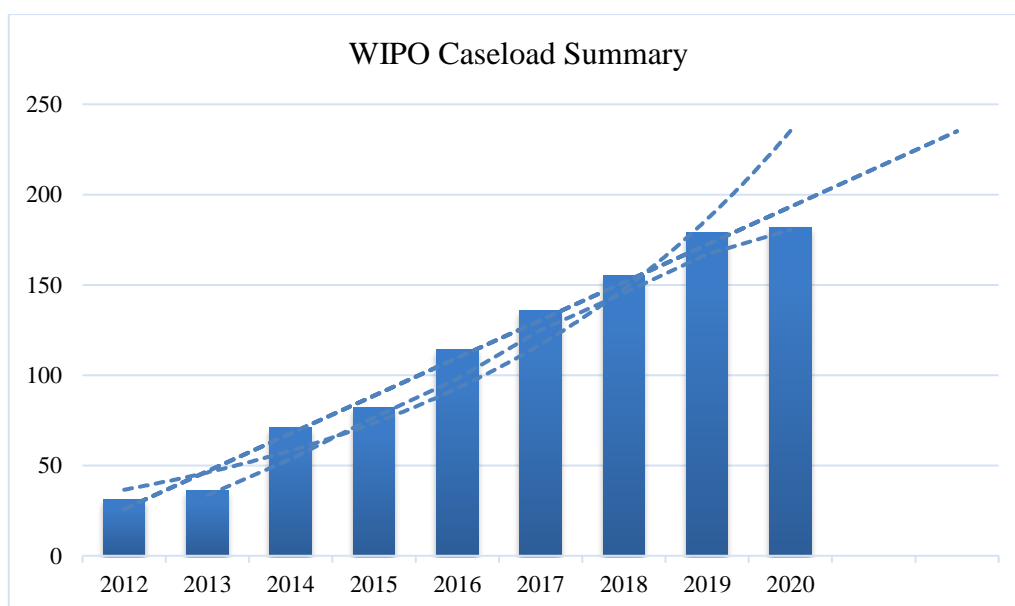


Figure 3. WIPO Mediation, Arbitration, Expert Determination Cases and Good Offices Requests. Data obtained from statistics available on the WIPO website.

Regarding the types of disputes that arise in the context of WIPO ADR cases, the following chart clearly shows that the most disputes are about patent issues, including licensing agreements, royalty payments, infringements, transfer, ownership.

Moreover, cases involving trademarks are also very common, especially those relating to coexistence, oppositions and revocations. Another interesting finding is that there is a high percentage of cases relating to the information and communication technology (ICT) field, especially mobile apps, outsourcing, telecommunications, software development and software licensing. Lastly, the percentage of cases connected to commercial disputes - i.e. marketing, franchising, energy or design - and copyright controversies - i.e. concerning art, TV distribution and formats, film and media- stands at approximately 16% of the total number of cases filed in the past few years.

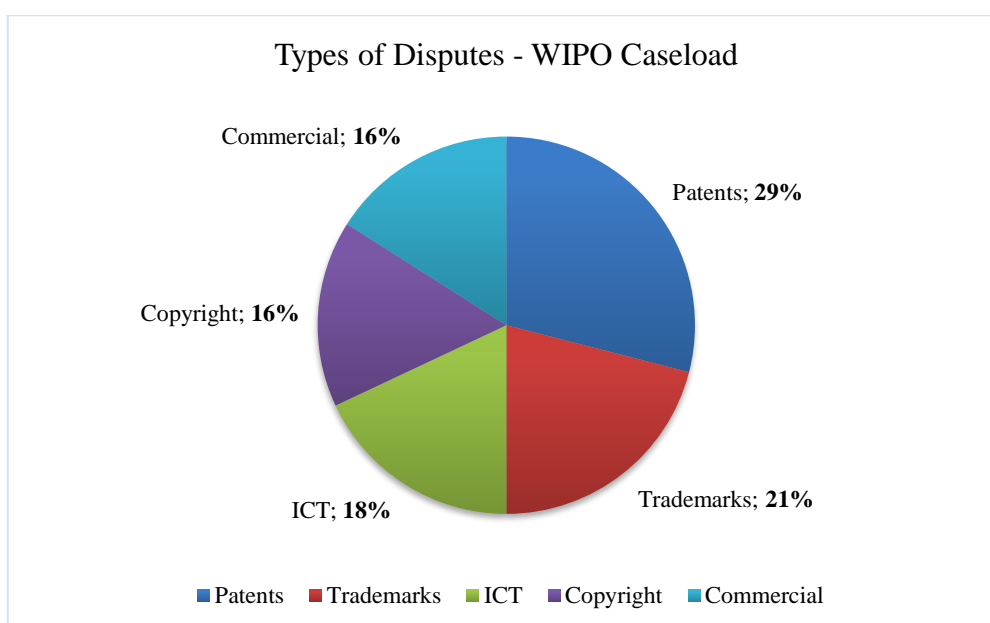


Figure 4. WIPO Mediation, Arbitration, Expert Determination Cases and Good Offices types of cases. Data obtained from statistics available on the WIPO website.

There are critical questions about the future of arbitration and its role in resolving IP disputes that need to be addressed. First, it is necessary to consider that often there is no valid arbitration clause in place between the rival parties, because it usually results from a contractual relationship. However, agreements binding both parties may be deficient in IP controversies, since the key element generally consists in a cease-and-desist claim filed by the owner. And even in the event binding contracts should be signed by the parties - for instance licencing agreements or trademark co-existence

agreements - these often do not include any arbitration clause. Undoubtedly, it is very rare that in the absence of a contractual arrangement the parties should decide to enter into an arbitration agreement after the controversy has arisen. Furthermore, it is appropriate to consider the high degree of uncertainty surrounding the issue of the IP disputes arbitrability, which has been already discussed above.<sup>124</sup> This debate is historically motivated by the assumption that intellectual property rights are of public policy interest, but it is unquestionable today that the vast majority of cases can be referred to arbitration, at least when an international context is involved. At most, the objection of inarbitrability may be limited to the question relating only to certain aspects of IP rights, which tend to be excluded from the scope of arbitration. These consist of the rights concerning the existence, validity, ownership, or scope of registered IP rights (e.g., patents) which are preliminary issues that are often solved in front of national judicial bodies or authorities. Additionally, the award might not cause any third-party effect and cannot oblige national register authorities to take certain actions with respect to the registration of the IP rights, which were subject to the arbitration proceeding. However, arbitral tribunals can deal with this difficulty by ensuring that the confirmed invalidity has effect *inter partes* and, if necessary, by requiring the owner to withdraw their IP right from the respective registers.

Nevertheless, the constantly growing recourse to arbitration is explained by the fact that the benefits are tangible for IP owners who intend to protect their rights and to prevent others from using their IP. In the event two companies should become embroiled in patent infringement litigation involving multiple jurisdictions, resorting to arbitration may prevent conflicting national decisions as to different features, such as the validity of the same patent in different countries, the existence of a proven infringement of the IP right or the calculation of damages in each market. In addition, as already underlined earlier on, the New York Convention allows foreign arbitral awards to be enforced in more than 159 jurisdictions. In fact, a foreign arbitral award can be recognised following an application, submitted by the party interested in

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<sup>124</sup> See *supra* para. 3.1 of Chapter I.

enforcing the award, requiring the attachment of both the duly certified original award and the original arbitration agreement.

In conclusion, when drafting contracts involving intellectual property rights, parties should consider specialised IP arbitration as a valid alternative to litigation, thus prudently inserting an arbitration clause in their agreement to prevent any subsequent potential issue with their counterparty. IP arbitration is particularly recommended when the party is facing a multi-jurisdictional dispute scenario and this option is indeed suitable for the intended purpose, as it was highlighted earlier.

#### **4. Future Developments of Intellectual Property Cross-Border Dispute Resolution: the Rise of International Business Courts**

When discussing future scenarios of IP dispute resolution, it is worth highlighting how state courts are eager to maintain their international appeal for intellectual property disputes by creating appropriate chambers for international dispute resolution, also called International Business Courts. It is interesting to examine the reasons behind the establishment of IP special courts - embedded in state courts - that some European Member States have recently created, or are in the process of creating. The rise of International Business Courts can actually be interpreted as a potential response to a number of challenges, which IP dispute resolution is facing. The main purpose of the recently introduced specialised courts or sections is to facilitate transnational business litigation, considering that the major factors justifying the creation of business courts are identified in the increased legal complexity and in the growing importance of judges' expertise.

As certain financial centres have become important hubs for cross-border IP disputes, it is worth mentioning the establishment of likes of the International Commercial Chamber within the Paris Court of Appeal, the Frankfurt Initiative, the Netherlands Commercial Court and Brussels International Business Court. The principal factors that contributed to the growth of the aforementioned specialised

tribunals may be grouped into four broad categories. Firstly, intellectual property dispute resolution is nowadays rarely confined to a single domestic legal system but is increasingly permeated by transnational aspects and features. Secondly, the rise of a tailor-made jurisdiction is a response to the growing complexity of business relations, which is inherent to the increasing need to provide for an adequate expertise. Therefore, it is growingly required for both legal practitioners and judges to have a wide knowledge of foreign legal systems and private international law rules to run complex international commercial cases quickly and efficiently. Thirdly, given the increase in international trade over the past decades and the subsequent use of English language as leading commercial language, many judiciary centres have decided to establish English speaking courts. Thus, parties in cross-border disputes can conduct court proceedings in front of judges, whose high level of expertise also include English language skills. Lastly, the offer of additional judicial tool is to be considered also as a clear attempt to attract companies and businesses.

It is equally important to underline how several nations are competing to gain a significantly prominent role as commercial and IP dispute resolution centre within the European Union. Accordingly, a number of Member States has seen new opportunities following Brexit, expecting higher demands for international commercial dispute resolution following the departure of the United Kingdom's from the European Union. London had strategically positioned itself as the leading city within the European Judicial Area for business and IP cross-border disputes.<sup>125</sup> The success of Commercial Court of London with foreign companies is undisputed, as 80% of the claims issued have at least one foreign party, while in almost 50% of these cases both parties are foreign companies<sup>126</sup>. Thus, it should be taken into account that, as Brexit unfolded and

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<sup>125</sup> Eva Lein, Robert McCorquodale, Lawrence McNamara, Hayk Kupelyants, José del Río *Factors Influencing International Litigants' Decisions to Bring Commercial Claims to the London Based Courts (BIICL Report)*, The British Institute of International and Comparative Law, Ministry of Justice Analytical Series (2015).

<sup>126</sup> HM Courts & Tribunals Service, Freedom of Information Request No 88097 (January 2014); Judiciary of England and Wales, Report of the Commercial and Admiralty Court (2004-2005). *See also* the data published by Portland Communications, a political consultancy and public relations agency, available at <https://portland-communications.com/publications/commercial-courts-report-2020/>.

the UK left European Union, there might be changes in the access to the regime for the mutual recognition of judgments and awards among the Member States. This uncertain future litigation regime might have an impact decision from companies when it comes to choosing law clauses in cross-border contracts and recognising London as the leading seat for international dispute resolution. However, it seems possible to confirm that London will still remain a significant forum for international dispute resolution despite the legal uncertainty faced by companies due to Britain's unsettled political future<sup>127</sup>.

#### 4.1. The Potential Competitiveness of International Business Courts: Features of an Attractive Forum for Foreign Commercial Parties

An evaluation on the factors that justify London's success in resolving cross-border disputes would be valuable in making inquiries about the potential competitiveness of the recently established transnational courts for IP disputes. It is thus essential to consider the measures that have been taken or are being planned by the national initiatives to convince internationally active companies to settle their disputes in front of the emerging European courts rather than in London. The prospects of success of the most recently established business courts must be explored, also taking into consideration that certain features undoubtedly contributed to the outstanding success of London as a place for settling international IP disputes. In order to develop a legal analysis with a strong focus on current commercial practice, empirical studies have individuated the causes underlying the most adopted choice of forum clauses in cross-border contracts.<sup>128</sup> The empirical findings have clarified that

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<sup>127</sup> Michael McIlwrath, *An Unamicable Separation: Brexit Consequences for London as a Premier Seat of International Dispute Resolution in Europe*, 33 JOURNAL OF INTERNATIONAL ARBITRATION 451–462 (2016).

<sup>128</sup> For an overview of empirical studies on choice of law clauses see Stefan Vogenauer, *Regulatory Competition through Choice of Law and Choice of Forum: Theory and Evidence* 13, 36 EUROPEAN REVIEW OF PRIVATE LAW (2013); Stefan Vogenauer & Stephen Weatherill, *The European Community's Competence to Pursue the Harmonisation of Contract Law – an Empirical Contribution to the Debate*, in HARMONISATION OF EUROPEAN CONTRACT LAW: IMPLICATIONS FOR EUROPEAN PRIVATE LAWS. BUSINESS AND LEGAL PRACTICE 105 (Stefan Vogenauer & Stephen Weatherill eds., 2006); GUSTAVO MOSER, RETHINKING CHOICE OF LAW IN CROSS-BORDER SALES (2018); STEFAN VOGENAUER &



the main aspects influencing commercial parties' choice and the features making a forum attractive for foreign parties consists in the familiarity, neutrality, and linguistic accessibility of the dispute resolution forum. In addition, great attention is given to reputation of a judicial system as being sophisticated, balanced, accurate, and user-friendly. It is thus crucial to underline that the use of English as the language of the procedure is not the only or the most important factor that improves the attractiveness of a litigation and legal services centre. Consequently, that cannot be considered the main fundamental aspect in evaluating the potential success of both already established courts for cross-border disputes and forthcoming legislative initiatives.<sup>129</sup>

The leading forerunner model of specialised international IP court is the one proposed in 2010 by the Paris Commercial Court, where a specialised chamber was created to judge international complex commercial cases in the first instance. It should be specified that this special chamber cannot be elected by the parties, as all the disputes submitted to the Commercial Court of Paris will be distributed among the different court chambers. In March 2017 it was published a first report on the opportunity of creating a Chamber within the Paris Court of Appeals.<sup>130</sup> Shortly after, in February 2018 it was established a bench specialised in hearing and adjudicating international commercial litigation disputes.<sup>131</sup> With the creation of a specialised second level of jurisdiction, France aims at further strengthening its already quite important international offer, indeed Paris has long been positioned as a leading centre for international arbitration, especially with the Court of Arbitration within the International Chamber of Commerce.

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CHRISTOPHER HODGES, CIVIL JUSTICE SYSTEMS IN EUROPE: IMPLICATIONS FOR CHOICE OF LAW AND CHOICE OF FORUM (2020).

<sup>129</sup> ERLIS THEMELI, CIVIL JUSTICE SYSTEM COMPETITION IN THE EUROPEAN UNION. THE GREAT RACE OF COURTS 266-305 (2018).

<sup>130</sup> The report was entitled "Recommendations for the implementation in Paris of specialised Chambers to deal with international commercial disputes" and was published by the High Legal Committee for Paris Finance Marketplace Center (*Haut Comité de la the Place Financière de Paris*) on 3 May 2017.

<sup>131</sup> On 7 February 2018, the French Minister of Justice, Nicole Belloubet, signed two protocols, the first one concerning the Commercial Court of Paris and the second one concerning the Paris Court of Appeals.

In order to analyse the framework of the phenomenon, it is essential to consider the case of the regional court of Frankfurt as they established of Chambers for International Commercial Matters (*Kammer für internationale Handelsachen*) at the District Court (*LG Frankfurt*). The initiative is part of a comprehensive strategy to strengthen Frankfurt as a hub for international business dispute settlement, through the creation of an ambitious framework, focusing on a well-equipped court, experienced judges with good language skills, as well as a modern process design.

Furthermore, the Netherlands Commercial Court (NCC) was created on 1 January 2019. The NCC is a special chamber of the Amsterdam District Court and the Amsterdam Court of Appeal that stands out for its pragmatic approach and active case management, focusing also on global best practices to provide flexibility. Its purpose is to be able to handle complex cases within short timeframes, since the Netherlands has already a strong reputation for its efficient court systems. Moreover, it is worth mentioning the establishment of Brussels International Business Court (BIBC) as an initiative of the Belgian Government. The proposal was brought before Parliament in May 2018 and had the objective to address the needs and expectations of international investors and trading partners. However, it has come in for a great deal of criticism and it was effectively removed due to lack of political support. The model suggested can be defined as a “hybrid court” because it combines elements of ordinary courts and arbitral tribunals. Despite the fact that the proposal emphasises that BIBC should be a court and not an arbitral tribunal, the rules of procedure are based on those of the UNCITRAL Model Law on International Commercial Arbitration and cases are heard by three judges, including two lay judges.

#### 4.2. The Hybrid Model of International Business Courts: an Alternative to Arbitral Institutions?

It is interesting to observe whether the initiative of establishing such International Business Courts will succeed and to verify how the established courts will relate to their main competitors in cross-border business IP dispute resolution, especially the

international arbitration institutions that were analysed above.<sup>132</sup> However, judicial specialisation can be identified as the common factor that make this forum attractive for foreign commercial parties and justify their success in resolving cross-border disputes. Actually, both international arbitral institutions and International Business Courts provide for specialist adjudication of intellectual property, and more in general commercial, cases and offer effective dispute resolution centres able to increase the domestic attractiveness for investors and economic operators.

A stimulating insight would be to discuss whether International Business Courts might offer commercial parties much of the benefits they get from arbitration, but obtaining the advantages of a state court decision and avoiding the above-mentioned problems related to arbitral proceedings. It is noteworthy that the new established International Business Courts can be defined as ‘hybrid courts’, as they combine elements of both arbitral tribunals and ordinary courts. It should therefore be evaluated whether the established International Business Courts fulfil the necessary conditions to be a response for the typical problems of arbitration. For instance, disadvantages to arbitration as a method of resolving disputes include the rising costs and the over-formalisation. Conversely, it should be mentioned advantages of arbitration over courts include greater flexibility in matters of procedure and, most of all, confidentiality. On the basis of the current scenario, it seems plausible the ‘public’ and the ‘private’ dispute resolution systems will probably continue to co-exist. In fact, there are several aspects that make the choice of litigation more convenient for IP business litigants, as well as several incentives to opt for arbitration. Indeed, certain factors might prove decisive when parties decide to either settle a dispute with an International Business Court or go to arbitration. Intellectual Property ADR centres and International Business Courts apply different approaches in pursuing the same objective, that is to focus on efficiency and expertise in IP law and related business matters. Consequently, the main purpose is to offer companies the benefits of

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<sup>132</sup> Xandra Kramer & John Sorabji, *International Business Courts in Europe and Beyond: A Global Competition for Justice?*, ERASMUS LAW REVIEW 1, 7-8 (2019).

consistent judicial bodies, on which they can rely when conducting their business affairs.

In addition, we should consider the impact such courts will have on intellectual property arbitration as it will be largely contingent on the degree of operation, popularity, and effectiveness of the arbitral institutions in that particular jurisdiction. To this extent, we should also consider that the success will strictly depend also on the acceptance of business community and internationally active companies. Moreover, the specialised international business courts should ensure commercial parties to have access to high level dispute settlement mechanisms, regardless of their size and their financial resources. In particular, it is crucial to assure that a good forum is provided also for disputes involving small and medium-sized companies, as well as micro-businesses, with limited funds available for dispute resolution.

#### 4.3. Global Competition for Cross-Border Dispute Resolution: the Role of the United States, Asia and Middle East

Having examined the rise of specialised courts in the complex international IP dispute resolution landscape, it seems relevant to reflect on the challenges of the cross-border perspective. Consequently, it is worthwhile to investigate on how the European IP specialised courts participate in the global competition for cross-border dispute resolution.<sup>133</sup>

First of all, we should consider the competitiveness of the United States in the transnational litigation market, in view of the measures and initiatives to attract cross-border commercial litigants in Europe, Asia and the Middle East.<sup>134</sup> The US competitiveness in the transnational litigation market cannot be analysed without considering, on one hand, the number of countries that have begun to develop

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<sup>133</sup> Marta Requejo Isidro, *International Commercial Courts in the Litigation Market*, INTERNATIONAL JOURNAL OF PROCEDURAL LAW 4-50 (2019).

<sup>134</sup> Stacie I. Strong, *International Commercial Courts and the United States: An Outlier by Choice and by Constitutional Design?*, in INTERNATIONAL BUSINESS COURTS: A EUROPEAN AND GLOBAL PERSPECTIVE (Xandra Kramer & John Sorabji eds., 2019).

specialised courts and, on the other hand, the role of the United States as a leader in cross-border commerce. In the States, there is a lack of inclination to create specialised courts and a tendency to defer disputes arising out of transnational business relationships to existing state and federal tribunals. Furthermore, we should consider the constitutional concerns arising from the establishment of specialised courts for cross-border IP disputes, since problematic issues actually arise from their relationship with both US federal system and individual state judiciaries.

Furthermore, we should focus on both already well-working institutions and ambitious initiatives in Asia and Middle East, which have the aim to suit the specific demands of international IP dispute resolution. The established specialised courts contribute to the establishment of important financial centres - like Singapore and Dubai - also as attractive *fora* for dispute resolution mechanism, tailored to the IP subject-matters. Once again, it should be outlined that the settlement of national judicial bodies contributes to affirm important financial centres also as attractive *fora* for dispute resolution mechanism tailored to the IP subject-matters.<sup>135</sup> The main examples are in Singapore (Singapore International Commercial Court), Qatar (Qatar International Court and Dispute Resolution Centre, QICDRC), Abu Dhabi (Abu Dhabi Global Markets Courts, ADGMC), and Dubai (International Financial Centre Courts, DIFC).

To sum up what has been discussed in this first chapter, it is revealed that the final objective of the European institutions is to implement and amplify patent protection also through the establishment of specialised judicial structures. As international competition is becoming increasingly fierce and complex, Europe needs effective policies and appropriate instruments that are able to support technically valuable companies needing to protect their industrial or commercial property. Innovative

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<sup>135</sup> Gary F. Bell, *The New International Commercial Courts—Competing with Arbitration? The Example of the Singapore International Commercial Court*, CONTEMPORARY ASIA ARBITRATION JOURNAL 193-216 (2018).

business wants to look after their intangible assets through structural measures enabling a sustainable reduction or optimisation of costs, as well as a reduction of bureaucratic and procedural hindrances.

However, the debate about the actual economic benefits of establishing the Unified Patent Court continues, especially for the Small and Medium Enterprises (SMEs). As it will be thoroughly discussed in the third chapter of this thesis, there are many reasons to believe there is a significant risk if there will be an increase in the costs of defending patent rights for the SMEs, should the Unified Patent Court be implemented. Additionally, we can argue that setting up a unified court with specialised jurisdiction for Intellectual Property disputes is the most appropriate solution. Establishing a specialised court indeed seems to be the right path to provide faster court procedures and to unify substantive patent law regarding the scope and limits of the conferred IP rights. The unified protection system should gradually help to reduce the presence of divergent judgments handed down by national courts – as in the case of infringement and validity claims presented on the same patent. The aforementioned discrepancies in the decisions should disappear as soon as the Unified Patent Court will develop a case law in the area of patent protection, thus enhancing legal reliability in the field of Intellectual Property Rights (IPRs). A more efficient and balanced patent litigation system will emerge as a result of this pattern.

## **CHAPTER II – HISTORY OF THE INTEGRATION AND HARMONISATION OF PATENT PROTECTION IN EUROPE: THE CREATION OF A SPECIALISED PATENT COURT THROUGH A LONG AND TORTUOUS JOURNEY**

### **1. General Features and Basic Principles of the Patent System**

Before proceeding with the analysis of the main issues raised by the project of establishing a Unified Patent Court, it is worth to offer a brief overview of basic principles and features of patent system, in order to ensure a clear comprehension of the following more detailed discussions on highly technical aspects.<sup>136</sup> The aim is to reach a greater level of understanding about the benefits achieved through the unification and harmonisation process, whose main stages will be traced in the subsequent paragraphs.

To begin with, it is important to define patent as a set of exclusive rights, concerning privilege and authority of commercially exploiting a creation resulting from study or experimentation, granted to an inventor for a fixed period of time in exchange to a public disclosure of the new device or process. The creation becomes the exclusive property of the inventor, who has an interest in acquiring rights valid on the market where the invention is being supposed to be commercially exploited. A patent can be granted for any inventions with technical character which have to be new, to involve an inventive step and to be susceptible of industrial application, according to the requirements settled for the first time in Article 1 of Strasbourg Patent Convention.<sup>137</sup> In order to be qualified as new, the invention must not be anticipated within the public domain before the applicant files the patent application. As mentioned above, the exclusive rights are granted for a maximum of twenty years,

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<sup>136</sup> See generally DAVID BAINBRIDGE, *INTELLECTUAL PROPERTY* 758, 990 (10<sup>th</sup> ed. 2018).

<sup>137</sup> Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, 27 Nov. 1963, COE European Treaty Series No. 047 [hereinafter Strasbourg Convention]. See *infra* para. 2.1 of Chapter II.

which is the established period the patent lapses. Furthermore, the IP rights are subject to a regular renewal fee, which usually increases over the time to maintain the patent protection for twenty years just for those inventions that are actually competitive on the market. While the invention is protected by the patent, it can be utilised requesting an authorisation from the patent holder and paying a licence fee.

It should be considered that, as long as patents are territorial rights, in patent matter it finds application the principle of territoriality. Consequently, the exclusive rights are only applicable in the country or region in which a patent has been filed and granted, in accordance with the respective national or regional regulation.<sup>138</sup> In principle, an inventor, whose aim is obtaining patents in a number of countries, should file a patent application in each relevant national patent office. Undoubtedly, such a system would urge the applicant to support considerable costs, in order to file multiple patent requests, translated in different languages, as well as in accordance with divergent substantial and procedural legislations.<sup>139</sup> Therefore, patent law is not suitable for a regulation at national level, since it is rarely the case the inventor is interested in concentrating the patented invention exploitation in a single country, especially considering the increasing supranational dimension of markets.<sup>140</sup>

In view of patent law unquestionably supranational nature, an integrated harmonisation of systems and rules have been necessary in order to give an answer to the mentioned issues. Although a certain degree of national legislation harmonisation on substantial and procedural issues has been obtained, in recent years it has been heightened the need to unify the judicial system, with the aim of ensuring uniformity in the interpretation of common regulations through the creation of a specialised court for patent disputes. As previously underlined, divergencies between domestic patent

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<sup>138</sup> ADRIANO VANZETTI & VINCENZO DI CATALDO, *MANUALE DI DIRITTO INDUSTRIALE* 495-496 (8<sup>th</sup> ed. 2018).

<sup>139</sup> For a brief integrated summary of the many difficulties for the parties and the undesirable effects derived from the lack of a uniform interpretation and a unified patent law *see* STEFAN LUGINBUEHL, *EUROPEAN PATENT LAW: TOWARDS A UNIFORM INTERPRETATION* 2-11 (2011).

<sup>140</sup> ANNETTE KUR & THOMAS DREIER, *EUROPEAN INTELLECTUAL PROPERTY LAW: TEXT, CASES AND MATERIALS* 12 (2013).



laws and their interpretation by national courts are often experienced. The Unified Patent Court was intended to reduce these contrasts by providing a single forum for patent disputes, which would achieve consistency of quality in decision making. It was envisaged that an increasingly uniform interpretation of case law would develop over time, obtaining convergence in the approach to both procedural and substantive rules.

Thus, over the past fifty years, one of the most significant current discussions has been the introduction of the so-called Unitary Patent Package, whose purpose is to provide a unitary patent with uniform protection within the territory of the participating Member States. As debate has been continued about the best strategies for the harmonisation of court practice and the simplification of patent costs, the reform has been greeted with interest by both scholars and intellectual property law practitioners. Nevertheless, the proposal of the unitary patent protection gave rise to considerable criticism in relation to certain substantive provisions and to the legislative technique adopted, as it will be discussed in detail in the last chapter of the present study.

The following paragraphs will analyse the path taken in the evolution of the patent protection harmonisation, focusing on the salient features of the numerous reform proposals and commenting the current state in light of the historical process.<sup>141</sup> The study attempts to demonstrate that the difficulties manifested today in implementing the unitary patent system derive from the latent and unsolved issues over the relationship between the overall structure of the new judicial instrument and basic principles of the EU legal order, which had already emerged in the origins of the European patent unification movement.

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<sup>141</sup> See John B. Pegram, *An American View of the Patent System in Europe in 2009*, 91 JOURNAL OF THE PATENT AND TRADEMARK OFFICE SOCIETY 594 (2009). The Author discusses the origins of the patent system, the lack of a European court system for patent issues, and the relations between the national and supranational patent offices.

## 2. The Evolution of the Legal Framework: a Step Back to the First Attempts of Establishing a Uniform Patenting System

The process concerning the unification of the patent system dates back to the late nineteenth century, however today the harmonisation goal has to be fully realised yet.<sup>142</sup> Despite the integration of patent law standards has long felt to be a political necessity, it has been proved very difficult to achieve in Europe. With the aim of interpreting better the current situation, the first part of the chapter critically retraces the early origins of the European unification movement and the significant efforts directed towards the harmonisation of patent systems.

Although the early Fifties are usually considered the starting point of the unification first attempts, the search for compromise in pursuing uniform solutions began with the adoption of Paris Convention for the Protection of Industrial Property in 1883.<sup>143</sup> The Paris Convention enacted two main substantive provisions, regarding the right to national treatment and right of priority. It began to emerge the idea of constraining to patent holders preferential treatment, related to their nationality, and of granting the same protection for industrial property.<sup>144</sup> Furthermore, the Paris Convention offered a great practical advantage to those applicants who were simultaneously seeking protection in several countries. Establishing the so-called “right of priority” the Paris Convention pursued the objective of avoiding that the publication in one nation could destroy the novelty requirement of the invention in the other countries. By virtue of the “right of priority”, the inventor, within twelve months

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<sup>142</sup> It is interesting to notice that as early as the late 1950s the creation of a unitary patent system was defined as an “old and vexing problem”. See Richard Spencer, *A European Patent: An Old and Vexing Problem*, 45 ABA JOURNAL 1157 (1959). The same expression was then adopted fifty-four years later by Justine Pila, *infra* note 148.

<sup>143</sup> Paris Convention for the Protection of Industrial Property, 20 Mar. 1883, last revised at Stockholm on 14 July 1967, and amended on 28 Sep. 1979, 828 U.N.T.S. 305 [hereinafter Paris Convention]. The Paris Convention is considered the first formal multilateral patent treaty to be adopted at the international level, it has been revised six times and there are currently 177 total contracting member countries, including all the European Union Member States.

<sup>144</sup> *Id.*, Art. 2.

from the first application, could apply for protection in any of the other contracting states having “priority” over applications for the same invention filed by others during the mentioned period of time.<sup>145</sup>

## 2.1. The Guide of the Council of Europe through a European Patent Integration Process

The very first phase of a unification process concerning the European area, which has received little treatment comparatively within the vast bibliography dedicated to the following stages, was guided by the Council of Europe (CoE).<sup>146</sup> Indeed, in 1949 the CoE made the preliminary moves towards a European Patent System by proposing to set up a European Patent Office (EPO).

To understand why the first step of the European unification project was driven by such an organisation, it is worth underlining that, according to its Statute, the aim of Council of Europe was to achieve “a greater unity between its Members for the purpose of [...] facilitating their economic and social progress”, which shall be pursued “by agreements and common action in economic, social, cultural, scientific, legal and administrative matters”.<sup>147</sup> In the post-war Europe it was already evident that unifying the formalities prescribed by the various national legislations for patent applications could enhance economic prosperity, giving greater efficiency to the users and avoiding distorted competition.

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<sup>145</sup> *Id.*, Art. 4.

<sup>146</sup> Aurora Plomer, *A Unitary Patent for a (Dis)United Europe: The Long Shadow of History*, 46 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 508, 509 (2015).

<sup>147</sup> Statute of the Council of Europe Art. 1, 5 May 1949, 87 U.N.T.S. 103, E.T.S. No. 001 (“(a) The aim of the Council of Europe is to achieve a greater unity between its Members for the purpose of safeguarding and realising the ideals and principles which are their common heritage and facilitating their economic and social progress. (b) This aim shall be pursued through the organs of the Council by discussion of questions of common concern and by agreements and common action in economic, social, cultural, scientific, legal and administrative matters and in the maintenance and further realisation of human rights and fundamental freedoms. (c) Participation in the Council of Europe shall not affect the collaboration of its Members in the work of the United Nations and of other international organisations or unions to which they are parties. (d) Matters relating to national defence do not fall within the scope of the Council of Europe.”).

From the late 1950's to 1963, when the Strasbourg Convention was adopted, three main projects were proposed.<sup>148</sup> The first motion considered the possibility to establish a unitary patent structure coexisting with national patent legal orders. It dates back to September 1949 when, few months after the creation of Council of Europe, Henri Longchambon suggested that the Committee of Ministers should insert in the agenda a session to study the creation of a European Patent Office.<sup>149</sup> Examining the Report it may be noticed that the proposal of the French Senator, also known as the “Longchambon plan”, was the very first document to pave the way for the creation of an integrated European patent system. Throughout its very first session, the Consultative Assembly of the Council of Europe, later called Parliamentary Assembly, adopted a recommendation, recalling the arguments proposed in the “Longchambon plan” and, thus, promoting the idea of a unitary patent system.<sup>150</sup>

In the Introductory Note the Rapporteur Longchambon identified, for the first time in an official record, the main reasons for simplifying and unifying the procedure for patent applications together with the classification of patent inventions.<sup>151</sup> It was acknowledged that the major issue consisted in the existence of great differences among countries in patent systems, which obliged the inventors to refer to various jurisdictions not only for the patent to be granted but also for its protection.

As the problem of patent law harmonisation proved to be deep-rooted, the Report recalled that attempts to coordinate the different legislations were in existence even at the time of the first International Congress of Vienna in 1873.<sup>152</sup> A resolution adopted

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<sup>148</sup> Justine Pila, *The European Patent: an old and vexing problem*, 62 INTERNATIONAL AND COMPARATIVE LAW QUARTERLY 917, 921 (2013).

<sup>149</sup> Henri Longchambon, *Creation of a European Patents Office*, Committee on Economic Affairs and Development, Report to Consultative Assembly, 06 Sep. 1949, Report COE Doc. 75, Official Report No. 18.

<sup>150</sup> Consultative Assembly (now Parliamentary Assembly) of the Council of Europe, *Creation of a European Patent Office*, 08 Sep. 1949, Conclusions COE Doc. 110.

<sup>151</sup> Henri Longchambon, APPENDIX I to the Report on the Creation of a European Patents Office. Introductory Note to the Study of the Problem of the Creation of a European Patents Office, COE Doc. 75.

<sup>152</sup> The British patent barrister Thomas Webster, a delegate for United Kingdom, wrote about the Vienna Congress. See THOMAS WEBSTER, CONGRES INTERNATIONAL DES BREVETS D'INVENTION TENU A L'EXPOSITION UNIVERSELLE DE VIENNE EN 1873 (1877).

as an outcome of the Congress clearly invited the governments to initiate “an international understanding on the patent protection”, considering “the great inequality of the existing patent legislation”.<sup>153</sup> Since then, the many efforts to implement unification failed mainly because they tried to effect a unification of existing legislation.<sup>154</sup>

The draft proposal of a Convention on the creation of a European Patent Office tried to suggest a different solution. According to the study, a European Patent Office would have been set up as a public institution of the Council of Europe. The Office would have had administrative functions, specifically to issue a “European Inventors’ Certificate” to inventors who would have applied for it through their respective national patent services.<sup>155</sup> The EPO’s main role would have been to ascertain the newness and patentability of the invention, according to the legislation and precedents of the Member States.<sup>156</sup> Despite the draft envisaged harmonisation of domestic patent systems, it still deferred national patent offices the power to make final decisions on

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<sup>153</sup> The resolution stated: “In consideration of the great inequality of the existing patent legislation, and in consideration of the altered means of international communication of the present time, there is great want of reform, and it is very desirable that the Governments will initiate an international understanding on the patent protection”. See MOUREEN COULTER, *PROPERTY IN IDEAS: THE PATENT QUESTION IN MID-VICTORIAN BRITAIN* 168 (1991).

<sup>154</sup> The problem was again considered at the Congress of Paris in 1878, at an international Parliamentary economic conference in 1916 and later at the Congress of London in 1932. See Longchambon, *supra* note 149.

<sup>155</sup> Henri Longchambon, APPENDIX II to the Report on the Creation of a European Patents Office. Study for draft Proposal of a Convention on the creation of a European Patent Office, Art. 1, COE Doc. 75 (“A European Patents Office shall be set up, responsible for the issuing of a European Inventors’ Certificate to inventors who apply for it through their respective national services for the protection of industrial rights. Such certificates shall not entitle to any final industrial rights unless the conditions laid down in the respective national legislations are fulfilled. Nevertheless, the decision of the European Office concerning the establishment of newness of the invention shall constitute a definitely fulfilled condition for the national service called upon to issue the patent.”).

<sup>156</sup> *Id.*, Art. 2 (“The procedure for the issuing of the European Inventors’ Certificate shall be as follows: any person, or group of persons, may apply for a patent to one of the national services for the protection of industrial rights in a Member State and at the same time request a European invention certificate. Within a fortnight of receipt of such application, the service concerned shall transmit it to the European Patents Office, which will then proceed to an examination, by cross-questioning if necessary, with a view to ascertaining whether newness and patentability of the invention can be established, in accordance with rules which the specialised section mentioned below will have laid down in accordance with the legislation and precedents of the Member States [...]”).

patentability, in accordance with conditions and requirements laid down in the respective national legislations.

The adoption of Recommendation 22 by Consultative Assembly was followed by a protracted work led by the Council of Europe's Committee of Experts on Patents (CEP), set up in 1950 and composed of patent offices' chiefs and Member States' representatives. From the very beginning it was revealed the inner distance between the idea of a greater integration detailed in the draft and the reality of the national systems' resistance to being combined and supported by a supranational structure.<sup>157</sup> In the end an agreement could not have been reached even though the draft Convention would have had barely no impact on domestic legal orders, provided that it would have established a centralised administrative office operating alongside the existing national patent services. Given the difficulties encountered concerning the diversity of national patent legislations, the Council of Europe's Committee of Ministers stated that it would have not been possible to create a European Patent Office, therefore asked the CEP to continue investigating how harmonisation process could be achieved.<sup>158</sup>

After further inquiry the experts advanced a second proposal, whose main attempt was to reduce the differences between the substantive regulations of European states. Firstly, two protocols, which laid strong foundations for the harmonisation of national legislation, were the result of the Committee's intensive work.<sup>159</sup> Secondly, following the given recommendations, a Convention concerning uniform formal and procedural requirements for patent application was signed in Paris in 1953, with the aim of simplifying and unifying "as far as it is possible, the formalities required by the various national legislations for patent applications".<sup>160</sup> A year later, a second Convention was approved, creating the International Classification of Patents for Invention, that was a

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<sup>157</sup> Plomer, *supra* note 146, at 512.

<sup>158</sup> Committee of Ministers, Fourth report addressed by the Committee of Ministers to the Consultative Assembly in pursuance of Article 19 of the Statute, 7 May 1953, Statutory Report COE Doc. 122.

<sup>159</sup> Committee of Ministers, Examination of Patent Applications for Novelty, 12 Sep. 1952, Resolution 49; Committee of Ministers, Plan of future work of the Committee of Experts on Patents, 12 Sep. 1952, Resolution 51.

<sup>160</sup> European Convention relating to the Formalities Required for Patent Applications, 11 Dec. 1953, COE European Treaty Series No.16.

uniform system of patent classification.<sup>161</sup> Once the first results were achieved, the CEP concluded that the main obstacle to the harmonisation goal was represented by the peculiarities of national patent regulation, which did not involve only technical legal issues but instead reflected domestic economic priorities and political programmes. Nevertheless, the nature of economic life proved to be progressively more international to such a degree that, considered the strong link between commercial trade and industrial property rights, it was difficult to imagine “that they could be governed, in the relations between nations, other than by [international] agreements”.<sup>162</sup>

In light of this rationale, it was proposed a third solution to approach the unification of patent system, which implicated the adoption of a convention to harmonise substantive aspects of national patent law. Considering the failure of the former attempts, the Council decided to pursue negotiations with the aim of reaching a common agreement, finally realised in 1963 with the Strasbourg Patent Convention. In line with such a policy objective, the Committee of Ministers invited national delegations to submit reports in order to stimulate a unification process of the substantial national laws, namely of the patent criteria and standards. The study of the rapporteurs, definitively completed in 1962, was then reproduced in the final draft of Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Invention<sup>163</sup>.

As previously explained, the Strasbourg Patent Convention was the outcome of an analytical and comparative study, whose significant impact was threefold. Firstly, the main legislative innovation of the proposed convention consisted in the identification

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<sup>161</sup> European Convention on the International Classification of Patents for Inventions, 19 Dec. 1954, COE European Treaty Series No.17.

<sup>162</sup> Guillaume Finnis, *Will National Industrial Property Rights Disappear?*, 3 INDUSTRIAL PROPERTY 148, 154 (1961).

<sup>163</sup> Convention on the Unification of Certain Points of Substantive Law on Patents for Invention, 27 Nov. 1963, COE European Treaty Series No. 047 [hereinafter Strasbourg Convention]. The multilateral treaty, signed in Strasbourg, was for signature by the Member States and for accession by non-member States, members of the International Union for the Protection of Industrial Property. It was ratified by thirteen countries, among which Belgium, Denmark, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, the Republic of Macedonia, Netherlands, Sweden, Switzerland, and United Kingdom.

of three general requirements that had to be met for a patent to be validly granted in the contracting States.<sup>164</sup> It clearly expressed the necessary requirements to be eligible for patent protection, since the claimed invention shall:

- a) consist of patentable subject matter;
- b) be new (novelty requirement);
- c) involve an inventive step (non-obviousness requirement);
- d) be capable of industrial application (utility requirement);
- e) be clearly disclosed in the patent application (disclosure requirement).<sup>165</sup>

Secondly, referring to novelty, that is the core of the above-mentioned requirements, the Strasbourg Patent Convention rigorously defined the standards that had to be met for patent inventions in order to be considered as innovative.<sup>166</sup>

Thirdly, it is worth underlining its expansive conception of protectable subject matter, although it specifically excluded from patent protection the inventions whose commercial exploitation was contrary to public order or morality.<sup>167</sup> In summary, the Strasbourg Patent Convention managed to obtain the necessary political consensus to be adopted mainly because it found the correct compromise between the objective to achieve European unity and the need to preserve the integrity of national orders.

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<sup>164</sup> *Id.*, Art. 1 (“In the Contracting States, patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step. An invention which does not comply with these conditions shall not be the subject of a valid patent. A patent declared invalid because the invention does not comply with these conditions shall be considered invalid ab initio.”).

<sup>165</sup> *Id.*, Art. 8 (“(1) The patent application shall contain a description of the invention with the necessary drawings referred to therein and one or more claims defining the protection applied for. (2) The description must disclose the invention in a manner sufficiently clear and complete for it to be carried out by a person skilled in the art. (3) The extent of the protection conferred by the patent shall be determined by the terms of the claims. Nevertheless, the description and drawings shall be used to interpret the claims.”).

<sup>166</sup> *Id.*, Art. 4 (“(1) An invention shall be considered to be new if it does not form part of the state of the art. (2) [...] the state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of the patent application or of a foreign application, the priority of which is validly claimed. [...]).”).

<sup>167</sup> *Id.*, Art. 2 (“The Contracting States shall not be bound to provide for the grant of patents in respect of: (a) inventions the publication or exploitation of which would be contrary to ordre public or morality, provided that the exploitation shall not be deemed to be so contrary merely because it is prohibited by a law or regulation; (b) plant or animal varieties or essentially biological processes for the production of plants or animals; this provision does not apply to micro-biological processes and the products thereof.”).



## 2.2. European Economic Community's Ambition and the Adoption of the European Patent Convention

Despite after a decade the “forgotten”<sup>168</sup> Strasbourg Convention has been replaced by the European Patent Convention (EPC), its substantial provisions have been incorporated in the new convention, since they have offered a blueprint for the harmonisation of the patentability requirements. The following moves towards a unified patent system came from the Member States of the European Economic Community (EEC), however the final result did not consist in the establishment of a legal structure based on a Community law instrument, but rather in the adoption of an international convention signed outside the EEC, thus also by non-Community countries.<sup>169</sup>

Initially, once established a working group with the national patent office chiefs, many doubts raised about the possibility to initiate an action in the field of unification of national laws.<sup>170</sup> The difficulties concerning the legal bases under the Treaty of Rome were twofold: firstly, according to Article 100 the approximation of laws was limited to cases where “the establishment or functioning of the common market” was “directly” affected.<sup>171</sup> It was uncertain whether the divergence in patent laws had a “direct” effect on the EEC market and, as a consequence, the harmonisation of national systems could fall within the scope of the provision. Secondly, it was doubtful that the Commission could be considered competent under Article 101, which allowed

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<sup>168</sup> As the Strasbourg Convention was called by Wadlow in an interesting historical review of the Strasbourg Convention. See Christopher Wadlow, *Strasbourg, the forgotten patent convention, and the origins of the European patents jurisdiction*, 41 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 123 (2010).

<sup>169</sup> EEC Treaty or Treaty of Rome: Treaty Establishing the European Economic Community, Arts. 2, 3, 25 Mar 1957, 298 U.N.T.S. 3, 4 Eur. Y.B. 412 [hereinafter EEC Treaty]. It stated the intention to promote a harmonious development of economic activities and to remove existing obstacles to trade through the approximation of economic policies and laws.

<sup>170</sup> The chairman of the working party of experts of the six Member States was the President of the German Patent Office, Kurt Haertel.

<sup>171</sup> EEC Treaty, *supra* note 169, at Art. 100.

unification processes in case the different regimes of industrial property rights produced distortion of “the conditions of competition in the common market”.<sup>172</sup>

After the initial hesitation, the working group of patent experts was further mandated to draft a proposal with the aim of attenuating the divergencies in national patent regulations, which could have both a negative impact on the common market and a distorting effect on competition. It is relevant to highlight that the outcome envisaged, for the first time, the opportunity to establish a “Cour européenne des brevets”, with competence to hear cases regarding European patents and to interpret the Convention.<sup>173</sup> However, many fundamental aspects remained undisclosed and intended to be included in a separate instrument, such as the relationship of the court to other courts and specifically to the European Court of Justice. Thus, the idea of establishing a European Patent Court was abandoned and the work of experts committee had to cease, due to the disagreement among the EEC six Member States.<sup>174</sup>

As the elaboration of a clear legal architecture of a European Community Patent Convention has failed, a couple of years later it was acknowledged that the unification project had to be split into two diverging directions: on the one hand a system for members and non-members of EEC, on the other one a structure primarily addressed to EEC members.<sup>175</sup> The issue of choosing between a European patent or an EC patent became relevant principally when the UK, not a member of the EEC yet but hosting one of the three major patent offices in Europe, announced its interest in being part of the agreement. Eventually in 1973 the adoption of the European Patent Convention, called Munich Convention,<sup>176</sup> resulted from the first path, which was open also to non-

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<sup>172</sup>*Id.*, at Art. 101.

<sup>173</sup> Preliminary draft convention on a European patent law drafted by the Patent Working Group [*Avant-projet de convention relatif a un droit europeen des brevets elabore par le groupe de travail “brevets”*], 1962, EU Commission Working Document. See Art. 4.

<sup>174</sup> It is interesting to notice that in 2010 Wadlow defined the creation of a European Patent Court as “the keystone of the arch” in the unified patent system and identified in its absence one the main reasons for the continuing reform failures. See Wadlow, *supra* note 168, at 139.

<sup>175</sup> The six original Member States were Germany, Belgium, France, Italy, Luxembourg, and Netherlands.

<sup>176</sup> Convention on the Grant of European Patents, 5 Oct. 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention or EPC or Munich Convention].

EEC members. Whereas in 1975 the second movement led to the establishment of the Community Patent Convention (CPC), also called Luxembourg Convention, which was a legal instrument adopted within the Community legal order.<sup>177</sup>

As it will be explained later,<sup>178</sup> the latter project has never come into force, conversely the model of integration developed by the European Patent Convention proved to be successful and attracted a greater number of countries.<sup>179</sup> The experts properly acknowledged that political acceptance was conditional on finding a more cautious approach to transfer national sovereignty, thus it was proposed an agreement on common procedure for patent grant, waiving the unification of the substantive features of national patent laws.

The European Patent Convention is a multilateral treaty, which gave birth both to the European Patent Organisation and the European Patent Office (EPO), thus providing a unitary legal system to review and grant European patents.<sup>180</sup> In accordance with the EPC, it can be filed a single patent application with the EPO that, once granted, is applicable in all the designed Contracting Member States and has “the [same] effect and [is] subject to the same conditions as a national patent” granted by the respective national patent office.<sup>181</sup> Therefore, the European patent is not a supranational patent, but a “bundle” of national patents, whose validity is governed by the Convention rather than national law, notwithstanding the Member States retained the right to regulate post-grant matters, including infringement.

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<sup>177</sup> Convention on the European Patent for the Common Market, 15 Dec. 1975, 19 O.J. (L 17) 1 (1976) [hereinafter Community Patent Convention or CPC or Luxembourg Convention].

<sup>178</sup> See *infra* para. 2.3 of Chapter I.

<sup>179</sup> As of 2020, there are 38 Contracting States to the EPC, including all the European Union Member States and 11 countries of the European region, such as Albania, Iceland, Liechtenstein, Macedonia, Monaco, Norway, San Marino, Serbia, Switzerland, Turkey, and the United Kingdom. In addition, there are “extension states”, namely Bosnia and Herzegovina and Montenegro, which are not Contracting States but have signed extension agreements. The European Union is not part of the EPC and does not legally bind the European Patent Organisation.

<sup>180</sup> European Patent Convention (EPC), *supra* note 176176, at Art. 1.

<sup>181</sup> *Id.*, Art. 2 (2).

As mentioned above, the Strasbourg Convention patentability requirements were replicated in the EPC,<sup>182</sup> although it was conferred to national laws the possibility to preserve domestic requirements relating to “order public” and public security, through the adoption of exceptions to patentability under specific circumstances.<sup>183</sup> Additionally, the issues of patent entitlement was left for determination by national legislations, mainly because it was difficult to find a common standard between the divergent regulations on ownership of inventions.<sup>184</sup>

Under the 1973 European Patent Convention, it was created the European Patent Organisation which is structured into two organs: the European Patent Office (EPO) that, as its executive body, is responsible for examining patent applications and for holding opposition proceedings. The second one, called Administrative Council, is the legislative branch of the European Patent Organisation, which is made up of Contracting States delegates and supervises the activities of the Office.<sup>185</sup> The EPO’s headquarter is located in Munich, however it has offices in Berlin, The Hague, Vienna, and Brussels.

The working group’s intent was to build a unitary system that could be endorsed also by the non-EEC partner countries of the European region, with the aim of being able to compete in the international trade scenario. In principle, the intergovernmental solution was intended to be a transitory settlement, while still pending the harmonisation goal within the EEC legal order. However, as it will be better described in the following paragraphs, the creation of an “international” European system, based on the provisions of an independent multilateral treaty and established outside the EEC

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<sup>182</sup> *Id.*, Art. 52 (1) (“European patents shall be granted for any inventions which are susceptible of industrial application, which are new, and which involve an inventive step.”).

<sup>183</sup> *Id.*, Art. 53 (1) (“European patents shall not be granted in respect of: (a) inventions the commercial exploitation of which would be contrary to “*ordre public*” or morality; such exploitation shall not be deemed to be so contrary merely because it is prohibited by law or regulation in some or all of the Contracting States.”).

<sup>184</sup> *Id.*, Art. 60 (1).

<sup>185</sup> *Id.*, Art. 4.

institutions, utterly obscured and overwhelmed the project of a Community Patent Convention guided by EEC.<sup>186</sup>

### 2.3. Unsuccessful Initiative of the EEC Six: the Community Patent Convention and the Following Luxembourg Agreement

The harmonisation program proposed within the EEC States consisted of an autonomous supranational system, including international administrative and judicial institutions, which would co-exist with domestic patent settlements.<sup>187</sup> Moreover, national interests and sovereignty would be preserved also by permitting domestic law and courts have exclusive competence concerning matters of conflict, such as infringement issues and restrictions on exploitation of patents at national level.<sup>188</sup> The economic assumptions that justified the project consisted in the increased attractiveness of a uniform patent protection integrated in the EEC, especially for innovators in search of a cheaper legal system to protect their Intellectual Property products.<sup>189</sup> Unsurprisingly, for the reasons examined below, the resolute political and legal difficulties prevented the implementation of the EEC's initiative.

The Member States opted to conclude a multilateral agreement in accordance with international law due to the absence of any clear mandate in the EEC Treaty to state its competence in intellectual property rights. Indeed, the Treaty of Rome provisions regarding industrial property<sup>190</sup>, together with the ones concerning freedom of

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<sup>186</sup> Otto Bossung, *The return of European patent law to the European Union*, 27 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 287, 298 (1996).

<sup>187</sup> Finniss, *supra* note 162, at 162.

<sup>188</sup> Pila, *supra* note 148, at 923.

<sup>189</sup> These economic evaluations were questioned by some experts. For an analytical overview of how the economic development can be promoted by an effective system of Intellectual Property Rights *see, e.g.*, Keith E. Maskus, *Intellectual Property Rights and Economic Development*, 32 CASE WESTERN RESERVE JOURNAL OF INTERNATIONAL LAW, 471 (2000). For brilliant considerations on the role of Intellectual Property Rights in encouraging innovation *see* Joseph E. Stiglitz, *Economic Foundations of Intellectual Property Rights*, 57 DUKE LAW JOURNAL, 1693 (2008); here the Author concludes that “[...] a poorly designed intellectual property regime [...] can actually impede innovation. [...] IPR should be seen as part of a portfolio of instruments. We need to strengthen the other elements of this portfolio and redesign our intellectual property regime to increase its benefits and reduce its costs. Doing so will increase the efficiency of our economy—and most likely even increase the pace of innovation.”.

<sup>190</sup> EEC Treaty, *supra* note 169, at Arts. 36, 222.

movement and competition<sup>191</sup>, created an ambiguity with reference to EEC's competence in patent law. A specific legal basis for the creation of unitary Intellectual Property Rights will then be introduced only several decades later with the entry into force of the Lisbon Treaty and its Article 118 TFEU.<sup>192</sup> It is worth to underline that the constraint of adopting a special international agreement also opened an internal debate concerning the possibility of creating a system that would serve a wider community beyond the EEC's boundaries and, correspondingly, would have a broader membership policy.<sup>193</sup>

However, the 1975 Community Patent Convention project failed to receive enough ratifications and never came into force. Indeed, the CPC demanded approval by each of the nine EEC Members, including States which required national referendums or large parliamentary majorities in order to complete the procedure necessary to implement of the Convention.<sup>194</sup> Similarly, a later attempt in 1989 to restore the proposal proved to be unsuccessful, as the following Agreement suffered the same destiny of the Luxembourg Convention in never being implemented.<sup>195</sup>

Among the numerous reasons related to the failure of the Luxembourg Convention, it can be underlined that the 1975 Community Patent Convention project proposed a separation between the jurisdiction related to infringement and the one related to validity proceedings, moreover it required a patent to be translated in every Community language.<sup>196</sup> Therefore, the application for a patent protection resulted to

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<sup>191</sup> *Id.*, Arts. 85, 86.

<sup>192</sup> Anna Wilińska-Zelek & Miłosz Malaga, *EU Competence and Intellectual Property Rights. Internally Shared, Externally Exclusive?*, 1 SSP 40 (2017).

<sup>193</sup> For a brief overview on the rationale of the EEC patent unification project interpreted in the light of the current EU's unifying ambition see Aurora Plomer, *The Unified Patent Court: Past Present and Future*, in *THE EUROPEAN UNION AND THE INTERNATIONAL DISPUTE SETTLEMENT MECHANISM* 277 (Marise Cremona, Ann Thies, & Ramses Wessels eds., 2017).

<sup>194</sup> Only after twenty years of institutional and political debate, on 26 July 1993 with law n. 302/1993, the ratification law came into force in Italy. See Massimo Scuffi, *Il brevetto comunitario: osservazioni a margine della legge n. 302/1993*, 94 QUADERNI DEL CONSIGLIO SUPERIORE DELLA MAGISTRATURA (1994).

<sup>195</sup> Agreement relating to Community patents, 15 Dec. 1989, 1989 O. J. (L 401) 1 – 27.

<sup>196</sup> Community Patent Convention (CPC), *supra* note 177, at Art. 10.

be prohibitive with regard to the costs and inadequate as for the protection granted.<sup>197</sup> Furthermore, although the CPC managed to propose uniformity and homogeneity of many patent system elements, such as renewal fees and revocation proceedings, it was not considered able to promote integration amid the existing national patent systems, the Munich Convention provisions and the international treaties on patent matter.<sup>198</sup>

The failure of the CPC could be understood better by analysing the initial impressions of the European patent professionals of that time, reported by a commentator in the early 1960s.<sup>199</sup> The doubts concerned, on one hand, external problems, which did not have a juridical nature but clearly a political connotation. Complaints were expressed about the prospected option according to which the operation of the Convention would not inherently be restricted to the Common Market countries, but would be available to foreign applicants. It was particularly emphasised the unfairness of treating in equal manner both outsiders and insiders, whereas only the latter would have to “bear the cost of the new system”.<sup>200</sup> On the other hand, the first circulating drafts of the CPC raised concerns at internal level, since it was feared that the structure of the Convention would frustrate rather than facilitate the harmonisation of industrial practice and technological development among EEC Member States.<sup>201</sup>

Moreover, the two main reasons that prevented the Luxembourg Agreement of 1989 from succeeding were related to litigation provisions and language requirements. Regarding the first aspect, the designed court system seemed to be expensive, complicated and inefficient.<sup>202</sup> Firstly, under the Luxembourg Agreement’s litigation

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<sup>197</sup> For an analysis of the other reasons which have prevented the CPC to be implemented as originally imagined see Robert Pitkethly, *The European Patent System: Implementing Patent Law Harmonisation*, 10 OIPRC ELECTRONIC JOURNAL OF INTELLECTUAL PROPERTY RIGHTS WP 1, 4 (1999).

<sup>198</sup> Iain C. Baillie, *Where Goes Europe - The European Patent*, 58 JOURNAL OF THE PATENT OFFICE SOCIETY 153, 155 (1976).

<sup>199</sup> Leonard J. Robbins, *The European Patent Convention - Some Present Viewpoints of the European Patent Profession*, 45 JOURNAL OF THE PATENT OFFICE SOCIETY 295, 297 (1963).

<sup>200</sup> *Id.*, at 301.

<sup>201</sup> *Id.*, at 304.

<sup>202</sup> Paul Joan George Kapteyn, *The Court of Justice of the European Communities after the Year 2000*, in INSTITUTIONAL DYNAMICS OF EUROPEAN INTEGRATION - ESSAYS IN HONOUR OF HENRY G. SCHERMERS 143-144 (Deirdre Curtin & Ton Heukels eds., 1994).

arrangements, validity proceedings and infringement actions were deferred to national courts, designated as Community patent courts by each Contracting Member State.<sup>203</sup> Furthermore, it was also established a Common Patent Appeal Court (COPAC),<sup>204</sup> with the function of safeguarding the uniform application and interpretation of the Luxembourg Agreement.<sup>205</sup> Lastly, both COPAC and certain national courts of first instance were under a duty to request the Court of Justice a preliminary ruling in the event that an interpretation of the Agreement risked being inconsistent with the ECC Treaty.<sup>206</sup> Concerning the language arrangements, the translation conditions established by the European Patent Convention were even burdened with further requirements. In particular, it was required to translate “in one of the official languages of each of the Contracting States in which the language of the proceedings is not an official language” the entire specifications of the Community patent, rather than the solely patent claim.<sup>207</sup>

The proposed judicial structure and language assessment were judged as inappropriate to satisfactory coping with the need to have an effective and efficient common scheme, so that the Luxembourg Agreement could not reach the number of ratifications required for the system to take effect.<sup>208</sup> However, both the Community Patent Convention and the Luxembourg Agreement did not constitute a futile effort, considering that the essential features of the designed system represented significant suggestions for the following regulations.<sup>209</sup>

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<sup>203</sup> Protocol on the settlement of litigation concerning the infringement and validity of Community Patents, Arts. 1, 15, 1989 O. J. (L 401) 34 – 44 [hereinafter Protocol on litigation].

<sup>204</sup> W. L. Haardt, *The Setting Up of a Court of Appeal for Community Patents*, 3 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 332, 334-335 (1985).

<sup>205</sup> Protocol on litigation, *supra* note 203, at Art. 2.

<sup>206</sup> Agreement relating to Community patents, *supra* note 195, at Arts. 2 (2), 3 (2), 73.

<sup>207</sup> *Id.*, Art. 30 (1).

<sup>208</sup> Stefan Luginbuehl & Teodora Kandeva, *The role of the European Court of Justice in the European Patent Court system*, in INTELLECTUAL PROPERTY AND THE JUDICIARY 212 (Christophe Geiger, Craig Allen & Xavier Seuba eds., 2018).

<sup>209</sup> Justine Pila, *An historical perspective I: The Unitary Patent Package*, in THE UNITARY EU PATENT SYSTEM 9, 12 (Justine Pila & Christopher Wadlow eds., 2015).



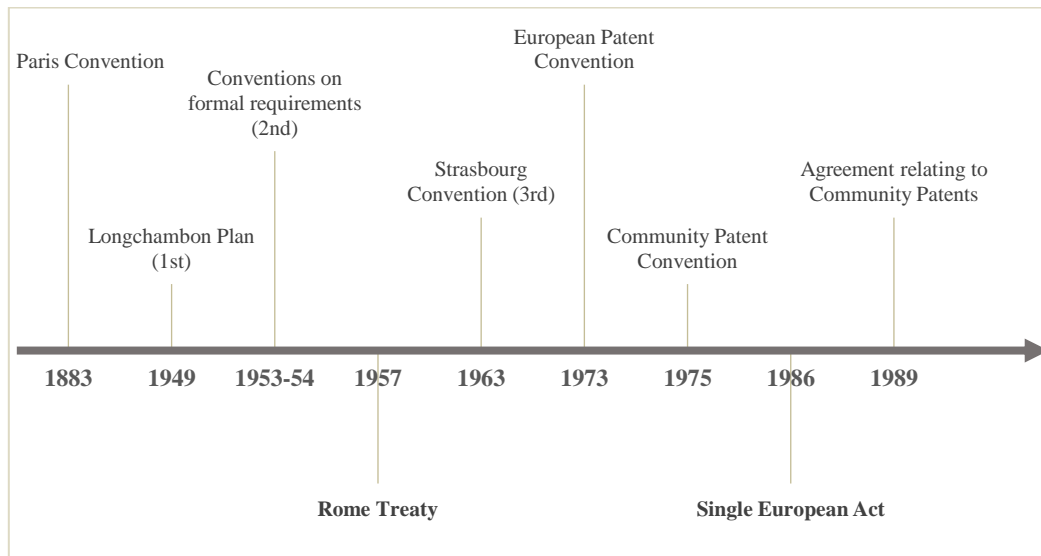


Figure 5. Timeline of the Patent Unification Process -part I (from 1883 to 1989).

### **3. Advantages and Disadvantages of the Implemented Patent System under the European Patent Convention: Main Features of the “Classic” European Patent**

Pending the entry in force of the Unitary Patent Package reform, in the Contracting States of the European Patent Convention patent protection is currently provided by two systems, although neither of them rely on EU legal instruments. The inventor is given the opportunity to file the patent application either to national authorities, which can grant a patent protection limited to the territory of the State, or to the European Patent Office, which can confer European patents.

After having illustrated the principal features of the EPC, it seems now appropriate to identify the advantages and disadvantages of the implemented system. Beginning with the pros, it can be outlined that, thanks to the whole reformation of the previous system, the EPC provides a single procedure for granting patents under homogeneous

patentability requirements.<sup>210</sup> As mentioned above, before the EPC introduction, inventors and companies were asked to file a separate patent application in each single country of the European area where they wanted the invention to be protected. According to the 1883 Paris Convention and the 1963 Strasbourg Convention, the creator was allowed to claim the priority of the first application in order to file a subsequent request for the same invention in another country, maintaining as effective date the one of the first application.<sup>211</sup> Nonetheless, each application was subject to a national validation procedure and had to be filed at the competent national patent office in the language of the respective country.

Therefore, the main novelty of the adopted Convention concerns the provisions on a single patent application to be issued under a new unitary procedure before the European Patent Office and to be processed in one of the three official languages (i.e. English, French and German).<sup>212</sup> After a European patent has been granted by EPO, the full text is published in the EPO official language chosen by the inventor as the language of the proceedings and then, only at the grant stage, the applicant is asked to provide a translation of the patent to the official language of the State where the patent is to be protected. It is clear that deferring the major translation costs to the moment the patent is effectively granted have encouraged the patent application through a European unitary procedure.

As for the negative side, the “classic” European patent issued by the EPO does not grant a unitary effect, because it cannot be considered as a single certificate valid throughout the thirty-eight Contracting States. The applicant is, thus, required to select the countries in which patent protection is sought and to validate the European patent

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<sup>210</sup> Ilya Kazi, *Will we ever see a Single Patent covering the EU, let alone spanning the Atlantic or Pacific?* EUROPEAN INTELLECTUAL PROPERTY REVIEW 538, 539 (2011).

<sup>211</sup> See *supra* para. 2 of Chapter II.

<sup>212</sup> European Patent Convention (EPC), *supra* note 176, at Art. 14 (2) (“A European patent application shall be filed in one of the official languages or, if filed in any other language, translated into one of the official languages in accordance with the Implementing Regulations. Throughout the proceedings before the European Patent Office, such translation may be brought into conformity with the application as filed. If a required translation is not filed in due time, the application shall be deemed to be withdrawn.”).

in each of these states, complying with the divergent formal requirements and paying the due fees to the national patent offices. Therefore, it can be concluded that the cost of securing patent protection through the EPC system is still significant, considering both local fees and translation charges.<sup>213</sup>

Secondly, pursuant to Article 64 of the Convention any patent infringement and invalidity case shall be dealt with by national law, which means that patent litigation takes place on a national basis.<sup>214</sup> The domestic judiciaries have to comply with different sets of rules and can potentially encounter divergent outcomes depending on the seat of litigation, even when the same patented invention is concerned.<sup>215</sup> The only exception concerns actions related to substantial patentability requirements, which cannot be examined in the light of the relevant national law in force in each country where the patent has been granted, but rather according to the uniform principles provided by EPC.

The most serious deficiency, thus, concerns the provisions according to which national courts are competent to decide on both the infringement and validity of European patents.<sup>216</sup> Despite the efforts to harmonise patent law in the Union area proved to be roughly successful, divergencies in interpreting legal principles, including procedural discipline, still survive. Therefore, the lack of a judicial unitary system frustrates the system, implying high costs, diverging court resolutions, forum shopping phenomenon and an overall legal uncertainty.

It can be suggested that the mentioned major problem partly derives from the absence of coordination instruments in the European Patent Convention, since no

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<sup>213</sup> David Kitchin, *Introductory remarks: a judicial perspective*, in THE UNITARY EU PATENT SYSTEM 1, 2 (Justine Pila & Christopher Wadlow eds., 2015).

<sup>214</sup> European Patent Convention (EPC), *supra* note 176, at Art. 64 (3).

<sup>215</sup> The problem of the impact of national court systems on patent litigation is still today a major concern for European institutions. Indeed, in 2017 European Commission presented a paper proposing a comprehensive package of measures to improve the application of patent rights within the EU and to urge the Member States to set up effective mechanisms for judicial patent protection. See Commission Communication, *A balanced IP enforcement system responding to today's societal challenges*, COM/2017/ 707, 29 Nov. 2017.

<sup>216</sup> See generally Massimo Scuffi, *L'evoluzione del diritto europeo dei brevetti: verso la nuova Corte europea dei brevetti e l'unified patent litigation system*, 2 DIRITTO INDUSTRIALE 169 (2010).

provision implements the suspension of the national litigation while the administrative and judicial procedures are pending before the EPO institutions. Conversely, regulations regarding Community trademarks<sup>217</sup> and Community designs<sup>218</sup> provide a coordinated scheme and specific rules on related actions, in order to avert the risk of conflicting decisions and duplication of procedures.<sup>219</sup> The mechanism of staying the proceeding, when the claim is already in issue before another court or the competent office, both aims at avoiding contradiction between the *res judicata* and at pursuing the interests of overall procedural economy and effectiveness.

Although the topic will be discussed in detail in a subsequent section, it should be briefly outlined that in the Unified Patent Court Agreement (UPCA) it is recognised as fundamental to implement a streamlined and synchronised approach to reach judicial ruling uniformity.<sup>220</sup> Undoubtedly, the creation of a supranational court, which will have exclusive competence for the settlement of disputes in respect of both “classic” European patents and Unitary Patents, can produce a split situation between

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<sup>217</sup> Council Regulation 40/94, Art. 100, 20 Dec. 1993, 1994 O.J. (L 11) 1-36 (EC) [hereinafter Regulation on the Community Trademark] (“A Community trade mark court hearing an action referred to in Article 92, other than an action for a declaration of non-infringement shall, unless there are special grounds for continuing the hearing, of its own motion after hearing the parties, or at the request of one of the parties and after hearing the other parties, stay the proceedings where the validity of the Community trade mark is already in issue before another Community trade mark court on account of a counterclaim or where an application for revocation or for a declaration of invalidity has already been filed at the Office.”). The Regulation on the Community Trademark was eventually codified, *see* Council Regulation 207/2009, 26 Feb. 2009, 2009 O.J. (L 78) 1 – 42 (EC).

<sup>218</sup> Council Regulation 6/2002, Art. 91 (1), 12 Dec. 2001, 2002 O.J. (L 3) 1-24 (EC) [hereinafter Regulation on the Community Designs] (“A Community design court hearing an action referred to in Article 81, other than an action for a declaration of noninfringement, shall, unless there are special grounds for continuing the hearing, of its own motion after hearing the parties, or at the request of one of the parties and after hearing the other parties, stay the proceedings where the validity of the Community design is already in issue before another Community design court on account of a counterclaim or, in the case of a registered Community design, where an application for a declaration of invalidity has already been filed at the Office.”). The provision precisely expresses the same rule as Art. 100 of Regulation on the Community Trademark, *see supra* note 217.

<sup>219</sup> MASSIMO SCUFFI, DIRITTO PROCESSUALE DELLA PROPRIETÀ INDUSTRIALE ED INTELLETTUALE. ORDINAMENTO AMMINISTRATIVO E TUTELA GIURISDIZIONALE 123-124 (2009).

<sup>220</sup> For a comment on the relationship between the EPO, its boards of Appeal and the Unified Patent Court *see* Stefan Luginbuehl, *An Institutional Perspective I: The Role of the EPO in the Unitary (EU) Patent System*, in THE UNITARY EU PATENT SYSTEM 45, 52 (Justine Pila & Christopher Wadlow eds., 2015).

the same parties.<sup>221</sup> Thus, pursuant to Article 33 (10) UPCA, a coordination mechanism is determined in the event the opposition proceedings before the European Patent Office and the action of revocation before the Unified Patent Court become pending at the same time.<sup>222</sup>

As it will be explored later in more depth, differences in national legal practices and fragmentation of judicial protection constitute a considerable drawback of the European Patent Convention system and, furthermore, a major constraint for the development of harmonised EU patent law. Considering the significant critical assessments received by the EPC system from the date of adoption, the Member States came to the conclusion that it was crucial to develop an autonomous and unitary patent protection mechanism under the European Community auspices.

#### **4. Regulation Initiatives Concerning Intellectual Property Matters at the Turn of the 21<sup>st</sup> Century**

Building upon the lessons learned from the past string of unsuccessful attempts in implementing harmonisation concerning patent matter, community-level measures were adopted to regulate different sectors of intellectual property area.<sup>223</sup> The adoption of a harmonised legislative framework was facilitated by amendments to primary law, as the Single European Act revised the 1957 Treaty of Rome and introduced Articles

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<sup>221</sup> Winfried Tilmann, *Art. 33. Competence of the divisions of the Court of First Instance*, in UNIFIED PATENT PROTECTION IN EUROPE: A COMMENTARY 647 (Winfried Tilmann & Clemens Plassmann eds., 2018).

<sup>222</sup> Agreement on a Unified Patent Court, Arts. 84, 89 (10), *date of signature* 19 Feb. 2013, *date of entry into force unknown see art. 89*, O.J. (C 175) 1–40 [hereinafter Agreement on a Unified Patent Court or UPCA]. Art. 33 (10) (“A party shall inform the Court of any pending revocation, limitation or opposition proceedings before the European Patent Office, and of any request for accelerated processing before the European Patent Office. The Court may stay its proceedings when a rapid decision may be expected from the European Patent Office.”).

<sup>223</sup> Paul Maier, *HIM’s Role in European Trademark Harmonization: Past, Present and Future*, 23 FORDHAM INTELLECTUAL PROPERTY, MEDIA AND ENTERTAINMENT LAW JOURNAL 687, 691 (2013).

100A and 235.<sup>224</sup> The former, Article 100A of EEC Treaty and now Article 114 of the TFEU, allowed the approximation of “Member States’ laws, regulations and administrative action, so far as these directly affect the establishment or functioning of the common market”.<sup>225</sup> The latter, Article 235 of the EEC Treaty and now Article 352 of the TFEU, allowed the action in areas where competences had not been explicitly granted in the Treaties but are necessary to the attainment of the Community objectives.<sup>226</sup> As Article 352 of the TFEU represents a means of adapting to new challenges and facing unforeseen contingencies that may arise throughout the integration process, it is also called “flexibility clause”.<sup>227</sup>

Firstly, it was proposed the creation of a unitary Community Trademark (CTM) through the adoption of a European Trademark Directive (TMD), in order to approximate the laws of the Member States relating to trademarks, having reached the

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<sup>224</sup> Single European Act, 1987 O.J. (L 169) 1-28. *See* Jules Lonbay, *The Single European Act*, 11 BOSTON COLLEGE INTERNATIONAL AND COMPARATIVE LAW REVIEW 31, 39 (1988).

<sup>225</sup> EEC Treaty, *supra* note 169, at Art. 100. The equivalents are found in Consolidated Version of the Treaty Establishing the European Community, art. 95, 2006 O.J. (C 321E) 37-186 (EC) [hereinafter EC Treaty] and in Consolidated version of the Treaty on the Functioning of the European Union, art. 114 (1), 2012 O.J. (C 326) 47-390 (EC) [hereinafter TFEU] (“The European Parliament and the Council shall, acting in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.”). *See also supra* note 171. *See generally* Julian Currall, *Some Aspects of the Relation between Articles 30–36 and Article 100 of the EEC Treaty, with a Closer Look at Optional Harmonisation*, 4 YEARBOOK OF EUROPEAN LAW 169, 170 (1984).

<sup>226</sup> EEC Treaty, *supra* note 169, at Art. 235. The equivalents are found in EC Treaty, *supra* note 225, at Art. 308 and in TFEU, *supra* note 225, at Art. 352 (1) (“If action by the Union should prove necessary, within the framework of the policies defined in the Treaties, to attain one of the objectives set out in the Treaties, and the Treaties have not provided the necessary powers, the Council, acting unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament, shall adopt the appropriate measures. Where the measures in question are adopted by the Council in accordance with a special legislative procedure, it shall also act unanimously on a proposal from the Commission and after obtaining the consent of the European Parliament.”).

<sup>227</sup> The Court of Justice of the European Union [hereinafter CJEU] has made clear that Article 235 EEC Treaty, now Article 352 TFEU, does not represent a means of circumventing the procedure for the revision of the Treaties. *See* Opinion C-2/94, para. 30, 1996 E.C.R. I-01759 (“That provision, being an integral part of an institutional system based on the principle of conferred powers, cannot serve as a basis for widening the scope of Community powers beyond the general framework created by the provisions of the Treaty as a whole and, in particular, by those that define the tasks and the activities of the Community. On any view, Article 235 [now Article 352 TFEU] cannot be used as a basis for the adoption of provisions whose effect would, in substance, be to amend the Treaty without following the procedure which it provides for that purpose.”).

qualified majority required by Article 100A EEC Treaty.<sup>228</sup> Then it took approximately five more years to agree on the Community Trademark Regulation (CTMR), basing on Article 235 of the EEC Treaty which requires unanimity among the Member States.<sup>229</sup>

Later, during the first decade of 2000s, the Community Design Regulation (CDR) took place, basing on a previously adopted Directive, which had already stated several major elements, such as the definition of the design and the criteria for protection.<sup>230</sup>

#### 4.1. The Debate on the Creation of a Specialised Judicial System

While a community regulation began to take shape as regards several substantive laws on intellectual property matter, a lively debate was still active concerning the creation of a centralised and highly specialised patent jurisdiction in Europe. Regarding the issues related to the patent litigation system, new proposals, coming from both the European Union and the European Patent Convention Contracting Members, were recorded at the beginning of the 21<sup>st</sup> Century. Once more in the history of the evolution of a unitarian patent litigation system, the efforts in creating an integrated judicial system took divergent paths. A proposal outside the framework of EU law, coordinated by Member States of the European Patent Organisation, was presented in parallel with a similar EU level project for a unitary patent protection system.<sup>231</sup>

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<sup>228</sup> Council Directive 89/104, 21 Dec. 1988, 1989 O.J. (L 40) 1-7 (EC). The First Council Directive to approximate the laws of the Member States relating to trademarks was then repealed by European Parliament and Council Directive 2008/95, 22 Oct. 2008, 2008 O.J. (L 299) 25–33 (EC). The Directive 2008/95 is no longer in force as it was replaced by European Parliament and Council Directive 2015/2436, 16 Dec. 2015, 2015 O.J. (L 336) 1–26 (EC).

<sup>229</sup> Regulation on the Community Trademark, *supra* note 217. The Trademark Directive (TMD) and the Community Trademark Regulation (CTMR) share most aspects of substantive law, although the scope of the Directive is narrower, as it does not address issues of procedural law.

<sup>230</sup> Regulation on the Community Designs, *supra* note 218. *See also* European Parliament and Council Directive 98/71, 13 Oct. 1998, 1998 O.J. (L 289) 28–35 (EC).

<sup>231</sup> For an overview of the historical steps towards the introduction of a patent integrated system *see* MASSIMO SCUFFI, IL NUOVO SISTEMA EUROPEO DEI BREVETTI. IL TRIBUNALE UNIFICATO E IL REGOLAMENTO DI PROCEDURA 3 (2017).

Three major approaches in the legislative agenda were represented firstly by the European Patent Litigation Agreement, secondly by the proposal for a Council Regulation on the Community Patent, and thirdly by the Unified Patent Litigation System. As noted above, only the last two proposals were suggested at a European level, whereas the EPLA's negotiations were not coordinated from the European institutions.<sup>232</sup>

#### 4.1.1. *The European Patent Litigation Agreement (EPLA)*

In 1973, when the European Patent Convention was signed in Munich, the patent community succeeded in establishing a uniform granting of patents system, through the creation of the European Patent Office and the European Patent Organisation, however it failed to agree on a consistent enforcement of the new European patent in national courts.<sup>233</sup> Any such reforms had to meet the requirements of ensuring consistency and legal certainty, but at the same time they had to secure that the creation of an additional layer of jurisdiction would not have been resulted in an even more complex and fragmented patent litigation system.<sup>234</sup>

The frustration, arising from European institutions' inability to find an agreement on the unitary patent system, motivated the European Patent Organisation to take into account alternative solutions.<sup>235</sup> In 1999, a Working Party on Litigation was created in order to discuss a proposal based on the European Patent Convention and designed to harmonise patent litigation.<sup>236</sup> Eventually, in 2003, it was presented a draft of a European Patent Litigation Agreement (EPLA) directed to create an "optional protocol

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<sup>232</sup> Patrick Coyle, *Uniform Patent Litigation in the European Union: An Analysis of the Viability of Recent Proposals Aimed at Unifying the European Patent Litigation System*, 11 WASHINGTON UNIVERSITY GLOBAL STUDIES LAW REVIEW 171, 181 (2012).

<sup>233</sup> Scuffi, *supra* note 231, at 170.

<sup>234</sup> Thomas Jaeger, *The EU Patent: Cui Bono et Quo Vadit?* 47 COMMON MARKET LAW REVIEW 63, 66 (2010).

<sup>235</sup> Stefan Luginbuehl, *The Future of Centralised Patent Litigation in Europe: Between the EPLA and the EU Patent Judiciary*, in INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW 232 (Stefan Leible & Ansgar Ohly eds., 2009).

<sup>236</sup> DOMINIQUE GUELLEC & BRUNO VAN POTTELSBERGHE DE LA POTTERIE, THE ECONOMICS OF THE EUROPEAN PATENT SYSTEM: IP POLICY FOR INNOVATION AND COMPETITION 222-223 (2007).



to the European Patent Convention (EPC) which would commit its signatory states to an integrated judicial system, including uniform rules of procedure and a common appeal court”.<sup>237</sup>

The main goal was to overcome the problem of multiple litigation, which resulted from the fact that any European patent infringement issue had to be approached according to the national law and, as a consequence, actions and counterclaims for revocation had to be deferred only to domestic courts.<sup>238</sup> Thus, a judicial system based on national litigation contributed by exposing patent users to several inconveniences, considering that they had to initiate multiple parallel infringement actions “before the national courts in the states where the infringing acts have taken place”, even though the claims were based on the same patent and directed against the same alleged infringer.<sup>239</sup>

A number of problems affecting the litigation system in force on the basis of the European Patent Convention (EPC) were identified. Firstly, they included the considerable costs to litigate in parallel before different national tribunals, as well as the frequent diverging outcomes on the same legal issues and, lastly, the general lack of legal certainty.<sup>240</sup> The phenomenon of forum shopping was also taken in consideration, since the differences among the various national systems would have encouraged litigants to file lawsuits in the jurisdiction that should produce the most favourable result.<sup>241</sup>

Within this general framework, the most innovative aspect of the EPLA draft concerned the assignment of the “classic” European patent’s enforcement to a single

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<sup>237</sup> Intergovernmental Conference of the Member States of the European Patent Organisation on the Reform of the Patent System in Europe, 25 June 1999, 8-9 1999 O. J. EPO 545, 548. In 2000 it was set up a sub-group of the Working Party on Litigation to produce a draft agreement composed of Germany, the United Kingdom, France, the Netherlands, Switzerland, Sweden, Denmark, Finland, Monaco, and Luxembourg.

<sup>238</sup> Coyle, *supra* note 232, at 182.

<sup>239</sup> European Patent Office, *Assessment of the Impact of the European Patent Litigation Agreement on Litigation of European Patents 1* (2006) [hereinafter EPLA Assessment].

<sup>240</sup> Pegram, *supra* note 141, at 601.

<sup>241</sup> Anthony Arnall & Robin Jacob, *European Patent Litigation: Out of the Impasse*, 29 EUROPEAN INTELLECTUAL PROPERTY REVIEW 209, 210 (2007).

European Patent Judiciary (EPJ), with the purpose of improving and making more efficient the European patent litigation system.<sup>242</sup> With a view to achieving this aim, it was proposed to establish the Administrative Committee, a supervisory body, and the European Patent Court, which would have exclusive jurisdiction over infringements and revocation actions regarding European patents.<sup>243</sup> Furthermore, the Court of Appeal would deliver non-binding opinions on any points of law concerning European or harmonised national patent law to national courts.<sup>244</sup>

In December 2005, the relevant provisions of the EU Directive on the enforcement of intellectual property rights were incorporated into the EPLA basic legal instruments, therefore the EPLA Draft Agreement and the Draft Statute of the European Patent Court were revised.<sup>245</sup>

In order to understand better the significance of tracing the historical evolution of the judicial specialisation in patent matter, it is worth here emphasising that, for the first time, it was fully considered a model of specialised court dealing with patent disputes. The Working Party members accentuated the multiple advantages of having the possibility to access to a court specialised in highly technical matters.<sup>246</sup> In particular, the European Patent Court would be composed of technically and legally qualified judges,<sup>247</sup> and its work would increase expertise in intellectual property disputes, while reducing litigation costs.<sup>248</sup>

Hence, the drafters recommended the adoption of the proposed judicial layout because it seemed to represent a great solution for both patent users and single market. However, at the same time, they realised the necessity to delay the convocation of the intergovernmental conference of the European Patent Convention Contracting States,

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<sup>242</sup> Draft Agreement on the Establishment of a European Patent Litigation System, Art. 3, 16 Feb. 2004 [hereinafter EPLA Draft Agreement].

<sup>243</sup> *Id.*, Art. 41.

<sup>244</sup> *Id.*, Art. 83(b).

<sup>245</sup> European Parliament and Council Directive 2004/48, 29 Apr. 2004, 2004 O.J. (L 157) 16-25 (EC).

<sup>246</sup> EPLA Assessment, *supra* note 239, at 8, 9.

<sup>247</sup> Draft Statute of the European Patent Court, Arts. 2, 3, 4, 16 Feb. 2004.

<sup>248</sup> EPLA Assessment, *supra* note 239, at 10 -12. *Contra* Xavier Buffet-Delmas & Laura Morelli, *Modifications to the European Patent System*, 8 INTELLECTUAL PROPERTY AND TECHNOLOGY LAW JOURNAL 18, 21 (2008).

which would have officially endorsed the adoption of the EPLA. The purpose was to coordinate the European Patent Litigation Agreement project with the simultaneous proposal, designed within the European Union legal framework, concerning the creation of a community patent, which would be autonomous and would have its own judicial system.<sup>249</sup>

The further crucial obstacle encountered by the proposed draft was related to certain constitutional concerns raised by France, one of the most relevant European Patent Convention Contracting States. During the working sessions, the French representatives stressed that the establishment of the EPLA should have occurred through the European Union and the creation of a non-EU legal system with a non-EU court should have been considered unacceptable. Furthermore, they voiced doubts regarding the compatibility between the proposed patent court system and the judicial order established by the Treaties, accentuating the importance of giving the European Court of Justice a central role in patent litigation.<sup>250</sup> Conversely, by signing an international agreement, “the European Court of Justice would not have jurisdiction to hear infringement or invalidity suits as such jurisdiction would be vested in a separate international body, the European Patent Judiciary”.<sup>251</sup>

Given the mentioned impediments, in December 2005 implementation of the EPLA had to stop and the work on the establishment of a harmonised patent court system continued through the EU framework.<sup>252</sup>

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<sup>249</sup> See *infra* para. 4.1.3. The Unified Patent Litigation System Chapter II.

<sup>250</sup> Kerry J. Begley, *Multinational Patent Enforcement: What the Parochial United States Can Learn from Past and Present European Initiatives*, 40 CORNELL INTERNATIONAL LAW JOURNAL 521, 556-559 (2007).

<sup>251</sup> Coyle, *supra* note 232, at 185 n. 111.

<sup>252</sup> For a comparative exam on the different systems which have been proposed for a pan-European patent litigation see Christopher Wadlow, *An historical perspective II: The Unified Patent Court*, in THE UNITARY EU PATENT SYSTEM 33, 43 (Justine Pila & Christopher Wadlow eds., 2015). Wadlow points out that the structure of Unified Patent Court Agreement (UPCA) strictly derives from the project concerning the European Patent Litigation Agreement (EPLA), considering that the main innovations are purely political and concern the multiple divisions of the Court of First Instance.

#### *4.1.2. The Commission Green Paper and the Following Proposal for a Council Regulation*

Considering the success of the legislative initiatives on trademarks and designs, serious consideration was given to the idea of achieving a standardised regulation in the area of patent law through the same relevant legal bases provided by the Treaties.<sup>253</sup> As a first step, in June 1997 the European Commission approved a Green Paper, that put forward the central question on which means should be used to improve and modernize the patent system in Europe.<sup>254</sup> The Green Paper was intended to provide a basis for consultation with patent users and interested parties, in order to determine the most appropriate measures to implement the project. The Commission again stressed that the European Patent, once granted by the European Patent Office in Munich, had to operate “to all intents and purposes like a national patent”. The ultimate goal was to focus on two main issues of the system: the first one was the absence of a patent court within Community-wide jurisdiction, the second one regarded the conflicting judgments in patent disputes.

After the extensive discussion process launched by the Green Paper, it was concluded that the 1975 Community Patent Convention should have been replaced by a Community legal instrument, namely by a regulation adopted under Article 235 of the EEC Treaty, which would have ensured patent protection throughout the single market on the basis of a single patent application.<sup>255</sup> Thus, the aim of the Communication on the follow-up to the Green Paper was announcing the new

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<sup>253</sup> See Opinion 1/94, para. 59, 1994 E.C.R. I-05267 (“[...] the Community is competent, in the field of intellectual property, to harmonize national laws pursuant to Articles 100 and 100a and may use Article 235 as the basis for creating new rights superimposed on national rights, as it did in Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trademark.”). See also C-350/92, Kingdom of Spain v. Council of the European Union, para. 23, 1995 E.C.R. I-01985; C-377/98, Kingdom of the Netherlands v. European Parliament and Council of the European Union, para. 24, 2001 E.C.R. I-07079.

<sup>254</sup> European Commission, Promoting Innovation Through Patents. Green Paper on the Community Patent and the Patent System in Europe, 24 June 1997, COM (97) 314 final. The Green Paper was approved by the European Commission, at the initiative of Mario Monti, the Commissioner responsible for the single market, acting with the agreement of Édith Cresson, the Commissioner responsible for research, education, and training.

<sup>255</sup> European Commission, Promoting Innovation Through Patents. The Follow-up to the Green Paper on the Community Patent and the Patent System in Europe, 5 Feb. 1999, COM (99) 42 final.

initiatives the Commission intended to propose in order to make the patent system attractive for promoting innovation in Europe.<sup>256</sup>

For the first time since the beginning of the harmonisation process, the legislative proposal concerned the adoption of a Community legal act rather than an intergovernmental convention, such as the Community Patent Convention and the following Agreement relating to Community patents signed in 1989. On those occasions, enacting a convention was considered the best option to achieve consensus on a common path towards patent law, since the European institutions feared they would not have been able to garner the necessary political support to issue an act which would have been included into the Community legal order.<sup>257</sup> However, as previously underlined, it was detected the impossibility to bring the Member States to a shared point of view on the proposal of a common patent system, thus the above mentioned conventions have never been ratified and have never entered into force.<sup>258</sup> Furthermore, the decision to adopt a regulation was due to the intention to prevent Member States having any discretions either to determine the applicable law or to decide on the effects of the patent once granted.

Despite the different legal bases and the different form of legal instrument, the Proposed Regulation on the Community Patent was based on the same uncertain and fragile grounds as the 1975 Community Patent Convention and the 1989 Agreement Relating to Community Patents.<sup>259</sup> The regulation was thus intended to grant a unitary character to the community patent, which “shall have equal effect throughout the Community and may only be granted, transferred, declared invalid or lapse in respect to the whole of the Community”.<sup>260</sup>

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<sup>256</sup> Winfried Tilman, *Community Patent and European Litigation Agreement*, EUROPEAN INTELLECTUAL PROPERTY REVIEW 65, 67 (2005).

<sup>257</sup> Vincenzo Di Cataldo, *From the European Patent to a Community Patent*, 8 COLUMBIA JOURNAL OF EUROPEAN LAW 19, 26 (2002).

<sup>258</sup> See *supra* para. 2.3. of Chapter II.

<sup>259</sup> Proposal for a Council Regulation on the Community patent, 28 Nov. 2000, 2000 O. J. (C 337 E) 278-290 [hereinafter the Proposed Regulation on the Community Patent].

<sup>260</sup> *Id.*, Art. 2(1). Compare with Community Patent Convention (CPC), *supra* note 177, at Art. 2(2) (“Community patents shall have a unitary character. They shall have equal effect throughout the territories to which this Convention applies and may only be granted, transferred, revoked or allowed

Although several provisions literally incorporated the content of certain rules stated in the Community Patent Convention and did not depart substantially from the principles embodied in the European Patent Convention, some major innovative features were introduced.<sup>261</sup> First and foremost, it was proposed to establish a centralised “Community intellectual property court”, which would have ruled in accordance with the comprehensive body of law applicable to “Community patents” and would have had exclusive jurisdiction over infringements and invalidity claims.<sup>262</sup> It was realised that legal certainty of the Community patent relied also upon the centralisation of the judicial system specialised in patent matters, which could guarantee unity of law and consistency of case law.<sup>263</sup> Secondly, the body of law provided in the Proposed Regulation on the Community Patent would have been the exclusive law applicable to Community patents.<sup>264</sup> Conversely, the European patents would have still been subject to the legislation of the nation in which the action was being brought.

However, the designed Community patent system would have still coexisted with the national and European patent organisations, as inventors would have been allowed

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to lapse in respect of the whole of such territories. The same shall apply mutatis mutandis to applications for European patents in which the Contracting States are designated.”).

<sup>261</sup> Compare Proposed Regulation on the Community Patent, *supra* note 259, at Arts. 3(1), 5, 6, 7, 8, 9, 10, 11(1), 12, 13, 15(3-5), 19(3), 54, 55 *respectively with* Community Patent Convention (CPC), *supra* note 177, at Arts. 9, 23, 24, 25, 26, 27, 28, 32(1), 37, 35, 39, 42(3), 75, 79. It seems important to underline that also the 1973 European Patent Convention, signed in Munich, was taken as a model. Compare Proposed Regulation on the Community Patent, *supra* note 259, at Arts. 4(2), 4(3), *respectively with* European Patent Convention (EPC), *supra* note 176, at Arts. 60(1), 60(2). In particular, the provisions of the European Patent Convention concerning conditions of patentability and exceptions to patentability will be applicable to the Community patent.

<sup>262</sup> Proposed Regulation on the Community Patent, *supra* note 259, at Art. 30 (“(1) The Community patent may be the subject of invalidity or infringement proceedings, of action for a declaration of non-infringement, of proceedings relating to the use of the patent or to the right based on prior use of the patent, or of requests for limitation, counterclaims for invalidity or applications for a declaration of lapse. It may also be the subject of proceedings or claims for damages. [...] (3) The actions and claims referred to in paragraph 1 come under the exclusive jurisdiction of the Community intellectual property court. In the first instance, they are brought before the Chamber of First Instance of that court. [...]”).

<sup>263</sup> See *supra* para. 3. of Chapter II.

<sup>264</sup> Proposed Regulation on the Community Patent, *supra* note 259, at Art. 1(1) (“This Regulation establishes a Community law on patents. This law shall apply to all patents granted by the European Patent Office [...] under the provisions of the European Patent Convention of 5 October 1973 [...] throughout the entire area of the Community.”).

to select the model of patent protection best suited to their needs. As a consequence, the modification of the European Patent Convention would have been created a link between the Proposed Regulation on the Community Patent, that is a European Community instrument, and the European Patent Convention, that is a classic international instrument. By virtue of such revision the Community could accede to the European Patent Convention and the European Patent Office could take on the role the Commission intended it should play.

It is worth noting that, in order to permit the establishment of the new Community Intellectual Property court, an amendment would have been required. The revised EC Treaty should have provided the possibility to create a “specialised tribunal with jurisdiction in cases concerning patent validity and infringements, in order to secure legal certainty regarding unitary documents having effect throughout the Community and to relieving the Court of Justice [...] of all this highly specialised litigation”.<sup>265</sup> The amendment was then duly made by the Treaty of Nice,<sup>266</sup> with the introduction of Article 225A, which permitted the establishment of judicial panels specialised in certain areas of law,<sup>267</sup> and of Article 229A, which required an unanimous decision of the Council to actually confer jurisdiction in intellectual property matters upon the Court of Justice.<sup>268</sup>

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<sup>265</sup> *Id.*, at para. 2.4.5.3. of the Explanatory Memorandum.

<sup>266</sup> Treaty of Nice Amending the TEU, the Treaties Establishing the European Communities and Certain Related Acts, 26 Feb. 2001, 2001 O.J. (C 80) 1-87 [hereinafter Treaty of Nice].

<sup>267</sup> EC Treaty, *supra* note 225, at Art. 225A and TFEU, *supra* note 225, at Art. 257 (“The Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Court of Justice or at the request of the Court of Justice and after consulting the European Parliament and the Commission, may create judicial panels to hear and determine at first instance certain classes of action or proceeding brought in specific areas.”).

<sup>268</sup> EC Treaty, *supra* note 225, at Art. 229A and TFEU, *supra* note 225, at Art. 262 (“Without prejudice to the other provisions of the Treaties, the Council, acting unanimously in accordance with a special legislative procedure and after consulting the European Parliament, may adopt provisions to confer jurisdiction, to the extent that it shall determine, on the Court of Justice of the European Union in disputes relating to the application of acts adopted on the basis of the Treaties which create European intellectual property rights. These provisions shall enter into force after their approval by the Member States in accordance with their respective constitutional requirements.”).

As a result, in 2003 the Commission submitted two new proposals, outlining the details of the so-called “Community Patent Court”<sup>269</sup> and conferring the European Court of Justice exclusive jurisdiction over actions involving Community patents.<sup>270</sup> The Community patent jurisdiction would have been set out by establishing a specialised judicial panel, within the meaning of the recently introduced Art.225A of EC Treaty, constituted by seven judges with expertise in patent law and competent to hear disputes arising out of the Proposed Regulation on the Community Patent.<sup>271</sup> In addition to the special patent appeal chamber, the European Court of Justice could provide a further review by in exceptional cases, in order to protect the unity and consistency of Community law. As regard to the language regime, the patent proprietors were requested to supply translations of the patent claims into all the official languages of the EU, thereby making the system too costly and too risky.<sup>272</sup>

In spite of the fact that the creation of a new unitary industrial property right was considered as essential to eliminate the distortions of competition, which resulted from the territorial nature of national protection rights, the proposed Council regulation never came to see the light of day.<sup>273</sup> Notwithstanding the great efforts, the draft of the Proposed Regulation on the Community Patent remained extremely controversial and Member States failed to reach a final agreement on the text to be adopted, including over the translation regime arrangements.<sup>274</sup>

#### *4.1.3. The Unified Patent Litigation System*

Despite these difficulties, the creation of the Community Patent remained a priority for the EU policy, thus the European Commission continued seeking the

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<sup>269</sup> European Commission, Proposal for a Council Decision Establishing the Community Patent Court and Concerning Appeals before the Court of First Instance, 23 Dec. 2003, COM (2003) 828 final.

<sup>270</sup> European Commission, Proposal for a Council Decision Conferring Jurisdiction on the Court of Justice in Disputes Relating to the Community Patent, 23 Dec. 2003, COM (2003) 827 final.

<sup>271</sup> See *supra* note 267.

<sup>272</sup> European Parliament - Policy Department for Citizens’ Rights and Constitutional Affairs, EU Patent and Brexit 5, 8 (2019) PE 596 800.

<sup>273</sup> Jaeger, *supra* note 234, at 64.

<sup>274</sup> Begley, *supra* note 250, at 556.



appropriate measures in order to create a single market for patents. In 2006, three years after the failure of the proposal for a regulation, the Directorate-General (DG) for Internal Market, Industry, Entrepreneurship and SMEs launched a public consultation directed to understand the needs of the interested stakeholders, including inventors and enterprises.<sup>275</sup>

The consultation focus was threefold, as far as the Commission pursued views firstly on the means to improve the current European patent system, secondly on the provisory action to take in the near future to harmonise national patent systems, and thirdly on strategies concerning common jurisdiction over patent disputes.<sup>276</sup> As evidence that the unitary patent project was a topic of interest to academics and practitioners, the initiative received a huge number of replies. The outcomes of the consultation revealed that there was still an extensive support for the establishment of a Community Patent, although the proposals, put forward by the institutions and working parties, were deemed unsatisfactory by the stakeholders.<sup>277</sup> Furthermore, a vast majority of the interested parties considered both the suggested language regime and the proposed judicial provisions disappointing, in view of the fact that the reforms did not provide evident benefits.<sup>278</sup>

However, the consultation showed also that there was a stronger support for the European Patent Litigation Agreement rather than for the 2003 proposal in order to create a Community Patent Court.<sup>279</sup> The EPLA was seen as a promising path towards

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<sup>275</sup> Press Release, Internal Market: Commission asks industry and other stakeholders for their views on future patent policy (16 Jan. 2006).

<sup>276</sup> The consultation was welcomed with great expectations by IP users, taking into account the difficulties the EU was facing in making progress in the patents area and in light of the fact that Industrial Property was identified as one of the major policy initiatives by the Commission in October 2005.

<sup>277</sup> The consultation received more than 2.500 replies from various stakeholders, including different industrial sectors and patent lawyers. There was a lively participation also to the public hearing in Brussels organised to discuss some key issues raised, indeed it was attended by over 350 participants and 60 speakers contributed to the debate.

<sup>278</sup> In particular *see* Charlie McCreevy, European Commissioner for Internal Market and Services, Closing remarks at public hearing on future patent policy Public Discussion on Future Patent Policy in Europe (12 July 2006).

<sup>279</sup> Coyle, *supra* note 232, at 188.

a unified litigation system, especially in light of the centralised court structure, which would prevent multiple disjointed proceedings, and the specialisation of technically qualified judges.<sup>280</sup>

#### *4.1.3.1. The Negative Opinion of the European Parliament Legal Service*

In Autumn 2006, the European Parliament adopted a resolution urging the Commission to examine all attainable plans to “improv[e] the patent and patent litigation systems in the EU”, considering not only a revision of the Community Patent proposals, but also a further discussion on the European Patent Litigation Agreement (EPLA).<sup>281</sup> Secondly, the European Parliament asked its Legal Service “to provide an interim opinion on EU-related aspects of the possible conclusion of EPLA by the Member States” and to clarify the relevant legislative competences, in view of potential overlaps between the EPLA and the EU legal framework. Hence, the European Parliament proposed a different vision on the two initiatives, suggesting they could have been developed simultaneously and no longer seen as mutually exclusive.<sup>282</sup>

In early 2007, an informal draft of the text began to circulate and revealed the negative opinion of the European Parliament Legal Service regarding the entitlement of EU Member States to agree individually on EPLA.<sup>283</sup> The Legal Service came to the conclusion that the European Patent Litigation Agreement could not be considered

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<sup>280</sup> See *supra* para. 4.1.1 4.1.1. The European Patent Litigation Agreement (EPLA) of Chapter II.

<sup>281</sup> European Parliament, Resolution on future patent policy in Europe, 12 Oct. 2006, P6\_TA(2006)0416.

<sup>282</sup> Begley, *supra* note 250, at 560,561.

<sup>283</sup> IPEG, *Negative Opinion on powers of EU member states to agree individually on EPLA*, IPEG BLOG (10 Feb. 2007), [http://www.ipeg.com/\\_UPLOAD%20BLOG/Interim%20Legal%20Opinions%20Legal%20Service%20EP%20Feb%201%202007.pdf](http://www.ipeg.com/_UPLOAD%20BLOG/Interim%20Legal%20Opinions%20Legal%20Service%20EP%20Feb%201%202007.pdf). The document was dated 1 Feb. 2007 and was titled “Interim Legal Opinion” (SJ-0844/06 D (2006)65117) [hereinafter Interim Legal Opinion]. As stated in the front page, the document should have been confidential and was not meant to be published, thus it does not appear among the European Parliament’s official documents. The assumption according to which the document was intended to be an internal version seems to find confirmation in the huge number of typos and misprints present in the file.

valid.<sup>284</sup> In light of the analysis on CJEU case law and the legal arguments detailed below, it can be concluded that the reached result is persuasive and compelling.

Firstly, the main controversial element consisted in the fact that EPLA would bind the contracting states to a common European Patent Judiciary, according to which the European Patent Court would supersede the role of national courts and would have exclusive jurisdiction concerning infringement and validity of European patents.<sup>285</sup> Nevertheless, the Legal Service affirmed that the Community had exclusive competence regarding the legal matters regulated by the European Patent Litigation Agreement. As a result the Member States were not authorised, both individually and collectively, to sign an Agreement which could affect common rules adopted within the framework of a common policy.<sup>286</sup> This principle was repeatedly affirmed in the case law of the CJEU, beginning with the landmark *ERTA Case*, where it was ruled that, in the event a certain issue is internally regulated through the adoption of a common measure, the Community acquires the competence to govern the same issue externally.<sup>287</sup> Hence, in the opinion it was clearly asserted that the Member States were

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<sup>284</sup> CATHERINE SEVILLE, *EU INTELLECTUAL PROPERTY LAW AND POLICY* 186 (Elgar European Law, 2018). *See also* Pegram, *supra* note 141, at 602.

<sup>285</sup> In the Opinion it is plainly point out that the presence of a Community competence to conclude certain agreements may limit or even exclude Member States competence, especially in the event Community's competence is exclusive.

<sup>286</sup> Interim Legal Opinion, *supra* note 283, at 4 (“The Court has found that where common rules have been adopted, the Member States no longer have the right, acting individually or even collectively, to undertake obligations with non-member countries which affect those rules. In such a case, the Community has exclusive competence to conclude international agreements.”). *See* Andrea Ott & Ramses Wessel, *The EU's External Relations Regime: Multilevel Complexity in an Expanding Union*, in *THE EUROPEAN UNION AND ITS NEIGHBOURS* 19, 22-23 (Steven Blockmans & Adam Łazowski eds., 2006).

<sup>287</sup> Case 22/70, *Commission v. Council*, paras. 17-18, 1971 E.C.R. 263 [hereinafter *ERTA Case*] (“In particular, each time the Community, with a view to implementing a common policy envisaged by the Treaty, adopts provisions laying down common rules, whatever form these may take, the Member States no longer have the right, acting individually or even collectively, to undertake obligations with third countries which affect those rules. As and when such common rules come into being, the Community alone is in a position to assume and carry out contractual obligations towards third countries affecting the whole sphere of application of the Community legal system.”). *See also* Opinion 2/91, para. 11, 1993 E.C.R. I-01061; Opinion 1/94, para. 96, 1994 E.C.R. I-05267; Opinion 2/92, para. 33, 1995 E.C.R. I-00521; C-467/98, *Commission v. Denmark*, para. 79, 2002 E.C.R. I-9519 [hereinafter *Open Skies Case*]; Opinion 1/03, para. 16, 2006 E.C.R. I-1145. *See* EVE C. LERMAN, *THE DOCTRINE OF IMPLIED POWERS IN THE AREA OF TREATY-MAKING: A STUDY OF DECISIONS OF THE EUROPEAN COURT OF JUSTICE* 2 (1985), which provides a complete analysis of the mentioned CJEU decisions.

not allowed to enter into agreements regarding issues governed by common rules, particularly with countries outside the EU framework.<sup>288</sup>

Secondly, the Legal Service outlined that EPLA was intended to regulate subjects already governed both by Community internal rules, namely Directive 2004/48,<sup>289</sup> which harmonised national regulation on the enforcement of intellectual property rights, and the Brussels Regulation on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.<sup>290</sup> The enforcement of patents granted under the European Patent Convention was a topic regulated by Directive 2004/48, which harmonised national laws on that matter considering that European Patents operated as national patents in the country where protection was sought.<sup>291</sup> Therefore, the existence of EPLA provisions governing matters already regulated by Directive 2004/48 produced both inconvenient conflicts and several disparities between the two instruments.<sup>292</sup> The same considerations were then applied to the Brussel Regulation, since the duplication of legislation could negatively impact on “the uniform and consistent application of the Community rules on jurisdiction and the recognition and the enforcement of judgements in civil and commercial matters”.<sup>293</sup>

Thirdly, being compliant with Article 98 of EPLA could constitute a breach of Article 292 EC Treaty, which clearly specified that disputes regarding EU law matters should be resolved exclusively through a method of settlement provided by the

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<sup>288</sup> Interim Legal Opinion, *supra* note 283, at 5 (“Such action would in principle contravene [Member States] obligations under Article 10 EC, and in particular the requirement to abstain from any measure which could jeopardise the attainment of the objectives of the Treaty.”). *See generally* Alan Dashwood & Joni Heliskoski, *The Classic Authorities Revisited*, in *THE GENERAL LAW OF E.C. EXTERNAL RELATIONS* 3, 6 (Alan Dashwood & Christophe Hillion eds., 2000).

<sup>289</sup> European Parliament and Council Directive 2004/48, 29 Apr. 2004, 2004 O.J. (L 157) 16-25 (EC).

<sup>290</sup> Council Regulation 44/2001, 22 Dec. 2000, 2001 O.J. (L 12) 1-23 (EC) [hereinafter Brussels I Regulation]. The Brussels I Regulation is no longer in force as it was replaced by European Parliament and Council Regulation 1215/2012, 12 Dec. 2012, 2012 O.J. (L 351) 1–32 (EU) [hereinafter Brussels I bis Regulation].

<sup>291</sup> European Parliament and Council Directive 2004/48, *supra* note 289, at art. 1 (“This Directive concerns the measures, procedures and remedies necessary to ensure the enforcement of intellectual property rights. For the purposes of this Directive, the term ‘intellectual property rights’ includes industrial property rights.”).

<sup>292</sup> The Legal Service identified a huge number of specific contradictions between EPLA and the Directive 2004/28. *See* Interim Legal Opinion, *supra* note 283, at 7-9.

<sup>293</sup> Interim Legal Opinion, *supra* note 283, at 13.

Treaties.<sup>294</sup> However, Article 98 of EPLA required the Contracting States to submit any disputes related to the interpretation and application of EPLA provisions to the Administrative Committee and subsequently, in the event an agreement is not reached, to the International Court of Justice for a binding decision.<sup>295</sup> As a consequence, any conflicts, which have as their object questions of law governed by both the EU law and the EPLA, could be brought alternatively to the European Court of Justice or in front of the Administrative Committee, leading to a potential breach of the rule stated in Article 292 EC Treaty.<sup>296</sup>

It seems important to underline that many of the above-analysed critical assessments will constitute the basis of the negative opinion delivered five years later by the CJEU. As it will be explained in the following paragraphs, the Court reiterated the approach of considering the proposed judicial measures in conflict with the duty to respect the fundamental elements of the European legal order and judicial system.<sup>297</sup>

#### *4.1.3.2. The Commission's Initiative Relaunching the Creation of a Single Community Patent and a Single Jurisdiction*

The project designed to establish the EPLA judicial system was thus eclipsed and off the agenda, nonetheless it began to have a definite influence over the plan of creating an autonomous and unitary patent title within the European Community. The endpoint of the discussions, revitalised after the negative opinion on the EPLA project, was a final proposal presented by the Commission to the European Parliament and to

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<sup>294</sup> C- 459/03, *Commission v Ireland*, para. 152, 2006 E.C.R. I-4635. See generally Cesare P.R. Romano, *Case C-459/03 Commission v. Ireland*, 101 AMERICAN JOURNAL OF INTERNATIONAL LAW (2007).

<sup>295</sup> Philip P. Soo, *Enforcing a Unitary Patent in Europe: What the U.S. Federal Courts and Community Design Courts Teach Us*, 35 LOYOLA OF LOS ANGELES INTERNATIONAL AND COMPARATIVE LAW REVIEW 55, 73 (2012).

<sup>296</sup> EC Treaty, *supra* note 225, at Art. 292 (“Member States undertake not to submit a dispute concerning the interpretation or application of this Treaty to any method of settlement other than those provided for therein.”).

<sup>297</sup> See *infra* para. 4.3 of Chapter II.

the Council in a Communication dated 3 April 2007.<sup>298</sup> The document was intended to resume the last negotiations and to report the Member States' polarised positions on patent jurisdiction.<sup>299</sup> According to the 2006 consultation,<sup>300</sup> on the one hand certain countries favoured the EPLA draft and its project of a centralised international jurisdiction on the basis of the European Patent Convention.<sup>301</sup> On the other hand, various Member States supported the establishment of a Community litigation system on the basis of the EC Treaty.<sup>302</sup>

In light of the findings and in utter contrast to the previous proposals, the European Commission formulated an intermediate proposal, with the aim of achieving a compromise through an integrated international patent enforcement system.<sup>303</sup> It was acknowledged that the future implementation of the “classic” European patent and the Community title had to be discussed together, taking into account simultaneously both the substantive features and the litigation model.<sup>304</sup> The idea, later known as UPLS (Unified Patent Litigation System),<sup>305</sup> was to establish a judicial system for patent litigation, including a European Community Patents Court with exclusive jurisdiction over both “classic” European patents and Community ones.

Since the proposal was strongly inspired by the EPLA project, it involved a non-community jurisdictional structure, created through the adoption of an international agreement between Member States, the European Community and non-Community

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<sup>298</sup> Communication from Commission to the European Parliament and the Council, Enhancing the Patent System in Europe, COM (2007) 165 final (3 Apr. 2007) [hereinafter Commission Communication].

<sup>299</sup> Xavier Buffet-Delmas & Laura Morelli, *supra* note 248, at 22.

<sup>300</sup> *See supra* para. 4.1.3 of Chapter II.

<sup>301</sup> Commission Communication, *supra* note 298. Regarding the participation of the Community in the EPLA project the Commission reported that (“[Some Member States] are in favour of an active participation of the Community in the EPLA process. Involvement of the Community is required as the EPLA, an international treaty with the participation of EPC members which are non-EU countries, touches on subjects which are already covered by EC legislation (acquis communautaire). The Member States in favour of the EPLA process would thus want the Commission to ask for negotiating directives, and the Council to grant such directives, to allow the Community to enter into negotiations on EPLA.”).

<sup>302</sup> Press Release, Patents: Commission sets out vision for improving patent system in Europe (3 Apr. 2007).

<sup>303</sup> Pegram, *supra* note 141, at 603.

<sup>304</sup> Jaeger, *supra* note 234, at 67.

<sup>305</sup> Press Release, European Commission, Patents: Commission Sets Out Next Steps for Creation of Unified Patent Litigation System (24 Mar. 2009).

countries, which were parties to the European Patent Convention.<sup>306</sup> The arrangement would have been concluded in accordance with Article 300 EC Treaty, thus with the compulsory participation of the European Community in view of the fact that the agreement would have concerned areas where the Community had the exclusive power to make agreements with third-countries and international organisations.<sup>307</sup>

However, in order to overcome the objections moved by the European Parliament Legal Service to the EPLA model,<sup>308</sup> the Commission focused on clarifying that the European Court of Justice had to assume the role of final arbiter on EU legal matters, considering the importance of a consistent and unitary interpretation of the issues related to patent law.<sup>309</sup> In March 2009 the European Commission decided to follow the “third path”, formally proposing a project designed to reach a compromise between the two contrasted positions, allowing a harmonious centralisation of the patent jurisdiction in Europe. Hence, it was asked the Council of the European Union to provide with the necessary negotiating directives to conclude the agreement creating the UPLS.<sup>310</sup>

As it is clear from the above analysed reform projects, and as it will become more evident in the following paragraphs through the exam of the further legislative process, the Unitary Patent Package was an option B for the political institutions of the European Union.<sup>311</sup> The project of establishing a Unified Patent Court is undoubtedly the result of complex and delicate political compromises between the different

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<sup>306</sup> Plomer, *supra* note 146, at 524.

<sup>307</sup> EC Treaty, *supra* note 225, at Art. 300. The equivalent is found in EEC Treaty, *supra* note 169, at Art. 228.

<sup>308</sup> See *supra* para. 4.1.3.1 of Chapter II.

<sup>309</sup> Commission Communication, *supra* note 298 (“Finally, the patent jurisdiction must respect the European Court of Justice as the final arbiter in matters of EU law, including questions related to the *acquis communautaire* and to the validity of future Community patents.”).

<sup>310</sup> Council of the European Union, Draft Agreement on the European and Community Patents Court and Draft Statute - Revised Presidency text, 23 Mar. 2009, Working Document from General Secretariat of the Council to Working Party on Intellectual Property (Patents) Doc. 7928/09 [hereinafter ECPC Agreement].

<sup>311</sup> Jacopo Alberti, *New developments in the EU system of judicial protection: the creation of the Unified Patent Court and its future relations with the CJEU*, 24 MAASTRICHT JOURNAL OF EUROPEAN AND COMPARATIVE LAW 7, 9 (2017).

Member States' legal viewpoints. However, despite the plan of creating a unified patent system has been on the agenda of the European Union for more than fifty years now, the implementation of a Unitary Patent and the establishment of the Unified Patent Court still have to face several challenges and are far from being realised.

#### 4.2. The Draft Agreement on the European and Community Patents Court

In March 2009 the EU Commission issued a recommendation to the Council to undertake negotiations with non-EU countries.<sup>312</sup> The final draft agreement opted for a European and Community Patents Court based on an international agreement, which should have been negotiated outside EU regulations and should have been concluded between the Member States, the European Union and third-countries, which were parties to the EPC (European Patent Convention).<sup>313</sup> The overall aim of the EU Council proposal was to establish an integrated system for the European and Community patent to be issued by the EPO (European Patents Office).<sup>314</sup>

According to the draft, it would have conferred to the new court the exclusive jurisdiction to hear actions on infringement and revocation related to both “classic” European patents and Community patents.<sup>315</sup> The most distinguished aspect of the proposed Community patent consisted in its unitary and autonomous character, as it would have equal effect and would be valid throughout the entire EU territorial area.<sup>316</sup>

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<sup>312</sup>, European Commission, Recommendation from the Commission to the Council to authorise the Commission to open negotiations for the adoption of an Agreement creating a Unified Patent Litigation System, 20 Mar. 2009, (2009) 330 final.

<sup>313</sup> Massimo Scuffi, *Il Tribunale unificato dei brevetti: evoluzione storica, ordinamento e regole procedurali*, in LUCI E OMBRE DEL NUOVO SISTEMA UE DI TUTELA BREVETTUALE -THE EU PATENT PROTECTION. LIGHTS AND SHADES OF THE NEW SYSTEM 73, 83 (Costanza Honorati ed., 2014).

<sup>314</sup> Juliana Almeida & Guilherme Oliveira e Costa, *From the Unitary Patent Package to a Federal EU Patent Law*, 10 PERSPECTIVES ON FEDERALISM 126 ,132 (2018).

<sup>315</sup> ECPC Agreement, at Art. 3. As to the scope of application, it was provided that the agreement would have applied to any “(a) Community patent; (b) supplementary protection certificate issued for a patent; (c) compulsory licence in respect of a Community patent; (d) European patent which has not yet lapsed at the date referred to in Article 59 or was granted after that date, without prejudice to Article 58; and (e) application for a patent which is pending at the date referred to in Article 59 or filed after that date.”.

<sup>316</sup> Michael Schneider, *Patents in Europe and their Court – Is there Light at the End of the Tunnel?*, in PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD. LIBER AMICORUM JOSEPH STRAUS 642 (Wolrad Prinz zu Waldeck und Pymont, Martin J. Adelman, Robert Brauneis, Josef Drexl & Ralph Nack eds., 2008).



This arrangement would have introduced significant changes to the current system, which had a unitary nature only concerning the granting procedure, while on substantial grounds the “classic” European patent was constituted by a bundle of national patents governed by the designated domestic legislations.<sup>317</sup> In addition, the European and Community Patents Court (ECPC) would consist of a first instance court and a court of appeal having both a central registry and a number of district registries.<sup>318</sup> As far as the applicable law, the Court would be required to respect Community law and to base its decisions particularly on the ECPC establishing agreement, on the European Patent Convention (EPC), on national law adopted by the EPC Contracting States and, lastly, on any patent international agreements binding on all the ECPC contracting parties.<sup>319</sup>

With the purpose of including well-defined rules to underscore the authority of the Court of Justice, it was suggested a structure that would have strengthened the link between the European and Community Patents Court (ECPC) and the European Court of Justice (ECJ). The latter should have played a more significant role than it had in earlier proposals.<sup>320</sup> Following the initiative of France, it was thus proposed that the decisions given by the Court of Appeal, created within the specialised patent system, could be subject to a further appeal before the CJEU, which would have the final decision and the ultimate responsibility also on the interpretation of legal issues derived from national patent legislations.<sup>321</sup> Accordingly, the CJEU’s traditional role

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<sup>317</sup> ABBE BROWN, SMITA KHERIA, JANE CORNWELL & MARTA ILJADICA, *CONTEMPORARY INTELLECTUAL PROPERTY. LAW AND POLICY* 372 (5<sup>th</sup> ed. 2019).

<sup>318</sup> Matthew Parish, *International Courts and the European Legal Order*, 23 *THE EUROPEAN JOURNAL OF INTERNATIONAL LAW* 141, 144 (2012).

<sup>319</sup> ECPC Agreement, at Art. 14a. The provision also added that “[...] the Court shall base its decisions on national law of the Contracting States, the applicable law shall be determined: (a) by directly applicable provisions of Community law, or (b) in the absence of directly applicable provisions of Community law, by international instruments on private international law to which all Contracting Parties are parties; or (c) in the absence of provisions referred to in (a) and (b), by national provisions on international private law as determined by the Court.”

<sup>320</sup> Stefan Luginbuehl & Teodora Kandeveva, *supra* note 208, at 218.

<sup>321</sup> Antonina Bakardjieva Engelbrekt, *Dilemmas of Governance in a Multilevel European Patent System*, in 3 *NATIONAL DEVELOPMENTS IN THE INTERSECTION OF IPR AND COMPETITION LAW* 58 (Hans Henrik Lidgard ed., 2011).

of ensuring the uniform interpretation and application of EU law across the Union would have been broadly expanded.<sup>322</sup> However, many commentators and practitioners made clear their opposition to the approach that would have permitted the CJEU have direct authority regarding substantive patent law.<sup>323</sup> The expressed reluctance on this matter was ever more relevant in the subsequent debate, as at the end it became evident the possibility to reach an agreement on the EU Regulations only accepting the deletion of any reference to substantive patent law in Regulation 1257/2012.<sup>324</sup>

Once rejected the hypothesis of having the CJEU act as a third instance court dealing with appeals on the interpretation of substantive patent law,<sup>325</sup> the final draft was designed to limit the Court of Justice's role to render preliminary rulings concerning the interpretation of the Union law.<sup>326</sup> Pursuant to the designed legal framework, also the third-countries involved into the EPC (European Patent

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<sup>322</sup> Bristows' Alan Johnson, *Will the CJEU spell the end of the road for a pan-European patents court?*, INTELLECTUAL PROPERTY MAGAZINE 18, 19 (2010).

<sup>323</sup> See Matthias Müller, *Die Errichtung eines europäischen Patentgerichts – Herausforderung für die Autonomie des EU-Rechtssystems?*, EUROPÄISCHE ZEITUNG FÜR WIRTSCHAFTSRECHT 851, 856 (2010).

<sup>324</sup> Tobias Lock, *Taking National Courts More Seriously? Comment on Opinion 1/09*, 4 EUROPEAN LAW REVIEW 576, 586-587 (2011). In this regard see also Christopher Wadlow, 'Hamlet without the prince': *Can the Unitary Patent Regulation strut its stuff without Articles 6–8?*, 8 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 207, 208 (2013). The topic is also deeply analysed by Hanns Ullrich, *The Property Aspects of the European Patent with Unitary Effect: A National Perspective for a European Prospect?*, in SCRUTINIZING INTERNAL AND EXTERNAL DIMENSIONS OF EUROPEAN LAW, LES DIMENSIONS INTERNES ET EXTERNES DU DROIT EUROPÉEN À L'ÉPREUVE. LIBER AMICORUM PAUL DEMARET 481 (Inge Govaere & Dominik Hanf eds., 2013).

<sup>325</sup> The rejection also followed a written opinion of the EU Council Legal Service which, following the request of the Working Party and specifically of French representatives, stated that the approach of conferring CJEU the power to review on points of law decisions delivered by the new patent court would hardly be compatible with EU law and "might be considered to alter the essential character of the function of the Court as conceived in the Treaty". See Council of the European Union, Draft Agreement on the European Union Patent Judiciary, 10 Nov. 2008, Opinion Of The Legal Service to Working Party on Intellectual Property Doc. 15487/08.

<sup>326</sup> ECPC Agreement, at Art. 48 ("(1) When a question of interpretation of the Treaty establishing the European Community or the validity and interpretation of acts of the institutions of the European Community is raised before the Court of First Instance, it may, if it considers this necessary to enable it to give a decision, request the Court of Justice of the European Communities to decide on the question. Where such question is raised before the Court of Appeal, it shall request the Court of Justice of the European Communities to decide on the question. (2) The decision of the Court of Justice of the European Communities on the interpretation of the Treaty establishing the European Community or the validity and interpretation of acts of the institutions of the European Community shall be binding on the Court of First Instance and the Court of Appeal.").

Convention), for which the agreement on European and Community Patents Court (ECPC) would be open to accession, would have been committed to respect the binding nature of CJEU's interpretation of EU law substantive issues. The scheme represented a turning point on the path to the judicial harmonisation towards the European Union, as the European and Community Patents Court would have been the first court "in which EU law granting individuals rights and imposing liabilities is enforced not in national courts but before a specially created international judicial authority".<sup>327</sup>

However, once again in the history of the creation of a unified patent judicial system, objections and intensive debate were raised regarding the legal construction of the European and Community Patents Court (ECPC), renamed European and European Union Patents Court (EEUPC) after the entry into force of the Lisbon Treaty. Thus, in summer 2009 the Council, in agreement with its Legal Service, submitted a request to the European Court of Justice (CJEU) on the compatibility of the envisaged agreement on the European Patent Court in its current state with the EU treaties, also in consideration of the planned EU's participation in the international agreement.<sup>328</sup> The request was presented pursuant to Art. 300(6) EC Treaty, which enabled the Council, the Commission, the European Parliament or a Member State to ask the CJEU to give a ruling on the compatibility of an arrangement between the European Union and third States with the provisions of the EU law.<sup>329</sup>

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<sup>327</sup> Parish, *supra* note 318, at 144.

<sup>328</sup> Steve Peers, *The Constitutional Implications of the EU Patent*, 7 EUROPEAN CONSTITUTIONAL LAW REVIEW 229, 235 (2011).

<sup>329</sup> EC Treaty, *supra* note 225, at Art. 300. The equivalent is found in EEC Treaty, *supra* note 169, at Art. 228 and in TFEU, *supra* note 225, at Art. 218 (11). See also *supra* note 307.

#### 4.3. Opinion 1/09 of the Court of Justice of the European Union (CJEU): the Reasons behind the Declaration of Incompatibility with the Treaties

The goal of a patent law unified system in the European Union, pursued over the last forty years, was still far from being completed.<sup>330</sup> On 8th March 2011, the European Court of Justice (CJEU) decided that the draft agreement establishing the European and Community Patents Court was incompatible with the EU legal order.<sup>331</sup> On that occasion, the CJEU outlined a large number of potentially problematic elements related to the project submitted for its examination, that will be here only mentioned in passing.<sup>332</sup> In the following chapter certain pivotal parts of the opinion will be discussed in detail and explored in greater depth, with the purpose of addressing crucial constitutional issues.<sup>333</sup>

A negative response was expected after that the Advocates General, guided by Professor Kokott, submitted an internal opinion which reported various concerns regarding the compatibility of the ECPC draft with the Treaties.<sup>334</sup> The reasons of the AG's conclusion can be summarised in the following four arguments: firstly, the guarantees included in the agreement failed to adequately ensure the compliance with fundamental rights and the EU principles;<sup>335</sup> secondly, the sanction mechanisms applied to ensure the Patent Court respect of its obligation to preliminary reference and its correct implementation of the EU law, were deemed as insufficient;<sup>336</sup> thirdly,

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<sup>330</sup> See among others Jacopo Alberti, *Il parere della Corte di giustizia sul Tribunale dei brevetti europeo e comunitario*, IL DIRITTO DELL'UNIONE EUROPEA 367-396 (2012); Giandonato Caggiano, *Il pacchetto normativo sul "brevetto europeo unitario" tra esigenze di un nuovo sistema di tutela, profili di illegittimità delle proposte in discussione e impasse istituzionale*, IL DIRITTO DELL'UNIONE EUROPEA 683-709 (2012).

<sup>331</sup> Opinion C-1/09, 2011 E.C.R. I-01137 [hereinafter Opinion 1/09].

<sup>332</sup> For a brief analysis of the arguments and the issues covered by Opinion 1/09 see Winfried Tilmann, *Das Europäische Patentgericht nach dem Gutachten 1/09 des EuGH*, GRUR INT. 499, 500 (2011).

<sup>333</sup> See *infra* para. 3 of Chapter III.

<sup>334</sup> Juliane Kokott, Statement of Position by the Advocates General, Presented on 2 July 2010, Opinion 1/09 Request for the opinion of the Council of the European Union ("European Patent and Community Patent Court").

<sup>335</sup> See ECPC Agreement, at Art. 14a.

<sup>336</sup> Jochen Pagenberg, *Little hope for an EU patent court after. The CJ opinion* (5 Apr. 2011), available at <http://www.eplawpatentblog.com/eplaw/2011/04/eucj-little-hope-for-an-eu-patent-court-after-the-cjopinion.html>.

the language regime faced by the Patent Court was not acceptable as regards the adherence with the rights of defence;<sup>337</sup> lastly, the draft lacked of effective judicial control of the administrative proceedings concerning the granting of Community patents.<sup>338</sup>

The Court in its opinion only partially addressed the AG's objections, focusing instead on the following points of discussion.<sup>339</sup> To begin with, it was identified that the ultimate objective of the draft agreement on the EPCP was to create a new international centralised and specialised court, holding exclusive jurisdiction "to hear a significant number of actions brought by individuals in the field of the Community patent and to interpret and apply European Union law in that field".<sup>340</sup> In this regard, the Court pointed out that the new international court, in deciding disputes within its competence, would not be limited to apply the provisions of the establishing agreement, but rather it would be required to interpret the EU law entirely.<sup>341</sup> More specifically, the international court might be called upon to handle several instruments of EU law, including provisions relating to intellectual property, competition law and even to fundamental rights and general principles of EU law. This implied that a judicial body, set outside the institutional and judicial framework of the European Union, might potentially be asked to examine the validity of an act of the European Union in order to determine a dispute pending before it.<sup>342</sup>

Furthermore, the CJEU observed that the envisaged accord deprived national courts and tribunals of certain powers and competences assigned to them by the EU

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<sup>337</sup> Winfried Tilmann, *Introduction to this Commentary*, in *Unified Patent Protection in Europe: A Commentary* 45 (Winfried Tilmann & Clemens Plassmann eds., 2018).

<sup>338</sup> Enrico Bonadio, *ECJ Advocate General Rejects EU Patent Litigation Scheme*, 5 *JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE* 826 (2010).

<sup>339</sup> See generally Winfried Tilmann, *After the Oral Hearing on the Council's Request of an Opinion 01/09*, in *FESTSCHRIFT FÜR MICHAEL LOSCHELDER* 403 (Otto Schmidt ed., 2010).

<sup>340</sup> Opinion 1/09, at para. 89.

<sup>341</sup> In this regard see Jens Gaster, *Das Gutachten des EuGH zum Entwurf eines Übereinkommens zur Schaffung eines Europäischen Patentgerichts*, *EUROPÄISCHE ZEITSCHRIFT FÜR WIRTSCHAFTSRECHT* 394 (2011).

<sup>342</sup> Alasdair Poore, *The European Patent System: off course or on the rocks?*, *EUROPEAN INTELLECTUAL PROPERTY REVIEW* 409, 410 (2011).

legal order.<sup>343</sup> Actually, the draft agreement reserved the power to refer questions for a preliminary ruling in the field of patents to the ECPC, a judicial body extraneous to the integrated EU-wide jurisdictional system. According to the Court, such a provision entailed a distortion in the functioning of the preliminary ruling mechanism, whose main feature is to create a direct cooperation between the CJEU and the tribunals of the Member States.<sup>344</sup> As part of the system settled by Article 267 TFEU, the domestic judges “are closely involved in the correct application and uniform interpretation of European Union law and also in the protection of individual rights conferred by that legal order”.<sup>345</sup> As a consequence, the unwarranted transformation of the preliminary ruling scheme, which is crucial for safeguarding the consistent and uniform application of EU law, would have affected the role and the competence of the European Court of Justice as mentioned in the Treaties.<sup>346</sup> Hence, the actual risk of creating the Patent Court as designed in the draft agreement was to undermine the autonomy of the EU judicial system.<sup>347</sup>

Finally, the judges in Luxembourg highlighted that the non-EU nature of the Patent Court would have prevented its decision to be subject of an infringement procedure, in the event a judgment was in breach of the EU law.<sup>348</sup> Similarly, any violations of the European Union law could not result in any financial liability on the part of the involved Member State. In accordance with the principles set out in the CJEU’s case law, the state liability for damages caused to individuals, as a result of breaches of EU law, is applicable whichever is the authority responsible for the

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<sup>343</sup> Thomas Jaeger, *All Back to Square One?*, 43 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 286, 296-298 (2012).

<sup>344</sup> Roberto Baratta, *National Courts as ‘Guardians’ and ‘Ordinary Courts’ of EU Law: Opinion 1/09 of the ECJ*, 38 LEGAL ISSUES OF ECONOMIC INTEGRATION 297, 304 (2011).

<sup>345</sup> Opinion 1/09, at para. 84.

<sup>346</sup> Hanns Ullrich, *The Court of Justice of the European Union - The Future European and EU Patents Court: Hierarchy, Complementarity, Rivalry?*, in PATENT PRACTICE IN JAPAN AND EUROPE. LIBER AMICORUM GUNTRAM RAHN 87 (Bernd Hansen & Dirk Schüssler-Langeheine eds., 2011).

<sup>347</sup> On this particular aspect see Müller, *supra* note 323 at 851-856.

<sup>348</sup> Erika Ellyne, *European Patent Law: A Foreseeable Future in the Wake of the European Court of Justice Opinion 1/09 on the Compatibility of the Draft Agreement Creating a Unified Litigation Patent System with the Founding European Treaties*, 2 QUEEN MARY JOURNAL OF INTELLECTUAL PROPERTY 343, 348 (2012).

infringements, including national courts.<sup>349</sup> In Opinion 1/09 the Court specifies that such a principle could be also applied, “under specific condition, to judicial bodies”.<sup>350</sup>

In conclusion, is appropriate to briefly outline the political rationale that led the Court to adopt the examined Opinion. In fact, it also contains broader considerations that confirm the Court’s most recent positions, in addition to providing relevant guidance for the analysis of the UPP negotiations. Opinion 1/09 perfectly falls within the case law on the autonomy of the Union legal order, also adding interesting new elements. This request was an opportunity for the Court to clarify some relevant concepts previously addressed both in relation to the concept of autonomy of the Union law with respect to national systems, and in relation to the autonomy of the Union legal order with respect to the international one.<sup>351</sup>

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<sup>349</sup> The CJEU referred in particular to Case C-224/01, Gerhard Köbler v. Republik Österreich, paras. 31, 33-36, 53, 2003 E.C.R. I-10239; Case C-173/03, Traghetti del Mediterraneo SpA v. Repubblica italiana, paras. 30-31, 2006 E.C.R. I-5177; Case C-154/08, Commission v. Spain, para. 125, 2009. More recently see Case C-420/11, Jutta Leth v. Republik Österreich, Land Niederösterreich, para. 41, 2013. For a comment on Köbler and Traghetti del Mediterraneo see Bjoern Beutler, *State liability for breaches of community law by national courts: Is the requirement of a manifest infringement of the applicable law an insurmountable obstacle?*, 46 COMMON MARKET LAW REVIEW 773, 777 (2009). Case 22/70, Commission v. Council, paras. 17-18, 1971 E.C.R. 263 [hereinafter ERTA Case]

<sup>350</sup> Opinion 1/09, at para. 86. On this point see Arwel Davies, *State Liability for Judicial Decisions in European Union and International Law*, 61 INTERNATIONAL AND COMPARATIVE LAW QUARTERLY 585, 595 (2012).

<sup>351</sup> See among others Tobias Lock, *Walking on a tightrope: The draft ECHR accession agreement and the autonomy of the EU legal order*, 48 COMMON MARKET LAW REVIEW 1025, 1028-1033 (2011).

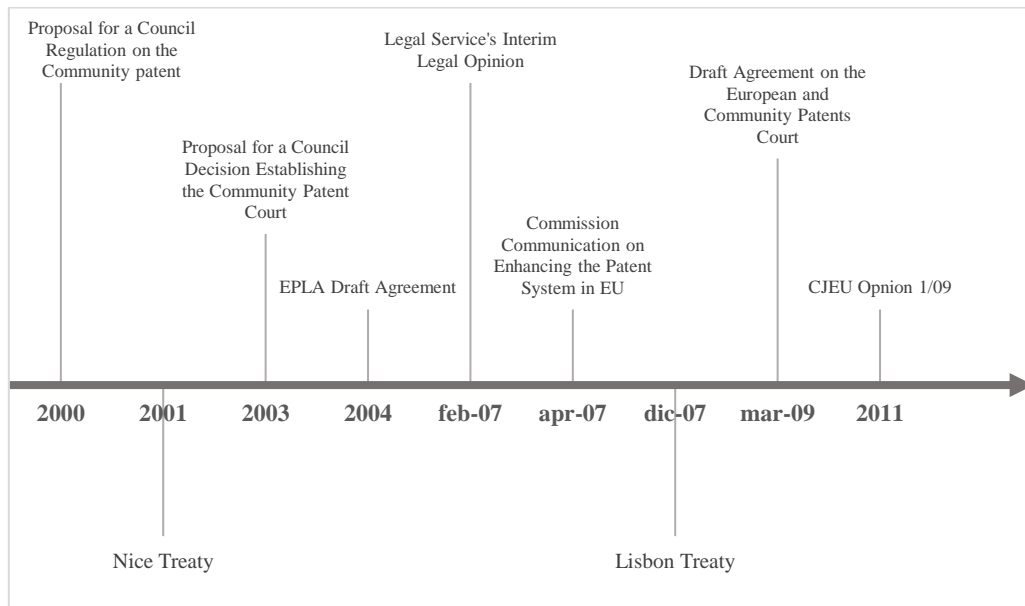


Figure 6. Timeline of the Patent Unification Process -part 2 (from 2000 to 2011).

## 5. The Foundation of the Unitary Patent Package (UPP): a Challenged Case of Enhanced Cooperation

The negative opinion from the CJEU represents a turning point in the long and difficult progress towards the harmonisation of substantive patent law and the unification of the judicial system. The response in fact required the Member States to adjust their policy and legislative choices concerning the creation of the specialised jurisdictional structure, amending the proposals so that they could be considered to comply with the fundamental principle of the autonomy of Union law. In addition, the opinion influenced indirectly the structure of the regulation concerning the substantive features of the new IP right, revealing that the single EU patent was able to be linked to an international and specialised judicial system.<sup>352</sup>

<sup>352</sup> For an analysis of the consequences of Opinion 1/09 on IP law harmonisation process see Hanns Ullrich, *Harmonizing Patent Law: The Untamable Union Patent*, in HARMONISATION OF EUROPEAN IP LAW. FROM EUROPEAN RULES TO BELGIAN LAW AND PRACTICE 9 (Marie-Christine Janssens & Geertrui Van Overwalle eds., 2012).



The subsequent developments in the area of unitary patent protection were affected not only by the complaints reported by the Court of Justice, which highlighted the unconstitutional features of the proposed patent court, but also by the introduction of a primary law provision. As previously mentioned,<sup>353</sup> the Lisbon Treaty explicitly introduced a new legal basis for intellectual property, namely for the creation of European Intellectual Property Rights (IPRs) titles.<sup>354</sup> The new Article 118 TFEU allowed for establishing measures “to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements”.<sup>355</sup> Moreover, in the second paragraph of Art. 118 TFEU, it was established a different legal basis for the European IPRs’ linguistic regime, as a special legislative procedure would continue to apply to the issue of language arrangements.<sup>356</sup>

Since the entry into force of the Lisbon Treaty, it was evident that Article 118 TFEU had replaced Article 352 TFEU as the appropriate legal basis for the adoption of an EU legislation on a unitary patent providing uniform protection throughout the Union.<sup>357</sup> The introduction of these new legal grounds had two major consequences: firstly, the creation of European intellectual property titles would have been more less difficult, as that Article 118 TFEU referred to the ordinary legislative procedure, meaning a co-decision procedure. Pursuant to such a provision, the measures on IP titles could be adopted by the Parliament and the Council, which had to approve the proposal with a qualified majority vote.<sup>358</sup> Conversely, the previous legal basis entailed a unanimous vote in the Council, excluding a consultation of the EU Parliament. Secondly, the new framework made necessary the adoption of a separate regulation

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<sup>353</sup> See *supra* para 2.3 of Chapter II.

<sup>354</sup> MIREILLE M. M. VAN EECHOU, HARMONIZING EUROPEAN COPYRIGHT LAW: THE CHALLENGES OF BETTER LAWMAKING 319 (2009).

<sup>355</sup> TFEU, *supra* note 225, at Art. 118 (1).

<sup>356</sup> TFEU, *supra* note 225, at Art. 118 (2) (“The Council, acting in accordance with a special legislative procedure, shall by means of regulations establish language arrangements for the European intellectual property rights. The Council shall act unanimously after consulting the European Parliament.”).

<sup>357</sup> See the discussion reported *supra* at para. 4 of Chapter II.

<sup>358</sup> Pedro A. De Miguel Asensio, *Intellectual Property in European Private Law*, in THE BOUNDARIES OF EUROPEAN PRIVATE LAW 190-191 (2012).

directed to regulate the linguistic arrangements, which required a special legislative procedure implying unanimous voting in the Council after the consultation of the Parliament.<sup>359</sup>

The course of the patent unification history outlined in the present chapter aids to understand the reasons which led to the introduction of such an authorisation provision with the Lisbon Treaty. Since the first 1990s there have been extensive consultations and debates on how the grant of a “classic” European patent can become a Community patent through a Communitarian act.<sup>360</sup> It is thus clear that the introduced legal justification provided a specific response to the need to connect an autonomous EU uniform protection to the grant of a “classic” European patent.<sup>361</sup>

### 5.1. The Council Decision: Authorising Enhanced Cooperation in the Area of Unitary Patent Protection

Since 2009, in accordance with the relevant legal basis introduced in the Treaties, European institutions have committed themselves to elaborate two separate regulations in order to create a system of unitary patent protection in Europe. At first, the European Council adopted conclusions on an integrated and specialised jurisdictional model, specifying that the regulation should have come into force accompanied by a separate act on the translation arrangements to be adopted unanimously by the Council.<sup>362</sup>

Later, in the second half of 2010, the Belgian presidency took on the challenging task of finding a compromise and a final solution on the translation arrangements for the unitary patent. At the end of June, the Commission presented a proposal for a Council Regulation on the translation regime, which echoed a 2009 previously failed

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<sup>359</sup> Christophe Geiger, *The Construction of Intellectual Property in the European Union: Searching for Coherence*, in CONSTRUCTING EUROPEAN INTELLECTUAL PROPERTY: ACHIEVEMENTS AND NEW PERSPECTIVES 14 (Christophe Geiger ed., 2013).

<sup>360</sup> Tilmann, *supra* note 337, at 37.

<sup>361</sup> For a critical comment see Thomas Jaeger, *Shielding the Unitary Patent from the ECJ: A Rash and Futile Exercise*, 44 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 389, 391 (2013). The Author, in this editorial, concludes that the aim of the unitary patent package proposal “is to avoid the ECJ’s jurisdiction in interpreting patent law”.

<sup>362</sup> Council of the European Union, Enhanced patent system in Europe, 7 Dec. 2009, Doc. 17229/09.

plan and was built on the current European Patent Convention (EPC) scheme.<sup>363</sup> It, thus, offered a three-language arrangement, according to which the patent would have been granted in one of the EPO official languages and the claims would have been translated into the other two official languages.<sup>364</sup> Besides the mentioned unvaried arrangements, the Commission submitted two main compromise elements in order to reach the required unanimous consensus. Firstly, it would have been created a specific machine translation service, from and into English for all the languages of the 38 members of the European Patent Convention (EPC). Secondly, translation costs for applications submitted in a language different from English, German and French would have been fully reimbursed to the applicant.<sup>365</sup>

However, on this point a conflict emerged among Member States, which had a profound impact on the coming negotiations and led to the decision of initiating an enhanced cooperation. As it was already pointed out in the previous paragraphs, reaching an agreement on the language regime seemed an impossible objective in the last forty years.<sup>366</sup> The reason for this political stalemate was that the three EPO official languages for proceedings were English, German and French.<sup>367</sup> Despite it would have been possible and reasonable to use English as the only one official language, Germany and France were not willing to give up their national languages, as they were the countries which had the highest number of patent applications among Member States.<sup>368</sup> In these circumstances, it was even more difficult for the other EU countries, in particular Italy and Spain, to recognize German and French as official patent languages, being English the only idiom widely used in Europe as an international and

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<sup>363</sup> European Commission, Proposal for a Regulation of the Council on the translation arrangements for the European Union Patent, 30 June 2010, COM (2010) 350 final.

<sup>364</sup> STEFAN LUGINBUEHL, EUROPEAN PATENT LAW: TOWARDS A UNIFORM INTERPRETATION 263 (2011).

<sup>365</sup> European Patent Convention (EPC), *supra* note 176, at Art. 14 (2).

<sup>366</sup> PIETER CALLENS & SAM GRANATA, THE UNITARY PATENT AND THE UNIFIED PATENT COURT 8 (2<sup>nd</sup> ed. 2017).

<sup>367</sup> MICHELE GAZZOLA, THE EVALUATION OF LANGUAGE REGIMES: THEORY AND APPLICATION TO MULTILINGUAL PATENT ORGANISATIONS 275 (2014).

<sup>368</sup> Réka Somssich, *Linguistic Equality and Language as a Legal Risk for Legislating in the European Union*, in LEGAL RISKS IN EU LAW: INTERDISCIPLINARY STUDIES ON LEGAL RISK MANAGEMENT AND BETTER REGULATION IN EUROPE 66 (Emilia Miscenic & Aurélien Raccach eds., 2016).

global language. Consistently with their critical positions, Italy and Spain raised objections against the Commission proposal for a Council Regulation on the translation regime, despite politically supporting the project on the development of a uniform European patent. The two Member States considered fundamental to include Italian and Spanish in the patent language system and insisted on equal treatment, following the model adopted by the Community trademarks regulation.<sup>369</sup>

Notwithstanding the significant efforts made by the Belgian presidency, the Competitiveness Council meeting had to acknowledge it was impossible to find a unanimous agreement between the Member States on the translation arrangements for the EU patent, as it was required by the second paragraph of Article 118.<sup>370</sup> In view of this situation, the Council began to discuss the opportunity of moving ahead from the political and legislative impasse by initiating enhanced cooperation between the interested Member States, in order to achieve the goal of creating a single EU patent system.<sup>371</sup>

## 5.2. Implementation of Differentiated Integration in the European Union's Secondary Legislation

Given the clear existence of “insurmountable difficulties, making a decision requiring unanimity impossible now and in the foreseeable future”<sup>372</sup> and the endorsement of the European Commission, the Council concluded that the objectives

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<sup>369</sup> European Parliament and Council Regulation on the European Union trademark 1001/2017, Art. 146, 14 June 2017, 2017 O.J. (L 154) 1-99 (EU) (“(1) The application for an EU trademark shall be filed in one of the official languages of the Union. (2) The languages of the Office shall be English, French, German, Italian and Spanish. [...]”). EUIPO (European Union Intellectual Property Office), formerly known as the Office for Harmonization in the Internal Market (OHIM), operates in a number of languages, including Italian and Spanish. The compliance of the Community trademark language regime with EU primary law was tested and confirmed by CJEU in the *Kik* judgement. *See* C-361/01, *Christina Kik v. Office for Harmonisation in the Internal Market (Trademarks and Designs)* (OHIM), 2003 E.C.R. I-08283.

C-350/92, *Kingdom of Spain v. Council of the European Union*, para. 23, 1995 E.C.R. I-01985

<sup>370</sup> Press Release, Competitiveness (Internal Market, Industry, Research and Space) (10 Nov. 2010).

<sup>371</sup> Press Release, Competitiveness (Internal Market, Industry, Research and Space) (10 Dec. 2010).

<sup>372</sup> As it was concluded by Ministers at the Council meeting of 5 and 6 June 2008. *See* Document 10383/08 PV/CONS 36 JAI 311 of 10 July 2008.

of both proposals of regulations could not be accomplished in a reasonable time through to the applications of relevant provisions of the Treaties. On such basis, in December 2010 twelve Member States submitted the Council a request to authorise the implementation of an enhanced cooperation pursuant to Article 20 TEU<sup>373</sup> in order to establish a unitary patent protection.<sup>374</sup> The authorisation was granted on 10 March 2011, only two days after the Court of Justice delivered the above-commented Opinion 1/09 denying the compatibility with the EU Treaties of the proposed European and Community Patents Court (ECPC), which would have jurisdiction to hear actions related to European and Community patents.<sup>375</sup> It was thus established to permit the participation to the envisaged cooperation only to those Member States that have declared themselves to be fully in favour of creating a common patent regulation, including those controversial issues that have long been subject of discussion. The final objective was the adoption of an appropriate binding legislative act truly included in the Community framework and environment, notwithstanding the possibility of partial or differentiated applicability.<sup>376</sup>

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<sup>373</sup> Consolidated version of the Treaty on European Union, Art. 20, 2012 O.J. (C 326) 13-390 [hereinafter TEU] (“1. Member States which wish to establish enhanced cooperation between themselves within the framework of the Union's non-exclusive competences may make use of its institutions and exercise those competences by applying the relevant provisions of the Treaties, subject to the limits and in accordance with the detailed arrangements laid down in this Article and in Articles 326 to 334 of the Treaty on the Functioning of the European Union. Enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process. Such cooperation shall be open at any time to all Member States, in accordance with Article 328 of the Treaty on the Functioning of the European Union.”).

<sup>374</sup> European Commission, Proposal for a Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, 14 Dec. 2010, COM (2010) 790 final.

<sup>375</sup> Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, 10 Mar. 2011, 2011 O.J. (L 76) 53-55 (EU).

<sup>376</sup> At first, twelve Member States, namely Denmark, Germany, Estonia, France, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Finland, Sweden and the United Kingdom, addressed requests to the Commission indicating that they wished to establish enhanced cooperation in the area of the creation of unitary patent protection on the basis of the existing proposals supported by these Member States during the negotiations. In the meantime, thirteen more Member States, namely Belgium, Bulgaria, the Czech Republic, Ireland, Greece, Cyprus, Latvia, Hungary, Malta, Austria, Portugal, Romania and Slovakia wrote to the Commission indicating that they also wish to participate in the envisaged enhanced cooperation. In total, twenty-five Member States requested enhanced cooperation.

For the second time in the history of the Community system the general clause allowing the special legislative procedure was invoked. This article had been initially introduced into the primary legislation with the Amsterdam Treaty as a “closer cooperation” formula<sup>377</sup> and later modified with the Lisbon Treaty as an “enhanced cooperation” (EnC) framework.<sup>378</sup> It seems appropriate to take into consideration the specific features and peculiarities of such a “last resort rule” that was once praised as a “magic formula” towards EU integration, but then rarely adopted.<sup>379</sup> Although the Member States indicated reluctance in making use of enhanced cooperation under the Amsterdam provisions, they started to consider EnC as a problem-solving mechanism only in 2010.<sup>380</sup> Despite the various innovations introduced by reforms of the Treaties occurred over the years, the main characteristics of the legal instrument have remained unchanged.<sup>381</sup>

The enhanced cooperation was designed as a means of developing the wider legal phenomenon called “differentiated integration”, allowing a sub-group of Member States to continue a legislative procedure blocked in the EU’s ordinary process.<sup>382</sup> The

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<sup>377</sup> Eric Philippart & Geoffrey Edwards, *The Provisions on Closer Co-operation in the Treaty of Amsterdam: The Politics of Flexibility in the European Union*, 37 *JCMS - JOURNAL OF COMMON MARKET STUDIES* 87, 91 (1999).

<sup>378</sup> The first time in the EU’s history that countries have used the enhanced cooperation mechanism was the law applicable to divorce and legal separation in 2010 (*see* Council Decision authorising enhanced cooperation in the area in the area of the law applicable to divorce and legal separation, 12 Jul. 2010, 2010 O.J. (L 189) 12 – 13 (EU) and the following Council Regulation 1259/2010, 20 Dec. 2010, 2010 O.J. (L 343) 10 - 16 (EU), also called “Rome III Regulation”). So far, more two cases of EnC have successfully been approved, namely the Property Regimes Rules for International Couples in 2016 (*see* Council Regulation 2016/1103, 24 Jun. 2016, 2016 O.J. (L 183) 1–29 (EU) in the area of jurisdiction, applicable law, recognition and enforcement of decisions) and the European Public Prosecutor’s Office (EPPO) in 2017 (*see* Council Regulation 2017/1939, 12 Oct. 2017, 2017 O.J. (L 283) 1–71 (EU)).

<sup>379</sup> Françoise de La Serre & Helen Wallace, *Flexibility and enhanced cooperation in the European Union: placebo rather than panacea?*, 2 *RESEARCH AND POLICY UNIT NOTRE EUROPE* 4, 16 (1997).

<sup>380</sup> Daniela A. Kroll & Dirk Leuffen, *Enhanced cooperation in practice. An analysis of differentiated integration in EU secondary law*, 22 *JOURNAL OF EUROPEAN PUBLIC POLICY* 353, 359 (2015).

<sup>381</sup> On the long maturing of enhanced cooperation considered as a maturing of Member State’s attitude towards the adoption of legal tools to solve problems at the EU level *see* Steve Peers, *Enhanced Cooperation: The Cinderella of Differentiated Integration*, in *BETWEEN FLEXIBILITY AND DISINTEGRATION – THE TRAJECTORY OF DIFFERENTIATION IN EU LAW* 79 (Bruno De Witte, Andrea Ott & Ellen Vos eds., 2017).

<sup>382</sup> For an analysis of the notion of “enhanced cooperation” as a model of “integrative differentiation” *see* Gráinne de Búrca, *Differentiation within the Core: The Case of the Common Market*, in

flexible approach to integration is both generalised, since it is extensively applicable to a large number of policy sectors in the area of EU non-exclusive competences, and standardised, since it provides a uniform and systematic mechanism.<sup>383</sup>

With the aim of varying the degree of Member States cooperation, Article 20 TEU allows a group of at least nine countries to adopt secondary legislative acts following a specific process of approval.<sup>384</sup> It is clearly requested that acts adopted in the framework of enhanced cooperation shall aim to promote the achievement of the EU objectives, to protect its interests and to strengthen its integration process.<sup>385</sup> Moreover, the complementary provisions introduced in the TFEU prescribe that the enhanced cooperation “shall not undermine the internal market or the economic, social and territorial cohesion”.<sup>386</sup> They also add that the special procedure cannot be either an obstacle or a discrimination for the business transactions between the Member States and it shall not cause distortions of competition between the contracting countries. At the same time, it is granted the right of the non-participating Member States not to join and not to implement the secondary legislation for an indefinite amount of time, establishing that the procedure “shall respect the competences, rights and obligations” of non-contracting States.<sup>387</sup> However, it is recognised them the possibility to participate in the relevant Council deliberations, without taking part in the vote,<sup>388</sup> and to enter into the cooperation at any other time, subject to compliance

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CONSTITUTIONAL CHANGE IN THE EU: FROM UNIFORMITY TO FLEXIBILITY? 133 (Gráinne de Búrca & Joanne Scott eds, 2000).

<sup>383</sup> Belén Becerril, *The regulation of enhanced cooperation and its reform in Lisbon: Towards a model of differentiation that is closer to the community method*, in UNITY AND FLEXIBILITY IN THE FUTURE OF THE EUROPEAN UNION: THE CHALLENGE OF ENHANCED COOPERATION 11 (José María Beneyto ed., 2009).

<sup>384</sup> On the concept of flexibility in the European integration process see Funda Tekin & Wolfgang Wessels, *Flexibility within the Lisbon Treaty: Trademark or Empty Promise?* EIPASCOPE (2008).

<sup>385</sup> For an historical overview on the concept of differentiation “as a transitional phenomenon in response to allegedly objective distinctions” see Daniel Thym, *Supranational Differentiation and Enhanced Cooperation*, in THE OXFORD PRINCIPLES OF EUROPEAN UNION LAW – VOLUME I: THE EUROPEAN UNION LEGAL ORDER 849 (Robert Schütze & Takis Tridimas eds., 2018).

<sup>386</sup> TFEU, *supra* note 325, Art. 326.

<sup>387</sup> *Id.*, Art. 327.

<sup>388</sup> *Id.*, Art. 330.

with both any conditions of participation and any acts already adopted within that framework.<sup>389</sup>

It is worth noting that the Unitary Patent Package forms the so far most convoluted and most challenged case of enhanced cooperation, as it can be clearly assumed from its twelve-year prolonged duration. The reasons of such complexity can be explained and summarised as follows. As it was already mentioned, the EnC was authorised with the intention of solving the problem related to the costs of translating a national patent in other Member States, in view of the fact that the charges for protecting innovations represented a major disadvantage of EU-based entrepreneurs compared to their competitors. However, in the UPP case legal homogeneity and rules harmonisation were minor issues compared to the problem of providing an efficient translation agreement avoiding any language discrimination. Moreover, the already growing legal complexity was even increased by the need to integrate “the Unitary Patent not only into the EU Treaties but also into a non-EU institution, namely EPO”.<sup>390</sup> Consequently, all these factors led to pose the first real evaluation test for enhanced cooperation, which can be considered the core point of the Unitary Patent Package despite the need to conclude a supplementary satellite agreement to govern the jurisdictional features. In conclusion, a concern still remains, and it seems a legitimate one: the protracted process created such a great degree of uncertainty that, instead of creating a reasonable solution for the introduction of a unitary patent at the European level, can be considered as a step back on the path towards the establishment of a Unitary Patent system.

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<sup>389</sup> *Id.*, Art. 328.

<sup>390</sup> European Parliament - Policy Department for Citizens’ Rights and Constitutional Affairs, The Implementation of Enhanced Cooperation in the EU 7, 30 - 31 (2018) PE 604.987.



## **CHAPTER III – HARMONISATION OF THE PATENT LITIGATION SYSTEM IN THE EUROPEAN UNION FRAMEWORK: THE ROAD TOWARDS UNIFICATION**

### **1. A Brief Overview on the Economic Assessment and Implications of the Patent System Unification in Europe**

At this point of the analysis, it seems appropriate to deal with the issue concerning the expected economic implications of creating a European and Community Patents Court, in order to gain a better understanding of the main legal and political grounds taken into account during the negotiation of the 2011 proposal. The question will be addressed with a view to analysing the main arguments which led the EU institutions to conclude that the suggested common structure would have been the best solution to solve both the substantial and the judicial problems of the patent system in force. More specifically, the following brief exam of some relevant studies on the patent reform economic assessment will be functional to investigate the reasoning of EU Commission in presenting the project on the unified system in 2011.<sup>391</sup>

#### 1.1. The Ludwig-Maximilian University Report and the Comments of the Max Planck Institute: Two Studies from Munich (2009)

In order to assess what the overall economic impact of the creation of a unified patent system would have been, it was necessary to identify the costs and benefits associated with the proposed reform.<sup>392</sup> A study was thus conducted in 2009 by

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<sup>391</sup> Winfried Tilmann, *Introduction to this Commentary*, in *Unified Patent Protection in Europe: A Commentary* 52-54 (Winfried Tilmann & Clemens Plassmann eds., 2018). Here it is proposed a summary of the most significant studies concerning both the economic and the political assessment of the Unitary Patent Package.

<sup>392</sup> Hazel V. J. Moir, *What are the Costs and Benefits of Patent Systems?*, in *INTELLECTUAL PROPERTY POLICY REFORM: FOSTERING INNOVATION AND DEVELOPMENT* 29, 30 (William van Caenegem and Christopher Arup eds., 2009). The chapter offers a summary overview of the published substantial

Professor Harhoff of the University of Munich, accepting the EU Commission's request to provide legislators with guidance in their choice of policy parameters.<sup>393</sup> The outcomes of the report concluded that the attempt to avoid duplication of patent infringement and revocation actions would produce substantial financial benefits for litigants and the overall European economy. The study clarified that one of the most reasonable arguments for establishing a common patent system in the European Union consisted in substantial savings in terms of private costs, including local attorneys, experts, and court fees.<sup>394</sup> Indeed, according to Professor Harhoff's report, having access to a Unified Patent Court would make a real contribution to saving a great amount of money between EUR 148 and 289 million.<sup>395</sup>

However, it must be noted that the numbers and the results assumed by the study were harshly criticised, also claiming the omission to assess the impact of the proposed judicial institution on the Member States and their small and medium enterprises (SMEs).<sup>396</sup> The document of the UK Parliament, which reported the mentioned disapproving statements, also took a critical line with reference to the costs of the Unified Patent Court reform for businesses and local companies. Furthermore, it has been argued that there had been some lack of transparency in the decision-making process at the EU level, as the decision to sign the Unified Patent Court Agreement

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empirical material on the costs and benefits of patent systems, providing useful evidence on many aspects of the impact of patent systems.

<sup>393</sup> DIETMAR HARHOFF, ECONOMIC COST-BENEFIT ANALYSIS OF A UNIFIED AND INTEGRATED EUROPEAN PATENT LITIGATION SYSTEM, FINAL REPORT TO THE EUROPEAN COMMISSION 37 (2009). The report intends to provide approximate cost and benefit calculations in order to inform the European Commission about the choices concerning patent matters the EU institutions were about to face.

<sup>394</sup> Roberto Baratta, *The Unified Patent Court-What is the 'Common' trait about?*, in LUCIE OMBRE DEL NUOVO SISTEMA UE DI TUTELA BREVETTUALE -THE EU PATENT PROTECTION. LIGHTS AND SHADES OF THE NEW SYSTEM 101, 104 (Costanza Honorati ed., 2014).

<sup>395</sup> HARHOFF, *supra* note 393, at 5, 40-42, 53.

<sup>396</sup> House of Commons, European Scrutiny Committee, *The Unified Patent Court: help or hindrance?*, Sixty-fifth Report of Session 2010-12, 3 May 2012, available at <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmeuleg/1799/1799.pdf>. The European Scrutiny Committee of the UK Parliament, which is appointed within the House of Commons to examine European Union documents, reported that the study conducted by the University of Munich contained mistakes and outdated data. However, it must be noted that in the Prof. Harhoff's report it is acknowledged that the lack of official data on the incidence, outcomes and cost of patent litigation required to make estimates based on the plausibility of several necessary assumptions.

was based on the findings of a single academic study, namely the one carried out by Professor Harhoff, which was deemed as not totally reliable.<sup>397</sup> According to Professor Xenos' point of view, the negotiation process on the 2011 agreement had been completed too swiftly, thus preventing both national debates on the future consequences of the reform and the demand for a complete assessment report in order to analyse the significant impact on the domestic settings.<sup>398</sup> Hence, it has been claimed the European institutions failed to permit the "necessary checks and balances of a democratic system that guarantee the requisite quality and thoroughness of the commissioned expert opinions".<sup>399</sup>

Moreover, a study conducted at Max Planck Institute for Intellectual Property, Competition and Tax Law was published in 2009, examining different aspects of the matter by identifying the main legal and economic parameters involved.<sup>400</sup> The report endorsed both the project for a Community Patent and the plan of establishing a common court, observing that they had several major advantages compared to the fragmented system under the European Patent Convention and could answer "to most of the current problems of ineffectiveness plaguing patent litigation", while incorporating "a workable compromise between the differing interests of political players and other stakeholders".<sup>401</sup> Furthermore, the Institute discussed a number of necessary adjustments to the proposal advanced by the European Council and the Commission for the establishment of a European and Community patent court (ECPC) with the aim of ensuring its compliance with the European Union law.<sup>402</sup>

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<sup>397</sup> Dimitris Xenos, *The European Unified Patent Court: Assessment and Implications of the Federalisation of the Patent System in Europe*, 10 SCRIPTED - JOURNAL OF LAW, TECHNOLOGY & SOCIETY 246, 259 (2013).

<sup>398</sup> *Id.*, at 247-248.

<sup>399</sup> *Id.*, at 260.

<sup>400</sup> Thomas Jaeger, Reto Hilty, Josef Drexl & Hanns Ullrich, *Comments of the Max Planck Institute for Intellectual Property, Competition and Tax Law on the 2009 Commission Proposal for the Establishment of a Unified European Patent Judiciary*, 40 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 817, 822 (2009).

<sup>401</sup> *Id.*, at 817.

<sup>402</sup> *See supra* para. 4.2 of Chapter II.

## 1.2. The European Union Commission Impact Assessment Study (2011)

Continuing with the analysis at the EU level, on 13 April 2011 a working paper, accompanying the proposal to the Council for authorising enhanced cooperation to draft EU Regulations concerning EU-wide patent protection matter, was published.<sup>403</sup> The report identified three major problems arising from the patent protection system in EU: firstly the considerable costs related to the patent translation, secondly the divergencies in national legislations on the patent maintenance, and lastly the administrative burdens of registering Intellectual Property Rights (IPRs).<sup>404</sup> Consequently, three different policy options were examined in order to solve the difficulties outlined above, thus the analysis was conducted by taking into account the criteria of effectiveness, cost reduction, simplification and political feasibility.<sup>405</sup> Unsurprisingly the outcomes of the report determined that, in terms of effectiveness, cost reduction and simplification, the most effective solution would have been to implement an EU patent covering all the EU Member States. Under this option, a single patent of autonomous nature would have been created and it would have been ensured a centralised procedure for granting patents, payments of renewal fees and registration.<sup>406</sup> The second-best option was identified in an enhanced cooperation, which would have assured that the area of unitary patent protection would have been limited only to the territories of the Member States interested in cooperating in patent matter.

As regards political feasibility, the results were definitely different. It was stressed that, although in terms of effectiveness, cost reduction and simplification the creation of a unitary patent for all the twenty-seven Member States would have brought the

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<sup>403</sup> European Commission, Impact assessment. Accompanying document to the Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the creation of unitary patent protection and Proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, 13 Apr. 2011, Staff working paper, SEC (2011) 482 final [hereinafter Impact Assessment study by EU Commission 2011].

<sup>404</sup> *Id.*, at 13-21.

<sup>405</sup> *Id.*, at 25-36.

<sup>406</sup> *Id.*, at 36-38.

largest advantages, it could not have been considered as a feasible option after decades of attempts and failures in implementing it.<sup>407</sup> The outcomes revealed that a proposal for implementing enhanced cooperation in patent protection matter, including translation arrangements, could receive the widest support among the Member States involved in the cooperation process.

Nevertheless, it has to be observed that, when the impact assessment report was drafted, the Member States had already filed to the Commission the request to implement the process of enhanced cooperation.<sup>408</sup> To being utterly scrupulous, it should be rather highlighted that, just few months before the publication of the impact assessment study, the European Parliament had approved the launch of enhanced cooperation<sup>409</sup> and the Council had adopted the necessary authorising decision.<sup>410</sup> Hence, it is not unreasonable to assume that such a precondition might have influenced the analysis of the possible solutions, considering that the impact assessment study might have ended to provide both endorsement and explanation of the political choices made by the other European institutions and the involved Member States. Besides, it should be clarified that the 2011 impact assessment study was only partially focused on the issue of unified patent litigation system, considering that the European Commission decided to entrust a distinct report on the Unified Patent Court matter.<sup>411</sup>

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<sup>407</sup> *Id.*, at 40.

<sup>408</sup> European Commission, Proposal for a Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, *supra* note 374. In sum twenty-five Member States indicated their intention to participate, firstly twelve countries (Denmark, Estonia, Finland, France, Germany, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Sweden and the United Kingdom) required the implementation of enhanced cooperation, following the adoption of the proposal other thirteen states (Belgium, Austria, Ireland, Portugal, Malta, Bulgaria, Romania, the Czech Republic, Slovakia, Hungary, Latvia, Greece and Cyprus) requested to join the cooperation.

<sup>409</sup> European Parliament, Enhanced cooperation in the area of the creation of unitary patent protection, 15 Feb. 2011, P7 TA (2011)0054.

<sup>410</sup> Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, 10 Mar. 2011, 2011 O.J. (L 76) 53-55 (EU).

<sup>411</sup> Impact Assessment study by EU Commission 2011, *supra* note 403, at 5. For a critical comment *see* Xenos, *supra* note 397, at 261.

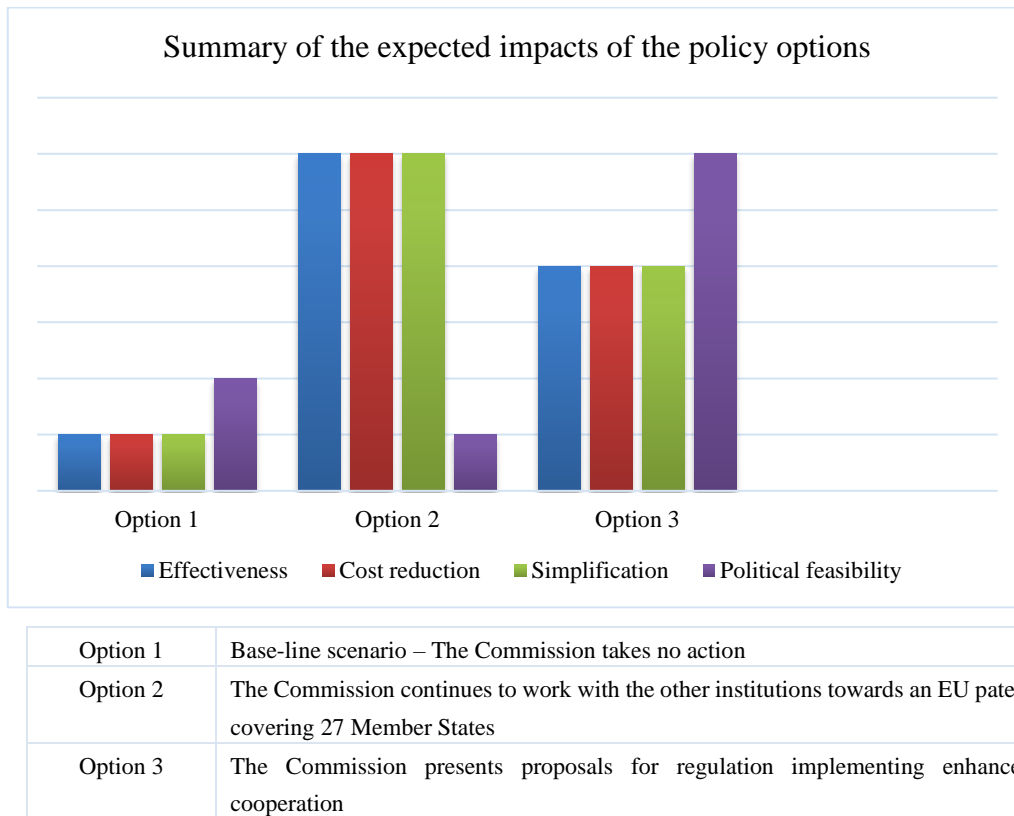


Figure 7. Comparing the expected impacts of the different policy options. Own elaboration based on data obtained from Impact Assessment study by EU Commission 2011.

### 1.3. The Deloitte Report for the Polish Ministry of Finance (2012)

At the national level, in 2012 the firm Deloitte published, following the request of the Polish Ministry of Finance, an analysis of the costs and benefits that the introduction of the proposed European patent with unitary effect would have had on the patent protection system in Poland and on its overall national economy.<sup>412</sup> In particular, the report focused on the expected economic, financial and social impact on the SMEs that would have verified in the event the new system would have been implemented in the country.<sup>413</sup> The study came to the conclusion that the effects would

<sup>412</sup> Deloitte, Analysis of prospective economic effects related to the implementation of the system of unitary patent protection in Poland, 1 Oct. 2012, available at <http://www.uil-sipo.si/uploads/media/UPP-Analiza-PL.pdf> [hereinafter Deloitte Report on Poland 2012].

<sup>413</sup> It was taken into account the Unitary Patent Package (UPP), comprising the Proposal for a Regulation of the European Parliament and the Council implementing enhanced cooperation in the area of the

have been more beneficial in case Poland would not have acceded to the enhanced cooperation and would not have ratified the Agreement on the Unified Patent Court.<sup>414</sup> Conversely, the adoption of the proposed measures would have led to additional costs for the national economy. The negative consequence of choosing this option, referred to as “Option 1” in the report, was determined by calculating the net effect, a figure obtained by subtracting costs from benefits. It was thus revealed that joining the new system would cost Poland a total amount of 14.9-19 billion Euro in a 30-years perspective, from 2014 to 2043, which the highest expense would concern the license purchase and the costs of court proceedings.<sup>415</sup> The survey pointed out that the implementation of the Unitary Patent Package (UPP) in Poland would be particularly onerous for local SMEs, as competing with large foreign corporations would affect both their development and their business.<sup>416</sup> The authors of the Deloitte study tried to show the reliability of the submitted figures and findings also by presenting three case studies, which were connected to real situations reported by anonymous businessmen during the interviews, and thus by concluding that small business entities could not have sustained the high costs resulting from the legal advice for patent compliance.<sup>417</sup>

However, the position has not been without its critics, as some commentators called into question that, at the time when the Deloitte report was being drafted, the costs of the new system, namely the amount of renewal fees for the unitary patent, were not known yet and could not have even been estimated in the absence of the necessary data.<sup>418</sup> A fortiori, it could not be assessed the potential impact of the Unitary

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creation of unitary patent protection, the Proposal for a Council Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection system with regard to the applicable translation arrangements, and the Draft international Agreement on a Unified Patent Court.

<sup>414</sup> See also Tilmann, *supra* note 391, at 53.

<sup>415</sup> See Deloitte Report on Poland 2012, *supra* note 412, at 62. The report estimates that the additional costs would be totalling PLN 52.3 billion within 20 years, PLN 78.1 billion within 30 years. The calculation is made at an exchange rate of 1€=4 PLN, since it was the monthly average when the report was published (October 2012).

<sup>416</sup> Xenos, *supra* note 397, at 268.

<sup>417</sup> Deloitte Report on Poland 2012, *supra* note 412, at 64-65.

<sup>418</sup> This assumption is confirmed also by Tilmann when referring to the Europe Economics report submitted in 2014 (“[...] although the analysis presented could not prove a robust cost-benefit analysis

Patent Package (UPP) implementation on the Polish economy.<sup>419</sup> The criticisms were mainly based on the lack of correspondence between the figures reported by the official State budget law and some data indicated by the Deloitte study, for instance the assumed cost of maintenance fees charged by the Polish Patent Office. Furthermore, it was affirmed that providing specific and detailed scenarios, such as the number or the cost of patent infringement cases, in a twenty or thirty year prospective should be regarded only as “pure speculation, not a scientifically based assessment”.<sup>420</sup>

In the end, following the outcomes of the study conducted by the firm Deloitte, Poland decided not to sign the agreement on the unitary European patent and Unified patent Court.<sup>421</sup> This conclusion sounds particularly indeed the promotion of a unitary system for patents through the European Union.<sup>422</sup>

#### 1.4. European Scrutiny Committee of the British Parliament Report on the Proposed Unified Patent Court (2012)

Proceeding with the review of the national reports on the negotiations of the Unified Patent Court, a comment on the position expressed by the UK Parliament cannot be omitted, even though the report of the Scrutiny Committee does not constitute a proper impact-assessment study. In May 2012 the European Scrutiny Committee of the House of Commons uttered concerns that some of the draft plans for a single patent system could disadvantage the supposedly main intended beneficiaries, i.e. the UK small businesses.<sup>423</sup>

Firstly, the Committee warned that the proposed draft of the UPC Agreement would lead to increase litigation costs for SMEs and would be far more burdensome

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at the time of the preparation of the report (particularly given the still unknown amount of renewal fees for the unitary patent) [...]”). See Tilmann, *supra* note 391, at 53.

<sup>419</sup> Janusz Fiolka, *Patent Enforcement in Poland*, in PATENT ENFORCEMENT WORLDWIDE. WRITINGS IN HONOUR OF DIETER STAUDER 225, 251-252 (Christopher Heath ed., 2015).

<sup>420</sup> *Id.*, at 252.

<sup>421</sup> For a complete analysis of the political background see Agnieszka Kupczok, *Law and Economics of the unitary patent protection in the European Union - the rebels' viewpoint*, EUROPEAN INTELLECTUAL PROPERTY REVIEW 418, 425 (2014).

<sup>422</sup> Xenos, *supra* note 397, at 269.

<sup>423</sup> House of Commons, European Scrutiny Committee, *supra* note 396.



than the existing patent system in the UK, claiming that litigation before the UPC would not be as cost affordable and expeditious as planned. Secondly, although the final objective of creating a unified system was to provide a cheaper and more efficient structure for SMEs to gain patent protection across the European Union, it was acknowledged that very few SMEs actually required an EU-wide patent protection. The Committee concluded overall that “the draft agreement on the Unified Patent Court is likely to hinder, rather than help, the enforcement of patents within the European Union”.<sup>424</sup> Furthermore, it criticised both the European institutions for the opaque manners in the negotiations on the unitary patent system and the Polish EU Presidency in 2011 for pressing the discussion and ambiguously promoting the initiative.<sup>425</sup> Lastly, the Committee pointed out that the current situation raised legitimate and reasonable doubts as to whether a unitary patent would ever being created within the boundaries of the European Union legal order.

In a certain degree, the outcomes of the report guided the subsequent position adopted by the UK Government, which succeeded in obtaining a crucial revision of the projects at the meeting of the heads of state or government in June 2012.<sup>426</sup> Thus, during the European Council Summit, two pivotal amendments were approved, following the suggestions recommended by the Report few months before.<sup>427</sup> The first modification concerned the CJEU’s jurisdiction, as the EU Council proposed to delete Articles 6-8 of the Regulation, which regulated the right to prevent direct or indirect use of the invention and the limitations of the unitary patent’s effects as well.<sup>428</sup> The deletion was proposed following the solicit of the UK Government, which particularly uttered the opportunity to remove those parts of the draft that gave the Court of Justice of the European Union the jurisdiction to rule on unitary patent infringement cases.<sup>429</sup>

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<sup>424</sup> *Id.*, at 42.

<sup>425</sup> *Id.*, at 38.

<sup>426</sup> Xenos, *supra* note 397, at 264-265.

<sup>427</sup> Council of the European Union, 28/29 June 2012, Conclusions, EUCO Doc. 76/12.

<sup>428</sup> Giovanni Guglielmetti, *Natura e contenuto del brevetto europeo con effetto unitario*, in LUCI E OMBRE DEL NUOVO SISTEMA UE DI TUTELA BREVETTUALE -THE EU PATENT PROTECTION. LIGHTS AND SHADES OF THE NEW SYSTEM 9, 16 (Costanza Honorati ed., 2014).

<sup>429</sup> House of Commons, European Scrutiny Committee, *supra* note 396, at 15-19.

However, the intention to avoid the CJEU having to make decisions on substantive unified patent law met with fundamental resistance within the Legal Affairs Committee of the European Parliament.<sup>430</sup> The main concern regarded the compatibility of a regulation lacking Articles 6-8 with Article 118 TFEU, which was introduced by the Treaty of Lisbon providing a specific legal ground for the creation of EU intellectual property rights (IPRs).<sup>431</sup> Considering that Article 118 TFEU requires legal measures “to provide uniform protection”,<sup>432</sup> it was feared that the deletion of the only protective claim laid down in the Regulation, i.e. the injunction claim against direct or indirect patent infringement, would prevent this requirement to be met.<sup>433</sup> As it has already been explained above, since it was politically impossible to reach an agreement on this point, a compromise solution was introduced by drafting Article 5(3). It regulates the details of the proprietor’s right to prevent third parties from infringing the patent and its limitation.<sup>434</sup> Consent was reached by referring to the national law of the Member State where the patent is assumed to be rooted, that is the applicable national law according to Article 10 of the Patent Regulation, the law of the patentee’s seat. This solution has indirectly ensured the demanded reference to the Unified Court Agreement, which is to be covered by the provision as being part of the national law, although not explicitly mentioned.<sup>435</sup> The second intervention regarded the seats of the organs of the Unified Patent Court (UPC), namely the seat of

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<sup>430</sup> Winfried Tilmann, *Article 5 (Uniform protection)*, in UNIFIED PATENT PROTECTION IN EUROPE: A COMMENTARY 133 (Winfried Tilmann & Clemens Plassmann eds., 2018).

<sup>431</sup> Franklin Dehousse, *The Unified Court on Patents: The New Oxymoron of European Law*, 60 EGMONT ROYAL INSTITUTE FOR INTERNATIONAL RELATIONS 3, 6 (2013).

<sup>432</sup> TFEU, *supra* note 225, at Art. 118 (“In the context of the establishment and functioning of the internal market, the European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.”).

<sup>433</sup> Winfried Tilmann, *Moving towards completing the European Patent System: an Overview of the draft Agreement on a Unified Patent Court*, ACADEMY OF EUROPEAN LAW 87, 93 (2012).

<sup>434</sup> Winfried Tilmann, “*All’s Well That Ends Well.*” *The history leading to Art. 5 EUPatReg*, in FESTSCHRIFT FÜR JOACHIM BORNKAMM ZUM 65. GEBURTSTAG 727 (Wolfgang Büscher et al. eds., 2014).

<sup>435</sup> Winfried Tilmann, *The compromise on the uniform protection for EU patents*, 8 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 78, 79 (2013).

the Central Division of the Court of First Instance that will be divided in two highly specialised thematic clusters. Granting a request by the United Kingdom, it was decided the establishment of the section dedicated to chemistry in London, with the aim of “mitigat[ing] the most damaging effects of a unitary EU-wide patent” on the UK economy overall.<sup>436</sup>

In sum, even though the report of the Scrutiny Committee and its subsequent comments did not undertake an economic evaluation of the reform impact on the national economy, the documents provided an interesting insight into the position of the United Kingdom on the European patent judicial reform. It also offered a better understanding of the rationale underlying the subsequent stance of the Government.<sup>437</sup>

#### 1.5. Economic Analysis of the Unitary Patent Package’s Impact on Small and Medium-Sized Enterprises (SMEs)

In order to thoroughly assess the impact of the patent reform in the European context, it is essential to take into account scope and objectives of the regulatory intervention. It is therefore necessary to represent the problem to be solved and the critical issues identified, as well as the social and economic exigencies considered. But most importantly, it is crucial to identify the main target groups of the legislation and how they are expected to benefit from the new regulatory framework. To this extent, an attempt will be made here to evaluate data and results from relevant research groups and institutions in relation to the planned impact of the UPP on the path to greater cost-effectiveness for SMEs interested in patenting. The EU’s new patent system identifies as its main policy targets enterprises with fewer than 250 persons employed, which represent 99% of all enterprises in the EU. They are considered the backbone of the European economy, since the overwhelming majority of EU companies are small

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<sup>436</sup> House of Commons, European Scrutiny Committee, *supra* note 396396, at 40.

<sup>437</sup> For an analysis of the UK’s position *see* Marc Döring & Paul England, *An English perspective on the Unitary Patent and Unified Patent Court*, *CONTRATTO E IMPRESA/EUROPA* 569, 571 (2012).

enterprises (less than 49 persons employed), followed by medium enterprises (50-249 persons employed) with 0.9% of all enterprises.<sup>438</sup>

To evaluate the contribution of SMEs in EU patenting it may be useful to examine data concerning patent applications provided by two different sources. In 2014, thus some months after the conclusion of the UPP legislation, Eurostat, the Union official statistical office, published a study dedicated to the SMEs' involvement in innovation field through patenting.<sup>439</sup> According to the study, for the EU as a whole, 78.9% of all patent applications can be attributed to large firms and only 17.6% to SMEs.

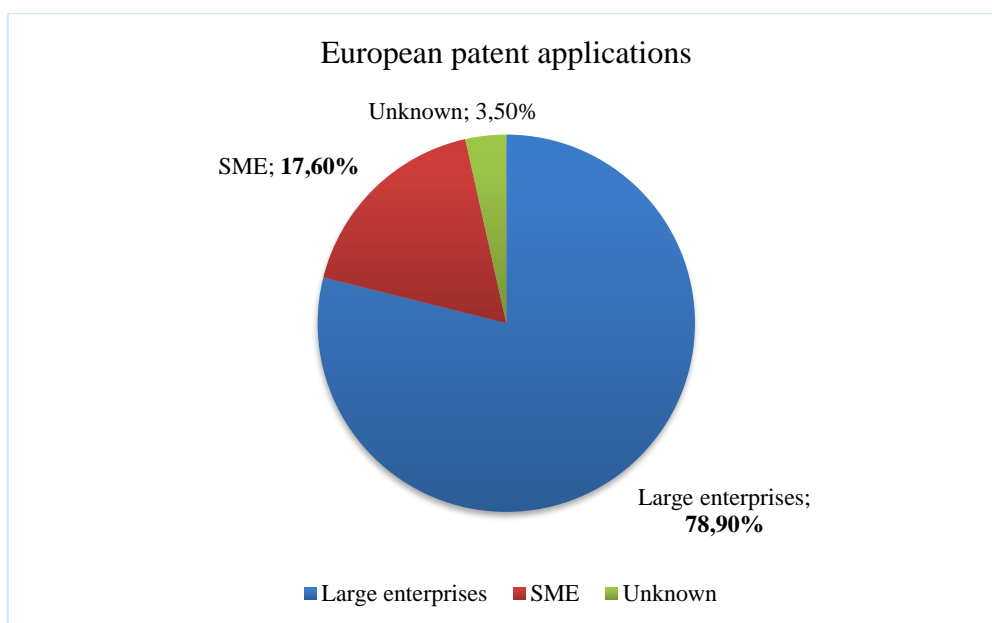


Figure 8. Patent volume assigned to corporate applicants depending on the size-type of the company (SME or otherwise).

It is also very interesting to consider the estimation of the proportion of SMEs in European patenting activity of all nationally based companies, especially regarding the

<sup>438</sup> Eurostat, *Annual enterprise statistics by size class for special aggregates of activities (NACE Rev. 2)*, last data update: 19 Jan. 2021, last structure update: 04 Aug. 2020, online data code: SBS\_SC\_SCA\_R2, available at [https://ec.europa.eu/eurostat/databrowser/view/sbs\\_sc\\_sca\\_r2/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/sbs_sc_sca_r2/default/table?lang=en).

<sup>439</sup> Eurostat, *Patent statistics at Eurostat: Mapping the contribution of SMEs in EU patenting*, 28 Oct. 2014, available at <https://ec.europa.eu/eurostat/documents/3859598/6064260/KS-GQ-14-009-EN-N.pdf/2990a151-5542-4039-b563-1758f12bcde0>.

countries that are considered as most relevant to this study. The Eurostat report revealed that countries hosting headquarters of some of the bigger multinationals, such as Germany (10.3%) and France (14.1%), manifest lower proportions of patents filed by SMEs than in the EU overall, while less established knowledge economies show SME contributions above the overall EU-level, such as Italy (37.1%), Czech Republic (37.1%), Hungary (37.0%) and Poland (34.0%).

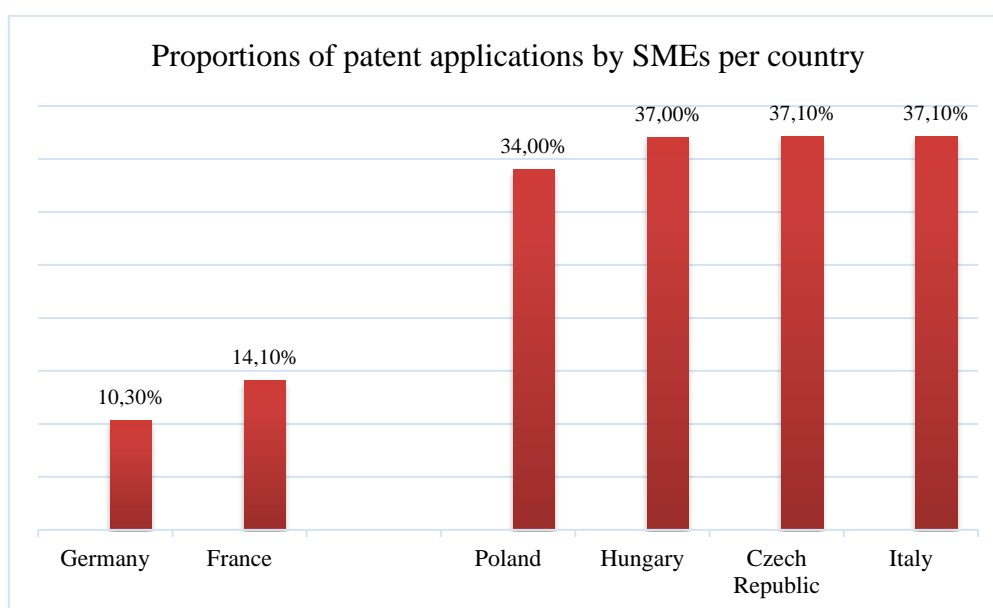


Figure 9. Patent volume assigned to corporate applicants identified as SMEs per country.

Secondly, the general position of SMEs can be identified by key statistical information offered annually by the European Patent Office, reporting that in 2019 SMEs accounted for 18% of applications, while large enterprises for 72% and Universities and public research organisations for 10%.<sup>440</sup> Both sources of data

<sup>440</sup> All data are based on European patent applications at the European Patent Office, last access on 27 Jan. 2020, annual reports and patent statistics available at <https://www.epo.org/about-us/annual-reports-statistics/statistics.html>.

illustrate that patenting activity by SMEs is very low compared with that of large companies, which clearly dominate patent activity in Europe.<sup>441</sup>

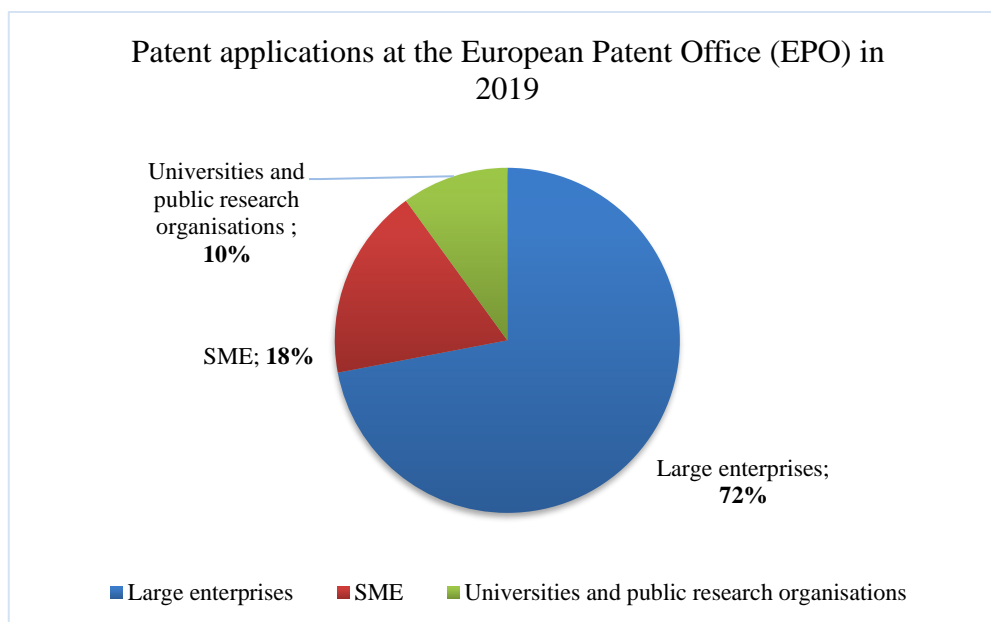


Figure 10. Share of patent applications at the EPO depending on the size-type of the company (SME or otherwise).

As previously mentioned, the creation of unitary patent protection was mainly intended to overcome the fragmentation of the European patent market, which derived from significant differences between Member States' systems. At the same time, it created difficulties in enforcing and defending patents for innovative companies, especially small and medium-sized enterprises (SMEs). As far as the advantages, the expectations are that the reform will generate medium- and long-term growth of

<sup>441</sup> On this topic, it should be also mentioned a joint project between the European Patent Office (EPO) and the European Union Intellectual Property Office (EUIPO) that examined the relationship between IP activity and the growth prospects of European SMEs. In particular it aimed at assessing whether SMEs that make more frequent use of Intellectual Property Rights are more likely to become high-growth firms. See European Patent Office & European Union Intellectual Property Office, *High-growth firms and intellectual property rights. IPR profile of high-potential SMEs in Europe*, May 2019, available at [https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/documents/reports/2019\\_High-growth\\_firms\\_and\\_intellectual\\_property\\_rights/2019\\_High-growth\\_firms\\_and\\_intellectual\\_property\\_rights.pdf](https://euiipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/reports/2019_High-growth_firms_and_intellectual_property_rights/2019_High-growth_firms_and_intellectual_property_rights.pdf).

business aiming at internationalisation, and increase attractiveness to foreign investments with positive returns in terms of economic growth and employment. In addition, the creation of a unitary patent system within the EU will offer operators a consistent protection in terms of integration as for individual national economies into the EU single market. A uniform protection could be achieved with a single application at the European Patent Office, with the payment of a single renewal fee and without going through national validation procedures.<sup>442</sup> The other significant benefit will be a better and faster judicial protection for patents, since infringement decisions will have effect in a number of EU Member States.<sup>443</sup> However, many studies have highlighted data showing that the disadvantages for small enterprises are substantial.<sup>444</sup> The drawbacks stem essentially from the increased risk for companies to infringe European patents and unitary patents held by foreign operators. In the event of unsuccessful litigation before the Unified Patent Court (UPC), the operator may simultaneously lose the validity of its patent title in the Member States covered by the patent that is the subject of the legal proceedings. Moreover, the costs of litigation and legal assistance at the Unified Patent Court (UPC) are expected to be higher than those incurred at the national courts.

Such a scenario led many practitioners and industry representatives to express concern about their home country's possible adherence to the Unitary Patent and Unified Patent Court project.<sup>445</sup> For instance, regarding the Italian context, the Italian

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<sup>442</sup> On the issue of budgetary consequences of the coexistence of the Unitary Patent (UP) with the European Patent (EP) *see* Jérôme Danguy & Bruno Van Pottelsberghe De La Potterie, *The Policy Dilemma of the Unitary Patent*, BRUEGEL WORKING PAPER NO 13/2014.

<sup>443</sup> Europe Economics, *Economic Analysis of the Unitary Patent and Unified Patent Court*, April 2014, in particular at 89,90.

<sup>444</sup> *See* Dimitris Xenos, *The impact of the European patent system on SMEs and national states*, 36 PROMETHEUS 51-68 (2020).

<sup>445</sup> In addition to the studies analysed in detail below, *see also* Confederation of Finnish Industries (EK), *Report on the reform of the European patent system. On the impact of the Unitary Patent and the Unified Patent Court (UPC) on Finnish companies*, 15 Apr. 2014. The company survey, commissioned by the Confederation of Finnish Industries (EK) and the Ministry of Employment and the Economy, revealed that part of the respondent companies felt that the unitary patent would weaken the competitiveness of SMEs for different reasons, such as the presence of more patents in force covering of Finland which would create more of a risk of patent infringement.

Industrial Manufacturing Confederation reported several doubts concerning the overall suitability of the Unitary Patent Package (UPP). The comment had particular regard to the negative impact its adoption would have on the Italian companies, especially small and medium-sized ones.<sup>446</sup> The main critical remarks were linked to the costs to be borne for judgments in front of the UPC, which would be absolutely unsustainable for many companies, and to the relevant penalisation of the Italian language, which in 2011 led to an action for annulment of the Council's decision.<sup>447</sup>

Furthermore, similar considerations on financial and legal concerns regarding the UPP implementation made the Czech Republic decide not to ratify the Unified Patent Agreement. According to a Price Waterhouse Coopers (PwC) report, commissioned by the Czech Intellectual Property office, the Unitary Patent system could have negative financial consequences for the SMEs.<sup>448</sup> The position of the Czech Republic is quite unique considering that it has signed the Unified Patent Court Agreement on 19 February 2013 but, on the advice of the PwC report, will not ratify the agreement in the near future. One of the main reasons for adjournment of ratification consisted in the finding that only one thousandth of all Czech SMEs seek patent protection, yet small companies would be largely in the position of passive recipients of the Unitary Patent legislation, not its active players.<sup>449</sup> The study identified two main reasons to explain why the implementation of the patent reform would be detrimental to Czech small businesses. Firstly, the existence of a unitary patent is assumed to lead to a sharp

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<sup>446</sup> See the Letter sent to the Ministry of Economic Development (MISE) by Paolo Agnelli, the president of the Italian Industrial Manufacturing Confederation at that time, 23 Feb. 2015, *available at* <https://www.confimi.it/press-media/comunicati-stampa/236-lettera-del-presidente-agnelli-al-mise-adesione-italiana-al-brevetto-europeo-con-effetto-unitario-e-al-tribunale-unificato-dei-brevetti>.

<sup>447</sup> See *infra* para. 4.3 of Chapter III.

<sup>448</sup> Price Waterhouse Coopers (PwC), *Studii o celkových dopadech zavedení patentového balíčku tj. evropského patentu s jednotným účinkem a Dohody o Jednotném patentovém soudu na Českou republiku*, 25 Sep. 2017, *available at* [http://patentblog.kluweriplaw.com/wp-content/uploads/sites/52/2019/09/PWC\\_dopadov%C3%A1-studie-EPJU.pdf](http://patentblog.kluweriplaw.com/wp-content/uploads/sites/52/2019/09/PWC_dopadov%C3%A1-studie-EPJU.pdf). The report is only available in the Czech language.

<sup>449</sup> The report mentions another reason supporting the suggestion to postpone the ratification of the Agreement, namely the incompliance of the Unitary Patent package with the Czech Constitution and the current legislation. Moreover, the report suggests monitoring the practical functioning of the Unified Patent Court before taking a qualified decision whether or not to ratify the Agreement.



rise in patents validated in the Czech Republic, causing an intensification of “competition in the market and restriction of space for innovation for Czech enterprises”.<sup>450</sup> Secondly, it is expected an increase of the costs for licenses and translations, as well as for the court injunctions issued for the territory of all the Unified Patent Court Agreement signatory states.

Conversely, a series of case studies on European SMEs published by the EPO insisted in demonstrating that EU small and medium enterprises can create strategic value from patents and will receive substantial benefit from the Unitary Patent and Unified Patent Court.<sup>451</sup> Similarly, in 2017 a study carried out by an EPO team of economists, the University of Colorado Boulder and the London School of Economics, concluded that the Unitary Patent could significantly enhance the circulation of technologies through trade and foreign direct investment (FDI) in the European Single Market.<sup>452</sup> In particular, the study showed that the UPP will remove many of the current limitations, and it is thus expected to facilitate technology transfer and to support productivity growth and economic development. However, as also stressed by the researchers, the study could not provide a full impact assessment of the patent reform, as “the empirical part of the study focuses on a scenario of harmonisation of national patent laws, setting aside limitations relating to the cost of patent application and litigation in Europe”.<sup>453</sup>

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<sup>450</sup> See the interview of Karel Sindelka, partner and IP expert of the Czech law firm Sindelka Lachmannova, Legal and financial concerns: Czech Republic will not ratify UPCA any time soon, 13 Sep. 2019, available at <http://patentblog.kluweriplaw.com/2019/09/13/legal-and-financial-concerns-czech-republic-will-not-ratify-upca-any-time-soon/>.

<sup>451</sup> European Patent Office, *Unlocking untapped value. EPO SME case studies on IP strategy and IP management*, last update 16 Jan. 2018, available at [http://documents.epo.org/projects/babylon/eponet.nsf/0/FF76F6F0783153B7C12581A2004DA0D2/\\$File/epo\\_sme\\_case\\_studies\\_2017\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/FF76F6F0783153B7C12581A2004DA0D2/$File/epo_sme_case_studies_2017_en.pdf).

<sup>452</sup> European Patent Office, *Patents, trade and foreign direct investment in the European Union*, November 2017, available at [http://documents.epo.org/projects/babylon/eponet.nsf/0/AD3C8DB869617089C12581D70055FF25/\\$File/patents\\_trade\\_fdi\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/AD3C8DB869617089C12581D70055FF25/$File/patents_trade_fdi_en.pdf) and [http://documents.epo.org/projects/babylon/eponet.nsf/0/AD3C8DB869617089C12581D70055FF25/\\$File/patents\\_trade\\_fdi\\_key\\_findings\\_en.pdf](http://documents.epo.org/projects/babylon/eponet.nsf/0/AD3C8DB869617089C12581D70055FF25/$File/patents_trade_fdi_key_findings_en.pdf).

<sup>453</sup> *Id.*, at 10.

As a final comment, one cannot help but notice that there is a substantial difference in results from the studies reviewed above, especially regarding the benefits SMEs would obtain from the implementation of the Unitary Patent Package. As it was shown in this brief analysis, it seems appropriate to point out that the countries with the highest percentages of SMEs applying for patents are those which have reservations about joining the UPC project, precisely because of its potential detrimental effects on the national SMEs. This is the case, for instance, of Czech Republic. Other examples that can be identified from the data presented above are Poland and Hungary but, as it will be seen in detail in the following chapter, the Eurosceptic stance their governments have taken towards European integration cannot be disregarded when analysing their position on the Unitary Patent Package. Moreover, it should be added that the studies claiming the opposite, namely that the reform will have an impressive positive effect on SMEs, come from official sources, hence from research institutes connected to the European Patent Office and the EU institutions. As further detailed in the last chapter of the present study, the assessments presented above demonstrate that it is necessary to provide more information on the prospected consequences and the wider economic implications of the new patent system and the judicial institution.<sup>454</sup> In particular, it should be considered an evaluation of the national impact and risk exposure relating to the Unified Patent Package both in official EU studies and in parliamentary debates.<sup>455</sup>

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<sup>454</sup> In particular *see* more in-depth discussions on this subject *infra* para.4.3 of Chapter IV.

<sup>455</sup> *See* Dimitris Xenos, *supra* note 397, at 54.

## **2. Compatibility of the Unitary Patent Package with the European Union Legal Framework: the CJEU case law on the questionable legality of the Agreement on a Unified Patent Court**

Several amendments were operated to the Community legislation in order to overcome the discrepancies between some EU Members States and to find a compromise on the introduction of both a European patent with unitary effect and a common court specialised in patent issues, in the context of the so-called Unitary Patent Package (UPP).<sup>456</sup> The introduction of these innovations and the related concerns expressed by a large part of the academics and practitioners, as well as the recommendations of the Court of Justice, will be discussed in the following paragraphs. It might be reasonable to assert that the contracting Member States, supported by the Community Institutions, adopted the mentioned modifications to the patent legislation in the pursuance of a threefold policy objective. The first one, consisting in overcoming the resistance expressed by Spain and Italy, was referred to the language regime to be associated to the new unitary IP right and was realised through the enhanced cooperation instrument; the second one, consisting in resolving the objections made by the Court of Justice in the Opinion 1/09, was achieved by trying to design a specialised judicial body which could be consistent with the EU legal order and could be deemed as a “common court” between the contracting Member States; the third one, consisting in the relationships between the Unified Patent Court and the EU Court of Justice, was accomplished by providing for the application to the specialised court of the procedure referred to in Article 267 TFEU.<sup>457</sup>

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<sup>456</sup> On the constitutional effects and challenges of the EU’s major patent reform *see* Tuomas Mylly, *A Constitutional Perspective*, in *THE UNITARY EU PATENT SYSTEM* 77-110 (Justine Pila & Christopher Wadlow eds., 2015).

<sup>457</sup> For an exhaustive and very pragmatic description of the goals set by the European Commission and the Council to be achieved by the unified litigation system *see* Martin Köhler, *Unitary Patent: complexity and simplification – how preventing territorial peculiarities of patent Enforcement in a harmonized judicial system? Observations from Germany*, *CONTRATTO E IMPRESA/EUROPA* 557, 561 (2012).

The analysis will further ascertain to what extent may be justified the choice of eliminating from the EU Regulations the most considerable part of patent substantive rules in order to insert some of them into the UPC Agreement, thus excluding the ECJ from having a role in interpreting matters of substantive patent law.<sup>458</sup> It will be explained why it was considered inconsistent to include uniform rules on the rights conferred by the unitary patent and its limits in an agreement intended to establish a court common to the participating Member States.<sup>459</sup> More specifically, those provisions should have been included in the EU 1257/2012 Regulation, whose purpose was precisely to standardise the substantive regulation of the patent with unitary effect. Such an ambiguous positioning seems to have been aimed at reducing as much as possible the judicial control of the Court of Justice, considering that it is at least controversial the scope of the ECJ's jurisdiction to interpret the effects of the new established European patent.<sup>460</sup> In the light of these considerations, it is possible to confirm that the Unified Patent Package represents a solution of political compromise.<sup>461</sup> It was deemed as necessary by the Community legislator and the contracting Member States in order to introduce a patent with a unitary effect throughout the EU territory, after several years of unsuccessful attempts.<sup>462</sup> As it was noted when discussing the outcomes of the economic assessments, many commentators have pointed out a great number of aspects of dubious legitimacy characterising the concrete arrangements under which this compromise was

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<sup>458</sup> In this regard see Ilaria Ottaviano, *La tutela brevettuale unitaria nell'Unione europea: alcuni spunti su questioni istituzionali tuttora aperte*, OSSERVATORIO COSTITUZIONALE – ASSOCIAZIONE ITALIANA DEI COSTITUZIONALISTI (2014), available at <https://www.osservatorioaic.it/it/osservatorio/ultimi-contributi-pubblicati/ilaria-ottaviano/la-tutela-brevettuale-unitaria-nell-unione-europea-alcuni-spunti-su-questioni-istituzionali-tuttora-aperte>.

<sup>459</sup> See *supra* para. 1.4 of Chapter III and the comments at Art. 5 1257/2012 Regulation expressed by Tilmann, *supra* note 430.

<sup>460</sup> See House of Commons, European Scrutiny Committee, *The Unified Patent Court: help or hindrance?*, *supra* note 396.

<sup>461</sup> For critical comments in this regard see among others THOMAS JAEGER, *WHAT'S IN THE UNITARY PATENT PACKAGE?* 14-16 (Max Planck Institute for Intellectual Property and Competition Law, Research Paper No. 08, 2014).

<sup>462</sup> On the previous proposed models see Juergen Schade, *Is the Community (EU) Patent Behind the Times? - Globalisation Urges Multilateral Cooperation*, 41 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 806-818 (2010).

achieved.<sup>463</sup> These modalities had the effect of frustrating the autonomy of the new intellectual property right and to undermine the possibility of an autonomous future development of the Community legislation on the patent matter.<sup>464</sup>

The critical comments about the Unitary Patent Package (UPP) illustrated in the following paragraphs may be schematically summarised into three different categories of arguments. The first one refers to the absence of all the assumptions and necessary conditions to establish an enhanced cooperation in the area of unitary patent protection.<sup>465</sup> The second concern regards the fragmentation of the patent substantive legislation that, as previously mentioned, seems to have weakened the autonomy of the European patent with unitary effect. The third doubt is related to the compatibility of the new international specialised court with the principle of autonomy of Community judicial protection, as it doubtful that the critical assessments expressed by the Court of Justice in its Opinion 1/09 have been properly implemented.<sup>466</sup>

As it was already specified above, the main objective of the present work is to examine the Unified Patent Court as an example of specialised court in Intellectual Property disputes, although not implemented yet. Hence, in the following paragraphs the critical positions expressed by academics and practitioners will be commented and

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<sup>463</sup> See *supra* para. 1.1. of Chapter III and in particular the strong criticism from Xenos, *supra* note 397.

<sup>464</sup> Numerous practitioners called for clear indications as to the procedure of the legislative debate and the status of negotiations, denouncing a lack of transparency in this process. See the Open Letter sent to Herman van Rompuy, the president of the European Council at that time, by Jochen Pagenberg, a former president of the European Patent Lawyers Association (EPLA) and a former member of an EU Commission-appointed Expert Committee of judges on the patent court dossier. Pagenberg expressed concern at the “secretive” way in which the reform had been discussed and argued that “the Commission and the Council were no longer interested in the recommendations of its own experts”, reporting that the process had been “highly undemocratic”. He finally added that “the multiplication of compromises has resulted in an unworkable solution which industry will no longer wish to use because of serious drafting errors of people who obviously have no practical experience in patent litigation and are not interested in any advice of those who have”. The full text of the Open Lett is available at <https://ipkitten.blogspot.com/2012/05/pagenberg-unitary-patent-package.html>.

<sup>465</sup> In this regard see extensively Hanns Ullrich, *Enhanced cooperation in the area of unitary patent protection and European integration*, 13 ERA FORUM 589, 594 (2013).

<sup>466</sup> On the role of the CJEU in the EU patent litigation system see Angelos Dimopoulos, *An Institutional Perspective II: The Role of the CJEU in the Unitary (EU) Patent System*, in THE UNITARY EU PATENT SYSTEM 57, 59-63 (Justine Pila & Christopher Wadlow eds., 2015).

an attempt will be made to offer a useful insight into the possible future developments and challenges awaiting the UPC project.

## 2.1. The Outcomes of the Enhanced Cooperation Process as a Political Compromise: a Close Link between Substantive and Procedural Regulation

Following the Council authorising decision, which identified the recently introduced Article 118 TFEU as the specific legal basis for the creation of a European intellectual property right,<sup>467</sup> the European Commission presented two new regulation projects: the first one regarded the creation of the European patent with unitary effect and the second one specifically concerned the applicable translation arrangements.<sup>468</sup> The first project anticipated a meaningful change in the legal approach, which will be then embodied into the following regulations implemented under the enhanced cooperation.<sup>469</sup> In December 2012, the EU Council and the European Parliament agreed on two regulations, laying the foundation for Unitary Patent protection in the European Union.<sup>470</sup> It was thus formally introduced in the EU legal framework the

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<sup>467</sup> Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, 10 Mar. 2011, 2011 O.J. (L 76) 53-55 (EU).

<sup>468</sup> Proposal for a Regulation of the European Parliament and of the Council implementing enhanced cooperation in the area of the creation of unitary patent protection, 13 Apr. 2011, COM (2011) 0215 final.

<sup>469</sup> *Id.*, at para. 1.2 (“[...] this proposal builds on the existing system of European patents by providing unitary effect to European patents granted for the territories of the participating Member States. The unitary patent protection will be optional and co-exist with national and European patents. The proprietors of European patents granted by the EPO, may submit a request to the EPO within one month after the publication of the mention of the grant of the European patent, asking for the registration of the unitary effect. Once it is registered, the unitary effect will provide uniform protection and will have equal effect throughout the territories of all participating Member States. European patents with unitary effect may only be granted, transferred, revoked or may lapse in respect of those territories as a whole. The participating Member States shall give the task of the administration of European patents with unitary effect to the EPO.”).

<sup>470</sup> European Parliament and Council Regulation 1257/2012, 17 Dec. 2012, 2012 O.J. (L 361) 1–8 (EU) [also 1257/2012 Regulation], which implemented enhanced cooperation in the area of the creation of unitary patent protection; Council Regulation 1260/2012, 17 Dec. 2012, 2012 O.J. (L 361) 89–92 (EU) [also 1260/2012 Regulation], which implemented enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

new intellectual property right, defined as “a European patent which benefits from unitary effect in the participating Member States by virtue of this Regulation”.<sup>471</sup>

Despite the initial difficulties in reaching an agreement, which made it necessary to implement an enhanced cooperation process, currently all EU Member States are participating with the sole exception of Croatia and Spain. However, it is crucial to remark that both regulations, already valid from 20 January 2013, will be able to be applied only from the date of entry into force of the UPC Agreement.<sup>472</sup> Such a date is still uncertain because it is identified in “the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession [...], including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place”, namely in 2012.<sup>473</sup>

This close inter-dependence between the dates of entry into force and applicability of the “substantive” and “procedural” legal instruments is part of a wider architecture. As a matter of fact, the Community legislator has considered it appropriate to create an inextricable link between the Unitary Patent system and the creation of the Unified Patent Court. Still, such a connection is reflected into various internal referrals, which have created several interpretative problems and are thus worth looking into in depth.

### *2.1.1. The Drafting Technique of External References: the Inherent Connection with the European Patent Convention and the Unified Patent Court Agreement*

The drafters of the 1257/2012 Regulation decided to adopt a legislative technique consisting in numerous external references to the coeval agreement on the Unified

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<sup>471</sup> *Id.*, at Art. 2 (c).

<sup>472</sup> *Id.*, Art. 18 (2).

<sup>473</sup> Agreement on a Unified Patent Court, Art. 89, *date of signature* 19 Feb. 2013, *date of entry into force unknown see art. 89, O.J. (C 175) 1–40* [also Agreement on a Unified Patent Court or UPCA]. As it was already specified the three Member States were Germany, France and the United Kingdom. However, after the deposit of a withdrawal notification from the Unified Patent Court project in July 2020, the UK is not actually named as a mandatory signatory. The role of the UK has to be substituted with the ratification by the next highest filer of granted patents Member State at the relevant date, namely Italy.

Patent Court. According to the guidelines for persons contributing to the drafting of EU legislation, external references refer to another act, either a Union act or an act from another source. For the sake of clarity and accuracy of the legislative practice, it is strongly suggested references to other acts to be kept to a minimum or even avoided.<sup>474</sup> However, the 1257/2012 Regulation was limited to defining only the territorial extension of the new European patent with unitary effect stating that it “shall have a unitary character”, namely it “shall provide uniform protection” and shall be equally effective in all the participating Member States. Moreover, it “may only be limited, transferred or revoked, or lapse” and certainly licensed in respect the territories of the involved Member States.<sup>475</sup> Conversely, various crucial aspects of the new patent right were determined by merely referring to provisions in other acts, thus creating a distorting and ambiguous regulation. It therefore seems useful to focus on the interaction between the Regulation and two other external acts, specifically the European Patent Convention (EPC) of 1973 and the Unified Patent Court Agreement (UPCA) of 2013.

First of all, the 1257/2012 Regulation made reference entirely to the European Patent Convention (EPC) by stating that the Regulation constitutes a “special agreement” within the meaning of Article 142 EPC, according to which a group of states can grant

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<sup>474</sup> See Joint Practical Guide of the European Parliament, the Council and the Commission for persons involved in the drafting of European Union legislation, Publications Office of the European Union (2015). Pursuant to Guideline 16 a reference should be used in compliance with the principles of comprehensibility and clarity. As a general rule it is provided that “a reference should only be used if: 1. it simplifies the text, by not repeating the content of the provision referred to; 2. it does not make the provision more difficult to understand; and 3. the act referred to has been published or is sufficiently accessible to the public”. Furthermore, “references should also be used sparingly in the interests of transparency. It should be possible to read and understand an act without consulting other acts [...]”. The references introduced in the 1257/2012 Regulation are mostly dynamic, since the provisions cited are always understood to be the provisions as amended. Accordingly, “if the act cited is amended, the reference is understood to be to the act as amended. If the act is replaced, the reference is understood as referring to the new act. If the act is repealed and not replaced, any lacunae will have to be filled by means of interpretation [...]”. However, dynamic references “may lead to difficulties when construing the legal act concerned, in that the content of the provision making the reference is not predetermined, but varies depending on subsequent amendments to the provision referred to”.

<sup>475</sup> 1257/2012 Regulation, *supra* note 470, at Art. 3 (2).



European Patents a unitary character throughout their territories.<sup>476</sup> The first important consequence is the application of the provisions contained in the EPC for the entire pre-grant stage, with particular regard to the notion of patentability, the conditions of existence and the substantive regulation.<sup>477</sup> As regards the second essential outcome, the relationship between the EPC and Regulation 1257/2012 has its effect in the condition set out in Article 3(1), concerning the unitary effect: the registration of a European patent with the same set of claims in respect of all the participating Member States.<sup>478</sup> An implicit side effect of this clause consists in the fact that all the Member States participating in the enhanced cooperation shall be also part of the EPC, otherwise the unitary effect could not arise for any patent. This effect derives from the fact that the Member States participating in the EnC, simultaneously in their position as contracting parties of the EPC, have continued the cooperation “into the Union as far as the establishment and the preservation of unitary effect is concerned”.<sup>479</sup>

To summarise, the decision to implement Article 118 TFEU through the conferment of a unitary character to the already existing European patent, rather than establishing an autonomous new IP right, requires coordination between 1257/2012 Regulation and the European Patent Convention.<sup>480</sup> However, this indispensable interpretative activity is not always accessible, considering the two-fold status of the “unitary effect”: it constitutes Eu law, on the one side and European Patent Convention

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<sup>476</sup> *Id.*, Art. 1(2), where it is stated that the Regulation “constitutes a special agreement within the meaning of Article 142 of the Convention on the Grant of European Patents of 5 October 1973”. Consequently, this statement should make applicable Part IX of the EPC Agreement, which is dedicated to special agreements.

<sup>477</sup> Lidia Sandrini, *La convenzione di Monaco sul brevetto europeo e i suoi rapporti con il ‘pacchetto brevetti’*, in LUCI E OMBRE DEL NUOVO SISTEMA UE DI TUTELA BREVETTUALE -THE EU PATENT PROTECTION. LIGHTS AND SHADES OF THE NEW SYSTEM 49, 58 (Costanza Honorati ed., 2014).

<sup>478</sup> 1257/2012 Regulation, *supra* note 470, at Art. 3(1) (“A European patent granted with the same set of claims in respect of all the participating Member States shall benefit from unitary effect in the participating Member States provided that its unitary effect has been registered in the Register for unitary patent protection.”).

<sup>479</sup> Winfried Tilmann, *Article 3 (European patent with unitary effect)*, in UNIFIED PATENT PROTECTION IN EUROPE: A COMMENTARY 110 (Winfried Tilmann & Clemens Plassmann eds., 2018).

<sup>480</sup> On the alleged incompatibility of the proposed solution with Article 118 TFEU *see* Fernand De Visscher, *European Unified Patent Court: Another More Realistic and More Equitable Approach Should be Examined*, in GRUR INTERNATIONAL 214, 220 (2012).

law, on the other one. Firstly, the existence of a “uniform protective effect” is attributable to Union law, since the Community legislator adopted an instrument external to the UE to confer such an IP right a unitary effect for the area of the enhanced cooperation. Secondly, the unitary effect is to be considered EPC law because the EPC contracting states used the 1257/2012 Regulation as a “special agreement”, thus conferring legal binding effects for all the contracting states and the EPO.<sup>481</sup>

Furthermore, as far as the link with the Unified Patent Court Agreement (UPCA), the definitions set out in Article 2 of the 1257/2012 Regulation must be read in conjunction with the provision of Article 18(2), stating that a European patent can benefit from unitary effect only in those participating Member States in which the Unified Patent Court has exclusive jurisdiction as regards European patents with unitary effect. The issue of the correlation between Regulation 1257/2012 and the UPCA is reflected throughout the whole text of the former, in particular it plays an important role in the application of the “European patent with unitary effect” notion.<sup>482</sup>

The legislative scenario described above begs the question of whether one of the consequences of the close relationship between the two instruments might be that the Member States participating in the enhanced cooperation are required to sign the UPCA. The 1257/2012 Regulation makes no mention of this point except for recital 25, which considers “of paramount importance” that the participating Member States ratify the UPCA thus implementing the UPC as soon as possible.<sup>483</sup> However, it should

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<sup>481</sup> The reference to the European Patent Convention has been strongly criticised by a number of commentators. See in particular Mylly, *supra* note 456, at 77; Raquel Sampedro Calle, *Le brevet à effet unitaire : passerelle vers un brevet de l'Union européenne? Regard des Etats non participants (l'Espagne) / The European Patent with unitary effect: Gateway to a European Union Patent? Perspectives from non-participating member States (Spain)*, in *QUEL DROIT DES BREVETS POUR L'UNION EUROPEENNE ? WHAT PATENT LAW FOR THE EUROPEAN UNION?* 75, 88-89 (Christophe Geiger ed., 2013), where it is transcribed the speech of the Head of Legal and European & PCT Patents Division of Spanish Patent and Trademark Office during CEIPI Conference on 26-27 Apr. 2012; Mauricio Troncoso, *European Union Patents: A Mission Impossible? An Assessment of the Historical and Current Approaches*, 17 *MARQUETTE INTELLECTUAL PROPERTY LAW REVIEW* 231, 257 (2013).

<sup>482</sup> See for instance 1257/2012 Regulation, *supra* note 470, at Art. 11(2) concerning the financial provisions and the renewal fees (“A European patent with unitary effect shall lapse if a renewal fee and, where applicable, any additional fee have not been paid in due time.”).

<sup>483</sup> 1257/2012 Regulation, *supra* note 470, at Recital 25 (“Establishing a Unified Patent Court to hear cases concerning the European patent with unitary effect is essential in order to ensure the proper

be pointed out that the recitals do not have an autonomous regulatory effect, as they can only provide clarifications on the contents of the legally binding text. It therefore remains to rely on the interpretative activity of the European Court of Justice, once both the Regulation and the Unified Patent Court Agreement will enter into force and will be applicable.<sup>484</sup> Beyond the interpretative efforts and the suggestions provided by various commentators, it would have been more appropriate if the European institutions had studied more carefully the connections between the 1257/2012 Regulation and the other legal acts referred to therein. At least it would have been convenient to provide a univocal notion of “participating Member State”, perhaps explicitly requesting both the participation to the enhanced cooperation process and the ratification of the Unified Patent Court Agreement.

*2.1.2. The Fragmented Legal Architecture of the Substantive Patent Regulation Based on Cross-references to Other International and National Legal Systems*

Nonetheless the major issue deriving from the “reference rule” concerns the lack of an appropriate and autonomous regulation on the Intellectual Property right that had just been introduced. Pursuant to paragraphs 2 and 3 of Article 5, the details and limitations of the EU patent with unitary effect are regulated by reference to the national law of the contracting Member State where the patent is assumed to be

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functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. It is therefore of paramount importance that the participating Member States ratify the Agreement on a Unified Patent Court in accordance with their national constitutional and parliamentary procedures and take the necessary steps for that Court to become operational as soon as possible.”).

<sup>484</sup> Methodologically, it can be assumed that the CJEU could adopt the “principle of *effet utile*” to preserve the continuity and coherence of European Union law. Regarding the position adopted by the Court of Justice *see* C-146/13, Kingdom of Spain v European Parliament and Council of the European Union, para. 95, 2015, Judgment of the Court (Grand Chamber), ECLI:EU:C:2015:298 (“[...] the EU legislature has left it to the Member States, in order that the provisions of the contested regulation can be applied, first, to adopt a number of measures within the legal framework established by the EPC and, secondly, to undertake the establishment of the Unified Patent Court, which, as is stated in recitals 24 and 25 of Regulation No 1257/2012, is essential in order to ensure the proper functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors.”).

rooted.<sup>485</sup> Currently, the substantive provisions are limited to the principles concerning the cease-and-desist claims,<sup>486</sup> exhaustion,<sup>487</sup> and lastly licences of right.<sup>488</sup>

It is meaningful to retrace the historical process through the progressive erosion of the substantive provision in the Regulation that led to the approval of the current regulation, consisting in a wide and generic reference to the national law of the participating Member States.<sup>489</sup> In the first versions of the draft Regulation, indeed, the scope of the right of the proprietor and its limitations were regulated by the provisions set out from Article 6 to Article 8, concerning the essential substantive features of the new European patent with unitary effect.<sup>490</sup> However, throughout the approval procedure of the Regulation in the summer of 2012, these articles were removed and were substituted with the already mentioned reference to the national law, pursuant to paragraph 3 of Article 5. The turning point in the drafting of the legislation consisted in the Council's meeting, where the United Kingdom formulated

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<sup>485</sup> 1257/2012 Regulation, *supra* note 470, at Art. 5(2) (“The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.”) and Art. 5(3) (“The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.”).

<sup>486</sup> *Id.*, Art. 5(1) (“The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect, subject to applicable limitations.”).

<sup>487</sup> *Id.*, Art. 6 (“The rights conferred by a European patent with unitary effect shall not extend to acts concerning a product covered by that patent which are carried out within the participating Member States in which that patent has unitary effect after that product has been placed on the market in the Union by, or with the consent of, the patent proprietor, unless there are legitimate grounds for the patent proprietor to oppose further commercialisation of the product.”).

<sup>488</sup> *Id.*, Art. 8 (“The proprietor of a European patent with unitary effect may file a statement with the EPO to the effect that the proprietor is prepared to allow any person to use the invention as a licensee in return for appropriate consideration.”).

<sup>489</sup> The issue is analysed in detail from the perspective of the United Kingdom at *supra* para. 1.4 of Chapter III.

<sup>490</sup> The proposal provoked some lively criticism among those practitioners and commentators who considered essential to regulate the unitary patent as an autonomous title of protection. In this respect, see Hanns Ullrich, *Harmonizing Patent Law: The Untamable Union Patent*, in HARMONISATION OF EUROPEAN IP LAW. FROM EUROPEAN RULES TO BELGIAN LAW AND PRACTICE 44 (Marie-Christine Janssens & Geertrui Van Overwalle eds., 2012), where it is strongly affirmed that there would be “no national patents nor [can there be] a “European” patent without [such] legal substance”.

a veto on the text, pushing through an erasure of Articles 6-8 of the draft Regulation.<sup>491</sup> At first, the European Parliament dismissed such a removal, fearing that the lack of a protective claim in a legislative act would not have allowed the requirements of the legal basis to be met and would have rendered the regulations invalid.<sup>492</sup> Given the political and institutional impasse, the Council Presidency proposed the current Article 5 as a compromise solution, which was accepted by the European Parliament and the Council.

The opposition to Articles 6-8 was expressed by some contracting Member States, not only the United Kingdom but also Germany, and a composite group of stakeholders involved in the field of intellectual property, including practitioners,<sup>493</sup> representatives of patent industry,<sup>494</sup> specialised judges<sup>495</sup> and academics.<sup>496</sup> The major doubts concerned the opportunity to include the patent substantive legislation in an EU law legislative act, which would be subject to the interpretation of the Court of Justice.<sup>497</sup>

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<sup>491</sup> Council of the European Union, 28/29 June 2012, Conclusions, EUCO Doc. 76/12.

<sup>492</sup> In order to create a European intellectual property right based on Art. 118 TFEU, the Regulation is required to include at least one protective claim. Otherwise, it would have been the concrete risk of a judgment of the CJEU declaring the Regulation provisions invalid because it does not meet the requirements of the adopted legal basis. See Winfried Tilmann, *Moving towards completing the European Patent System: an Overview of the draft Agreement on a Unified Patent Court*, ACADEMY OF EUROPEAN LAW 87, 94 (2012).

<sup>493</sup> See among others EPLAW (European Patent Lawyers Association), *The Unified Patent Court, EPLAW Resolution on the Draft Agreement 13751/11 of September 2, 2011*, 27 Sep. 2011, available at [www.eplawpatentblog.com/eplaw/2011/09/eplawthe-unified-patent-court-eplaw-resolution-on-the-draft-agreement.html](http://www.eplawpatentblog.com/eplaw/2011/09/eplawthe-unified-patent-court-eplaw-resolution-on-the-draft-agreement.html).

<sup>494</sup> ICC (International Chamber of Commerce), *Unitary Patent Protection Regulation Articles 6-8*, 14 Nov. 2011, available at <https://iccwbo.org/content/uploads/sites/3/2011/11/ICC-letter-on-Unitary-Patent-Protection-Regulation-E28093-Articles-6-8.pdf>.

<sup>495</sup> For instance, prof. Jacob, former judge in UK Appeals Court, criticised those aspects of the proposed Regulation which made EU law govern substantive patent law, namely Articles 6-8, stating the following: “[...] if these provisions are contained in a Regulation they will become part of EU law and thus subject to the obligation on the proposed new court of submitting questions of interpretation to the Court of Justice of the EU. Two questions arise (a) are Art. 6-8 necessary as a matter of EU law and (b) are they desirable?”. See Robin Jacob, *Opinion on the proposal to create a Unified Patent Court and Unitary Patent*, 2011, available at <http://www.eplawpatentblog.com/eplaw/2011/11/07/>.

<sup>496</sup> Rudolf Krasser, *Effects of an inclusion of regulations concerning the content and limits of the patent holder's rights to prohibit in an EU regulation for the creation of unitary European patent protection*, 2011, available at <http://blog.ksnh.eu/en/wp-content/uploads/2012/03/Prof-Krasser-opinion-on-EU-Patent.pdf>.

<sup>497</sup> See also Intellectual Property Judges Association (I.P.J.A.), *Resolution on the Unified Patent Court for the EU and Unitary Patent*, 2 Nov. 2011, available at <http://eplaw.org/eu-venice-judges-resolution-on-a-unified-patent-court-for-the-eu-and-unitary-patent/> where it was clearly stated that the Judges

It was thus assumed that the CJEU judges could lack the specialised expertise in the area of patent law and it was allegedly not keen on considering the best interests of patent users.<sup>498</sup>

The deletion of the substantive patent law provisions was thus a last-minute political compromise to secure the support of the United Kingdom, whose participation was fundamental, for the unitary patent system.<sup>499</sup> Notwithstanding the cancellation of the core patent provisions were harshly condemned by several Members of the European Parliament (MEPs) during the debate, yet the European Parliament decided to endorse the package, in consideration of the fact that the relevant provisions were moved to the UPC Agreement. Such a decision raised criticisms among policy makers as well as academics since it was censured as a violation of EU law and a deprivation of autonomy for the new European intellectual property right.<sup>500</sup>

Concluding, it seems important to underline that in the future the 1257/2012 Regulation can be extended in order to include more detailed substantive provisions, being currently impossible for a Member State to impose a national veto on the decision. Given the amendment of Article 118(2) TFEU, it is now sufficient a qualified

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were unanimously “against the proposed inclusion of Arts. 6-8 of the current draft Regulation into the final Regulation and that if they were included the new system would fail to achieve the object of a better system of patent litigation in Europe”.

<sup>498</sup> Prof. Dr. Drexl, currently the Director of the Max Planck Institute for Innovation and Competition, reported David Cameron’s intervention during the meeting of the EU Council in June 2012. The Author underlined that his resistance to accept the CJEU’s jurisdiction over substantive law matters “was inspired by concerns on the part of the UK judiciary that the CJEU would not be capable of delivering high quality decisions on patent law”. See Josef Drexl, *The European Unitary Patent System: On the ‘Unconstitutional’ Misuse of Conflict-of-Law Rules*, in ZWISCHENBILANZ – FESTSCHRIFT FÜR DAGMAR COESTER-WALTJEN 361, 368 (Katharina Hilbig-Lugani et al. eds., 2015).

<sup>499</sup> Some commentators complained of an alleged lack of transparency during the negotiations. For instance, Pagenberg, attorney at law specialised in IP disputes, claimed that “[...] the circulation of the draft was delayed, since it has proven a viable way to prevent discussions, if nobody knows what to discuss”. See Jochen Pagenberg, *Unitary Patent and Unified Patent Court—What Lies Ahead?*, 8 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 480, 483 (2013).

<sup>500</sup> See for example the position expressed by Alain Strowel, Fernand de Visscher & Vincent Cassiers, *L’unione non può essere privata dei suoi poteri da parte degli stati membri: il pericoloso precedente del pacchetto brevetti*, 3 IL DIRITTO INDUSTRIALE 221 (2015).

majority decision due to the deletion of the unanimity requirement and the suppression of the veto right of a Member State.<sup>501</sup>

## 2.2. A Legally Complex and Non-transparent Compromise on the Judicial Frame: the Agreement on the Unified Patent Court

Despite the explicit reference to national law at Article 5 paragraph 3, the substantive regulation could not be determined by the Member States acting individually, in view of the fact that it would have been inevitably in contrast with the uniform protection guaranteed by the new right.<sup>502</sup> Thus the fundamental provisions of the new patent were adopted collectively by the Member States participating in enhanced cooperation, within the international Agreement establishing the Unified Patent Court, so called UPCA.<sup>503</sup>

In the margins of the Competitiveness Council, held in Bruxelles on 19 February 2013, it was endorsed the Agreement on a Unified Patent Court, constituting the third component of the Unitary Patent Package.<sup>504</sup> It was signed by twenty-five EU Member States, except Spain, Poland and Croatia but including Italy, which did not originally participate the preceding enhanced cooperation measures and did formally joined them only in September 2015.<sup>505</sup> In 2021 Germany and Austria successfully completed their

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<sup>501</sup> See European Parliament, *Intergovernmental Decision-Making Procedures Fact Sheets on the European Union* (2020), available at [https://www.europarl.europa.eu/ftu/pdf/en/FTU\\_1.2.4.pdf](https://www.europarl.europa.eu/ftu/pdf/en/FTU_1.2.4.pdf).

<sup>502</sup> Hanns Ullrich, *Select from Within the System: The European Patent with Unitary Effect*, in *QUEL DROIT DES BREVETS POUR L'UNION EUROPÉENNE? / WHAT PATENT SYSTEM FOR THE EUROPEAN UNION?* 207, 243 (Christophe Geiger ed., 2013).

<sup>503</sup> See Costanza Honorati, *Il diritto applicabile dal Tribunale unificato: il coordinamento tra fonti e i rapporti tra accordo TUB e regolamento (UE) n. 1257/2012*, in *LUCI E OMBRE DEL NUOVO SISTEMA UE DI TUTELA BREVETTUALE - THE EU PATENT PROTECTION. LIGHTS AND SHADES OF THE NEW SYSTEM* 119 (Costanza Honorati ed., 2014), where Professor Honorati analyses how the coordination between the different legislative acts can actually work, focusing in particular on the referral to national law included in Article 7 UPC.

<sup>504</sup> As already, pointed out the Unitary Patent Package (UPP) consists of three elements: a Regulation creating a European patent with unitary effect (1257/2012); a Regulation establishing a language regime applicable to the unitary patent (1260/2012); an international agreement setting up a single and specialised patent jurisdiction.

<sup>505</sup> Initially, Italy not only did not take part in enhanced cooperation but even did launch a court challenge against the planned EU unitary patent system, together with Spain. It is interesting to underline that, rather than combine their forces, the Italian and Spanish Governments sought the

ratification of the Protocol on the Provisional Application of the Unified Patent Court Agreement (PAP-Protocol).<sup>506</sup> The provisional application period will commence only after the deposit of PAP-Protocol ratification. As it will be discussed in more detail below, the successful conclusion of the project is still uncertain mainly due to the existence of two major obstacles: firstly, the withdrawal of the United Kingdom after Brexit and, secondly, the German constitutional complaints against the law ratifying the Agreement, which delayed the completion of the ratification process.<sup>507</sup>

In this scenario, the contracting states decided to regulate not only the judicial system designed to ensure protection to the new IP right, but also the substantive patent issues, implementing the legal basis of Article 118 TFEU for the part not set out by the Community legislator. The presence of relevant substantive rules in the UPCA Agreement justified the strict link established by the 1257/2012 Regulation between its own implementation and the entry into force of the Agreement creating the Unified Patent Court.<sup>508</sup> In this regard it seems important to underline that, according to Regulation 1257/2012, a unitary European patent “shall have unitary effect only in those participating Member States in which the Unified Patent Court has exclusive jurisdiction with regard to European patents with unitary effect at the date of registration”.<sup>509</sup> In view of this consideration, it could be quite possible that, for a certain period of time, the new patent will not be granted with unitary effect with reference to those Member States, which have participated in enhanced cooperation

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annulment of the authorizing decision by bringing two separate and non-identical legal proceedings. *See infra* paras. 4 and followings of Chapter III.

<sup>506</sup> Agreement on a Unified Patent Court, *supra* note 473, at Art. 89 (“This Agreement shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.”).

<sup>507</sup> *See infra* paras. 2 and 3 of Chapter IV.

<sup>508</sup> As already explained, Article 18 of the Regulation 1257 contemplates the application of the new rules from 1 Jan. 2014 or from the entry into force of the Agreement on a Unified Patent Court, whichever is the later. *See supra* para 2.1 of Chapter III.

<sup>509</sup> 1257/2012 Regulation, *supra* note 470, at Art. 18(2).



process but have not ratified the UPC Agreement yet.<sup>510</sup> Consequently, it should be stressed that the protection provided by the Unitary Patent Package might result non-uniform for all the new European patents with unitary effect, unless all Member States participating in the enhanced cooperation also ratify the Agreement.<sup>511</sup>

In conclusion, the risk that the unitary patent might not be applicable for the entire territory of the internal market seems to generate territorial and substantive fragmentation of patent protection in the European Union, jeopardising both the cohesion purpose and the boost to innovation.<sup>512</sup> The ultimate objective of promoting the establishment of a single market, pursuant to Article 3 paragraph 3 TEU,<sup>513</sup> is at risk of being compromised. It may occur a potential fracture between the original twenty-five signatory Member States, currently twenty-four following the UK's withdrawal, the non-participating Member States and the States which originally signed the Treaty but have not ratified it yet.<sup>514</sup>

### 2.3. The Legal Instrument Establishing the Unified Patent Court: an Atypical International Treaty across National and European Union Laws

The international pact aimed at creating the Unified Patent Court (UPC), that is a common court for all the Member States party to the UPC Agreement dealing with the infringement and validity of both Unitary Patents and European patents. The final draft embedded several relevant amendments in order to eliminate the incompatibilities with

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<sup>510</sup> Honorati, *supra* note 503, at 123; Drexl, *supra* note 498, at 369.

<sup>511</sup> Avgi Kaisi, *Finally a Single European Right for the EU? An Analysis of the Substantive Provisions of the European Patent with Unitary Effect*, 36 EUROPEAN INTELLECTUAL PROPERTY REVIEW 170, 176 (2014).

<sup>512</sup> For a general comment on this point *see* RETO M. HILTY, THOMAS JAEGER, MATTHIAS LAMPING, HANNS ULLRICH, THE UNITARY PATENT PACKAGE: TWELVE REASONS FOR CONCERN 1 (Max Planck Institute for Intellectual Property and Competition Law, Research Paper No. 12, 2012).

<sup>513</sup> TEU, Art. 3(3) (“The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.”).

<sup>514</sup> For details and updates on the ratification *see* <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=2013001>.

the EU law established by the Court of Justice in the Opinion 1/09. After the Opinion, the negotiating Member States excluded the option to transfer patent jurisdiction to the CJEU or national courts, deciding instead to create a special international court through an international agreement outside the European Union legal framework.<sup>515</sup>

As it was already highlighted, the UPC Agreement was concluded exclusively between twenty-five Member States, without the participation of the European Union and without the involvement of any non-Member States.<sup>516</sup> In particular, the negotiating processes involved all the nations, which at that time were Member States of the EU, except Spain and Poland. While the former country did not accept to join the enhanced cooperation to establish the new patent, the latter one decided to be involved only in the enhanced cooperation process without endorsing the Agreement related to the jurisdictional protection system. It seems relevant to underline that the UPC Agreement can be considered, in a broad sense, among the examples of “differentiated integration” which can be realised outside the Community legal order by Member States.<sup>517</sup> The UPCA is a partial international agreement *inter se* whereby only some Member States assumed the obligation to exercise collectively and in a certain specific area the shared competences laid down in the Treaties.<sup>518</sup>

The crucial difference between the use of the instrument of *inter se* agreements and the use of enhanced cooperation consists in the fact that the former creates rules that are of an international law nature, while the latter confers on the outgoing legislation the nature of an act of EU law. On the contrary, the common feature of both

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<sup>515</sup> For proposals of alternative solutions and presentations about the possible options at that time see Michael C.A. Kant, *A specialised Patent Court for Europe?*, 30 NETHERLANDS INTERNATIONAAL PRIVAATRECHT 193 (2012). The Author delivers his own proposal concerning the creation of a specialised chamber of the CJEU for patent litigation and the establishment of a central EU Court for all intellectual property litigation.

<sup>516</sup> For a general comment on the use of partial agreements in the process of differentiation within the EU legal framework see STEVE PEERS, *THE UNRAVELLING OF EU LAW: DIFFERENTIATED INTEGRATION WITHIN THE EU LEGAL ORDER* (2018).

<sup>517</sup> Alberto Miglio, *Differentiated integration and the principle of loyalty*, 14 EUROPEAN CONSTITUTIONAL LAW REVIEW 475 (2018).

<sup>518</sup> See generally Bruno de Witte, *Old-Fashioned Flexibility: International Agreements between Member States of the European Union*, in *CONSTITUTIONAL CHANGE IN THE EU: FROM UNIFORMITY TO FLEXIBILITY?* 31 (Grainne De Burca & Joanne Scott eds., 2000).

legal instrument is that only some of the European Union Member States negotiate and discuss in order to produce common law, excluding those Member States not interested in achieving a shared and harmonised position on that particular matter.<sup>519</sup> It is extremely important to analyse the distinctions and connections between *inter se* agreements and enhanced cooperation, considering that the first legal instrument was used to establish an international court and to provide some limited substantive rules, while the second one was used to adopt two enhanced cooperation regulations covering some other limited substantive rules.<sup>520</sup> These two legislative instruments differ from each other mainly with respect to the specific legal regimes they are subject to, since only the regulations are directly governed by European Union law.<sup>521</sup>

From the point of view of the relationships between legal sources, agreements carried out by Member States are clearly extraneous to the European Union legal order and have the same status of the national law of the Member States that have concluded them.<sup>522</sup> As long as they do not form part of the Union law, the *inter se* agreements are not regulated by some principles applicable to EU legislative acts.<sup>523</sup> At the same time,

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<sup>519</sup> As a matter of fact, the Unified Patent Court Agreement will supplement both EU Regulations exercised by way of enhanced cooperation, which will thus apply to only some Member States. See Opinion of Mr Advocate General Bot, Joined cases C-274/11 and C-295/11, Kingdom of Spain and Italian Republic v. Council of the European Union, 11 Dec. 2012, ECLI:EU:C:2012:782.

<sup>520</sup> See Emanuela Pistoia, *Outsourcing EU Law While Differentiating European Integration: The Unitary Patent's Identity in the Two "Spanish Rulings" of 5 May 2015*, 41 EUROPEAN LAW REVIEW 711, 716 (2016), where the Author defines the legislative technique of the EU Institutions regulating the unitary patent as "empty shell" or "outsourcing EU law".

<sup>521</sup> As regards the relation between enhanced cooperation and *inter se* agreements, in *Pringle* judgment the CJEU ruled that the existence of the enhanced cooperation provisions does not preclude Member States to enter into treaties with each other, apart from issues concerning Union exclusive competence. See C-370/12, Thomas Pringle v. Government of Ireland and Others, paras. 166-168, 2012 ECLI:EU:C:2012:756.

<sup>522</sup> Robert Schütze, *EC Law and International Agreements of the Member States—An Ambivalent Relationship?*, 9 CAMBRIDGE YEARBOOK OF EUROPEAN LEGAL STUDIES 387 (2007).

<sup>523</sup> The Court of Justice has broadly analysed the constraints applied to the use of the EU's institutions and judicial system in the framework of partial agreements concluded between Member States. The first leading judgment on the role of the EU's institutions outside the EU legal order were *Bangladesh* (Joined Cases C-181/91 and C-248/91, Parliament v. Council and Commission, 1993 E.C.R. I-3685), in which it was confirmed the legitimacy of a decision by the Member States to confer power upon the Commission to manage humanitarian aid to Bangladesh. On the year later in *Lome* case (C-316/91, Parliament v. Council, 1994 E.C.R. I-625) the Court stated that it was not in breach of the EU law a decision by the Council establishing a special system to administer the development of aid within the framework of an agreement between Member States, namely the Lome Convention. Later, the Court

however, they are subject to the equivalent restrictions and limitations of national legislations according to the principle of primacy of Union law over the national regulations of Member States.<sup>524</sup> In the present case, the Unified Patent Court Agreement is far from being irrelevant from a Union law perspective, considering that an EU legislative acts, namely 1257/2012 Regulation, explicitly refers and even makes its entry into force dependent on an agreement that binds some EU Member States but not the EU itself.<sup>525</sup> The UPCA's significance for Union law purposes can be explained also considering that it covers an area falling within EU competence and addresses issues related to the EU legal order, despite the Union did not conclude the multilateral agreement in its own name and in spite of being it applicable to some but not all Member States.<sup>526</sup>

Secondly, the conclusion of *inter se* agreements is characterised by the absence of those procedural guarantees typical of the decision-making process of EU legislative acts, which are taken by means of the “Community method” involving the use of the ordinary legislative procedure and the EU institutions.<sup>527</sup> In addition, with reference to the guarantees regarding compliance with the EU legal framework, it is important to highlight that it is not possible to apply *inter se* agreements to the CJEU's preventive

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addressed similar issues in the *Pringle* judgment, in which it was disputed the EU institutions' power with reference to the European Stability Mechanism (ESM) treaty (C-370/12, *Thomas Pringle v. Government of Ireland and Others*, 2012 ECLI:EU:C:2012:756). On the *Pringle* case see, among others, Christoph W. Herrmann, *Pringle V. Ireland. Case C-370/12*, 107 AMERICAN JOURNAL OF INTERNATIONAL LAW 410 (2013) and Chris Koedooder, *The Pringle Judgment: Economic and/or Monetary Union?*, 37 FORDHAM INTERNATIONAL LAW JOURNAL 112 (2013).

<sup>524</sup> Allan Rosas, *The Status in EU Law of International Agreements Concluded by EU Member States*, 34 FORDHAM INTERNATIONAL LAW JOURNAL 1304, 1314 (2011).

<sup>525</sup> Jan Willem van Rossem, *Interaction Between Eu Law and International Law in the Light of Intertanko and Kadi: the Dilemma of Norms Binding the Member States but not the Community*, 40 NETHERLANDS YEARBOOK OF INTERNATIONAL LAW 183, 218 (2009).

<sup>526</sup> Bruno de Witte, *Chameleonic Member States: Differentiation by Means of Partial and Parallel International Agreements*, in THE MANY FACES OF DIFFERENTIATION IN EU LAW 231 (Bruno de Witte et al. eds., 2001).

<sup>527</sup> On the contrary, the intergovernmental method of operation is based on the sovereign will of the Member States, which negotiate to achieve a consensus on issues of common interests by reconciling the different viewpoints of the participants. On the topic see Youri Devuyst, *The European Union's Institutional Balance after the Treaty of Lisbon: Community Method and Democratic Deficit Reassessed*, 39 GEORGETOWN JOURNAL OF INTERNATIONAL LAW 247 (2008). See also RENAUD DEHOUSSE, THE 'COMMUNITY METHOD'. OBSTINATE OR OBSOLETE? (2011), where the Author analyses successes and failures of the operation of the “Community method”.

judicial control regarding the compatibility with EU law. The general procedure for concluding international agreements, pursuant to Article 218 paragraph 11 TFEU, is reserved only to those treaties the Union itself is part of, thus being clear the reasons why no preventive control could have been operated by the Court of Justice on the project for the Unified Patent Court Agreement. Even in the event an international agreement should be assumed to be incompatible with the Union law, the problem may never come before the ECJ considering that it does not fall within the scope of the Court's supervisory jurisdiction so its control over the agreement would be excluded.<sup>528</sup> Nevertheless, the Court of Justice would have its usual pivotal role in ordinary jurisdiction also regarding the interpretation and enforcement of EU law. The Court of Justice indeed would be entitled to investigate the unlawfulness of the international agreement indirectly with a preliminary ruling, in case a national court is in doubt about the compatibility of the agreement with EU law and thus asks the Court for clarifications.<sup>529</sup> However, according to the mechanism set out at Article 267 TFEU, the Court would not have any power to interpret the treaty directly and it would not have jurisdiction to annul the adoption of international *inter se* agreements concluded between Member States, since the scope of its jurisdiction refers mainly to secondary EU measures, pursuant to Article 263 TFEU.<sup>530</sup> Hence, the EU Court of Justice would be able to deliver judgements of a purely declaratory nature, which are

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<sup>528</sup> In *Bangladesh* judgments the Court clearly affirmed the exclusion from judicial review for those “acts adopted by representatives of the Member States acting, not in their capacity as members of the Council, but as representatives of their governments, and thus collectively exercising the powers of the Member States [...]”. See *supra* note 523 *Bangladesh* case, at paras. 12 and 14. It should be noted that the principle of exclusion from judicial review applies not only to partial agreements, but also to the so-called parallel international agreements, which are concluded *inter se* between all the EU Member States.

<sup>529</sup> On this point see in particular C-44/84, *Hurd v. Jones*, 1986 E.C.R. I-29; C-235/87; *Annunziata Matteucci v. Communauté française of Belgium and Commissariat général aux relations internationales of the Communauté française of Belgium*, 1988 E.C.R. I-5589; C-336/96, *Mr and Mrs Robert Gilly v. Directeur des services fiscaux du Bas-Rhin*, 1998 E.C.R. I-2793.

<sup>530</sup> This exclusion of jurisdiction applies also to acts adopted collectively by all Member States within the context of the Council and to international agreements strongly linked to the EU institutions. In this regard see *supra* note 523, *Bangladesh* case, at paras. 9-25.

not suitable to prevent the application of national legislation found to be discordant with the Union legal framework.

Lastly, in order to better understand the progressive and systematic steps towards a legislation for a unified patent, it should be noted that the former international agreements, signed by Member States to regulate the unification of patent matter, were instead outside the scope of the EU legal order, and thus presented less problems of compatibility with the Union legal framework. The reference concerns particularly the Luxembourg Convention on the community patent, also called Community Patent Convention, signed in 1975 and never entered into force as it was analysed in detail above.<sup>531</sup>

Considering the reflections above, it can be deduced that, although being in principle part of the national law, the agreements concluded by the Member States pose a number of institutional issues related to the EU legal framework, for instance concerning their application and the regime of responsibility.<sup>532</sup> In conclusion, the fact that the substantive provisions applicable to the EU patent are governed by two different legal instruments, the 1257/2012 EU Regulation on the one hand, and the international agreement on the UPC on the other one, cannot be considered irrelevant from the point of view of the Union legal order. The most manifest implication is that from the close link between the international treaty and the Regulation derives an even stronger connection between any challenge presented against the validity of the 1257/2012 EU Regulation within the EU legal system and the actual feasibility of the UPC Agreement.

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<sup>531</sup> See *supra* para. 2.3 of Chapter I. See generally Rhond Rudolph Roth, *The Luxembourg Convention on the Community Patent: Complementary Application of National Law?*, 7 GEORGIA JOURNAL OF INTERNATIONAL AND COMPARATIVE LAW 95 (1977).

<sup>532</sup> See Steve Peers, *Towards a New Form of EU Law?: The Use of EU Institutions outside the EU Legal Framework*, 9 EUROPEAN CONSTITUTIONAL LAW REVIEW 37, 40 (2013).

## 2.4. The Constitutional Compatibility of the European Patent Organisation's Role in the New Judicial Patent System

Regarding the administrative tasks, the Article 9 of the 1257/2012 Regulation delegates a great number of administrative functions to the European Patent Organisation, in order to permit the correct operating of the European patent system with unitary effect.<sup>533</sup> The tasks the EPO is invested can be summarised as follows: as the first functions the EPO is charged by the participating Member States, paragraph 1 defines the requirement to administer requests and registration for unitary protection within the European Patent Register, then it specifies the tasks of receiving and registering statements of licensing. It should be mentioned also the assignments related to the publication of the required translations, together with the administration of renewal and additional fees.<sup>534</sup>

The transfer of powers for the benefit of the European Patent Office (EPO) ran counter the intention of previous efforts to realize a unitary EU patent and went in the opposite of the initial objective to put the governance of the European patent system under the Union framework.<sup>535</sup> The assignment of such important tasks to an

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<sup>533</sup> For a more detailed analysis of the Art. 9 see Winfried Tilmann, *Art. 9. Administrative tasks in the framework of the European Patent Organisation*, in UNIFIED PATENT PROTECTION IN EUROPE: A COMMENTARY 185 (Winfried Tilmann & Clemens Plassmann eds., 2018).

<sup>534</sup> The reference is to the first four letters of 1257/2012 Regulation, *supra* note 470, at Art. 9 (1) that indicates the EPO is given the following tasks: (“(a) to administer requests for unitary effect by proprietors of European patents; (b) to include the Register for unitary patent protection within the European Patent Register and to administer the Register for unitary patent protection; (c) to receive and register statements on licensing referred to in Article 8, their withdrawal and licensing commitments undertaken by the proprietor of the European patent with unitary effect in international standardisation bodies; (d) to publish the translations referred to in Article 6 of Regulation (EU) No 1260/2012 during the transitional period referred to in that Article; (e) to collect and administer renewal fees for European patents with unitary effect, in respect of the years following the year in which the mention of the grant is published in the European Patent Bulletin; to collect and administer additional fees for late payment of renewal fees where such late payment is made within six months of the due date, as well as to distribute part of the collected renewal fees to the participating Member States [...]”).

<sup>535</sup> See also generally Paul Braendli, *The Future of the European Patent System*, 26 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 813-829 (1995); Clifford Lees, *Strategic Reflections on the European Patent Office*, 18 WORLD PATENT INFORMATION 24-29 (1996); JOSEPH STRAUS, *THE PRESENT STATE OF THE PATENT SYSTEM IN THE EUROPEAN UNION: AS COMPARED WITH THE SITUATION IN THE UNITED STATES OF AMERICA AND JAPAN* (Office for Official Publications of the European Communities, 1997); Johannes van Benthem, *The European Patent*

organisation excluded from the EU legal order have brought heavy criticism and doubts of compatibility with the principle of the rule of law, according to the reasons and arguments that it will be briefly outlined below.<sup>536</sup>

The main reason for concern consists in the insufficient legal protection against the EPO decisions and administrative acts, considering that as an international body in principle it is not bound by EU law and it is not part of the EU institution framework.<sup>537</sup> Nevertheless, the delegation of powers conferred on the European Patent Organisation necessarily implies the need of its respective acts being subjected to some form of review by an independent court. For this purpose, the last subsection of Article 9 states that the Member States participating to the enhanced cooperation shall guarantee “effective legal protection before a competent court” against the decisions made by the EPO when performing the important listed administrative tasks. However, the problems arise from the diplomatic immunity and the extraterritoriality privilege enjoyed by the Organisation, the members of the Administrative Council and the employees of the European Patent Office in order to performance their mission in full independence from their own national influence.<sup>538</sup> It should be noted that the Protocol

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*System and European Integration*, 24 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 435-445 (1993).

<sup>536</sup> Also, Professor Lamping was critical on the irreversibility of the shift of powers to the EPO, especially due to the lack of EU institutions’ direct influence on its governance and policy. *See* in this regard Matthias Lamping, *Enhanced Cooperation - A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, 42 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 879, 923 (2011).

<sup>537</sup> For an examination of the European Patent Organisation (EPO) as a quasi-judicial body in the European patent system *see* Aurora Plomer, *The EPO as patent law-maker in Europe*, 25 EUROPEAN LAW JOURNAL 57, 62 (2019).

<sup>538</sup> Convention on the Grant of European Patents, 5 Oct. 1973, Art. 8, 1065 U.N.T.S. 199 [also European Patent Convention or EPC or Munich Convention]. *See* also the complementary provision of Protocol on Privileges and Immunities of the European Patent Organisation of 5 Oct. 1973, at Art. 3 (“1. Within the scope of its official activities the Organisation shall have immunity from jurisdiction and execution, except (a) to the extent that the Organisation shall have expressly waived such immunity in a particular case; (b) in the case of a civil action brought by a third party for damage resulting from an accident caused by a motor vehicle belonging to, or operated on behalf of, the Organisation, or in respect of a motor traffic offence involving such a vehicle; (c) in respect of the enforcement of an arbitration award made under Article 23. 2. The property and assets of the Organisation, wherever situated, shall be immune from any form of requisition, confiscation, expropriation and sequestration. 3. The property and assets of the Organisation shall also be immune from any form of administrative or provisional judicial constraint, except in so far as may be temporarily necessary in connection with the prevention



on Privileges and Immunities of the European Patent Organisation clearly allows such immunity to be waived by the EPO President or by any national court, in the event the privilege prevents the normal course of justice.

Some commentators have highlighted that from this special regime it seems to derive allegations of maladministration cannot be brought in front of European Union courts. The EPO is effectively placed outside the judicial structure, although it plays a central role in issuing the patents with unitary effect across part of the EU territory.<sup>539</sup> On this matter, five complaints (the “EPO cases”) were presented in front of the German Federal Constitutional Court (*Bundesverfassungsgericht*, also BVerfG). Numerous European companies took direct action against decisions of the European Patent Office and indirectly against the Convention on the Grant of European Patents, its implementing Regulations and the Boards of Appeal Rules of Procedure.<sup>540</sup> In particular the key question in the pending complaints concerns the EPO, namely whether the Boards of Appeal of the EPO are able to provide basic legal protection compatible with the German constitution and whether the legal remedies against negative decisions of the EPO Boards of Appeal can be deemed as adequate.<sup>541</sup> It

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of, and investigation into, accidents involving motor vehicles belonging to or operated on behalf of the Organisation [...]”.

<sup>539</sup> Strong criticism on this point has been raised by the FFII (Foundation for a Free Information Infrastructure, in the person of its president Benjamin Henrion. The FFII is a non-profit organisation dedicated to establishing a free market in information technology, which strongly oppose the Unitary Patent and its Unified Patent Court because, according the FFII’s point of view, the reform is willing to enter the software sphere and to detach itself from democratic and fiscal oversight. For more information see <https://ffii.org/>.

<sup>540</sup> It seems to exist no connection between the submitted “EPO cases”. The first complaint was presented by an anonymous company (2 BvR 2480/10) and few years later Barokes complained that the EPO’s trial violated both principles of fair trial and effective legal protection, and that the EPO’s decisions are not subject to independent review (2 BvR 421/13). Then, the pharmaceutical company Mundipharma claimed the separation between the administrative authority that grants the patents and the boards of appeal as insufficient, hence disregarding the independent jurisdiction guaranteed by the German Constitution (Grundgesetz für die Bundesrepublik Deutschland) (2 BvR 786/15). The two last complaints (2 BvR 756/16 and 2 BvR 561/18) will be decided jointly with the other by the Second Senate and Prof. Dr. Huber, as a Rapporteur. For more information see [https://www.bundesverfassungsgericht.de/DE/Verfahren/Jahresvorausschau/vs\\_2020/vorausschau\\_2020\\_node.html](https://www.bundesverfassungsgericht.de/DE/Verfahren/Jahresvorausschau/vs_2020/vorausschau_2020_node.html).

<sup>541</sup> In sum, the constitutional complaints criticise the fact that the EPO’s Boards of Appeal decisions are not subject to an effective judicial review in violation of Arts. 2(1), 19(4), 20(3), 24(1) and 103(1) of the German Constitution. Art. 19(4), in particular, states that in the event “any person’s rights [are]

would have been reasonable if the BVerfG had first dealt with the complaints about the independence of the Board of Appeal before deciding upon the case concerning the ratification of the Unified Patent Court project. The justification is twofold: firstly, the complaints are logically interlinked as the patents to be examined by the BVerfG are those granted and administered by the EPO, and secondly the cases on the EPO compatibility with the German Constitution are much older as they date back to 2010 and 2013.<sup>542</sup> However, as it will be discussed in detail below, in March 2020 the BVerfG delivered the decision regarding the constitutional complaint 2 BvR 739/17 concerning the Unified Patent Court, which was heard on 13 February 2020 without an oral hearing and declared the legislation enabling Germany to ratify the UPCA null and void.<sup>543</sup>

As regards the review procedure, there are grounds for wondering whether the internal appeal proceedings conducted by the EPO Boards of Appeal can be considered as fulfilling the constitutional requirement for a judicial review system of the contested decisions.<sup>544</sup> Based on the organisational structure and the appellate function of the Boards, the answer to this question appears to be in the negative for the following main reason. From the EU law perspective, in order to be effective the system of judicial remedies is required to pursue the objective of safeguarding not only the individual right of a fair review process, but also the autonomy of EU law pursuant to Art. 19 TEU.<sup>545</sup> The principle of autonomy in its jurisdictional and institutional form requires

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violated by a public authority, they may have recourse to the courts”, while Art. 103 deals with the right to a fair trial, stating also that “in the courts every person shall be entitled to a hearing in accordance with law”.

<sup>542</sup> In April 2020, the Committee on Legal Affairs and Consumer Protection of the *Bundestag* submitted an opinion on the constitutional complaints and recommended the German federal parliament to join the dispute proceedings before the Federal Constitutional Court, especially for the purpose of insisting on an oral hearing under Art. 94.5 of the Federal Constitutional Court Act (*Bundesverfassungsgerichtsgesetz*, also BVerfGG). See German *Bundestag*, Committee on Legal Affairs and Consumer Protection, Recommendation for a decision and report on the proceedings before the Federal Constitutional Court 2 BvR 2480/10, 2 BvR 421/13, 2 BvR 786/15, 2 BvR 756/16 and 2 BvR 561/18, 22 Apr. 2020 available at <https://dip21.bundestag.de/dip21/btd/19/187/1918737.pdf>.

<sup>543</sup> See *infra* paras. 2 and followings of Chapter IV.

<sup>544</sup> Jaeger, *All Back to Square One?*, *supra* note 343, at 293-294.

<sup>545</sup> The fundamental right to an effective remedy is a common principle stated in different provisions. For instance, Charter of Fundamental Rights of the European Union, Art. 47, 2012, O.J. (C 326) 391–

the exclusive jurisdiction of the CJEU to be upheld, since it contributes to preserve “the essential character of the powers of the Community and its institutions”.<sup>546</sup> Regardless the questionable judicial character of the EPO Boards of Appeal, in this constitutional architecture the mechanism of Article 267 TFEU cannot be operative, considering that it reflects the institutional relationship and allows the dialogue between the Court of Justice and the national courts.<sup>547</sup>

Consequently, it seems indispensable that acts implemented by EPO in application of Union law are subjected to some form of EU court scrutiny and review, in accordance with general principles of European Union law such as autonomy of EU law, rule of law and completeness of the judicial remedies system.

### **3. The residual dysfunctionalities of the Unified Patent Litigation System after Opinion 1/09 of the Court of Justice of the European Union (CJEU)**

As already mentioned in the previous paragraphs, the third component of the Unified Patent Package (UPP) is represented by the Unified Patent Court Agreement, which is an atypical *inter se* agreement adopted on the appropriate legal basis of Article 118 TFEU.<sup>548</sup> At this point of the analysis, it seems relevant to consider the elements

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407 (“1. Everyone whose rights and freedoms guaranteed by the law of the Union are violated has the right to an effective remedy before a tribunal in compliance with the conditions laid down in this Article. 2. Everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal previously established by law. Everyone shall have the possibility of being advised, defended and represented. [...]”). Moreover, European Convention on Human Rights, Art. 6(1), 1950 [also ECHR] affirms that “[...] everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law.”). *See generally* Philipp von Kapff, *Fundamental rights in the practice of the European Trade Mark and Designs Office (OHIM)*, in RESEARCH HANDBOOK ON HUMAN RIGHTS AND INTELLECTUAL PROPERTY 284 (Christophe Geiger ed., 2015).

<sup>546</sup> *See* Opinion C-1/00, paras. 12-13, 2002 E.C.R. I-03493.

<sup>547</sup> *See* Opinion C-2/13, para. 176, 2014 ECLI:EU:C:2014:2454.

<sup>548</sup> For a first description of the unitary patent and the court system *see generally* PIETER CALLENS & SAM GRANATA, INTRODUCTION TO THE UNITARY PATENT AND THE UNIFIED PATENT COURT: THE (DRAFT) RULES OF PROCEDURE OF THE UNIFIED PATENT COURT (2<sup>nd</sup> ed. 2013).

characterising the jurisdictional system defined after the Court of Justice handed down the very significant Opinion 1/09 on the incompatibility with Union law of the draft agreement setting up a new European Patent Court system. The final objective will be to evaluate whether it can be concluded that the restyle of the unified patent litigation system has convincingly removed any legal doubts concerning the compatibility of the UPC Agreement with the law of the European Union.<sup>549</sup>

First, it should be presented the amendments to the draft made by the Member States to ensure its compatibility with the keystone principle of the autonomy of the Union legal order.<sup>550</sup> The detailed analysis on the peculiarities of *inter se* agreements leads to the conclusion that the UPC Agreement does not fall within the scope of Union external action. Conversely, considering that either the Union itself or any third state participating in the European Patent Convention cannot enter into the international agreement in question, it seems to be merely regarded as a particular *inter se* agreement concluded between the EU Member States concerned. This is an extremely significant element, not only from the point of view of the classification under international and European law of the implemented legislation on the patent judicial system, but also from the point of view of the distinctive characteristics of the Unified Patent Court, given the highly specialised nature of patent litigation. As already analysed in detail in the previous paragraph dedicated to Opinion 1/09, one of the objections formulated by the Court of Justice concerned the UPC's nature of international court established outside the institutional and judicial framework of the European Union.<sup>551</sup> Conferring the Unified Patent Court the exclusive jurisdiction in applying and interpreting European Union legislation in the field of the Community patent, would thus

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<sup>549</sup> For a brief overview on the historical dynamics that strongly influenced the creation of the UPC see Hanns Ullrich, *National, European and Community Patent Protection - Time for Reconsideration*, in *GEISTIGES EIGENTUM UND GEMEINFREIHEIT (GEISTIGES EIGENTUM UND WETTBEWERBSRECHT)* 61 – 106 (Ansgar Ohly & Diethelm Klippel eds., 2007).

<sup>550</sup> In particular it was acknowledged that the participation of third countries and the EU itself in the creation of a unified patent court shall be excluded. *See on this matter* Council of the European Union, Annex II “Solutions for a Unified Patent Litigation System – The Way Forward after the Opinion 1/09 of the CJEU - Non-Paper Of The Commission Services”, to Doc. 10630/11, 26 May 2011, *available at* <https://data.consilium.europa.eu/doc/document/ST-10630-2011-INIT/en/pdf>.

<sup>551</sup> *See supra* para. 3 of Chapter III.

undermine the national courts' powers in the preliminary ruling mechanism and would compromise the autonomy of the legislation on the unified intellectual property right.<sup>552</sup>

### 3.1. The Benelux Court of Justice as a Model of Special Court Compatible with the European Legal Order

In the context of such analysis, the Court clarified that the creation of the new court was not precluded by Article 262 TFEU because the extension of the ECJ competences to disputes connected with legislative acts setting up European titles of intellectual property is just a simple option and not an obligation for the Member States.<sup>553</sup> Furthermore, the Court examined the case of the Benelux Court of Justice, which is common to Belgium, the Netherlands and Luxembourg, offering such example to understand whether it could serve as a model towards a legislation for patent litigation consistent with the EU legal order.<sup>554</sup> The Court had the opportunity to define the position of the Benelux Court of Justice within the legal framework of the EU on two previous occasions, namely in the *Dior Case* and later in the *Paul Miles*

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<sup>552</sup> On this issue, some commentators considered the fact that a specialised court has been established pursuant to an international legal instrument placed outside the EU framework as plain evidence of the inadequacy of the judicial protection system set out in the Treaty of Nice. In particular *see* Hjalte Rasmussen, *Remedying the crumbling EC judicial system*, 37 COMMON MARKET LAW REVIEW 1071-1112 (2000).

<sup>553</sup> Opinion C-1/09, 2011 E.C.R. I-01137, at para 62 where it is then specified that Article 262 TFEU “does not establish a monopoly for the Court in the field concerned and does not predetermine the choice of judicial structure which may be established for disputes between individuals relating to intellectual property rights”.

<sup>554</sup> For a brief comment on the Benelux Court in the CJEU case law *see* Council of the European Union, *Creating a Unified Patent Litigation System - Reflections on the Benelux Court of Justice*, 9 Sep. 2011, Working Document from General Secretariat of the Council to Delegations, Doc. 13984/11. The Benelux Court of Justice was established in 1965 by the three Benelux countries that signed a treaty to create a common court for the uniform interpretation of Benelux law. *See* the text of the Treaty of 31 Mar. 1965 as amended by the Protocols of 10 June 1981 and 23 Nov. 1984, *available at* <https://www.courbeneluxhof.be/fr/basisdocumenten.asp>. *See also* the Decision of the Ministerial Committee of the Benelux Economic Union establishing a Protocol amending the Treaty of 31 March 1965 concerning the establishment and statute of a Benelux Court of Justice, 8 Dec. 2011 and the following amendments contained in the protocol concluded in Luxembourg on 15 Oct. 2012, in *Bulletin Benelux*, no. 2, 2012, 15 Nov. 2012.

*Case*.<sup>555</sup> In the first judgment, where it is made an explicit reference in Opinion 1/09, the Dutch Supreme court arose the question of whether the Benelux Court of Justice had to be considered as “a court or tribunal [...] against whose decisions there is no judicial remedy under national law” pursuant to paragraph 3 of Article 267 TFEU, so that it shall bring issues concerning the interpretation or the validity of EU law before the Court of Justice.<sup>556</sup> It was ruled that the Benelux Court of Justice should be able to submit questions to the CJEU, likewise any other court or tribunal facing with the responsibility of interpreting Union law in the performance of its function.<sup>557</sup> Hence, according to the Court’s analysis, permitting the Benelux Court of Justice to follow the procedure provided for by Article 267 paragraph 3 would ensure that Community law is interpreted and applied as far as possible uniformly.<sup>558</sup> More than ten years later, in the *Paul Miles Case*, the Court of Justice denied the qualification of the judicial body under discussion, namely the Complaints Board of the European Schools, as a “court or tribunal” within the meaning of Article 267 TFEU.<sup>559</sup> The Court stressed the difference between the Complaints Board and the Benelux Court of Justice, whose task is to ensure that the Benelux legislation is applied uniformly and to provide a final step in the judicial proceedings before the national courts.<sup>560</sup> Conversely, the Complaints Board cannot be deemed as a court or tribunal for the purposes of Article 267 TFEU due to the lack of a link with the judicial system of the Member States, being thus “[...] a body of an international organization which, despite the functional links which it has with the Union, remains formally distinct from it and from those Member States”.<sup>561</sup>

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<sup>555</sup> For a comment on the constitutional significance of the ECJ judgements in question *see* Allan Rosas, *The National Judge as EU Judge: Opinion 1/09*, in *CONSTITUTIONALISING THE EU JUDICIAL SYSTEM: ESSAYS IN HONOUR OF PERNILLA LINDH* 105-121 (Pascal Cardonnel et al. eds., 2012).

<sup>556</sup> Consolidated Version of the Treaty Establishing the European Community, Art. 177(3), 2006 O.J. (C 321E) 37-186 (EC) [also EC Treaty] and Consolidated version of the Treaty on the Functioning of the European Union, Art. 267(3), 2012 O.J. (C 326) 47-390 (EC) [also TFEU].

<sup>557</sup> C-337/95, *Parfums Christian Dior SA and Parfums Christian Dior BV v. Evora BV*, para. 21, 1997 E.C.R. I-06013.

<sup>558</sup> *Id.*, at para. 23.

<sup>559</sup> C-196/09, *Paul Miles and Others v. Écoles européennes*, para. 43, 2011 E.C.R. I-05105.

<sup>560</sup> *Id.*, at para. 35.

<sup>561</sup> *Id.*, at para. 42.

The ruling was consistent with the conclusions reached by the Court of Justice in its Opinion 1/09, where it was clarified the position of the Unified Patent Court on the envisaged draft agreement. The ECJ stated the specialised patent court would be different from the one of the Benelux Court of Justice, as far as this latter serves as a jurisdictional body common only to a number of Member States and is consequently embedded into the Union judicial system.<sup>562</sup> Accordingly, no infringement of the autonomy principle was identified by the ECJ in the case of the Benelux Court of Justice, in view of the fact that its resolutions are subject to adequate procedures ensuring the full effectiveness of the EU provisions.<sup>563</sup> On the contrary, the European and Community Patent Court draft agreement, which at that time admitted the possibility to include also third part countries, was placed “[...] outside the institutional and judicial framework of the European Union”, being a structure with a distinct legal personality under international law.<sup>564</sup>

### 3.2. The Main Amendments to the Specialised Court Model under Review in Opinion 1/09: Enough to Mark a Significant Departure from the Previous Incompatible Model?

Assuming the Benelux Court of Justice as a model, several amendments were enacted in the UPC Agreement to clarify the systematic connection between the national judicial systems and the envisaged patent court. In particular, it was introduced a clear reference to the fact that the UPC will 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 Contracting Member States”.<sup>565</sup> The same provision has been included in the Regulation 542/2014, which modified the Regulation 1215/2012 concerning the jurisdiction and the recognition and enforcement of judgments in civil

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<sup>562</sup> Opinion 1/09, at para 82.

<sup>563</sup> For a comment on the *Dior case* see Douglas R. Hegg, *Parfums Christian Dior Sa & (and) Anor v. Evora BV*, 27 DENVER JOURNAL OF INTERNATIONAL LAW AND POLICY 669 (1999).

<sup>564</sup> Opinion 1/09, at para. 71.

<sup>565</sup> Agreement on a Unified Patent Court, Art. 1(2).

and commercial matters, also called Brussels I *bis* Regulation.<sup>566</sup> Specifically, the Article 71(a) of Regulation 542/2014 clarifies that both the Unified Patent Court and the Benelux Court of Justice are explicitly recognised as “a court common to several Member States” referred.<sup>567</sup>

In order to achieve the final objective to design a court situated within the judicial system of the European Union, which could be deemed as compatible with its legal framework, the Agreement attempted to remedy the objections raised by of the Opinion 1/09 by introducing three main innovative elements. Firstly, the *inter se* agreement enabled the participation to the UPC project only to the interested EU Member States, excluding the access of both the Union and third countries, to overcome the tension between intergovernmental channels of cooperation and to create an integrated supranational judicial structure. Secondly, it was provided that traditional rules about prejudicial rulings apply in full to the Unified Patent, since it is envisaged as a common court to the Contracting States which is able to refer interpretative questions to the European Court of Justice pursuant to Article 267 TFEU.<sup>568</sup> In addition, it was also introduced in the UPC Statute a specific provision indicating that the applicable procedural rules for preliminary rulings requests are the ones

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<sup>566</sup> European Parliament and Council Regulation 1215/2012, 12 Dec. 2012, 2012 O.J. (L 351) 1–32 (EU). *See also supra* note 290. In this regard *see* Alberto Miglio, *La giurisdizione del Tribunale unificato dei brevetti, tra incertezze sul futuro del sistema brevettuale e prove di universalizzazione del regolamento Bruxelles I bis*, *IL DIRITTO DELL’UNIONE EUROPEA*, 657-688 (2018).

<sup>567</sup> European Parliament and Council Regulation 542/2014, 15 May 2014, 2014 O.J. (L 163) 1–4, which amended Brussels I *bis* Regulation as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice. In particular, it dealt with the issue concerning the rules applicable to the recognition and the enforcement of the UPC decisions in the EU Member States which are not part of the UPC Agreement, currently Poland, Spain and Croatia. *See* Pedro A. De Miguel Asensio, *Regulation (EU) No. 542/2014 and the International Jurisdiction of the Unified Patent Court*, *IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW* 45, 868–888 (2014). On this topic *see also* Maria Aranzazu Gandia Sellens, *The Relationship between the Brussels I recast and the agreement on a Unified Patent Court, specially focusing on patent infringement: when reality exceeds fiction*, in *BOUNDARIES OF EUROPEAN PRIVATE INTERNATIONAL LAW* 619–635 (Jean-Sylvestre Bergé, Stéphanie Francq & Miguel Gardenes Santiago eds., 2015).

<sup>568</sup> Agreement on a Unified Patent Court, Art. 21 (“As a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular. Decisions of the Court of Justice of the European Union shall be binding on the Court.”).



determined by the ECJ and that the proceedings in front of the UPC shall be stayed to await the Court's decision on the interpretation of the Treaties or on the validity of EU acts.<sup>569</sup> Lastly, consistently with the above mentioned amendments, it is worthy of note that in the UPC Agreement the Member States have decided to explicitly institute an individual and joint responsibility in the event of EU law violation by the UPC.<sup>570</sup>

According to Article 23 of the UPCA, the activities of the Unified Patent Court's administrative and judicial bodies are directly attributed to the Contracting States, thus implying crucial consequences with reference to their liability in case of the UPC infringes EU legislation.<sup>571</sup> To begin with, ordinary infringement procedures may be initiated against contracting parties to the UPCA that are responsible for damages occurred, pursuant to Articles 258, 259 and 260 of the TFEU.<sup>572</sup> Furthermore, the Member States have aspired to assure the full application of the principles defined by the Court of Justice in the *Köbler Case* judgement, which was expressly mentioned in the Opinion 1/09.<sup>573</sup> Accordingly, the UPC Agreement established that the contracting countries are "jointly and severally liable for damage resulting from an infringement of Union law by the Court of Appeal", after the applicants have exhausted the internal remedies.<sup>574</sup>

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<sup>569</sup> Statute of the Unified Patent Court, Annex I to the Agreement on a Unified Patent Court, Art. 38 ("1. The procedures established by the Court of Justice of the European Union for referrals for preliminary rulings within the European Union shall apply. 2. Whenever the Court of First Instance or the Court of Appeal has decided to refer to the Court of Justice of the European Union a question of interpretation of the Treaty on European Union or of the Treaty on the Functioning of the European Union or a question on the validity or interpretation of acts of the institutions of the European Union, it shall stay its proceedings.").

<sup>570</sup> Baratta, *The Unified Patent Court-What is the 'Common' trait about?*, *supra* note 394, at 123.

<sup>571</sup> Agreement on a Unified Patent Court, Art. 23 ("Actions of the Court are directly attributable to each Contracting Member State individually, including for the purposes of Articles 258, 259 and 260 TFEU, and to all Contracting Member States collectively.").

<sup>572</sup> Conversely, the participating Member States in the enhanced cooperation process are not responsible for the EPO's action, considering that the 1257/2012 Regulation "does not provide for non-contractual liability for damage resulting from an infringement of EU Law by the Office or an individual/collective responsibility of the Participating Member States pursuant to Art. 258-260 TFEU". For a broader comment on this point *see* Jacopo Alberti, *When Judicial Dialogue Needs Strong Institutional Commitments: The Peculiar Case of the Creation of the Unified Patent Court*, GENEVA JEAN MONNET WORKING PAPER NO 15/2016, available at [http://www.ceje.ch/files/3714/6762/6864/Geneva\\_JMWP\\_15-Alberti.pdf](http://www.ceje.ch/files/3714/6762/6864/Geneva_JMWP_15-Alberti.pdf).

<sup>573</sup> Case C-224/01, *Gerhard Köbler v. Republik Österreich*, paras. 31, 33-36, 53, 2003 E.C.R. I-10239.

<sup>574</sup> Agreement on a Unified Patent Court, Art. 22 (1).

Concluding, the mentioned modifications clearly had the aim to solve the censorships articulated by the Court of Justice in the Opinion 1/09 context, by ensuring the full respect of Union law and the judicial protection of individuals' rights. In the attempt to effectively pursue such an objective, the contracting Member States have enclosed in the wording of the Article 20 UPC Agreement the declared acknowledgement of the Union law primacy over the Agreement, specifying that "the Court shall apply Union law in its entirety and shall respect its primacy".<sup>575</sup> Nevertheless, it should be highlighted the following: in spite of the above analysed efforts to reshape the Unified Patent Court following the ECJ recommendations, serious concerns as to the compatibility of the specialised court with the Union legal framework still exist. To complete the analysis on the complex subject, these issues will be discussed in the following paragraphs.

#### **4. The judgment of the Court of Justice of the European Union (CJEU) in the joined cases C-274/11 and C-295/11 and the Related Concerns on the Adoption of the Enhanced Cooperation**

As mentioned above, one of the first concern emerged from the outset of the debate dealt with the legitimacy in using the enhanced cooperation for the exercise of the legal basis set out in Article 118 TFEU.<sup>576</sup> Certainly the discussion was largely fuelled by two specific actions for the annulment of the decision authorising the enhanced cooperation presented by the Kingdom of Spain and the Italian Republic.<sup>577</sup> Soon after

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<sup>575</sup> Agreement on a Unified Patent Court, Art. 20.

<sup>576</sup> On this topic see further Federico Fabbrini, *Enhanced cooperation under scrutiny: Revisiting the law and practice of multi-speed integration in light of the first involvement of the EU judiciary*, 40 LEGAL ISSUES OF ECONOMIC INTEGRATION 197-224 (2013).

<sup>577</sup> Joined Cases C-274/11 and C-295/11, Kingdom of Spain and Italian Republic v. Council of the European Union, 2013 ECLI:EU:C:2013:240. See among others Emanuela Pistoia, *Enhanced Cooperation as a Tool to Enhance Integration - Spain and Italy v. Council; Joined Cases C-274 & 295/11, Kingdom of Spain and Italian Republic v. Council of the European Union*, 51 COMMON MARKET LAW REVIEW 247-260 (2014).

the adoption of the Council Decision of 10 March 2011, whereby an enhanced cooperation procedure was approved relating to the creation of a unitary patent, Spain and Italy decided to file nullity actions against Regulation 1257/2012 on the creation of unitary patent protection, as well as against Regulation 1260/2012 on the translation arrangements.<sup>578</sup> It is perhaps not superfluous to recall that it was not possible for any of the Member States to challenge the third pillar of the Unitary Patent Package, since the UPC agreement was not an instrument of European law. Nonetheless, it was already outlined that the UPC Agreement has to be regarded as national law under Articles 5 and 7 1257/2012 Regulation, therefore the CJEU shall give guidance on how this should be applied.

The two claims were decided by the Grand Chamber of the Court of Justice with a single judgement on 16 April 2013, after being joined pursuant Article 54 of the Court Rules of Procedure.<sup>579</sup> Through this ruling, the judges in Luxemburg have interpreted for the first time the provisions established by the Treaties with regard to enhanced cooperation and have made explicit the aspects of the jurisdictional control which has to be operated by the Court of Justice on appeal of the authorising decisions.<sup>580</sup> In particular, with reference to the CJEU judgement, four main aspects were discussed: firstly, the scope and nature of the explicit legal basis for creating EU-wide intellectual property rights laid down in Article 118 TFEU, considering that the enhanced cooperation may not fall within an area which is of exclusive competence of

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<sup>578</sup> See *supra* note 470.

<sup>579</sup> Rules of Procedure of the Court of Justice, Art. 54, Sep. 2012, 2012 O.J. (L 265), as amended on 18 June 2013, 2013 O.J. (L 173), on 19 July 2016, 2016 O.J. (L 217), on 9 Apr. 2019, 2019 O.J. (L 111) and on 26 Nov. 2019, 2019 O.J. (L 316) (“Two or more cases of the same type concerning the same subject matter may at any time be joined, on account of the connection between them, for the purposes of the written or oral part of the procedure or of the judgment which closes the proceedings.”).

<sup>580</sup> For the first comments on the decision see Marco Bellezza, *Cooperazione rafforzata in materia di brevetto europeo ad effetto unitario*, GIURISPRUDENZA ITALIANA 1006-1007 (2013); Ulrich Blumenröder & Julia Peto, *The First Decision on the Unitary Patent: the Court Dismissed the Actions of Spain and Italy*, EUROPEAN LAW REPORTER 110-117 (2013); Giacomo Rugge, *Marchi, brevetto, diritto d'autore (brevetto unitario - cooperazione rafforzata)*, RIVISTA ITALIANA DI DIRITTO PUBBLICO COMUNITARIO 1168-1170 (2013); Pablo González Saquero, *Jurisprudencia – Tribunal de Justicia de la Unión Europea*, 47 REVISTA ESPAÑOLA DE DERECHO EUROPEO 193-230 (2013).

the Union in accordance with Article 20 TEU. Secondly, it was verified the respect of the principal requirement for establishing enhanced cooperation, as, according to the Treaty, it must serve the objectives to promote the realisation of the Union's targets and its integration process. Thirdly, it was evaluated whether enhanced cooperation was correctly developed within the existing institutional framework of the EU, thus considering its compliance with the *acquis communautaire*. Furthermore, it was tried to establish whether enhanced cooperation was properly adopted as an instrument of last resort, since the main operating principle in the field of policy development remains that all EU Member States should jointly undertake crucial determinations.

In the following, it will be analysed the objections raised in the appeals presented by Spain and Italy, then examining the central aspects of the solutions given by the Court of Justice to the doubts raised by the appellants and the arguments used to reject the claims filed against the Unitary Patent Package.<sup>581</sup>

#### 4.1. First plea: Council's Lack of Competence to Establish the Enhanced Cooperation

The first complaint that brought legal actions before the CJEU involved the classification of Union competence that, pursuant to Article 118 TFEU, allows Member States to create uniform titles of intellectual property.<sup>582</sup> The appellants challenged the Council authorising decision insofar as it considered, in accordance with Article 4 TFEU, that the area within enhanced cooperation was exercised could

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<sup>581</sup> It should be underlined that the issues will not be analysed according to the order and subdivision proposed in the ECJ judgment, but it will be examined only those parts of the pleas that are relevant to the perspective proposed here. In cases C-274/11 and C-395/11 the arguments put forward in support of the two actions were arranged in "five pleas in law: first, that the Council lacked competence to establish the enhanced cooperation in question; second, misuse of powers; third, breach of the condition that the decision authorising enhanced cooperation must be adopted as a last resort; fourth, infringements of Articles 20(1) TEU, 118 TFEU, 326 TFEU and 327 TFEU and, fifth, disregard for the judicial system of the Union". See Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 9.

<sup>582</sup> On this matter see William Kingston, *Intellectual Property in the Lisbon Treaty*, 30 EUROPEAN INTELLECTUAL PROPERTY REVIEW 439 - 443 (2008).

be included among the competences shared between the Member States and the EU.<sup>583</sup> Conversely, according to the approach offered by the applicants, the creation of unitary patent protection and applicable translation arrangements would fall within the exclusive competences of the Union, set out in Article 3(1)(b) TFEU, namely the definition of the competition regulation fundamental for the internal market functioning.<sup>584</sup> As a consequence, Italy and Spain submitted that it was not possible to adopt enhanced cooperation with reference to the creation of a unitary patent. They stated that enhanced cooperation could be introduced only in those areas where the Union has no exclusive competence, pursuant to Article 20 TEU.<sup>585</sup>

The thesis that the matter referred to in Article 118 TFEU does come within an area in which the EU has exclusive competence was supported by a significant part of scholars and academics.<sup>586</sup> Indeed, some commentators did not categorise the creation of new unitary Intellectual Property Rights as a shared competence, because otherwise the principle of subsidiarity would have to be fully applied.<sup>587</sup> As a consequence, the Union “could only make use of its competence if and in so far as the objectives of the action under consideration cannot be sufficiently achieved by the Member States”,

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<sup>583</sup> TFEU, Art. 4 (“1. The Union shall share competence with the Member States where the Treaties confer on it a competence which does not relate to the areas referred to in Articles 3 and 6.”). It seems appropriate to recall that the problems arise because in most areas the distribution of competences and the dividing line is not totally clear. Most difficulties occur especially in the area of shared competences, considering that the degree of sharing depends on the specific subject matter.

<sup>584</sup> TFEU, Art. 3(1) (“The Union shall have exclusive competence in the following areas: (a) customs union; (b) the establishing of the competition rules necessary for the functioning of the internal market; (c) monetary policy for the Member States whose currency is the euro; (d) the conservation of marine biological resources under the common fisheries policy; (e) common commercial policy.”).

<sup>585</sup> On the issue of EU competence on Intellectual Property Rights *see extensively* Anna Wilińska-Zelek & Miłosz Malaga, *EU Competence and Intellectual Property Rights. Internally Shared, Externally Exclusive?*, *supra* note 192.

<sup>586</sup> *See among others* Thomas Jaeger, *Einheitspatent – Zulässigkeit der Verstärkten Zusammenarbeit ohne Spanien und Italien*, 66 NEUE JURISTISCHE WOCHENSCHRIFT 1998, 1999 (2013), Gérald Sedrati-Dinet, *Academics Confirm Flaws in the Unitary Patent* (2012), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2111581](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2111581); Troncoso, *International Intellectual Property Scholars Series: European Union Patents: A Mission Impossible? An Assessment of the Historical and Current Approaches*, *supra* note 481, at 254; Ullrich, *Enhanced cooperation in the area of unitary patent protection and European integration*, *supra* note 465, at 591.

<sup>587</sup> *See among others* Ullrich, *Harmonizing Patent Law: The Untamable Union Patent*, *supra* note 490, at 28-30.

pursuant to Article 5 paragraph 3 TEU.<sup>588</sup> According to such a theory, instead, the principle of subsidiarity cannot be applied with reference to Article 118 TFEU. Indeed, the creation of European Intellectual Property Rights (IPRs), ensuring a uniform protection in the EU territory, would necessarily require the adoption of a Community legislative act.<sup>589</sup> The development of a peculiar intellectual property right cannot be achieved by means of the individual initiative of the Member States, therefore Article 118 TFEU “cannot but be read as concerning an area which logically excludes member states competences alongside those of the EU”.<sup>590</sup>

Following the approach of most scholars and of Advocate General Bot, the Court of Justice rejected the claim, thus interpreting the competence established by Article 118 TFEU as a shared competence.<sup>591</sup> Moreover, it is worth emphasising that the argument presented by the applicants had been anticipated and contested in advance by the European institutions and in particular by the Commission in its proposal for the establishment of enhanced cooperation. On that occasion, the Commission asserted that “the consideration that only the Union can establish unitary patent protection within the Union does not make the establishment of such unitary patent protection a matter of exclusive competence”, hence “any argument to the contrary confuses the notions of the conferral of power [...] and the manner in which the power is exercised by the Union”.<sup>592</sup> First of all, the Court argued that Article 118 TFEU confers a

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<sup>588</sup> Lamping, *Enhanced Cooperation - A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, *supra* note 536, at 915-916.

<sup>589</sup> Ullrich, *Harmonizing Patent Law: The Untamable Union Patent*, *supra* note 490, at 30-31 (“While on grounds of expediency the Union may not wish to make full use of the latter powers [i.e. the power to establish an EU system of intellectual property protection including the setting up of centralized Union-wide authorization, coordination and supervision arrangements], but prefer to make use of the services and existing mechanisms of an international organization, it may not leave a matter, which is its own domain and responsibility, to development and governance by Member States, let alone to a limited number of Member States acting in their own interest and pre-determining the long term development of the Union’s policy and law.”).

<sup>590</sup> Jaeger, *All Back to Square One?*, *supra* note 343, at 5.

<sup>591</sup> See Heike Baddenhausen & Tanja Gey, *Kompetenzverteilung und verfahrenstechnische Änderungen im Vertrag von Lissabon*, Wissenschaftliche Dienste des Deutschen Bundestages (Scientific Services of the German Parliament), No. 10/08 (2008); RUDOLF STREINZ, CHRISTOPH OHLER & CHRISTOPH HERRMANN, *DER VERTRAG VON LISSABON ZUR REFORM DER EU* 108 (2010).

<sup>592</sup> European Commission, Proposal for a Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection, *supra* note 374.

competence which is bound by a precise direction, as the creation of European intellectual property rights falls “within the context of the establishment and functioning the Internal Market”.<sup>593</sup> While confirming the essential importance of intellectual property regulation for maintaining undistorted competition on the internal market, the Court excluded they constitute “competition rules” for the scope of Article 3 paragraph 1 letter b TFEU, which would be thus improperly extended.<sup>594</sup>

Such an interpretation of the relevant provisions of the Treaty have been strongly criticised by various members of the academic community, that contested the weakness of the arguments supporting the thesis endorsed by the Court. In brief, the most severe criticism concerned the “weakest part of the entire judgment”, namely the paradoxical consequences of classifying the competence under Article 118 TFEU as shared one.<sup>595</sup> If no action had been taken at EU level, it would have been possible for each Member State to establish individually and autonomously new Intellectual Property Rights with unitary effect throughout the Union territory. However, it is perhaps superfluous to emphasise that such a scenario is not only impossible to conceive but would also be in total contradiction to the rationale of the provision. Conversely, only the harmonisation of national intellectual property regulation, allowed by Article 114 TFEU, can be deemed as a shared competence, considering that Member States cannot create European Intellectual Property Rights but only approximate laws in their respective national context.<sup>596</sup>

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<sup>593</sup> It is of interest to underline that the French and the German version of Article 118 TFEU are both broader than the English text (“dans le cadre de l’établissement *ou* du fonctionnement du marché intérieur” and “im Rahmen der Errichtung *oder* des Funktionierens des Binnenmarktes”), considering that the conjunction “and” is in both cases translated with “or”. On this matter *see* Ullrich, *Harmonizing Patent Law: The Untamable Union Patent*, *supra* note 490, at 29 fn. 92.

<sup>594</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 22. The argument reflected the statements of the Advocate General Bot in his Opinion. *See* Opinion of Mr Advocate General Bot, Joined cases C-274/11 and C-295/11, *supra* note 519, at paras. 59-60.

<sup>595</sup> Matthias Lamping, *Enhanced Cooperation in the Area of Unitary Patent Protection - Testing the Boundaries of the Rule of Law*, 20 MAASTRICHT JOURNAL OF EUROPEAN AND COMPARATIVE LAW 589, 595 (2013).

<sup>596</sup> *See also* Blumenröder & Peto, *supra* note 580, at 113-114.

#### 4.2. Second Plea: the Authorised Enhanced Cooperation Is Not Deemed to Reinforce the EU Integration Process but It May Risk Undermining the Internal Market

Reading the text of the submitted appeals and the judgment, it transpires that the Court omitted to address many of the legal concerns raised by the applicants. It should be also considered that, when the appeals were introduced and the decision issued, the structure of the Unitary Patent Package had not been completed or put into operation yet. Among the issues the Court has decided to ignore is included the critical matter referred to legitimacy of the authorising decision. Indeed, according to Article 326 paragraph 2 TFEU enhanced cooperation “shall not undermine the internal market or economic, social and territorial cohesion [and] shall not constitute a barrier to or discrimination in trade between Member States, nor shall it distort competition between them”.<sup>597</sup>

Some commentators, like the German professors Hanns Ullrich and Matthias Lamping both research fellows at Max Planck Institute for Innovation and Competition in Munich, discussed such a topic by referring to the arguments already made in commenting on the first plea, analysed above.<sup>598</sup> According to their viewpoint, Article 326 TFEU would have been infringed by the authorising decision in relation to patents. They argued such an authorisation would have directly intervened in the context of the internal market where, by definition, no enhanced cooperation may be established. Indeed, regardless the classification of the competence envisaged by Article 118

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<sup>597</sup> TFEU, Art. 326 (2). Indeed, on this topic the Court stated that “[...] in order to demonstrate such damage to the internal market and discrimination and distortion of competition as well, the applicants also make reference to the language arrangements considered in recital 7 in the preamble to the contested decision, it must be declared that the compatibility of those arrangements with Union law may not be examined in these actions”. See Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 76.

<sup>598</sup> In particular, the subject is widely addressed in Lamping, *Enhanced Cooperation - A Proper Approach to Market Integration in the Field of Unitary Patent Protection?*, *supra* note 536, at 880 ff and in Hanns Ullrich, *Le futur système de protection des inventions par brevets dans l'Union européenne: un exemple d'intégration (re-) poussée?*, MAX PLANCK INSTITUTE FOR INNOVATION & COMPETITION DISCUSSION PAPER NO. 2. In the latter, the Author questions whether the distortions would be the normal consequence of enhanced cooperation especially whether they are to be considered tolerable. It is also outlined that such distortions are aggravated by the fact that a technology requires protection by a whole portfolio of patents.



TFEU, no enhanced cooperation may be instituted for the creation of uniform Intellectual Property Rights (IPRs). Such a conclusion was reached by including patent matters in the list of areas in which it was considered necessary to preserve the principle of joint action by the Member States, thus identifying a hard-core sector intangible by the differentiated integration process.<sup>599</sup>

Echoing the mentioned academic positions, Italy and Spain claimed that the enhanced cooperation in the area of unitary patent protection would have undermined the pursuit of the EU objectives concerning internal market and cohesion between Member States. The appellants asserted that the authorising decision promoted innovation only in a portion of the European Union territory, to the detriment of other non-participating Member States. In addition, the establishment of the authorised enhanced cooperation would have determined a distortion of competition and discrimination between companies, since trade in innovative products would have been facilitated for companies working in the languages covered by the language regime set out in Regulation 1260/2012.<sup>600</sup>

The European Court of Justice have definitely rejected such arguments, since there was no legal ground for asserting that the contested authorisation affected “the internal market or the economic, social and territorial cohesion” of the Union by proposing to create a unitary patent applicable in the participating Member States but not throughout the EU territory. It was also pointed out that the differentiation constitutes a salient

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<sup>599</sup> These insights would merit much more in-depth exam that cannot be developed here, considering that the analysis is conducted from a different perspective. However, it is worth recalling that the mentioned considerations were elaborated by some authors that tried to identify the boundaries imposed by primary law on differentiated integration. The areas of competition law and the internal market legislation were deemed as the *hard-core* of the European Union law. *See among others* Deirdre Curtin, *The Shaping of a European Constitution and the 1996 IGC: Flexibility as a Key Paradigm?*, 50 *AUSSENWIRTSCHAFT* 237, 244 (1995); Grainne De Burca, *Differentiation within the Core: The case of the Internal Market*, in *CONSTITUTIONAL CHANGE IN THE EU: FROM UNIFORMITY TO FLEXIBILITY?* (Grainne De Burca & Joanne Scott eds., 2000); Claus-Dieter Ehlermann, *Increased Differentiation or Stronger Uniformity*, EUROPEAN UNIVERSITY INSTITUTE WORKING PAPER NO 95/21, available at [https://cadmus.eui.eu/bitstream/handle/1814/1396/95\\_21.pdf?sequence=1&isAllowed=y](https://cadmus.eui.eu/bitstream/handle/1814/1396/95_21.pdf?sequence=1&isAllowed=y); Robert Harmsen, *A European Union of Variable Geometry: Problems and Perspectives*, 45 *NORTHERN IRELAND LEGAL QUARTERLY* 109-133 (1994); Stephen Weatherill, *Subsidiarity, Flexibility, and New Forms of Governance*, in *CASES & MATERIALS ON EU LAW* (12th ed. 2016).

<sup>600</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at paras. 71-72.

feature of the enhanced cooperation institute, whose final aim, in this case, was to foster technological progress and the functioning of the internal market area through the creation of a unitary patent protection.<sup>601</sup>

The Court concluded its reasoning by dismissing the final arguments supporting the alleged infringement of Article 118 TFEU raised by the applicant States. According to the Kingdom of Spain and the Italian Republic, the fragmentation of the territorial application of the EU patent law would have resulted to be inconsistent with the legal basis provided for the creation of European IPRs in order to guarantee a uniform protection “throughout the Union”, while it does not provide for the possibility to establish a patent valid only in certain adhering Member States. On the issue of the expression “throughout the Union”, the ECJ held that the mere exercise of the competence conferred by Article 118 TFEU within the framework of enhanced cooperation implies that the unitary patent would be in force exclusively in the participating Member States’ territories and not throughout the entire European Union.<sup>602</sup> Such a consequence, far from constituting a violation of the legal basis, necessarily results from Article 20 TEU, which in paragraph 4 provides that “[the] acts adopted in the framework of enhanced cooperation shall bind only the participating Member states”.<sup>603</sup>

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<sup>601</sup> For a comprehensive analysis of the numerous institutional questions raised by the adoption of enhanced cooperation in the context of the Unitary Patent Package and of the limits of the legitimate resort to differentiated integration techniques within the EU legal order *see* Eleonora Paggi, *Acquis, integrazione differenziata, unità dell'ordinamento dell'unione: verso nuovi modelli di integrazione in Europa? Spunti di una riflessione teorica a valle dell'introduzione del c.d. pacchetto sul brevetto europeo con effetto unitario* (2017) (Ph.D. dissertation, Università degli Studi di Padova), *available at* <http://paduaresearch.cab.unipd.it/10485/>. The dissertation mainly focuses on the tools of enhanced cooperation and international agreements concluded between Member States to exercise their shared competences.

<sup>602</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 68.

<sup>603</sup> Mari Minn, *Patenting in Europe: The Jurisdiction of the CJEU over European Patent Law*, 7 PERSPECTIVES ON FEDERALISM 1, 7 (2015).

#### 4.3. Third Plea: the Authorising Decision Caused a Misuse of Council Powers and the Exclusion of Spain and Italy from the Negotiations on the Proposed Language Regime

The real focal point of the appeals lodged by the Kingdom of Spain and the Italian Republic consisted in the annulment of the enhanced cooperation authorising decision by contesting the non-compliance with two fundamental requirements laid down in Article 20 TEU: the ultimate objective of the enhanced cooperation instrument within the meaning of the first paragraph, on the one hand, and the breach of the “last resort” condition established in the second paragraph, on the other. As regards the first issue, the claimants challenged the failure to meet the condition according to which enhanced cooperation shall be addressed to promote the achievement of the Union objectives, protect its interests, and strengthen the integration process.<sup>604</sup> More precisely, compliance with such a condition has been challenged stating that the real aim of the contested decision would not have been just achieving integration throughout Member States. Conversely, it would have been excluding some Member States from the negotiations about the unitary patent language regime, hence depriving them of their right to contest a linguistic system they do not share.<sup>605</sup> On the present argument, it is relevant to provide two clarifications in order to better understand the context in which the allegations were made by Spain and Italy.<sup>606</sup>

Firstly, the problem of the alleged lack of transparency at the EU level in the decision-making process leading to the adoption of regulations setting the unitary patent system had already been denounced by the British House of Commons, as it has

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<sup>604</sup> TEU, Art. 20 (1) (“[...] Enhanced cooperation shall aim to further the objectives of the Union, protect its interests and reinforce its integration process. Such cooperation shall be open at any time to all Member States, in accordance with Article 328 of the Treaty on the Functioning of the European Union.”).

<sup>605</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 27.

<sup>606</sup> The actions for annulment have been interpreted by some authors as attempts by both the Italian and the Spanish parliaments, together with their Executives, to protect their national constitutional identity. See Pietro Faraguna, *A Living Constitutional Identity: The Contribution of Non-Judicial Actors*, NYU JEAN MONNET WORKING PAPER No 10/2015, available at [jeanmonnetprogram.org/wp-content/uploads/JMWP-10-Faraguna.pdf](http://jeanmonnetprogram.org/wp-content/uploads/JMWP-10-Faraguna.pdf).

already been discussed in the first paragraphs of the present chapter.<sup>607</sup> The UK Parliament contested that both the negotiations and drafting of the agreement were rushed, arguing also the non-compliance with certain procedural requirements during the authorising process.<sup>608</sup> Furthermore, some scholars had previously pointed out that, given the timing of the discussion and approval of the relevant decisions by the European authorities, there had been a de facto failure to produce “a comprehensive impact assessment study to examine the implications involved”.<sup>609</sup> Nevertheless, such an economic study would have been necessary to enable the national parliaments’ debate on the potential consequences of the Unified Patent Package implementation on vital interests of national states, as well as on important elements of national sovereignty.<sup>610</sup> Following this critical thread on the specific subject, Italian Republic claimed that the decision to initiate enhanced cooperation in the area of unitary patent protection was invalid not only because of the lack of a proper examination, but also due to the failure to provide adequate explanations to the parties involved. In this respect, it was asserted that the European authorities gave an excessively rough explanation of the reasons which led the Council to consider that all the requirements for enhanced cooperation had been met.<sup>611</sup> In the judgment of 16 April 2013, the ECJ replied that “[...] when the measure at issue was adopted in a context with which the persons concerned were familiar, summary reasons may be given”, thus claiming, with

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<sup>607</sup> See *supra* para. 1.1. of Chapter III.

<sup>608</sup> House of Commons, European Scrutiny Committee, *The Unified Patent Court: help or hindrance?*, *supra* note 396.

<sup>609</sup> Xenos, *supra* note 397, at 247-248.

<sup>610</sup> For a strong criticism of the methods of conducting economic impact assessments and negotiations between the European institutions and the Member States see Dimitris Xenos, *The impact of the European patent system on SMEs and national states*, 36 *PROMETHEUS* 51, 53 (2020).

<sup>611</sup> On the role of the Italian Parliament and the reasoned opinion issued by the Chamber’s EU Policies Committee on 8 June 2011 see Cristina Fasone, *Il «parere motivato» sul rispetto del principio di sussidiarietà deve riguardare esclusivamente l’osservanza di quest’ultimo?*, 2011, available at <https://www.amministrazioneincammino.luiss.it/2011/05/15/il-%C2%ABparere-motivato%C2%BB-sul-rispetto-del-principio-di-sussidiarieta-deve-riguardare-esclusivamente-1%E2%80%99osservanza-di-quest%E2%80%99ultimo/>; Cristina Fasone, *La cooperazione rafforzata in materia di brevetto europeo: un difficile test per il coinvolgimento dei Parlamenti nel processo decisionale europeo*, 3 *OSSERVATORIO SULLE FONTI* (2011), also available at <https://www.osservatoriosullefonti.it/mobile-note-e-commenti/note-e-commenti-n-3-2011/533-osf-3-2011-fasone/file>.

a very weak argument, that as Italy had participated in the negotiations it was excluded the possibility to assess that the decision process was vitiated by a substantial lack of transparency.<sup>612</sup> Moreover, the Court of Justice motivated the rejection of the claim by underlining the total lack of evidence provided in support of the claim. It also specified that the appellant had not provided any concrete elements for proving the lack of sufficient support to any proposed or conceivable linguistic system, when the appealed decision was adopted.

Secondly, such a complaint based its deepest foundation in the authentic constitutional function assigned by Treaties to the institute of the enhanced cooperation. It was claimed that, in the case of the European patent with unitary effect, the use of enhanced cooperation has not aspired to promote integration, but on the contrary, has pursued the objective of excluding those States which refused to adopt the envisaged language regime.<sup>613</sup> The enhanced cooperation was then authorised following the European authorities' acknowledgement that it was not possible to reach a compromise between Member States.<sup>614</sup> However, some commentators have highlighted that such an attitude had to be considered in contrast with the constitutional function of the enhanced cooperation, since it shall be excluded the admissibility of using differentiated integration mechanism in the event the disagreement between the Member States invests the fundamental aspects of the new legislation.<sup>615</sup>

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<sup>612</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 58. To support its argument, the Court referred to community case-law including C-335/09 P, Republic of Poland v. European Commission, para. 152, 2012 ECLI:EU:C:2012:385; C-301/96, Germany v. Commission, paras. 89-93, 2003 E.C.R. I-9919; C-42/01, Portugal v. Commission, paras. 69, 70, 2004 E.C.R. I-6079.

<sup>613</sup> The opposition of Spain and Italy to the linguistic regime of the EU patent system could be explained by the need to protect the interests of their national companies, which risked being penalised by the high translating costs. On this issue see Enrico Bonadio, *The EU Embraces Enhanced Cooperation in Patent Matters: Towards a Unitary Patent Protection System*, 3 EUROPEAN JOURNAL OF RISK REGULATION 416, 419 (2011).

<sup>614</sup> See *supra* para. 5.1 of Chapter II.

<sup>615</sup> FEDERICO FABBRINI, THE ENHANCED COOPERATION PROCEDURE: A STUDY IN MULTISPEED INTEGRATION 15-16 (Centro Studi sul Federalismo, Research Paper, 2012). According to the Author Spain and Italy (“[...] did not disagree on *whether* common EU action was needed. Rather, they disagreed on *how* the system should have been designed [...]. [...] it seems unavoidable to notice that the decision of the Council to authorize the enhanced cooperation is incompatible with the requirement of Art. 20 TEU. Whereas the function of enhanced cooperation would be to allow a group of vanguard states to advance the cause of EU integration, in the current situation the instrument of enhanced

The Court of Justice, after having specified when a measure can be considered vitiated by misuse of powers, rejected the applicants' complaint ruling that the relevant provisions in the Treaties do not limit the possibility of using the instrument of enhanced cooperation to the sole case where one or more Member States announce they are not yet ready to participate in a legislative action of the European Union as a whole.<sup>616</sup> In particular, the Court recalled that, according to Article 20 TEU, the recourse to enhanced cooperation results being legal when the goals pursued by such a cooperation cannot be achieved "within a reasonable period by the Union as a whole".<sup>617</sup> Lastly, the Court affirmed that the impossibility, to which such a provision refers to, may be due to different reasons: a lack of interest of one or more Member States or the incapacity of those Member States to achieve an arrangement on the substantial content of such regime, even they previously have shown an interest in the adoption of a certain common regime at the EU level.<sup>618</sup>

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cooperation has been distorted by a majority of states to circumvent the voting rules applying in the Council and enact its preferred policy choice against the wish of the two only dissenting states.").

<sup>616</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 36, but *see also* paras. 33-35. The same reasoning could be detected in the conclusions of the Advocate General. *See* Opinion of Mr Advocate General Bot, Joined cases C-274/11 and C-295/11, *supra* note 519, at paras. 81-83 ("[...] the very fact that, owing to the establishment of enhanced cooperation in the area of the creation of a unitary patent, certain Member States are 'excluded' because they did not wish to participate in that cooperation does not show that the Council misused its powers by authorising that cooperation. That 'exclusion' is the essential feature of the enhanced cooperation mechanism but it is not irreversible, since, under the first subparagraph of Article 328(1) TFEU, enhanced cooperation is to be open to all Member States at any time and it must even be open to participation by as many Member States as possible.").

<sup>617</sup> TEU, Art. 20 (2) ("The decision authorising enhanced cooperation shall be adopted by the Council as a last resort, when it has established that the objectives of such cooperation cannot be attained within a reasonable period by the Union as a whole, and provided that at least nine Member States participate in it. The Council shall act in accordance with the procedure laid down in Article 329 of the Treaty on the Functioning of the European Union."). *See* European Convention, Note of the Presidium, Enhanced Cooperation - Article 32b, Title V, Part One, and Articles I to P, Part Two of the Convention, 14 May 2003, CONV 723/03, available at [http://www.europarl.europa.eu/meetdocs\\_all/committees/conv/20030520/723000en.pdf](http://www.europarl.europa.eu/meetdocs_all/committees/conv/20030520/723000en.pdf).

<sup>618</sup> *On this specific point see* Emanuela Pistoia, *Rimettere in Discussione la Cooperazione Rafforzata? Spunti dalla Sentenza della Corte di Giustizia contro Spagna e Italia*, 2013, available at <http://www.sidiblog.org/2013/05/21/rimettere-in-discussione-la-cooperazione-rafforzata-spunti-dalla-sentenza-della-corte-di-giustizia-contro-spagna-e-italia/>. The Author here stressed that the ECJ judgment of 16 April 2013 confirmed enhanced cooperation can be the result of antagonistic drives and the outcome of irreconcilable views on the shape of common measures. Therefore, differentiated integration can be established also when the non-participating states do not contest the development of integration in a certain area, but oppose the arrangements proposed by at least nine member states. Within a variable geometry system, one group of Member States can continue integration, while the

#### 4.4. Fourth Plea: Breach of the Condition of Last Resort Foreseen in Article 20 of the Treaty on European Union (TEU)

As a last step, it should be specified that the question of what the actual function of enhanced cooperation is in the context of the integration process involved another ground of the appeals, which it will be analysed here as the fourth and final one.<sup>619</sup> The Kingdom of Spain and the Italian Republic contested the breach of the condition laid down in paragraph two of Article 20 TEU, which provides that recourse to enhanced cooperation must be regarded as an instrument of last resort, as already pointed out above.<sup>620</sup> The main argument in support of their claim consisted in acknowledging that the opportunities for negotiation and dialogue concerning the linguistic system to assign to the unitary patent were not fully explored.<sup>621</sup>

As previously reported, this ground of appeal was also rejected by the European Court of Justice, this time adopting a more convincing argument based on the standard of jurisdictional review to be exercised when decisions authorising enhanced cooperation are challenged. In particular, the ECJ argued that, considering the authorising decision has to be adopted as a last instance by the Council, the latter is in

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others are enabled to abandon the development of integration in that specific area. As a guarantee for the latter, Article 328 TFEU states that the methods adopted under enhanced cooperation cannot constitute a common *acquis*.

<sup>619</sup> For the sake of completeness, it should be noted that the ECJ also had to address a further plea in law alleging an infringement of the Union's jurisdictional system. It had been argued that it would have been necessary for the decision authorising enhanced cooperation to contain details of how the judicial system established under such cooperation would have operated. This last plea was also rejected by the Court, which held that the Council was not required to provide, in the contested decision, additional information on the possible content of the regime adopted. The sole purpose of that decision was to authorise the requesting Member States to initiate that cooperation. *See* Joined Cases C-274/11 and C-295/11, *supra* note 577, at paras. 87-93.

<sup>620</sup> *See* Carlo Maria Cantore, *We're One, but We're Not the Same: Enhanced Cooperation and the Tension between Unity and Asymmetry in the EU*, 3 PERSPECTIVES ON FEDERALISM 1, 12 (2011).

<sup>621</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at paras. 43 and 44. In particular the Kingdom of Spain claimed that "there elapsed a period of not even six months between the proposal for language arrangements put forward by the Commission on 30 June 2010 and the proposal for enhanced cooperation put forward by that same institution on 14 December 2010. [...] a common approach had been defined during the year 2003 and [that] the language question had not thereafter been further discussed in substance within the Council". More briefly, on the other hand, the Italian Republic acknowledged that "[...] the 'legislative package' on the unitary patent was incomplete and the negotiations relating to language arrangements were brief".

the most suitable position to evaluate the Member States' actual willingness to reach a compromise and to submit proposals which may lead "to the adoption of legislation for the Union as a whole, in a foreseeable future".<sup>622</sup> As a consequence, the Court concluded that the jurisdictional control on this subject should only verify whether the Council has rigorously and accurately examined the most relevant elements of the question and whether the conclusions it has reached are sufficiently motivated.

With a view to ensuring the strict observance of the principle of separation of powers within the Union, the Advocate General Bot recognised in his opinion that jurisdictional control must be limited to ascertain whether the legislator has not incurred in a manifest error or misuse of powers or evidently exceeded the limits of its discretionary power. With reference to the approval process of the enhanced cooperation, according to the Advocate General Bot, the Council is provided of such a wide discretionary margin, considering that neither the condition of "last instance", nor the notion of "reasonable deadline" have been precisely defined in the text of the Treaties.<sup>623</sup>

In conclusion, in its judgement of 16 April 2013 the CJEU dismissed the legal concerns raised on the substantive and procedural legal basis adopted by the European institutions to move the unitary patent project forward, stating that the unitary patent system was beneficial for the innovative companies, especially for small and medium enterprises. However, despite the above examined CJEU decision, it is undeniable that the legal structure creating a European patent is much more problematic than the other Community Intellectual Property Rights (IPRs).<sup>624</sup> It is reasonable to assert that the decision was in fact the beginning rather than the end of a long and tortuous debate.

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<sup>622</sup> Joined Cases C-274/11 and C-295/11, *supra* note 577, at para. 53.

<sup>623</sup> Opinion of Mr Advocate General Bot, Joined cases C-274/11 and C-295/11, *supra* note 519, at paras. 27-29, 108-114.

<sup>624</sup> For a technical discussion of legal arguments and problematic issues that are involved in the EU Unitary Patent regime *see* Dimitris Xenos, *Unitary Patent and the Pending Spanish Cases (C-146/13; C-147/13): An Open Letter to the Judges of the European Union*, 27 Apr. 2015, available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2599897](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2599897).



Accordingly, the aim of the next paragraphs will be to shed light on these unsettled institutional and legal issues.

## CHAPTER IV – LEGAL AND CONSTITUTIONAL CONCERNS: A SITUATION OF GREAT UNCERTAINTY

### 1. Future Developments of the Unified Patent Court Project

In order to review the existing situation, the main steps taken in building a unitary patent system so far should be recalled. As previously explained, on 10 March 2011 the Council authorised enhanced cooperation for the creation of a European patent with unitary effect, then enacting EU Regulations 1257/2012 and 1260/2012. According to the mentioned regulations, the patent holder can obtain, through one single centralised procedure, a patent protection with unitary effect in all twenty-five EU Member States participating in enhanced cooperation, without the need for validation in each of them. The entry into force of such a legal framework was subject to the ratification of the Agreement on a Unified Patent Court in at least thirteen Member States. The participating Member States shall necessarily include the United Kingdom, France and Germany, namely the “three States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place”.<sup>625</sup>

Until the middle of 2021, the Agreement on a Unified Patent Court seemed to have come to a complete standstill, since two of the three ratifications required to allow the Court to be fully operational were missing.<sup>626</sup> As regards the case of Germany, the Unified Patent Court legislation has been on hold for a long time, as the deposit of ratification Bill has been delayed due to constitutional appeals. On 18 December 2020, two constitutional complaints were filed in the German Federal Constitutional Court (*Bundesverfassungsgericht*- BVerfG) against the draft legislation enabling Germany

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<sup>625</sup> Agreement on a Unified Patent Court, Art. 89.

<sup>626</sup> For a comment on the issues that must be dealt with by any true solution to the functioning of the Unified Patent Court see Rachel Levin, *The Best Way Forward for the Unified Patent Court: German Ratification Now New Protocol Agreement before Brexit*, 4 UNIVERSITY OF CINCINNATI INTELLECTUAL PROPERTY AND COMPUTER LAW JOURNAL 1, 12 (2019).

to ratify the Unified Patent Court Agreement (UPCA). The cases included an application for an interim injunction and the BVerfG had asked the Federal President to refrain from signing the draft legislation, while considering the application. The complaint has thus blocked the legislation process at the final steps. After the *Bundesrat* passed for the second time the legislation to allow Germany to ratify the UPC Agreement (UPCA), the two challenges filed before the German Constitutional Court marked another setback in the enactment process. In June 2021 the German Federal Constitutional Court (FCC) rejected the two applications for preliminary injunction against the Bill of the Agreement on a Unified Patent Court, which had been adopted by the German Parliament on 18 December 2020. On the one hand, the BVerfG denied those two petitions, on the other hand noted that the constitutional complaints filed in the main proceedings were inadmissible because the complainants failed to adequately prove a potential infringement of their fundamental rights. Despite the forward-looking intentions of the current German Government and the Preparatory Committee for the UPC, it appears to be uncertain the destiny of the European patent reform project.<sup>627</sup>

Moreover, the effects of the United Kingdom's withdrawal from the UPCA on the future of the Court shall be fully addressed. Undoubtedly, the leaving of one of the original signatory states designated to host a central division of the court on its territory had a profound impact on the development of the project.<sup>628</sup> The position of the United Kingdom seems at last to be irreversible, as it has lost its status of Member State, becoming officially a third State. The involvement of the UK within the unitary patent protection system has been considered controversial both for the ultimate withdrawal from the European Union on 31 January 2020, pursuant to Article 50 TEU, and for the commencement of a transition period on 1 February 2020. Such a progression was

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<sup>627</sup> See the statement available at <https://www.unified-patent-court.org/news/german-federal-constitutional-court-declares-complaints-against-upcas-ratification-bill>.

<sup>628</sup> See the review made by Maria Aranzazu Gandia Sellens, *The Viability of the Unitary Patent Package After the UK's Ratification of the Agreement on a Unified Patent Court*, 49 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 136, 139 (2018).

stipulated in the framework of the Withdrawal Agreement and lasted until 31 December 2020, so that the European Union and the United Kingdom could negotiate their future relations.<sup>629</sup> After the initial ratification in 2018, the British Government made clear that the UK was willing to revoke its involvement in the unified patent system. It was explained that participating in a court that “must respect and apply Union law and, in collaboration with the Court of Justice of the European Union as guardian of Union law, ensure its correct application and uniform interpretation” was incoherent with the aim of judicial independence.<sup>630</sup> This acknowledgment was ultimately formalised on 27 March 2020 by the Sub-Committee of House of Lords on EU Justice, which published a discussions overview on the future relationships between the UK and the EU.<sup>631</sup> Regarding the intellectual property area, the document stated the British Government no longer intended to participate in the Unified Patent Court system. Such a resolution represented a significant shift from Theresa May’s previous administration, that had decided to ratify the UPC Agreement in order to demonstrate the British commitment to strong intellectual property protections.

Lastly, it is important to focus on the opportunities for Italy which, after Brexit, could assume a crucial position in the unitary patent protection system. Following the UK’ withdrawal from the Agreement, the unit of the UPC Central Division with responsibility for life sciences, chemistry, and metallurgy cases with seat in London

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<sup>629</sup> Council Decision 2020/135 on the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, 31 Jan. 2020, O.J. (L 29), 1–6 (EU).

<sup>630</sup> To focus on the relationship between the Unified Patent Court and the Court of Justice of the European Union *see* the recitals of the Agreement on a Unified Patent Court, where it is stated that “[...]as any national court, the Unified Patent Court must respect and apply Union law and, in collaboration with the Court of Justice of the European Union as guardian of Union law, ensure its correct application and uniform interpretation; the Unified Patent Court must in particular cooperate with the Court of Justice of the European Union in properly interpreting Union law by relying on the latter’s case law and by requesting preliminary rulings in accordance with Article 267 TFEU”. The same principle is recalled at Art. 21 of the Agreement, which specifies that “[...] the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular. Decisions of the Court of Justice of the European Union shall be binding on the Court”.

<sup>631</sup> The summary of the key issues of the report is *available at* <https://publications.parliament.uk/pa/ld5801/ldselect/downloads/EU-Justice-Sub-Committee-Summary-of-key-issues.pdf>.

has to be moved. The London section cannot be replaced automatically with another seat, as this would imply an amendment of the Agreement by all other Contracting Member States. Pursuant to the United Kingdom's departure from both the European Union and the UPC Agreement, the UPC Preparatory Committee stated that Paris and Munich should temporarily share the work of the central division for life sciences, which originally had been assigned to London. However, according to the rules set forth in the Agreement, Italy has strongly demanded the permanent allocation of the Central Division to Italy and specifically to Milan. In fact, after Brexit Italy has become the third Member State with the highest number of patents, so the Country reasonably aspires to host one of the central departments of the Unified Patent Court.

## **2. The Challenges to German Ratification of the Unified Patent Court Agreement and the Pivotal Role of the Federal Constitutional Court**

As already recalled above, German ratification of the agreement establishing the Unified Patent Court is necessary for the effective implementation of the envisaged judicial system. However, the procedure for the ratification act approval by the German Parliament has suffered crucial delays. The halt was initially due to an individual claim filed by Ingve Björn Stjerna and, subsequently, it was caused by other two constitutional complaints filed against the second ratification, allegedly by the complainant in the successful earlier challenge and by the Foundation for a Free Information Infrastructure.

Regarding the first complaint, filed on 3 April 2017, the German Federal Constitutional Court (*Bundesverfassungsgericht* – BVerfG) requested the President of the Republic, Frank-Walter Steinmeier, to temporarily refrain from signing and

promulgating the draft legislation required to ratify the Agreement.<sup>632</sup> The employment of such an assurance by the Federal President is unusual, though it has been used before in relation to German accession to the Lisbon Treaty or the European Stability Mechanism. The purpose of this measure is to prevent Germany from being bound outwardly by an international treaty, without being able to meet its responsibilities in the event that the domestic act of accession is declared unconstitutional. The legal basis for this mechanism derives from the German constitution, which requires the President to certify all legislation and to conclude international treaties.<sup>633</sup> Within this constitutional framework, the BVerfG decided to ask the Federal President not to certify the law ratifying the UPCA until the constitutional complaint proceedings were completed. Afterwards, on 13 February 2020, the Act of Approval to the Agreement on a Unified Patent Court to transfer sovereign powers to the Unified Patent Court was declared null and void by the Constitutional Court.<sup>634</sup>

Following this decision, the German government submitted the Second UPCA Approval Act in the German *Bundestag*, which passed it with the required two-thirds majority in December 2020. Two further constitutional objections, including motions for interim measures, brought the German ratification to a halt after the *Bundesrat* approved it. On 23 June 2021, the BVerfG decided to dismiss the motions for interim measures justifying its judgment by claiming that the constitutional concerns at issue were inadmissible on the merits. According to the FCC the claimants had failed to demonstrate that their basic rights, protected by the Constitution, had been infringed.

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<sup>632</sup> The decision also stated that the Agreement would not be ratified by Germany, until the Federal Constitutional Court had ruled in the principal proceedings. *See* Decisions of the Federal Constitutional Court, *Entscheidungen des Bundesverfassungsgerichts*– BVerfGE 123, 267 <304>; BVerfGE 132, 195.

<sup>633</sup> *See* Artt. 82 (1) and 59 (1) of the Basic Law (*Grundgesetz*– GG).

<sup>634</sup> Press Release, Bundesverfassungsgericht, Act of Approval to the Agreement on a Unified Patent Court is void (20 Mar. 2020) No. 20/2020, Order of 13 February 2020, 2 BvR 739/17 *available at* <https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2020/bvg20-020.html>.

## 2.1. The Legal Grounds of the First Constitutional Complaint

The complaint was mainly based on three grounds. The first claim concerned the non-compliance with the qualified majority requirement for specific decisions adopted by one of the two chambers of the German Parliament, namely the *Bundestag*. It was argued that the ratification process, by which the law of consent was enacted, did not comply with the two-thirds majority requirement laid out in the German Constitution.<sup>635</sup> When it is necessary to enact particular laws, amending the constitution or concerning the transfer of sovereign powers to supranational entities, the Basic Law requires a two-thirds majority of the *Bundestag* members. Instead, the *Bundestag* voted very late at night with a simple majority, being just thirty-five members of the *Bundestag* present in the parliamentary session at the voting time. The qualified majority requirement would have been fulfilled with at least 420 votes in favour. It should also be added that this issue was unlikely to prevent Germany from ratifying the UPC Agreement, since it was reasonable to assume that a two-thirds majority in the newly elected *Bundestag* would have been secured as well. Indeed, in November 2020, the *Bundestag*, approved the law with 88% of the votes. Later, in December 2020, the *Bundesrat* voted unanimously in favour of the Unified Patent Court law, thus delivering the two-thirds majority required by the German Constitution in both chamber of the German parliament.

The second plea was related to the compatibility between the Treaties and the new international court.<sup>636</sup> The alleged non-compliance with European Union law was argued on two different grounds, which deal with a number of issues relating to the fundamental principles, as well as the organisation of European institutions.<sup>637</sup> Firstly,

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<sup>635</sup> In particular, the reference was at Artt. 23 (1) and 79 (2) and (3) GG.

<sup>636</sup> BVerfG, Order of the Second Senate of 13 February 2020 - 2 BvR 739/17, at para. 35. The complainant also argued “that the UPC Agreement violates EU law” and proposed to request “a preliminary ruling of the Court of Justice of the European Union (CJEU) [...] in accordance with Art. 267 of the Treaty on the Functioning of the European Union (TFEU)”.

<sup>637</sup> The text of complaint filed by the German lawyer Ingve Björn Stjerna has not been made public. However, some limited summaries have been made available mostly in German language. In the absence of an official translation, the relevant parts referred to the incompatibility of the UPC Agreement with the Union law can be translated as follows (“a. Are the first subparagraph of Article

it was assumed that the establishment of the Unified Patent Court would breach the principle of autonomy and could give rise to problems of compatibility with the judicial system set up by the Treaties.<sup>638</sup> In the complainant's view the UPC could not be considered a legitimate court common to Member States, like the Benelux Court of Justice. Unlike the latter, the UPC could not be completely incorporated in the collaborative system existing between the CJEU and national courts, thus violating the principle of completeness of the legal remedy system. Moreover, the EU Member States would not have the power to conclude any agreement establishing a court entitled to deliver judgments on patent matters. Consequently, the Agreement was claimed to be in violation of Article 3 paragraph 2 TFEU, since the Member States would lack the competence to conclude it. Furthermore, it was asserted that the Agreement's provisions on the language of proceedings and the absence of any requirements for translation or interpretation would not comply with the standards set out in the Treaties and in the Charter of Fundamental Rights of the European Union (CFR).<sup>639</sup> The same provisions were cited to report the insufficient legal protection in the Unified Patent Court regarding administrative judgments of the European Patent

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4(3) and Article 19(1) of the EU Regulation and Art. 267 TFEU be interpreted, in the light of the principle of the autonomy of Union law and the principle of the completeness of the system of remedies, as prohibiting a Member State from participating in an international agreement on a Unified Patent Court which, separately from the national courts of its contracting States which are EU Member States, replaces them to the extent of its jurisdiction and is entrusted with the direct application of Union law [...]? b. How is Article 3(2) TFEU to be interpreted under the conditions set out in a. Art. 3(2) TFEU be interpreted if the European Union is not a party to the Convention? c. How are the conditions under a. Art. 2 sentence 1 TFEU, Art. 47 para. 2 and Art. 48 para. 2 of the EU Charter of Fundamental Rights be interpreted with regard to the principle of the rule of law and the right of the defendant to an effective defence if the Convention provides for rules on the applicable language of the proceedings [...] in conjunction with the provisions on translations (Article 51(1) UPCA) and interpretation (Article 41(2) UPCA)? d. Under the conditions set out in Art. 2 and Art. 19 TFEU and Art. 47 of the EU Charter of Fundamental Rights be interpreted with regard to the principle of the rule of law and the principles of autonomy, unity and primacy of Union law if the Convention does not provide for jurisdiction of the court against decisions of the European Patent Office, in particular with regard to the rejection of an application for the grant of a European patent?"

<sup>638</sup> In particular, the complainant claimed that the Unified Patent Court failed to meet the requirements based on Article 4 (3) and Article 19 (1) of the Treaty on European Union (TEU) and Article 267 of the Treaty on the Functioning of the European Union (TFEU) in relation to the establishment of an international court within the European Union.

<sup>639</sup> The applicant recalled both TEU, Art. 2 (1), as well as Charter of Fundamental Rights of the European Union, Artt. 47 (2) and 48 (2).



Office (EPO), specifically underlying the lack of judicial legal protection against the EPO decisions to reject a patent application.<sup>640</sup> The main problem concerned the fact that the internal review committees would not be regarded as courts, being therefore unable to refer preliminary rulings to the CJEU. Considering that patents with unitary effects within the Europe are involved, the role of the CJEU is crucial and it shall be guaranteed that the Court may ensure the relevant Regulations being applied correctly and uniformly.<sup>641</sup>

To better understand the scope of the claims referred to the domestic constitutional rights, it is necessary to examine in more detail the constitutional provisions recalled in the complaint.<sup>642</sup> It can be outlined that the mentioned “right that is similar to fundamental rights” is deemed to protect any German elector in the democratic legitimation he or she has given to the legislative branch through the vote. This legitimation act implies that the legislative bodies must respect the German constitution’s structural principles, as described in Articles 20 and 79 GG. Furthermore, it means that the Parliament’s powers should not be significantly reduced, in order to ensure that German citizens’ will is effectively represented in political choices. As a result, such a legitimation shall not be undermined by moving national sovereign powers from the Parliament to supranational organisations without an appropriate legal basis. Indeed, the transfer of national sovereign powers would be conceivable only if it occurs in a system that adheres to the rule of law and if it does not alter the German “constitutional identity”. As a corollary of these principles, it may be deduced that the German Parliament is prohibited from enacting legislation that

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<sup>640</sup> It was also mentioned the violation of TEU, Art. 19 (1) (“[...] Member States shall provide remedies sufficient to ensure effective legal protection in the fields covered by Union law.”).

<sup>641</sup> Conversely, the absence of a judicial remedy against an EPO’s decision of patent denial would deprive the CJEU of its function granted by Article 19 (1) TEU.

<sup>642</sup> BVerfG, Order of the Second Senate of 13 February 2020 - 2 BvR 739/17, para. 35, *available at* [https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2020/02/rs20200213\\_2bvr\\_073917en.html;jsessionid=566CEE67401B83FA0E5444F1FFA774D3.2\\_cid386](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2020/02/rs20200213_2bvr_073917en.html;jsessionid=566CEE67401B83FA0E5444F1FFA774D3.2_cid386), where it is underlined that “[...] the complainant claims that the Act of Approval to the UPC Agreement violates his right derived from Art. 38(1) first sentence GG in conjunction with Art. 20(1) and (2) GG and Art. 79(3) GG, which is a right equivalent to a fundamental right”. The constitutional right asserted is also referred to as the right to democratic self-determination.

conflicts with Union Law. When a country joins an international agreement involving the transfer of sovereign powers, the agreement must adhere to the domestic as well as the supranational constitutional structure. In conclusion, the *Bundestag* may only adopt an act of ratification if the relevant international agreement is compliant with both national and European standards.

Finally, the last field of appeal concerned the procedure for the selection and appointment of the UPC judges, in particular their lack of independence and democratic legitimation.<sup>643</sup> According to the complainant, the envisaged formula undermined the principle of separation of powers, clearly stated in the German Constitution.<sup>644</sup> The appointment method could have led to conflicts of interest between the parties involved in disputes before the Unified Patent Court, thus compromising its impartiality. In particular, it was underlined that the UPC Advisory Committee shall make a binding preliminary selection of the judges that may be appointed by the Administrative Committee. However, the Advisory Committee shall be made up partially by members of the patent professions. They argued there would be the concrete risk that a judge is involved in proceedings where one of the parties is represented by an attorney who belongs to the Advisory Committee and may have approved the appointment of said judge.<sup>645</sup>

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<sup>643</sup> The complaint specified that the rule of law principle, and in particular the principle of separation of powers, would undoubtedly require the independence of judges. However, their autonomy would be at risk because of the six-year term of office, established by Article 4 (1) of the UPC Statute (“Judges shall be appointed for a term of six years, beginning on the date laid down in the instrument of appointment. They may be re-appointed.”).

<sup>644</sup> It was claimed the non-compliance with the rule of law principle as regards an insufficient legal status of the UPC judges.

<sup>645</sup> See Agreement on a Unified Patent Court, Art. 14 (2) (“The Advisory Committee shall comprise patent judges and practitioners in patent law and patent litigation with the highest recognised competence. They shall be appointed, in accordance with the procedure laid down in the Statute, for a term of six years. That term shall be renewable.”). See also Art. 16 (“1. The Advisory Committee shall establish a list of the most suitable candidates to be appointed as judges of the Court, in accordance with the Statute. 2. On the basis of that list, the Administrative Committee shall appoint the judges of the Court acting by common accord.”).

## 2.2. The Preliminary Steps and the Opinions Submitted by the Intellectual Property Associations Questioned by the Federal Constitutional Court

As a preliminary step, the Federal Constitutional Court decided to admit for the decision the constitutional complaint, pursuant to Article 93a of the Act on the Federal Constitutional Court. According to this provision, an objection must be admitted if it has general constitutional significance or if it is appropriate to enforce the rights referred to in Article 90 of the Act on the Federal Constitutional Court.<sup>646</sup> The constitutional identity control, required on the basis of Article 79 paragraph 3 GG, did not only extend to the transfer of legislative body's competences, but also to the transfer of any public power to supranational organisations. In this respect it must be balanced against the core contents of the German constitutional order, guaranteed by Article 79 paragraph 3 GG, and thus not only against the principle of democracy, but also the principle of the rule of law. Moreover, the Court requested statements by a large number of third parties representing German lawyers, Federal Government, and industry.

### 2.2.1. *The Publication of the Deutscher Anwaltverein's Opinion*

On 10 January 2018, the *Deutscher Anwaltverein* (DAV), a German Bar Association, was the first of the associations and institutions to submit its view concerning the case, stating that the allegation should be dismissed as inadmissible or judged unfounded, in the event it would be admitted by the BVerfG.<sup>647</sup> The statement specified that the constitutional claim was inadmissible as it asserted that the UPCA

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<sup>646</sup> In particular, a constitutional complaint must be accepted for adjudication if one of the following conditions are met: (i) it is of fundamental constitutional importance; (ii) the claimed infringement of fundamental rights is of special severity; or (iii) the complainant would suffer particularly severe detriment from failure to decide the issue. Before deciding a constitutional complaint, the Federal Constitutional Court must determine whether a complaint satisfies the above-mentioned prerequisites for acceptance. See Jutta Limbach, *The Role of the Federal Constitutional Court*, 53 SMU LAW REVIEW 429, 440 (2000).

<sup>647</sup> The DAV's opinion can be read only in German language and it is available at <https://anwaltverein.de/de/newsroom/sn-3-18>. The DAV is not the official German Bar Association, but a voluntary association of German lawyers representing the interests of the German legal profession at national, European, and international level.

violated Union law. Indeed, the constitutional complaint was not deemed as a legal remedy to review the compatibility of German laws with Union law. In principle, a violation of Union law cannot be challenged by means of a constitutional complaint.<sup>648</sup> Secondly, as regards the inadmissibility of the alleged violation of Article 23 paragraph 1 GG, it was argued that the non-compliance with the requirement of a qualified majority would not have to be taken into account. Hence, in this respect there would be no violation of a fundamental right, which could be criticised in the constitutional complaint.<sup>649</sup>

Furthermore, the statement claimed the non-violation of the right equivalent to a fundamental right under Art. 38 paragraph 1, in conjunction with Article 20 paragraphs 1, 2 and 3 GG. The prerogative expresses the principle of democracy, as the case law of the Federal Constitutional Court has clarified on several occasions.<sup>650</sup> The right to vote gives each individual a prerogative to influence the formation of political will. It protects against the rights of the *Bundestag* being substantially diminished and thus against the loss of the power to shape the constitutional framework. The DAV pointed out that the decisive question was whether the right under Article 38 paragraph 1 offers protection not only against a loss of competence of the German *Bundestag*, but also against a transfer of competences of other German state organs to supranational institutions. Accordingly, it should be assessed whether, as the constitutional complaint asserts, such a transfer would be against fundamental features of the principle of the rule of law. To answer affirmatively the question, the following two

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<sup>648</sup> See BVerfG of 4 Nov. 2015 - 2 BvR 282/13, NJW 2016, 1436, para. 19-21, where it is stated that “[...] the fact that a national law violates Union law under German law does not automatically result in a violation of the Basic Law, nor does it lead to the nullity of the national regulation. If it complies with national law, it remains a law that effectively restricts areas of protection under fundamental rights even if it violates Union law [...]. However, this does not mean that Union law itself becomes a constitutional standard. Rather, its validity and application in Germany are based [...] in order to apply the law issued with the Act Approving the Treaties, which itself does not have constitutional quality.”

<sup>649</sup> See BVerfGE 135, 317, 387 “Article 79 (2) of the Basic Law - also in conjunction with Article 23 (1) - is a rule of objective constitutional law which governs the formation of wills within the Bundestag and the Federal Council [...]. It does not convey any rights to those entitled to vote [...] because the scope of the decision-making powers of the Bundestag, hence the substance of the right to vote, does not depend on the majority with which the Bundestag passes its resolutions”.

<sup>650</sup> See among others BVerfGE 142, 123, 173 f., 189 f.

assumptions must be acknowledged. First, the aforementioned prerogative grants protection not only in the event of an identity loss within the meaning of Article 79 paragraph 3 GG in relation to the principle of democracy, but also in relation to the principle of the rule of law. Second, an identity loss regarding the rule of law principle can also be averted in the event competence of German state organs is transferred to supranational institutions. In the opinion of the DAV, the entitlement under Article 38 GG, which is equivalent to a fundamental right, protects all the fundamental standards thus, among others, the principle of the rule of law and the principle of democracy.<sup>651</sup> It was admitted that the scope of the fundamental right is not limited only to preserve the German constitutional identity in case of sovereign rights transfer and in relation to the democracy principle. However, even if a broad understanding of the Article 38 GG were to be assumed, this would not lead to a potential success of the complaint. According to the DAV's point of view, a violation of identity can only be established if there is a violation of core elements of the principle of democracy or the rule of law or other constitutional principles.<sup>652</sup> Nonetheless, such a violation cannot be established in the present case, since the law challenged by the constitutional complaint did not violate the complainant's fundamental right to the preservation of constitutional identity under Article 38 paragraph 1 in conjunction with Article 20 paragraphs 2 and 3 GG.

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<sup>651</sup> See BVerfGE 142, 123, 195 "Within the framework of the identity review, the Federal Constitutional Court examines whether the principles declared inviolable by Article 79 (3) of the Basic Law are affected when sovereign rights are transferred by the German legislative body or by a measure taken by organs, institutions and other bodies of the European Union [...]. The right concerns the preservation of the core of human dignity of fundamental rights [...] as well as the principles that underpin the principles of democracy, law, social welfare and the federal state in the sense of the Article 20 of the Basic Law".

<sup>652</sup> It is recognised in the case-law of the BVerfG that the identity review is limited to whether the core area of Article 79 (3) GG is affected. See BVerfGE 142, 123, 190 ("Article 38 (1) sentence 1 of the Basic Law, on the other hand, does not grant a claim to a control of the legality of democratic majority decisions that goes beyond its safeguarding [...]. It does not serve to control the content of democratic processes, but is aimed at enabling them [...]. As a fundamental right to participate in the democratic self-rule of the people, Article 38 (1) sentence 1 of the Basic Law therefore does not in principle confer any right of appeal against parliamentary resolutions, in particular legislative resolutions.").

Moreover, it was examined the issue concerning the alleged constitutional and democratic deficiencies of the procedures for the appointment and dismissal of the UPC judges. In this respect, it was asserted that Article 17 UPCA unconditionally guarantees the independence of the judges.<sup>653</sup> The statement rejected the submission according to which the limitation of the UPC judges' term of office and the possibility of reappointment may not confer independence to the judges because there would be a latent danger that a judge will not be reappointed due to "unpleasant" decisions.<sup>654</sup> Furthermore, it was addressed an issue concerning the Advisory Committee, which "shall comprise patent judges and practitioners in patent law and patent litigation with the highest recognised competence".<sup>655</sup> The Advisory Committee shall participate in the pre-selection of UPC future judges by setting up of a provisional list of the most suitable candidates and by assessing all applications received with a view to the suitability of candidates to perform the duties of a UPC judge. On the basis of that list, the UPC Administrative Committee shall appoint the judges of the Court acting by common accord. The constitutional complaint argued that, since the appointed patent

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<sup>653</sup> Agreement on a Unified Patent Court, Art. 17 ("1. The Court, its judges and the Registrar shall enjoy judicial independence. In the performance of their duties, the judges shall not be bound by any instructions. 2. Legally qualified judges, as well as technically qualified judges who are full-time judges of the Court, may not engage in any other occupation, whether gainful or not, unless an exception is granted by the Administrative Committee. 3. Notwithstanding paragraph 2, the exercise of the office of judges shall not exclude the exercise of other judicial functions at national level. 4. The exercise of the office of technically qualified judges who are part-time judges of the Court shall not exclude the exercise of other functions provided there is no conflict of interest. 5. In case of a conflict of interest, the judge concerned shall not take part in proceedings. Rules governing conflicts of interest are set out in the Statute.").

<sup>654</sup> This argument was supported by stating that the limitation of the term of office of judges is not unusual in the European and international field. For instance, the judges of the ECJ are appointed for a term of six years, retiring judges may be reappointed, and reappointment may be conditional on the judge's performance during his or her first year. Moreover, at the European Court of Human Rights (ECtHR), judges are appointed for a term of nine years. The same applies to judges at the International Criminal Court (ICC). At the Administrative Tribunal of the International Labour Organisation (ILO), judges are appointed for three years, reappointment is possible, and may be conditional on past performance. At the International Tribunal for the Law of the Sea (ISJ), judges are appointed for a term of nine years and are eligible for re-election, and past performance may be taken into account in the decision to reappoint. At the Appellate Body of the World Trade Organisation, judges are appointed for a term of four years and may be re-elected once, and again past performance may be taken into account in the decision to reappoint.

<sup>655</sup> Agreement on a Unified Patent Court, Art. 14 (2).

attorneys could act as representatives before the UPC, they could develop an interest in providing their opinion on the suitability of the potential UPC judges. However, the mere participation of members of the legal profession in the judge's appointment could be deemed unconstitutional as such since judicial independence was safeguarded by the following additional precautions. Firstly, patent lawyers participate only within the Advisory Committee limiting their activity to the initial appointment of UPC judges, thus not being involved in their re-appointment. Secondly, the final decision on their assignment shall not be taken by the Administrative Committee.<sup>656</sup> This board is composed of representatives of the contracting Member States hence, at this level, the alleged conflict of interest could not have any effects.<sup>657</sup> Indeed, as it follows from its name and is expressly laid down in Article 14 UPCA, the Advisory Committee has only supporting functions in the procedure.<sup>658</sup> The process shall be guided by the Administrative Committee, which is required to make its selection decision exclusively on the basis of merit. Article 15 UPCA prohibits the Administrative Committee from appointing a judge if it must assume that the candidate in question was included in the list of nominees based on irrelevant considerations.<sup>659</sup> It follows that, in this case, the Administrative Committee may request the Advisory Committee to redraw or supplement the list of nominations. Furthermore, the primacy of the merit principle is further secured by procedural provisions in the composition of the Advisory Committee and the mode of drawing up the list. In addition to members of the legal profession, the Advisory Committee shall be made up also by patent judges, who have no interest in selecting judges being oriented towards party interests. Lastly,

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<sup>656</sup> Agreement on a Unified Patent Court, Art. 16 (2).

<sup>657</sup> Agreement on a Unified Patent Court, Art. 12 (1) (“The Administrative Committee shall be composed of one representative of each Contracting Member State. The European Commission shall be represented at the meetings of the Administrative Committee as observer”).

<sup>658</sup> Agreement on a Unified Patent Court, Art. 14 (1) lett. a (“The Advisory Committee shall assist the Administrative Committee in the preparation of the appointment of judges of the Court.”).

<sup>659</sup> Agreement on a Unified Patent Court, Art. 15 (“1. The Court shall comprise both legally qualified judges and technically qualified judges. Judges shall ensure the highest standards of competence and shall have proven experience in the field of patent litigation. 2. Legally qualified judges shall possess the qualifications required for appointment to judicial offices in a Contracting Member State. 3. 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.”).

the establishment of the list of nominations by the Advisory Committee, unlike the appointment decision of the Administrative Committee, shall not necessarily be consensual. Accordingly, a committee member, who may be guided by extraneous interests, would not be able to prevent the nomination and thus the appointment of a certain judge by vetoing it. Rather, this procedural regulation gives the committee members the possibility to effectively enforce compliance with the merit principle and to nominate suitable candidates even against the will of individual members.

As a last issue, the DAV analysed the problem concerning the principle of effective legal protection. It was underlined that the rule of law does not demand a system of legal protection against sovereign acts of supranational organisations that is equal in scope and effectiveness to the German system. Rather, the constitutional identity is already safeguarded if the essential requirements for efficient legal protection are met.<sup>660</sup> It was concluded that the UPCA meets these requirements, since it is possible for the Administrative Committee to ensure effective legal protection against a dismissal decision even without a corresponding provision in the UPCA. Nevertheless, it should be highlighted that the last-mentioned issue was scarcely supported with unconvincing legal arguments.

### 2.2.2. *The Publication of the Other Third-Party Positions*

The submissions from other parties took a similar line, though some variation in reasoning and level of detail. For instance, the same findings were published by the *Bundesrechtsanwaltskammer* (BRAK) the official German Bar Association<sup>661</sup> and the German Association for the Protection of Industrial Property Rights and Copyright (GRUR).<sup>662</sup> Both the BRAK and the GRUR conclusion went into significantly greater

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<sup>660</sup> See BVerfGE 58, 1, 41.

<sup>661</sup> The statement can be read only in German language and it is *available at* <https://brak.de/zur-rechtspolitik/stellungnahmen-pdf/stellungnahmen-deutschland/2018/januar/stellungnahme-der-brak-2018-01.pdf>. The *Bundesrechtsanwaltskammer* (German Federal Bar Association) is the official organisation of the professional self-regulation of German lawyers and represents the interests of the entire legal profession in the Federal Republic of Germany.

<sup>662</sup> Also, the GRUR's opinion can be read only in German language and it is *available at* [http://www.grur.org/uploads/tx\\_gstatement/2017-12-](http://www.grur.org/uploads/tx_gstatement/2017-12-)



level of detail than the DAV opinion, which was the first to be published. In total, the BVerfG received six submissions, the four not mentioned above being from the President of EPO (European Patent Office), the EPLIT (European Patent Litigators Association) and the EPLAW (European Patent Lawyers Association). Conversely, the *Bundesrat*, the governments of the *Länder*, and the Federation of German Industries refrained from submitting statements.<sup>663</sup>

In summary, according to the reports, the Court should reject the concerns regarding the incompatibility of the UPCA with EU law, the breach of the requirement for a qualified majority in parliament and the lack of independence of the UPC judges. Focusing on the grounds for dismissing the alleged infringement of Union law, the proposed arguments can be summarised as follows. It was stated that the objections raised by the CJEU were directed on the one hand to the non-EU Member States' participation<sup>664</sup>, and on the other hand to the two specifically identified deficiencies in the structure of the UPCA first draft with regard to the submission procedure.<sup>665</sup> In particular, it was indicated that the first draft did not provide for the possibility of asserting claims for damages, nor of initiating infringement proceedings against a Member State in the event of incorrect application of Union law.<sup>666</sup> However, in this case the contracting states have transferred part of their national courts' jurisdiction to the UPC, creating a jurisdiction derived from and thus anchored in the Union court

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27\_GRUR\_Stn\_Verfassungsbeschwerde\_UPC\_final221217\_neu\_11pt.pdf. The GRUR stated that “as an association with proven expertise in the field of intellectual property, we limit the present opinion to the specific questions of patent law and related issues”. The German Association for the Protection of Intellectual Property (GRUR or *Deutsche Vereinigung für gewerblichen Rechtsschutz und Urheberrecht*) is the largest association in Germany that is devoted to the protection of intellectual property.

<sup>663</sup> BVerfG, Order of the Second Senate of 13 February 2020 - 2 BvR 739/17, para. 51.

<sup>664</sup> See Opinion C-2/13, para. 78, 2014 ECLI:EU:C:2014:2454.

<sup>665</sup> See Opinion C-1/09, paras. 88, 89, 2011 E.C.R. I-01137.

<sup>666</sup> The argument was based on the reasoning made by the Court in the European School case, where the CJEU consolidated a negative view of the possibility for an international judicial body to refer a preliminary ruling. Moreover, it asserted the lack of anchoring of the Boards of Appeal in the EU judicial system. See C-196/09, Paul Miles and Others v. Écoles européennes, para. 41, 2011 E.C.R. I-05105. On this topic see also Jacopo Alberti, *New developments in the EU system of judicial protection: the creation of the Unified Patent Court and its future relations with the CJEU*, 24 MAASTRICHT JOURNAL OF EUROPEAN AND COMPARATIVE LAW 6, 18 (2017).

system. According to the reports, the current version of the UPC Agreement solved the substantive concerns expressed by the ECJ and the major objections raised by the Advocates General in case C-1/09. Firstly, the Agreement is now limited to EU Member States. Secondly, both the liability of the UPC for damages and for infringement proceedings have been expressly regulated in Articles 22 and 23 UPCA.<sup>667</sup> In addition, the remarks on preliminary references of the UPC have been further completed, as a consequence Article 21 UPCA has expressly emphasised the primacy of Article 267 TFEU.<sup>668</sup> Lastly, the primacy of Union law in a comprehensive sense, namely primary and secondary Union law together with the case law of the CJEU, was clearly regulated in the current version of the UPCA in Article 20 UPCA.<sup>669</sup>

### 2.3. The judgment of the Federal Constitutional Court: the Act of Approval to the Agreement on a Unified Patent Court Is Void

In a decision of 13 February 2020, published on 20 March 2020, the German Constitutional Court upheld the first of the grounds of the individual complaint filed on 31 March 2017 by the lawyer Ingve Björn Stjerna against the Act ratifying the UPC Agreement. It was thus declared invalid exclusively with regard to the first of the complaints, on the basis that the UPC Act of Approval was not adopted by qualified majority as required under Art. 23(1) third sentence Grundgesetz (GG) in conjunction

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<sup>667</sup> On the liability for damage caused by infringements of Union law *see* Agreement on a Unified Patent Court, Art. 22 (1) (“The Contracting Member States are jointly and severally liable for damage resulting from an infringement of Union law by the Court of Appeal, in accordance with Union law concerning non-contractual liability of Member States for damage caused by their national courts breaching Union law.”). *See also*, regarding the responsibility of the contracting Member States, Agreement on a Unified Patent Court, Art. 23 (“Actions of the Court are directly attributable to each Contracting Member State individually, including for the purposes of Articles 258, 259 and 260 TFEU, and to all Contracting Member States collectively.”).

<sup>668</sup> Agreement on a Unified Patent Court, Art. 21 (“As a court common to the Contracting Member States and as part of their judicial system, the Court shall cooperate with the Court of Justice of the European Union to ensure the correct application and uniform interpretation of Union law, as any national court, in accordance with Article 267 TFEU in particular. Decisions of the Court of Justice of the European Union shall be binding on the Court.”).

<sup>669</sup> Agreement on a Unified Patent Court, Art. 20 (“The Court shall apply Union law in its entirety and shall respect its primacy”).

with Art. 79(2) GG. For the rest, the constitutional complaint was considered inadmissible, as the Court deemed it not necessary to examine the remaining claims.<sup>670</sup>

In particular, the Court, focused on the ratification procedure of the UPC Agreement,<sup>671</sup> after examining the process for the creation of the European patent with unitary effect<sup>672</sup> and the counterarguments to the appeal.<sup>673</sup> The BVerfG considered that the legislation enabling Germany to ratify the UPC Agreement had to be approved by a qualified majority because it would have conferred exclusive jurisdiction in the field of intellectual property on an international court. Following the conclusion of the Agreement, the Court's decisions would have been directly binding on the contracting Member States. In addition, the litigation on the protection of intellectual, industrial, and commercial property rights would have been transferred to a judicial body established outside the constitutionally based court system.<sup>674</sup> Since this system would have undergone irreversible changes, the BVerfG ruled the law had to be enacted fulfilling the majority requirement in order to respect “the integrity of the Constitution and the democratic legitimation of interferences with the constitutional order”.<sup>675</sup> However, “the legislative acts on the UPCA were unanimously adopted by 35 cheerful Members of Parliament [...] in the second and third reading in the early morning hours on 10/03/2017”, as it was reported by the complainant Ingve Björn Stjerna.<sup>676</sup> Hence, according to the constitutional judges, the Approval Act is void because the procedural rules for the validation were not respected by the *Bundestag*.

In this regard, it was considered the violation of Article 23 of the Basic Law, which regulates the integration agenda between the Federal Republic of Germany and the

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<sup>670</sup> BVerfG, Order of the Second Senate of 13 February 2020 - 2 BvR 739/17, para. 91.

<sup>671</sup> *Id.*, at paras. 100 et seq.

<sup>672</sup> *Id.*, at paras. 1 to 34.

<sup>673</sup> *Id.*, at paras. 51 et seq.

<sup>674</sup> See Article 92 of the German Basic Law (GG), which states that “the judicial power [...] shall be exercised by the Federal Constitutional Court, by the federal courts provided for in this Basic Law and by the courts of the Länder”.

<sup>675</sup> Press Release, Bundesverfassungsgericht, Act of Approval to the Agreement on a Unified Patent Court is void (20 Mar. 2020) No. 20/2020, Order of 13 February 2020, 2 BvR 739/17 available at <https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/EN/2020/bvg20-020.html>.

<sup>676</sup> Ingve Björn Stjerna, *The European Patent Reform –The Parliamentary UPCA ratification proceedings in Germany*, 17 July 2017, available at <https://www.stjerna.de/files/Unipat-pproc.pdf>.

European Union (*Integrationsprogramm*). The provision specifies that revisions of the Union Treaties, which have the effect of amending or supplementing the Basic Law, must comply with the conditions of Article 79 paragraph 2 GG. According to this rule, a two-thirds majority of the Parliament members is required for the revision procedure of the Basic Law. This implies that the ratification process of an international agreement requires the mentioned *quorum* in three circumstances: whether the agreement is complementary to or closely related to the European Union's integration plan; whether it concerns amendments to the rules of the Treaties or similar provisions; and, lastly, in case it entails the amendment or integration, in substantive terms, of the German Constitution (GG).

The constitutional judges considered satisfied all the three conditions mentioned above. Firstly, the UPC Agreement was contemplated as closely linked to European Union law for several reasons, since it was encouraged by the EU institutions, namely the European Commission and the European Parliament. In addition, an essential part of the judicial functions of the Unified Patent Court is connected with Union law to which it is directly bound, pursuant to Articles 20 and 21 UPC Agreement. Secondly, the UPC Agreement was deemed to be equivalent to an amendment of the Treaties within the meaning of Article 48 TEU, as Article 262 TFEU has been replaced by a new procedure. The article provides that the Council, in accordance with a special legislative procedure, may adopt provisions conferring jurisdiction on the Court of Justice in disputes concerning European Intellectual Property Rights. On the assumption that the unanimity required by this clause could not be achieved, the Member States amended the EU integration programme, thus effectively replacing the process provided for in Article 262 TFEU with the enhanced cooperation. Therefore, the Agreement acted in its effects like an amendment to the Treaty on the Functioning of the European Union. Lastly, the ratification Act operated a transfer of exclusive jurisdiction on a supranational court, whose decisions are applicable in any contracting Member State. According to Article 92 of the Basic Law, the judicial power is exercised by the Federal Constitutional Court, the federal courts, and the courts of the

Länder. Any transferal of judicial functions to international courts would alter this distribution of jurisdiction and would represent an amendment to the Basic Law in substantive terms. Consequently, the structure of the German judicial system established in the Basic Law was modified by the Approval Act.

Moreover, the judgment established that the complainant's interest was related to the protection of his right to vote pursuant to Article 38 of the Basic Law, which manifested itself as a prerogative to self-determination.<sup>677</sup> Accordingly, citizens can democratically participate in the process of European integration, as they are represented by the Members of Parliament. Namely, the conveyance of sovereign powers from the Federal Republic of Germany to the European Union shall take place within the limits laid down in Article 23 paragraph 1 and Article 79 paragraph 2 of the Basic Law. Therefore, the decision assumed that the failure to pass the Approval Act to the Agreement on a Unified Patent Court by the required majority undermined the parliamentary participation in the process of European integration and, consequently, the applicant's right to self-determination. Consequently, the BVerfG declared the UPC notification law null and void.

#### 2.4. Analysis of the Dissenting Opinion

The judgment was adopted with the votes of five constitutional judges. A minority of three dissenting judges, conversely, considered the application of the two-thirds majority rule exceedingly strict and as a potential impediment to further European integration. The opinion focused on the inadmissibility of the action for lack of interest in bringing the proceeding in front of the BVerfG. The dissenting judges argued that the principle of democracy would be rendered meaningless if linked to purely formal requirements, such as the non-compliance with the conditions of a qualified majority voting.

In contrast to what the decision reported, the three dissenting judges stated that the right to vote shall safeguard the principle of democratic self-determination, which shall

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<sup>677</sup> BVerfG, Order of the Second Senate of 13 February 2020 - 2 BvR 739/17, paras. 96-99.

be intended solely as the protection of the democratic principles of active and passive voting. On the contrary, this right could not be extended to the formal control of citizens over the procedures under which the European integration plan is being implemented. Such an extension could not be justified under Article 23 paragraph 1 in conjunction with Article 79 paragraph 2 of the Basic Law, whose infringement cannot threaten the essential content of the popular sovereignty principle, which is embodied in the right to vote. Moreover, the extension of citizen control over the formal aspects of conferral might risk obstruct the political process in the context of European integration. On the basis of the above considerations, the three dissenting judges concluded that the constitutional complaint at issue shall be deemed as inadmissible due to the lack of complainant's legal interest in submitting a constitutional proceeding against the contested Approval Act.

The dissenting opinion argued that the expanded "formal transmission control" established by the decision could ultimately lead to a narrow and hindered political process in the context of European integration. According to the three disagreeing judges, the scope of Article 38 GG was not respected in its deepest meaning. Lastly, the constitutional complaint was to be rejected as inadmissible due to the complainant's lack of power.

## 2.5. Latest Developments in the German Ratification Process: Two Unsuccessful Applications Challenging again the Legislation on the Unified Patent Court

On 18 December 2020 the second law on the Agreement on a Unified Patent Court (also known as *EPGÜ-ZustG II*) was passed by the two chambers, although the text largely corresponded to the previous act declared null and void (also known as *EPGÜ-ZustG I*). Immediately after its entry into force, it had to face another constitutional barrier. Two complaints have been filed against the law before the BVerfG and, in parallel, two applications for the issuance of corresponding temporary injunctions were pending.<sup>678</sup> In accordance with the usual practice,<sup>678</sup> the Federal President did not

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<sup>678</sup> Ref. 2 BvR 2217/2020 and 2 BvR 2216/2020.

execute and promulgate the Approval Act until the BVerfG had been ruled on the urgent applications.<sup>679</sup>

The complainants' objections were essentially based on two grounds, which largely reproduced the arguments presented in the previous appeal upheld by the Federal Constitutional Court. Firstly, they claimed the violation of their right to democratic self-determination and the principle of the rule of law, under Article 38 paragraph 1 in conjunction with Article 20 paragraphs 1 and 2 and Article 79 paragraph 3 of the Basic Law. Secondly, they argued that Article 20 UPCA affected the identity of the German Constitution, as enshrined in Article 79 paragraph 3. Certain provisions relating to the appointment of UPC judges, such as the possibility of re-election and the lack of remedies against eventual removal from office, violated the fundamental right to effective legal protection, since the independence of judges could not be guaranteed.<sup>680</sup> At the same time, the applicants requested that the execution and promulgation of the *EPGÜ-ZustG II* were being suspended until a decision had been reached in the main action. Alternatively, they asked the Court to issue an interim injunction. The Federal Government and the Parliament had the opportunity to comment on the applications for an interim injunction. While the *Bundesrat* made no observations, in January both the German *Bundestag* and the Federal Government affirmed the applications were inadmissible and, in any case, manifestly unfounded.<sup>681</sup>

In the decision of 23 June 2021, which was then published on 9 July 2021, the BVerfG has rejected the two applications for a corresponding interim injunction as

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<sup>679</sup> See BVerfGE 123, 267/304; 132, 195/195 ff. Rn. 1 ff.; 153, 74 /131 Rn. 90; Schneider, in: Burkiczak/Dollinger/Schorkopf, BVerfGG, 2015, § 32 Rn. 268 Fn. 478.

<sup>680</sup> Agreement on a Unified Patent Court, Arts. 15-19. See also Statute of the Unified Patent Court, Annex I to the Agreement on a Unified Patent Court, Art. 4 (1) ("Judges shall be appointed for a term of six years, beginning on the date laid down in the instrument of appointment. They may be re-appointed.") and Art. 10 (1) ("A judge may be deprived of his or her office or of other benefits only if the Presidium decides that that judge no longer fulfils the requisite conditions or meets the obligations arising from his or her office. The judge concerned shall be heard but shall not take part in the deliberations.").

<sup>681</sup> BVerfG, Order of the Second Senate of 23 June 2021 - 2 BvR 2217/2020, 2 BvR 2216/20, para. 34.

inadmissible.<sup>682</sup> The pronouncement of the Federal Constitutional Court was based on two proceedings (Ref. 2 BvR 2216/20 and 2 BvR 2217/20), which the Court decided to combine for a joint decision. Pursuant to Section 32 of the Act on the Federal Constitutional Court (*Bundesverfassungsgerichtsgesetz*, BVerfGG), it is possible to issue preliminary injunctions “if this is urgently required to avert severe disadvantage, to prevent imminent violence or for another important reason in the interest of the common good”.<sup>683</sup> In its examination, the Federal Constitutional Court usually applies a strict standard, since such an order can constitute a considerable encroachment on the legislative competences. In the present case, the Federal Constitutional Court dismissed the applications for interim relief, irrespective of any proper balancing of consequences, because it considered the main action to be inadmissible from the outset.<sup>684</sup>

The constitutional complaints of the main action were declared not admissible because the complainants had not sufficiently substantiated the possibility of a violation of their fundamental rights, considering both the Senate’s extensive case-law on Article 23 of the Basic Law and the decision of 13 February 2020.<sup>685</sup> As mentioned above, the claimant invoked the infringement of the principles of democratic self-determination and of the rule of law. The FCC enumerated the exceptional cases where the principle of democracy may be considered violated, in the event sovereign powers are assigned to the European Union or its institutions. For example, the shift of sovereignty must lead to the so-called *Kompetenz-Kompetenz*, i.e. it must be possible to establish a new autonomy through the use of the sovereign rights. Furthermore, the principle of democracy is violated if the transfer substantially diminishes the

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<sup>682</sup> BVerfG, Order of the Second Senate of 23 June 2021 - 2 BvR 2217/2020, 2 BvR 2216/20 - Rn. 1-81. The full text is available at [https://www.bundesverfassungsgericht.de/e/rs20210623\\_2bvr221620.html](https://www.bundesverfassungsgericht.de/e/rs20210623_2bvr221620.html).

<sup>683</sup> See §32 Bundesverfassungsgerichtsgesetz (“Das Bundesverfassungsgericht kann im Streitfall einen Zustand durch einstweilige Anordnung vorläufig regeln, wenn dies zur Abwehr schwerer Nachteile, zur Verhinderung drohender Gewalt oder aus einem anderen wichtigen Grund zum gemeinen Wohl dringend geboten ist.”).

<sup>684</sup> BVerfG, Order of the Second Senate of 23 June 2021 - 2 BvR 2217/2020, 2 BvR 2216/20, paras. 49-50.

<sup>685</sup> *Id.*, at para. 52.



*Bundestag*'s powers. As a consequence, at least the complainant would have had to demonstrate that sovereign rights would be granted by the *EPGÜ-ZustG II* or that the *Bundestag*'s powers would be considerably affected. According to the FCC, it remained unclear and ambiguous to what extent the approval act influenced the principle of democracy, which is subject of appeal solely under Article 38 paragraph 1 sentence 1 and it is laid down in Article 20 paragraphs 1 and 2 of the Basic Law. The general reference to the principle of separation of powers, which is said to be rooted in the principle of democracy, could not be considered sufficient to justify the merits of the appeal. The Court also pointed out that "the [...] right of citizens to democratic self-determination is strictly limited to the core of the principle of democracy, which is rooted in human dignity".<sup>686</sup>

The Second Senate also reported a lack of concrete submissions by the parties to support the non-compliance with the minimum requirements on the judges' nomination and revocation from office. Moreover, the applicant merely argued that certain provisions relating to the procedure for the appointment and removal of UPC judges were contrary to the right to effective legal protection, under Article 97 of the Basic Law in conjunction with Article 6 paragraph 1 of the European Convention on Human Rights (ECHR). The FCC held that the Unified Patent Court standard was consistent with the one set in Article 6 ECHR and the case-law of the European Court of Human Rights, to which a Member State remains bound also when it transfers sovereign rights to intergovernmental bodies.<sup>687</sup> Referring to the previous case law, the BVerfG explains that in principle there might be an unconstitutional restriction of judicial independence in the case of temporary renomination. However, the fundamentals outlined in the case law were formulated with reference to honorary and local judges, while the Unified Patent Court shall be considered differently from those at national level. Considering the special features of this intergovernmental body, deviations from the principles of the Basic Law on judges' independence were

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<sup>686</sup> *Id.*, at para. 55.

<sup>687</sup> <sup>687</sup> *Id.*, at para. 63.

justified, in particular where they take the form of provisions granting judges' temporary appointment.<sup>688</sup> In the case of the UPC experts, the BVerfG considered the re-election to be compatible with the German constitutional framework. Nevertheless, the complainants' submissions on the exact requirements for having adequate legal protection were insufficient, considering that there was no direct connection between the judges' legal protection and the complainants' right to democratic self-determination.

Furthermore, the BVerfG did not find any violation of the German constitutional identity by Article 20 UPCA. In this context, the decision also mentioned the Federal Government's explanatory memorandum, which granted Article 20 UPCA a clarifying function and explained that its wording did not extend the principle of the primacy of EU law. The Federal Constitutional Court stated that the promise of effectiveness and enforcement, contained in Article 23 paragraph 1 sentence 2 of the Basic Law, also includes granting Union law "*primauté*" over national law. However, such a priority of application only extends as far as the Basic Law allow or provide for the transfer of sovereign rights, so the compliance with these limits would be guaranteed by the Federal Constitutional Court within the framework of the identity and *ultra vires* control. The Constitution does not permit an unrestricted primacy of application of Union law. Such rules are binding for all constitutional bodies of the German Federal Republic, and may neither be relativised nor undermined.<sup>689</sup> Article 20 UPCA was therefore to be understood only in the sense that this provision was intended to dispel doubts as to the compatibility of the UPC Agreement with Union law. On the other hand, the provision does not contain any regulations of the relationship between Union law and national constitutional law that goes beyond the *status quo*.

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<sup>688</sup> The BVerfG compares the six-year appointment of judges at the Unified Patent Court with the limited terms of office of judges at the Court of Justice of the European Union or the European Court of Human Rights.

<sup>689</sup> BVerfG, Order of the Second Senate of 23 June 2021 - 2 BvR 2217/2020, 2 BvR 2216/20, paras. 73-75.

In order to provide some critical insights, it is worth making some considerations as to why the Federal Constitutional Court did not directly decide on the merits of the complaints. In principle, it would have been possible and the application for a temporary injunction would have become irrelevant. Some of the most critical comments remarked that the BVerfG, once again, has left some central substantive issues unresolved rejecting the petitions and constitutional complaints only at the admissibility level. Conversely, others pointed out that in its order the BVerfG, in the main action, also took a position on the constitutional complaints. The assessment that the complainants have not substantiated the impairment of the fundamental rights would lead to the inadmissibility of the constitutional complaints in the main action.

Many involved economic operators expressed their disappointment at the BVerfG's decision of March 2020 and noted that the judicial outcome would have potentially undermine the competitiveness of the EU enterprises by compromising their position compared with other undertakings competing in extra-Union trade.<sup>690</sup> The political determination to implement the Unified Patent Court is not lacking, as it was demonstrated by the fact that a renewed Approval Act was suddenly submitted to the *Bundestag*. The project is thus supported by the German Federal Government as it was made clear by the statements of the German Minister of Justice and Consumer Protection, Christine Lambrecht, after the publication of the BVerfG's decision.<sup>691</sup>

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<sup>690</sup> For instance, the Federation of German Industries (*Bundesverband der Deutschen Industrie*, BDI) said that the Constitutional Court did the economy a disservice. It was stated that with the decision against the patent reforms, effective and affordable innovation protection was blocked for the companies. According to the BDI management board, the situation would weaken Europe's competitiveness mainly compared to China and the USA. See Anja Semmelroch, *Karlsruhe: Deutsche Zustimmung zu EU-Einheitspatent nichtig*, STIMME.DE, 20 Mar. 2020, available at <https://www.stimme.de/deutschland-welt/wirtschaft/wt/Karlsruhe-Deutsche-Zustimmung-zu-EU-Einheitspatent-nichtig;art270,4336846>.

<sup>691</sup> Press Release, The Federal Minister of Justice and Consumer Protection, *Europäische Patentreform soll fortgesetzt werden* (European patent reform is to be continued) (26 March 2020) ("I will continue to work to ensure that we can provide the European innovative industry with a single European patent with a European patent court. The Federal Government will carefully evaluate the decision of the Federal Constitutional Court and examine possibilities to remedy the formal deficiency found in this legislative period.").

The Chairman of the Preparatory Committee praised the judgment as an excellent result, that cleared the way for the Phase of Provisional Application (PAP). The Protocol on Provisional Application (PAP-Protocol) is the ultimate stage of the UPCA's full implementation, since when it enters into force the final part of the preparatory works will be completed. Meanwhile, the Preparatory Committee's continued its work, scheduling a more comprehensive plan for the Provisional Application Period's launch and implementation.<sup>692</sup> As a final step, the recruitment of the Court's judges will be finalised, and the secondary legislation draft by the Preparatory Committee will be adopted. In the light of these further developments, the project to establish the Unified Patent Court had to be postponed, until the conditions for its implementation materialise.

### **3. The Effects of the United Kingdom's Withdrawal from the European Union on the Unitary Patent Package**

On 29 March 2017, the United Kingdom formally notified the President of the European Council its willingness to withdraw from the European Union and the European Atomic Energy Community, as provided for in Article 50 TEU.<sup>693</sup>

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<sup>692</sup> The recent developments are published at <https://www.unified-patent-court.org/news>.

<sup>693</sup> TEU, Art. 50 (“1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements. 2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament. 3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. 4. For the purposes of paragraphs 2 and 3, the member of the European Council or of the Council representing the withdrawing Member State shall not participate in the discussions of the European Council or Council or in decisions concerning it. A qualified majority shall be defined in accordance with Article 238(3)(b) of the Treaty on the Functioning of the European Union. 5. If a State which has withdrawn from the Union asks to rejoin, its request shall be subject to the procedure referred to in Article 49.”).

According to this article, any Member State may withdraw from the Union, in accordance with its constitutional rules. The procedure was activated by the notification, which was the starting point of a long process of consultations and negotiations between the withdrawing Member State and the EU. After more than three years and a half, on 1 February 2020, the United Kingdom officially ceased to be one of the Member States of the European Union, initiating a transitional period that remained in force until the end of 2020. The negotiations on the final withdrawal agreement have become operative from 1 January 2021, when the interim period ended. The results of the referendum held in June 2016 required the application of the first ever withdrawal of a Member State from the European Union, implementing the so-called “exit clause”.<sup>694</sup> As Article 50 TEU had never been tested, the path of the UK’s exit from the EU has been characterised by uncertainty regarding the procedural rules, which had to be defined throughout the negotiations. The process raised several questions about the scope, sequence, and timing of consultations between the EU and the UK on the terms of the leaving.<sup>695</sup>

In the light of such considerations, it is necessary to assess the impact of Brexit on the future of the Unified Patent Court.<sup>696</sup> First, it is important to stress that the UK ratification would have been necessary to allow the effective entry into force of the UPC, whose central section should have been located in London. Second, it is interesting to note that the United Kingdom, after joining the enhanced cooperation, was one of last States to have ratified the UPC Agreement. In fact, the UK notified the

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<sup>694</sup> The Lisbon Treaty amended the Treaties adding an explicit provision that would allow member states to voluntarily withdraw from the European Union. On 23 June 2016, the United Kingdom held a referendum and voted by a narrow majority to leave the EU. The British Government began the process of leaving the European Union and, after more than three years, the UK ended its membership becoming a third country, through a process without precedent in the Union history.

<sup>695</sup> The issue of the impossibility to dissociate the unitary patent protection from the general legal order of the EU’s Internal Market is deeply analysed by Hanns Ullrich, *The European Union’s Patent System after Brexit: Disunited, but Unified?*, in *THE IMPACT OF BREXIT ON UNITARY PATENT PROTECTION AND ITS COURT* 27 (Matthias Lamping & Hanns Ullrich eds., 2018).

<sup>696</sup> For a detailed legal analysis on the economic value of the UPC without the UK *see* Richard Gordon QC & Tom Pascoe, *Re the Effect of ‘Brexit’ on the Unitary Patent Regulation and the Unified Patent Court Agreement*, Opinion commissioned by the IP Federation, the Chartered Institute of Patent Attorneys and the Intellectual Property Lawyers Association, 12 Sep. 2016.

Commission the deposit of the ratification instrument only on 26 April 2018, just one year after the communication informing the European Council about its intention to withdraw from the Union.

At first, it seemed it was of great interest for the UK to maintain a strategic position within the regulatory and jurisdictional patent system, considering that the Agreement could represent a significant economic advantage for British companies. The British Government found no incompatibility between the decision to withdraw from the Union and the ratification of the UPC Agreement, thus considering that the United Kingdom could also participate in the new unitary patent protection system even as a non-member State.<sup>697</sup> However, on 20 July 2020, the United Kingdom of Great Britain and Northern Ireland decided to deposit the notification of its withdrawal from the Agreement on a Unified Patent Court and the Protocol on Privileges and Immunities, also issuing a parliamentary written statement in the House of Commons.<sup>698</sup>

### 3.1. The Grounds for the Inapplicability of the Unified Patent Court Agreement to the United Kingdom

To obtain a better understanding of the conflicts deriving from the position of the United Kingdom in the patent system after Brexit, it is necessary to take into account the special role that the Unified Patent Court would play within the EU jurisdictional

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<sup>697</sup> Press Release, United Kingdom and Intellectual Property Office, The UK government has confirmed it is proceeding with preparations to ratify the Unified Patent Court Agreement (28 Nov. 2016), *available at* <https://www.gov.uk/government/news/uk-signals-green-light-to-unified-patent-court-agreement>.

<sup>698</sup> The statement was made by Amanda Solloway (Parliamentary Under Secretary of State, Minister for Science, Research and Innovation), *available at* <https://questions-statements.parliament.uk/written-statements/detail/2020-07-20/HCWS395>. In particular, it was pointed out that “[...] in view of the United Kingdom’s withdrawal from the European Union, the United Kingdom no longer wishes to be a party to the Unified Patent Court system. Participating in a court that applies EU law and is bound by the CJEU would be inconsistent with the Government’s aims of becoming an independent self-governing nation. The Agreements have not yet entered into force. However, in order to ensure clarity regarding the United Kingdom’s status in respect of the Agreements and to facilitate their orderly entry into force for other States without the participation of the United Kingdom, the United Kingdom has chosen to withdraw its ratification of the Agreements at this time. The United Kingdom considers that its withdrawals shall take effect immediately and that it will be for the remaining participating states to decide the future of the Unified Patent Court system.”

system.<sup>699</sup> The unitary effects attributed by Union law to the European patent do not apply for the territory of the United Kingdom. However, in consideration of the interest initially expressed by British economic operators in remaining within the Unitary Patent Package (UPP), there has been a long debate on the possibility of enabling the United Kingdom's access to the European patent system with unitary effect. It is important to underline that, regardless of the subsequent decision to withdraw, the UK participation in the UPP would not have been possible for the reasons summarised below.<sup>700</sup>

Regarding the application of UPP legislation, it is essential to distinguish the consequences of the UK leaving in relation to the UPC Agreement from the situation arising from the 1257/2012 and 1260/2012 Regulations. Whilst it is undisputed that the legislation will no longer apply to the leaving Member State, unless a specific provision was included in the Withdrawal Agreement, the concerns raised by participation in the UPC Agreement are different. As already clarified, the UPC Agreement is an international treaty concluded outside the framework of the Union legal order. Therefore, the exit from the Union did not directly affect the participation of the United Kingdom, but rather it was necessary to sign a specific act of withdrawal from that Agreement.

In analysing the effects of Brexit on the participation of the United Kingdom, it should be noted that the Unified Patent Court Agreement provides for the exclusive accession of the EU Member States. Article 84 states that the UPC Agreement “shall be open for signature by any Member State on 19 February 2013” and a non-member State could not participate in the enhanced cooperation which gave rise to the patent package.<sup>701</sup> In compliance with CJEU Opinion 1/09, it was excluded the possibility for

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<sup>699</sup> For a comment on the serious legal problems and uncertainty that the UK's continued participation in the UPC's judicial system would have created *see* Matthias Lamping, *The Unified Patent Court, and How Brexit Breaks It*, in *THE IMPACT OF BREXIT ON UNITARY PATENT PROTECTION AND ITS COURT* 179 (Matthias Lamping & Hanns Ullrich eds., 2018).

<sup>700</sup> On the consequences of Brexit on the future of the UPC *see* Winfried Tilmann, *The UPC without the UK: Consequences and Alternatives*, 69 *GRUR INTERNATIONAL* 847–851 (2020).

<sup>701</sup> *See* TEU, Art. 20 (1) and TFEU, Art. 326.

third States to participate. This choice is completely in line with the original intention of the contracting Member States to establish a common court within the EU legal order. In accordance with Article 1 of the Agreement, the Unified Patent Court is deemed as a Court common to a number of Member States, being essentially treated as a national tribunal and being asked to ensure the correct application of Union law.<sup>702</sup> Within this framework, it would be difficult to argue that a third State may be able to take part in the agreement establishing the specialised court.

Moreover, additional arguments can be found to support the thesis that it would not have been appropriate for the United Kingdom to continue participating in the UPC project. In particular, according to Article 31 of the Agreement the international jurisdiction of the UPC is established by the Brussels I *bis* Regulation and, where applicable, by the Lugano Convention.<sup>703</sup> Considering that the Regulation will no longer be valid in the United Kingdom, it would be necessary that the former Member State at least accede to the Lugano Convention.<sup>704</sup> Furthermore, the UPC is a court that

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<sup>702</sup> European Parliament and Council Regulation 542/2014, 15 May 2014, 2014 O.J. (L 163) 1-4 (EU), amending Regulation (EU) No 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice European Parliament and Council Regulation 1215/2012, 12 Dec. 2012, 2012 O.J. (L 351) 1-32 (EU). *See* in particular Article 71 a (1) (“[...] a court common to several Member States [...] (a ‘common court’) shall be deemed to be a court of a Member State when, pursuant to the instrument establishing it, such a common court exercises jurisdiction in matters falling within the scope of this Regulation.”). Moreover, Article 71 a (2) specifies that “each of the following courts shall be a common court: (a) the Unified Patent Court established by the Agreement on a Unified Patent Court signed on 19 February 2013 (the ‘UPC Agreement’); and (b) the Benelux Court of Justice established by the Treaty of 31 March 1965 concerning the establishment and statute of a Benelux Court of Justice (the ‘Benelux Court of Justice Treaty’)”.

<sup>703</sup> Agreement on a Unified Patent Court, Art. 31 (“The international jurisdiction of the Court shall be established in accordance with Regulation (EU) No 1215/2012 or, where applicable, on the basis of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Lugano Convention).”).

<sup>704</sup> On this point it should be noted that on 4 May 2021 the European Commission published its assessment of the United Kingdom’s application to join the Lugano Convention in a Communication to the European Parliament and Council. The Lugano Convention is an agreement, currently in force between the EU and Iceland, Norway, and Switzerland, regarding jurisdiction and enforcement. The three non-EU contracting states have already agreed to the UK’s membership proposal, leaving only the Union approval as a stumbling block. The participation in the Lugano Convention is crucial for the UK because it would allow more judgements to be quickly recognized and implemented across borders. The Lugano Convention has a broader scope than the Hague Convention, since it applies to contractual agreements governed by both non-exclusive and exclusive jurisdiction clauses. The EU Commission concluded that “the European Union should not give its consent to the accession of the United Kingdom to the 2007 Lugano Convention”. The basis of that conclusion is that the UK is not a member of the



is intrinsically bound by EU law, considering it is obliged to respect the primacy of Union law and to cooperate with the Court of Justice in order to ensure its correct and uniform application.<sup>705</sup> Therefore, if the United Kingdom had decided to stay connected to the jurisdictional system of unitary patent protection, it would have inevitably remained linked to the jurisdictional system of the European Union.<sup>706</sup> Lastly, had it not withdrawn from the UPC Agreement, the Commission would have been able to formally initiate an infringement procedure against the United Kingdom and it could have been subject to a non-contractual liability for damages arising from a violation of Union law.<sup>707</sup> In conclusion, a judicial system so closely interconnected with EU law would have made it difficult to implement the participation of a non-member State in the establishing Agreement.<sup>708</sup>

It should also be appropriate to emphasise some perspectives from academics and practitioners who have analysed the prospects of the United Kingdom's role in the UPC project. According to some authors, the withdrawal of the United Kingdom from

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European Economic Area or European Free Trade Association. *See* European Commission, Assessment on the application of the United Kingdom of Great Britain and Northern Ireland to accede to the 2007 Lugano Convention, 4 May 2021, COM (2021) 222 final, where it is stated that “[...] the Lugano Convention is a flanking measure of the internal market and relates to the EU-EFTA/EEA context. In relation to all other third countries the consistent policy of the European Union is to promote cooperation within the framework of the multilateral Hague Conventions. The United Kingdom is a third country without a special link to the internal market. Therefore, there is no reason for the European Union to depart from its general approach in relation to the United Kingdom. Consequently, the Hague Conventions should provide the framework for future cooperation between the European Union and the United Kingdom in the field of civil judicial cooperation”.

<sup>705</sup> On this topic *see* Bruno Nascimbene, *Brexit e Tribunale dei brevetti*, EUROJUS 1, 6-8 (2019).

<sup>706</sup> On these aspects, *see* Agreement on a Unified Patent Court, Art. 20 (“The Court shall apply Union law in its entirety and shall respect its primacy.”).

<sup>707</sup> The problem of the non-participation of the United Kingdom has never been related to the immutability of the legal framework establishing the Unified Patent Court. Indeed, the UPC Agreement provides for the possibility of being substantially amended, either before its entry into force or at a later date. In the first case, the revision would have led to the conclusion of a new treaty between the United Kingdom and the Member States currently participating, but not with the European Union, which formally has not taken part to the Agreement. As a matter of principle, a revision of the agreement would then be possible even after its entry into force, through the adoption of an amending protocol. Article 87 provides for the possibility that amendments may be made to the Agreement after its entry into force. The power to carry out any modifications is being entrusted in the Administrative Committee of the UPC, which would intervene in case it would be necessary to adapt the Agreement to the adoption of an international treaty in the field of intellectual property or to a potential reform of EU law. *See* Agreement on a Unified Patent Court, Art. 87.

<sup>708</sup> On this issue *see* in particular LUIGI CARLO UBERTAZZI, *BREXIT E BREVETTO UE 20-23*, 48-56 (2017).

the Union has caused a modification of the Agreement on the Unified Court. Therefore, the only reliable proposal to allow the United Kingdom to participate in the regulatory and jurisdictional framework of the Unitary Patent Package would have been the conclusion of an agreement between the Union and the UK. This argument is based on the fact that the inherent characteristics of the UPC Agreement are far more binding than those of other international law treaties, which allow for the extension of EU law to non-EU countries.<sup>709</sup> In accordance with other academics' opinions, the United Kingdom's participation in the new patent system could be considered consistent with Union law, provided that certain amendments to the Agreement were implemented.<sup>710</sup> In support of this thesis two main arguments have been put forward. First, the United Kingdom, would be subject to the primacy of EU law, on the basis of the agreement to be concluded between the EU and the UK. Second, the Unified Patent Court would not lose its status of court "common to Member States", even though its jurisdiction would no longer apply only to Member States. By maintaining this qualification, it would be possible to submit a request for a preliminary ruling to the Court of Justice, but also to preserve the London seat as a branch of the central UPC office.

However, these arguments do not seem to be persuasive for the reasons illustrated below. The starting point is undoubtedly the CJEU Opinion 1/09 which, although not explicitly excluding the participation of third States in the Agreement, totally rejected the hypothesis of an international tribunal divesting national courts of their task to implement Union law through their role as "ordinary" courts of the EU legal system. Moreover, the Member States could not confer the jurisdiction on a court that would

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<sup>709</sup> For a legal analysis on the question as to whether the UK could have continued to participate in the unitary patent system after leaving the EU see Ansgar Ohly & Rudolf Streinz, *Can the UK stay in the UPC system after Brexit?*, 12 JOURNAL OF INTELLECTUAL PROPERTY LAW & PRACTICE 245, 257-258 (2017).

<sup>710</sup> Among the suggested modifications it should be recalled that the UPC Agreement would have to be modified to allow access to non-EU countries. It would have entailed by removing all reference to the term "Contracting Member State" and by replacing it with "Contracting State". Moreover, the provisions on joint and several liability of the Contracting States in the event of infringement of European Union law would have to be extended.

deprive their domestic tribunals of “the power provided for in Article 267 TFEU, or, as the case may be, the obligation, to refer questions for a preliminary ruling in the field concerned”.<sup>711</sup> Hence, the Court of Justice ruled that an international court may not subtract powers from national courts, which have a pivotal role in the EU legal order.<sup>712</sup> In its Opinion the CJEU did not take any position on the possibility of a third state participating in the Agreement, but reaffirmed the need to fully respect the principles underlying the EU legal order. Only the consistency with the entire EU judicial system allows certain fundamental principles to be respected, including the primacy of Union law and the autonomy of the Union legal order.

On this basis, the contracting Member States tried to design a specialised international court fully compliant with the criteria set out in Opinion 1/09 and with the mentioned EU principles. To achieve such an aim, major changes were implemented so that they enhanced the status of “court common to a number of Member States” and consequently tried to make the project consistent with the EU legal order. Whether the UPP results to be totally compliant with the Union law it is still an open question, as discussed extensively in previous chapters. What is certain is that a hypothetical agreement with the United Kingdom would not have respected the standards specified by the Court. In this perspective, the above-mentioned arguments in support of the United Kingdom’s participation in the UPC Agreement are certainly questionable. The UPC’s nature of “court common to a number of Member States”, consequently situated within the judicial system of the European Union, would be inevitably affected by an amendment to the Agreement allowing the United Kingdom to participate. In the event UK involvement was permitted, the UPC would have ceased to be a “court common to the Member States”, as set out by the Court of Justice.<sup>713</sup> The Unified Patent Court would thus not be integrated into the jurisdictional systems

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<sup>711</sup> Opinion C-1/09, 2011 E.C.R. I-01137, para. 80.

<sup>712</sup> On this topic, see Michael Dougan, *General Report. National Courts and the Enforcement of EU Law*, in NATIONAL COURTS AND THE ENFORCEMENT OF EU LAW. THE PIVOTAL ROLE OF NATIONAL COURTS IN THE EU LEGAL ORDER 31 (Marleen Botman & Jurian Langer eds., 2020).

<sup>713</sup> See among others Hugh Dunlop, *What now for the Unified Patents Court following the Brexit referendum?*, 38 EUROPEAN INTELLECTUAL PROPERTY REVIEW 595-597 (2016).

of the Member States, since a third country would be included among the participants. Consequently, the correct application of European Union law would not be ensured.<sup>714</sup>

In the light of these considerations, it can be concluded that the United Kingdom could not have continued to be involved in the UPC project without posing significant issues of compatibility with Union law. In this context, the United Kingdom's subsequent withdrawal, which will be analysed in the following paragraphs, can be deemed as consistent with the regulatory framework.

### 3.2. The Grounds for the Inapplicability of the Substantive Provisions of the Unitary Patent Package to the United Kingdom

Proceeding to examine the effects of Brexit on the patent rules with unitary effect, it should be remarked that, pursuant to Article 50, paragraph 3 TEU, both the 1257/2012 and 1260/2012 Regulations cannot be applied directly to the former Member State. This clearly means that the unitary effects attributed by Union law to the European patent do not apply for the territory of the United Kingdom. Hypothetically, it would have been possible to enable the UK's access to the European patent system with unitary effect through an international agreement included in the withdrawal arrangements. The participation of the European Union in a potential arrangement would have been necessary because, although it is a matter of shared competence, the EU has exercised its legislative jurisdiction by adopting two Regulations. Although such a choice would have been formally possible, the extension of the European rules on patents with unitary effect could have raised several issues.

Firstly, the application of the European regulations is subject to the ratification of the UPC Agreement.<sup>715</sup> This means that the participation of the United Kingdom in

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<sup>714</sup> Similar considerations on this topic are developed in Ilaria Ottaviano, *Osservazioni sull'incidenza della Brexit nella materia della tutela brevettuale unitaria dell'Unione europea: possibili scenari in ordine alla ratifica del Regno Unito dell'accordo istitutivo del Tribunale unificato dei brevetti*, 15 FEDERALISMI (2017).

<sup>715</sup> 1257/2012 Regulation, at Art. 18 (2) and 1260/2012 Regulation at Art. 7 (2) ("It shall apply from 1 January 2014 or the date of entry into force of the Agreement on a Unified Patent Court, whichever is the later.").

the deal would have been a necessary condition for the patent system with unitary effect to be extended to the withdrawing country. Secondly, a possible settlement between the EU and the UK aiming at extending the unitary patent regulation would not have been compatible with the Union law, albeit faithfully reproducing the provisions laid down in Regulations No. 1257/2012 and No. 1260/2012. As it was already examined in the previous chapters, 1257/2012 Regulation contains extensive references to the national law of the Member States, namely at Articles 5 and 7.<sup>716</sup> These provisions do not contain substantive rules, but they exclusively refer to the application of the law in which the applicant has his residence or principal business place. As a consequence, in the event the applicant is legally resident in the United Kingdom, the patent with unitary effect would be subject to English law, thus to a national law no longer governed by the primacy of European Union law. On the one hand, it is true that the only court competent to hear the majority of disputes on the European patents with unitary effect will be the Unified Patent Court, which is bound by the primacy of European Union law pursuant to Article 20 of the UPC Agreement. On the other hand, according to Article 32 paragraph 2, national courts will retain jurisdiction to hear actions which do not fall within the exclusive competence of the UPC. Therefore, the UK courts may apply the provisions of 1257/2012 Regulation as transposed in the potential agreement, but without any obligation to respect the primacy of EU law, or to comply with the case-law of the Court of Justice, or to refer for a preliminary ruling.<sup>717</sup> The UK courts will be able to interpret the provisions of

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<sup>716</sup> See the extensive discussion *supra* paras. 2.1.1 and 2.1.2 of Chapter III.

<sup>717</sup> In this context, it is worth mentioning opinion 1/91 on the compatibility of the draft agreement between the Community, on the one hand, and the countries of the European Free Trade Association, on the other, relating to the creation of the European Economic Area (EEA). In particular, the Court of Justice held that the homogeneity of legal rules throughout the European Economic Area was not guaranteed by the identical content or wording of the provisions of Community law and of the corresponding rules of the Agreement. Moreover, the Court of Justice specified that such homogeneity could not be guaranteed by the interpretation mechanism provided for in the EEA agreement, according to which the rules of the convention “must be interpreted in conformity with the case-law of the Court of Justice on the corresponding provisions of Community law”. See Opinion C-1/91, 1991 E.C.R. I-06079, para. 22-29. Considering the position of the Court expressed in the above-mentioned opinion, it follows that uniformity cannot be ensured by the literal correspondence of the provisions contained in UPP regulations and the possible EU-UK agreement.

the hypothetical arrangement without being subject to the primacy of EU law. Therefore, the British decisions relating to the European patents with unitary effect could significantly differ from those issued by any other national court.

Undoubtedly, as already underlined in the previous chapter, the leading problem consists in the absence of an autonomous substantive regulation governing the patent with unitary effect. The numerous references to national laws in the 1257/2012 Regulation have certainly raised a number of interpretative issues regarding the position of the United Kingdom. Although advocated by some commentators, an agreement between the UK and the European Union, extending the rules on patents with unitary effect to the former Member State, would not have been compatible with the principles of the EU legal order.<sup>718</sup>

Having clarified that the possible participation of the United Kingdom in the Unitary Patent Project would have been not compliant with Union law, it is necessary to examine the adopted solutions and the effects of Brexit on the future of the unitary patent system.

### 3.3. The Position of the United Kingdom in Relation to the Unitary Patent System

The mentioned constraints imposed by the configuration of the Unified Patent Court would not be well combined with the expressed aspiration of the United Kingdom to withdraw from the Union. In particular, it would be unrealistic to contemplate the UK remaining within the regulatory Unitary Patent Package (UPP) system, given the statements made by the British Government in its letter of withdrawal.<sup>719</sup> It seems relevant to recall that the withdrawal of the United Kingdom

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<sup>718</sup> Winfried Tilmann, *The Future of the UPC After Brexit*, 8 GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT (GRUR) 753 (2016).

<sup>719</sup> In this respect, the United Kingdom in its letter of withdrawal anticipated its intention to amend its domestic law by passing the Great Repeal Bill, which had a dual function. On the one hand, it repealed the European Communities Act (1972) to return full sovereignty to national institutions and restore the autonomy and independence of the national of national courts with respect to the Court of Justice. On the other hand, it regulated the conversion of directly applicable European law in force at the time of Brexit into national law, ensuring the greatest possible regulatory continuity. Furthermore, it was

from the European Union would not automatically result in a termination of the UPC Agreement, since Article 50 TEU may not apply to international arrangements concluded between Member States.

In July 2017, it was stated that the UK intended to carry out a structural reform of its legal system, aiming at fully restoring the autonomy of the British institutions and courts.<sup>720</sup> Later on, the same approach was adopted by Government with the policy paper released in February 2020, stating there was no intention to negotiate “any arrangement in which the UK does not have control of its own laws and political life”.<sup>721</sup> It was then expressly declared that the UK would not have agreed “to any obligations for our laws to be aligned with the EU’s, or for the EU’s institutions, including the Court of Justice, to have any jurisdiction in the UK”.<sup>722</sup> Thus, the content of these statements implied the propensity of the British Government to assert the full independence and autonomy of the English legal system from the Union legal framework, thus also from the unitary patent protection system.

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necessary to preserve the national legislation adopted to implement the European law which is not directly applicable (i.e. Directives). Finally, the Treaties will also continue to be relevant with regard to the interpretation of national legislation into which European legislation has been transposed. This legislation will be complemented by a series of secondary legislative acts to regulate specific issues related to withdrawal from the Union. See Chiara Zamboni, *Il Tribunale unificato dei brevetti e le possibili ripercussioni della Brexit (Prima parte)*, *STUDIUM IURIS* 313, 318 (2018).

<sup>720</sup> On 13 July 2017, the UK Government published the European Union (Withdrawal) Bill, known also as the “Great Repeal Bill”, setting out the Government’s proposals for transforming existing Union laws into UK laws and ending the supremacy of Union laws in the UK after Brexit. After the notification made on 29 March 2017, an extensible two-year negotiation period began and the Prime Minister started proposing several pieces of legislation in order to give effect to the result of the referendum. The “Great Repeal Bill” enshrined thousands of EU laws directly into UK law and created ministerial powers to make consequential amendments. The text of the European Union (Withdrawal) Bill is *available at* <https://publications.parliament.uk/pa/bills/cbill/2017-2019/0005/18005.pdf>.

<sup>721</sup> Her Majesty Government, *The Future Relationship with the EU: The UK’s Approach to Negotiations*, 27 Feb. 2020.

<sup>722</sup> Regarding the Intellectual Property (IP) area, the paper stated that it would be secured “mutual assurances to provide high standards of protection for IP rights, including registered IP rights such as patents, trademarks or designs, or unregistered rights such as copyright, trade secrets or unregistered designs”. The agreements between the UK and the EU would have made reference to “the standards set out in international agreements such as the WTO agreement on Trade-Related Aspects of Intellectual Property and World Intellectual Property Organisation treaties”, being the UK “open to discussing mechanisms for cooperation and exchange of information on IP issues of mutual interest”.

As mentioned above, on 20 July 2020 the United Kingdom notified the secretariat of the European Council the withdrawal from its ratification of the Unified Patent Court Agreement, as announced by the UPC Preparatory Committee. The communication stated that it would not remain in the regulatory and judicial regime under the Unified Court Agreement, despite the previous ratification on 26 April 2018. The parliamentary written statement in the House of Commons, which accompanied the notification, explained that the United Kingdom could not cede patent jurisdiction to a court “that is bound to apply and respect the supremacy of EU law, including judgments of the CJEU”. This would be inconsistent with the purpose of Brexit, namely that the United Kingdom should become an “independent self-governing nation”.<sup>723</sup> In light of these considerations, it would have seemed unfeasible for the United Kingdom to participate as a third State in the unitary patent protection system, established by the Unified Patent Court Agreement and the Regulations.<sup>724</sup> Indeed, the UPC remains deeply bound to the Union law from both a substantive and a jurisdictional point of view. Furthermore, as expressly stated in the recitals, the Agreement shall be considered as an instrument of integration between the contracting Member States within the European Union.<sup>725</sup>

In conclusion, it can be argued that the United Kingdom would not have been in a position, in any event, to participate in the Unified Patent Court Agreement and thus in the unitary patent system. On the one hand, there are several points of contact between the European legislation and the patent legal system, while on the other hand, the basic guarantees for respecting the founding principles of the EU framework were

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<sup>723</sup> The announcement of the Unified Patent Court Preparatory Committee and the parliamentary written statement in the House of Commons by Amanda Solloway (Parliamentary Under Secretary of State, Minister for Science, Research and Innovation) is *available at* <https://www.unified-patent-court.org/news/uk-withdrawal-upca>.

<sup>724</sup> For a complete analysis of the degree of amendment required and the likelihood of success in terms of the EU legality *see* Thomas Jaeger, *Reset and Go: The Unitary Patent System Post-Brexit*, 48 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 254, 267 (2017).

<sup>725</sup> Agreement on a Unified Patent Court, Recital 1 (“[...] cooperation amongst the Member States of the European Union in the field of patents contributes significantly to the integration process in Europe, in particular to the establishment of an internal market within the European Union characterised by the free movement of goods and services and the creation of a system ensuring that competition in the internal market is not distorted.”).



not provided. Both the European regulations and the international *inter se* agreement were designed to stimulate the competitiveness of European enterprises, thus are inevitably linked to the internal market.<sup>726</sup>

#### **4. Regulatory Successes, Systemic Failures and Alternatives Solutions: Some Critical Thoughts**

Currently in Europe it is in force a procedure for granting European patents whereby the Intellectual Property right shall be validated in each of the designated countries. This is a complex and expensive process, which explains the frequent applicants' preference to validate European patents only in a limited number of countries. Moreover, the lack of a unified dispute resolution system might encourage parallel litigation proceedings concerning the same patent before national courts of different Member States. In this event, the risk of obtaining divergent decisions in relation to the same patent would be significant. It is undisputed that the unitary patent project, if implemented, could help reduce such an uncertain situation.<sup>727</sup> Inventors would obtain uniform protection in all EU countries that have ratified the Agreement, also being able to avoid validation and translation practices at national patent offices, thus reducing administrative costs.<sup>728</sup>

However, at the moment it is not possible to predict a date for the entry into force of the new regime. On 15 October 2020, a group of over 30 academics and practitioners published a position paper, claiming that “the Unified Patent Court system is not the

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<sup>726</sup> See TEU, Art. 3 (3) (“The Union shall establish an internal market. It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance.”).

<sup>727</sup> See among others Katharina Kaesling, *The European Patent with Unitary Effect – a Unitary Patent Protection for a Unitary Market?*, UCL JOURNAL OF LAW AND JURISPRUDENCE 87, 90 (2013).

<sup>728</sup> In order to gain an overview of the perspective of patentees and market operators, see Alan Johnson, *Looking Forward: A User Perspective*, in THE UNITARY EU PATENT SYSTEM 179-190 (Justine Pila & Christopher Wadlow eds., 2015).

best solution for Europe and for innovation and there are alternative systems to consider after Brexit”.<sup>729</sup> The authors pointed out the severe flaws of the UPC Agreement, which may pose a threat to the EU institutional equilibrium.<sup>730</sup> At the same time, it was recognised that the patent protection system needed to be reformed in order to encourage innovation, to the benefit of all, but particularly of SMEs. If it were appropriate to identify the major concern in the patent court project, it could be stated that the Agreement entrusts most of the substantive patent regulation to players outside the European institutional context, such as the European Patent Organisation. This drastically reduces the scope for legislative interventions and amendments by the European legislator, namely the European Parliament and Council. Moreover, the coexistence of different non-harmonised sources of law, which constitutes the unitary patent regulatory framework, falls largely out of EU control.<sup>731</sup> Even decisions of the European Patent Office concerning European patents issued in European countries fall outside the European jurisdiction.

The authors of the motion urged “all the decision-makers and persons involved in the process of adjusting the UPCA, following the withdrawal of the United Kingdom, to pause and to consider alternatives solutions”. The position paper stated several alternatives should be studied in depth, as they could remedy some significant inadequacies and some democratic deficiencies of the UPC Agreement system. The underlying consideration is that the circumstances and the worldwide setting have

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<sup>729</sup> See “Preliminary research working document. The Unified Patent Court system is not the best solution for Europe and for innovation, and there are alternative systems to consider after Brexit” available at <https://cdn.uclouvain.be/groups/cms-editors-crides/droit-intellectuel/Pre1%20%20Research%20Working%20Doc%20%28updated%207%20dec%2020%29.pdf>.

<sup>730</sup> The paper was initially signed by four professors affiliated with the Centre CRIDES (*Centre de recherche interdisciplinaire Droit Entreprise et Société*, a centre for interdisciplinary research on business law issues at the UCLouvain), namely Alain Strowel, Fernand de Visscher, Vincent Cassiers, and Luc Desaunettes. Later, many other experts, practitioners and academics supported their position paper.

<sup>731</sup> The Preliminary research working document tries to sum up the result of the regulatory framework, stating that “the conditions for obtaining a European patent (unitary or not) are governed by the European Patent Convention (EPC) and the scope and limitations of protection are governed by the UPCA, two international treaties to which the EU is not a party. Moreover, national patent laws are not harmonized and rules national patents (non-European) and some aspects not regulated by UPCA [...]”.

changed since 2010, when the UPC project has started to be negotiated. Additionally, a re-consideration of the system itself may be justified by the expanded specialisation of the national courts, a topic which was extensively explored in the first chapter of this study.<sup>732</sup> Among the alternatives under discussion, the following is certainly deserving of mention, as it should be definitely welcomed. The most compelling option could be inspired by the existing legal framework in force for EU trademarks and Community designs, as their implementation did not raise the institutional issues generated by the patent litigation system. In the area of trademarks and Community designs, “national intellectual property courts have the opportunity to specialize” and to “apply EU and harmonised laws in dialogue with the Court of Justice of the European Union (CJEU)”.<sup>733</sup> It is important to implement a system that could collaborate with the Court of Justice, as it plays a fundamental part for guaranteeing a uniform application of Union law.

What is interesting about this motion is that it does not merely criticise and deconstruct the work achieved so far on the unitary patent system. On the contrary, it has sought to propose a compromise solution to make the UPC project more compatible with the existing institutional and legislative framework. The research project aimed at reviewing the current system in a balanced manner, so that “the positive aspects of the Patent Package can be ensured” and it “could provide effective support for European innovation”. In the light of the studies carried out over the last few years, one cannot help but admit that these considerations should be entirely endorsed.

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<sup>732</sup> See *supra* para. 1.1. of Chapter I.

<sup>733</sup> The paper made reference also to the regulation in force, namely European Parliament and Council Regulation 2017/1001 on the European Union trade mark, 14 June 2017, 2017 O.J. (L 154) 1-9 (EU)9; European Parliament and Council Directive 2015/2436 to approximate the laws of the Member States relating to trade marks, 16 Dec. 2015, 2015 O.J. (L 336) 1-26 (EU); Council Regulation 6/2002 on Community designs, 12 Dec. 2001, 2002 O.J. (L 3) 1-24 (EC); European Parliament and Council Directive 98/71 on the legal protection of designs, 13 Oct. 1998 O.J. (L 289) 28-35 (EC).

#### 4.1. The Hungarian Constitutional Court's Decision: the Agreement on a Unified Patent Court Cannot Be Signed

In order to complete the discussion of the various constitutional challenges encountered by the Unified Patent Court project, reference should also be made to the case involving the Hungarian Constitutional Court. On 26 June 2018 it ruled that the Agreement on a Unified Patent Court, joined by Hungary in 2013, breached the Hungarian Fundamental Law (FL).<sup>734</sup> The Constitutional Court justified its decision by stating that the Agreement would transfer jurisdiction over a group of private law disputes to the new Unified Patent Court (UPC), removing them from the jurisdiction of national courts, despite the fact that private law litigations have to be decided by national courts under Art. 25 (2) a) of the Fundamental Law (FL). Moreover, the Constitutional Court detected an infringement of Art. 24 (2) c) and d) FL, because citizens would not be granted the prerogative to file constitutional complaints against the UPC's decisions.

It would perhaps be useful to stress that the conflicting position taken by the Hungarian government is not surprising considering the strong Euroscepticism expressed on many occasions. As a matter of fact, it was the Minister of Justice that filed the application before the Constitutional Court, acting on behalf of the Government. The Minister asked the Court to interpret two constitutional provisions as, according to the Hungarian constitutional justice system, certain public personalities can file interpretation requests in connection to a specific constitutional issue (art. 38 of the Constitutional Court Act). In particular, the ratification of the UPC Agreement involved Articles E and Q of the Hungarian Constitution, questioning whether Hungary's constitutional identity would be violated by an international treaty establishing an international court with exclusive jurisdiction over a group of private law disputes. The main problem raised by the Minister of Justice was the lack of

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<sup>734</sup> Decision 9/2018 (VII. 9.) AB on the interpretation of Article E) paragraphs (2) and (4), Article Q) paragraph (3) and Article 25 of the Fundamental Law.

judicial review, considering that it was not possible to present an appeal against UPC's decisions before national courts.

The Court basically analysed two issues: first, whether the treaty concluded in the enhanced cooperation framework can be considered part of European Union law (Article E sections 2 and 4 of the Fundamental Act) and second, whether it is compatible with the Hungarian Constitution (Article Q). The Hungarian Constitutional Court expanded the reasoning on the principle of “presumption of maintained sovereignty” (*enntartott szuverenitás vélelme*), already mentioned in its Judgment no. 22/2016. According to this principle, Hungary did not renounce its sovereignty, but merely “allowed for the joint exercising of certain competences” by joining the European Union.<sup>735</sup> This interpretation is in line with the Hungarian Constitutional Court case-law that, in various occasions, stressed the importance of “national identity” (*nemzeti identitás*) intended as a “constitutional self-identity” (*alkotmányos önazonosság*)<sup>736</sup> In its decision of June 2018, the Court declared that the presumption should be applied narrowly. This implied that, if an international treaty negotiated by the EU Member States does not become part of the *acquis communautaire*, it must be

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<sup>735</sup> Decision 22/2016. (XII. 5.) AB on the Interpretation of Article E) (2) of the Fundamental Law, para. 60 (“Since by joining the European Union, Hungary has not surrendered its sovereignty, it rather allowed for the joint exercising of certain competences, the maintenance of Hungary's sovereignty should be presumed when judging upon the joint exercising of further competences additional to the rights and obligations provided in the Founding Treaties of the European Union (the principle of maintained sovereignty). Sovereignty has been laid down in the Fundamental Law as the ultimate source of competences and not as a competence. Therefore the joint exercising of competences shall not result in depriving the people of the possibility of possessing the ultimate chance to control the exercising of public power (realised either in joint or in individual – Member State – form). This is supported by the rule on approval by the Parliament granted in Article E) (4) of the Fundamental Law and – exceptionally – by exercising the right to referendum as regulated in Article XXIII (7) of the Fundamental Law.”).

<sup>736</sup> *Id.*, at paras. 62-64 (“According to Article 4 (2) TEU, “the Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local selfgovernment”. [...] The protection of constitutional identity should be granted in the framework of an - informal cooperation with EUC based on the principles of equality and collegiality, with mutual respect to each other, similarly to the present practice followed by several other Member States' constitutional courts and supreme judicial bodies performing similar functions. [...] The Constitutional Court of Hungary interprets the concept of constitutional identity as Hungary's self-identity and it unfolds the content of this concept from case to case, on the basis of the whole Fundamental Law and certain provisions thereof, in accordance with the National Avowal and the achievements of our historical constitution – as required by Article R) (3) of the Fundamental Law”).

determined whether Article E) or Q) may provide the constitutional legal foundation for it.<sup>737</sup> Moreover, it argued that it was not so clear whether international accords concluded as part of enhanced cooperation could fall within the scope of EU law, or whether they rather remain in the area of international law. This implied that an international agreement setting up a judicial institution applying EU law should fall within the scope of EU law only if its legal basis can be found in the EU Treaties.

The Hungarian Constitutional highlighted a distinction between agreements concluded by Hungary in its capacity as a Member State that simply execute competences already indicated within the Funding Treaties, and agreements that surpass this scope in terms of institutionalisation. In assessing whether or not to join a convention establishing an entity that is not part of the EU institutional framework but whose decisions affect the contracting Member States, the Government must always evaluate whether the European Union has the competence to establish such an entity on the basis of the Treaties. If so, the agreement belongs under the scope of the EU sovereignty clause; in the event the EU has no competence, then it should be considered as an international agreement.

The importance of the decision is underlined by the presence of an official translation into English, as the Hungarian Constitutional Court's policy provides in most cases only a short press releases in English. At the same time, however, it should be noted that the two dissenting opinions, which accompanied the judgement, were not included in the translation. The judgment of the Hungarian Constitutional Court will not jeopardise the establishment of a Unified Patent Court, but rather Hungary's membership in the common European patent system. It follows from the Court's decision that the UPCA is incompatible with the Basic Law under both the EU

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<sup>737</sup> Decision 9/2018 (VII. 9.) AB on the interpretation of Article E) paragraphs (2) and (4), Article Q) paragraph (3) and Article 25 of the Fundamental Law, para. 31 ("In this respect, the Constitutional Court emphasizes that the concept of sovereignty can be interpreted in the context of internal relations within the state (of supreme power) and of external, international relations (sovereign equality). In the context of international law "the norms, principles and fundamental values of *ius cogens* together form a standard that all subsequent modifications of the Constitution and all future Constitutions should comply with").

sovereignty transfer clause (Article E) and the approval of international agreements (Article Q), therefore its ratification will not be possible without an amendment to the Hungarian Constitution.

Commenting the impact of the Court's decision, it is possible to state that the Hungarian Constitutional Court took a cautious approach not only towards the UPC Agreement, but also with respect to the agreements concluded by Hungary as Member State. Consequently, amending the Fundamental Act for the purpose of the UPC Agreement would have paved the way for further transfer of constitutional competences to supranational bodies. And that is precisely what the government is attempting to avoid, by implementing nationalist and protectionist policies.

#### 4.2. Italian Interests in the Unified Patent Court Project after the United Kingdom's Withdrawal from the Agreement

The United Kingdom's departure from the European Union and from the UPC project represents a significant opportunity for Milan, which could host one of the Unified Patent Court's central chambers. Milan could replace London considering that Italy is the fourth largest EU Member State in terms of patents numbers filed in the European Union.<sup>738</sup> In this perspective, the Milan Bar Association made a unanimous resolution to promote the city as the seat of the central section.<sup>739</sup> Similarly, many other professional associations urged the government and the various representatives of the productive world to support Milan in achieving this objective.<sup>740</sup> On 10 September

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<sup>738</sup> See Costanza Honorati, *L'accordo per il Tribunale unificato dei brevetti: quali prospettive dopo la ratifica italiana e la Brexit?*, 1 EUROPEAN PAPERS 1127, 1130-1131 (2016).

<sup>739</sup> The support of the Milan Bar Association (Ordine degli Avvocati di Milano) for the project for a Unified Patent Court has been continuous and present from the beginning. As early as September 2018, a resolution was issued urging the authorities to take joint and coordinated action at European level so that Milan could become a full specialised headquarters. The resolution is *available at* <https://www.ordineavvocatimilano.it/media/allegati/consiglio-dell-ordine/delibere/TribunaleBrevettiDeliberaOAM1392018.pdf>.

<sup>740</sup> Significant support was also provided by many other associations including the Italian Industrial Property Consultants Institute (Ordine dei Consulenti in Proprietà Industriale), which prepared a number of resolutions and letters *available at* <https://www.ordine-brevetti.it/en/candidatura-milano-a-sede-tub>.

2020, at the meeting of the Preparatory Committee, which is the body responsible for making the Unified Patent Court operational, Italy announced its intention to put forward the candidacy of Milan as a new branch of the central division to replace London. Thus, the Italian Government has formalised its endorsement of Milan, which was competing for the nomination mainly with Turin. However, the current Minister and the government cabinet have never assumed a clear position on the issue, which risks turning into a cause for political confrontations. Some considerations must be addressed with regard to the possible assignment of the third Unified Patent Court headquarters to Milan.

Firstly, the Unified Patent Court was conceived as a structure consisting of a central division with its seat in Paris, two chambers in London and Munich, and one or more local divisions, up to a maximum of four, for each Member State that so requires.<sup>741</sup> From the beginning of the negotiations it was clear that the competences of the central division should be divided in different sectors, therefore the Agreement provided for three different seats. Three locations were thus identified for three main sectors: Paris section for industrial techniques, transport, textiles, paper, fixed constructions, physics, electricity; Munich section for mechanics, lighting, heating, weapons, explosives; and London section for human needs, pharmaceutical, chemistry, metallurgy. Italy has already obtained the local division which, by order of the former Minister of Justice, was located in Milan. In choosing the seat, dedicated to patents in the chemical-pharmaceutical sector, the hypothesis of maintaining only the

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<sup>741</sup> Agreement on a Unified Patent Court, Art. 7 (“1. The Court of First Instance shall comprise a central division as well as local and regional divisions. 2. The central division shall have its seat in Paris, with sections in London and Munich. The cases before the central division shall be distributed in accordance with Annex II, which shall form an integral part of this Agreement. 3. A local division shall be set up in a Contracting Member State upon its request in accordance with the Statute. A Contracting Member State hosting a local division shall designate its seat. 4. An additional local division shall be set up in a Contracting Member State upon its request for everyone hundred patent cases per calendar year that have been commenced in that Contracting Member State during three successive years prior to or subsequent to the date of entry into force of this Agreement. The number of local divisions in one Contracting Member State shall not exceed four. 5. A regional division shall be set up for two or more Contracting Member States, upon their request in accordance with the Statute. Such Contracting Member States shall designate the seat of the division concerned. The regional division may hear cases in multiple locations.”).



two seats in Paris and Munich seemed impracticable. Actually, Article 7(2) of the UPC Agreement states that “the central division shall have its seat in Paris, with sections in London and Munich [...]”. Interpreting this provision in the light of the preservation of treaties principle, it emerged that the headquarters should have two sub-offices and that London headquarter should be reassigned following the United Kingdom’s withdrawal.

Secondly, the criterion identified for the choice of locations reflected the rule set in Article 89 of the Unified Patent Court Agreement.<sup>742</sup> As a consequence, the central division in London must be reassigned to the state which, excluding the United Kingdom, had the highest number of European patents in force in 2012 after Germany and France. As confirmed by a study of the European Parliament, Italy was ranked fourth.<sup>743</sup> The selection of Milan reflected the awareness that it is the city where the largest number of patents are registered (24% of Italian patents). It is the judicial seat in which patent disputes are concentrated to a greater extent (more than 70% compared to the rest of Italy), with the consequent high specialisation of its judges and practitioners involved. Moreover, Milan is the economic hub of greatest industrialisation in the country, with a strong concentration of companies in the pharmaceutical and chemical sectors (42% of the pharmaceutical area and 31% of the chemical one), precisely those fields that are currently in charge of the London headquarter. In addition, as mentioned above, Milan will host one of the local divisions of the Unified Court, therefore the already reserved facilities only need to be arranged and integrated to accommodate the third central division.

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<sup>742</sup> Agreement on a Unified Patent Court, Art. 89 (“This Agreement shall enter into force on 1 January 2014 or on the first day of the fourth month after the deposit of the thirteenth instrument of ratification or accession in accordance with Article 84, including the three Member States in which the highest number of European patents had effect in the year preceding the year in which the signature of the Agreement takes place or on the first day of the fourth month after the date of entry into force of the amendments to Regulation (EU) No 1215/2012 concerning its relationship with this Agreement, whichever is the latest.”).

<sup>743</sup> The study is available at [https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/649575/IPOL\\_ATA\(2020\)649575\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/649575/IPOL_ATA(2020)649575_EN.pdf).

Thirdly, many commentators underlined that the assignment would bring benefits in terms of professional initiatives, jobs, and incentives for training and specialisation for the entire country. It would offer Italian experts, such as lawyers and patent attorneys, opportunities to compete in the international IP market, from which they would otherwise be marginalised for structural reasons. Relevant advantages will be brought to justice and to companies of the pharmaceutical and Life Science sectors, which are a major strength of the Italian economy. Furthermore, supporters of this reallocation argued that making Milan one of the three European patent capitals, together with Munich and Paris, would make a decisive contribution to Italy's international reputation, reflecting positively on the competitiveness of the entire production system on the global market, on foreign investment and therefore on the economic recovery process.

As previously emphasised, a further element of uncertainty on the launch of the unitary patent system consists in the possible effects of the United Kingdom's withdrawal from the Agreement, as a result of Brexit. On this issue, in late 2020 the European Commission and the Council made some important statements. In particular, the European Commissioner for the Internal Market clarified that Brexit will not impact the ongoing ratification process of the UPC Agreement and, on behalf of the Commission, expressed the hope that ratification could take place soon. However, at the same time, the Council stated that the future of the Unified Court had not been discussed yet. In conclusion, it is worth noting that the doubts as to whether the Agreement should enter into force without any amendments after the withdrawal of one of the signatory states have not been answered yet.

#### 4.3. Concluding Remarks

The plan to create a single European court adjudicating patent disputes has given rise to many concerns, as this project has been characterised by revisions, impasses,

and delays over the years.<sup>744</sup> The UPC realisation has proved difficult for historical and structural reasons, and the analysis so far clearly demonstrates that legal uncertainty and doubts still persist. The Unified Patent Court initially took the form of an international court, which was established by an agreement between European Community, Member States, and non-Member States. Nonetheless, the Court of Justice has declared this project incompatible with the legal order and the judicial context of the European Union. The opinion issued by the Court has had a decisive impact on the Unified Patent Court project and has implied a whole revision of the procedural and substantial rules, in an effort to bring the reform structure more in line with the Union principles.

Before concluding with the final considerations of this study, it is worth recalling the fundamental elements of the topics discussed. One of the objectives of the European Union is to foster the enterprises' competitiveness and their technological progress. In order to encourage research and to promote innovation, the European institutions have been trying to create instruments to ensure uniformity in the patent area for over forty years. While it is currently possible to obtain a trademark valid throughout the EU territory, patent protection is still rooted in the principle of national territoriality. The Unified Patent Package (UPP) aims specifically at supporting the European internal market by overcoming the regulatory and jurisdictional fragmentation of the current patent system. The original objective was undoubtedly ambitious: the intention was to establish, on the one hand, a single patent for the EU Member States and, on the other hand, a unified court specialised in patent disputes. However, for the purpose of conferring uniformity to an inconsistent regulatory landscape, it has been proposed a complex system which only partially resolved the legislative fragmentation. The lack of widespread consensus on certain key points of

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<sup>744</sup> See Aurora Plomer, *The Unified Patent Court and the Transformation of the European Patent System*, 51 IIC - INTERNATIONAL REVIEW OF INTELLECTUAL PROPERTY AND COMPETITION LAW 791 (2020). The Author here examined the challenges posed by Brexit and the German constitutional complaints as further obstacles in an already difficult path. The UPC project realisation has proved difficult for historical and structural reasons, however legal uncertainty and doubts still persist.

the new system, first and foremost the patent translation regime, has led Member States to use differentiated integration instruments, such as enhanced cooperation. Concerning more specifically the legal framework, the relevant legislation on the European patent with unitary effect consisted in EU Regulations 1257 and 1260, together with the international Agreement on a Unified Patent Court.

The decision of establishing enhanced cooperation inevitably led to a further fragmentation of the internal market, as Spain and Croatia, which acceded to the European Union following the unitary patents regulation, decided not to participate in the unitary patent. Furthermore, it should be mentioned that such a patent does not constitute a new Intellectual Property right. Actually it consists in the European patent, granted by the European Patent Office (EPO) under the European Patent Convention (EPC), which is given a unitary effect by 1257/2012 Regulation. This implies that a patent with unitary effect must be subject to all the provisions included in the EPC in relation to the pre-grant stage. However, the regulatory framework is complicated by the absence of substantive rules in Regulation 1257/2012. It merely recognises the existence of a right for the proprietor to “prevent any third party from committing acts against which that patent provides protection throughout the territories of the participating Member States in which it has unitary effect”.<sup>745</sup> The article defines these acts by referring to the national rules of the Member States identified on the basis of the applicant’s residence or main business location.<sup>746</sup> As a result, it can be assumed that the attempt to harmonize national patent legislations has not been completely successful.<sup>747</sup> The constant references to the national law of the Member States implies that the domestic law becomes part of the legislative sources’ system. Therefore, it is clear that the European legislation could not produce regulatory uniformity,

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<sup>745</sup> 1257/2012 Regulation, at Art. 5 (1) regarding the patent’s uniform protection.

<sup>746</sup> 1257/2012 Regulation, at Art. 5 (3) (“The acts against which the patent provides protection referred to in paragraph 1 and the applicable limitations shall be those defined by the law applied to European patents with unitary effect in the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with Article 7.”).

<sup>747</sup> For instance, there is no uniform definition of the scope of patent protection. Similarly, there is a lack of any common rules on the right of prior use, on the employee’s invention, and on all the issues concerning the circulation of the patent.

considering that the content of the IP right shall be traced on the basis of the particular national law applicable to the specific case. The unitary nature of the patent concerns only the geographical extension of protection within the territory of the participating Member States. Regarding the Unified Patent Court (UPC), it was established through an international *inter se* agreement, formally concluded outside the EU framework. However, the founding act is not completely unrelated to the Union, considering that the UPC shall not be deemed as a specialised international court, but as a tribunal common to the Member States. It is thus embedded in the EU legal order, ensuring the primacy of Union law, and interacting with the Court of Justice through the preliminary ruling mechanism.

The various legislative sources constituting the so-called Unitary Patent Package created a regulatory confusion that has offered numerous opportunities for debate. The extremely complex legislative framework was based on the coexistence of Union law, international law, and national law. The greatest challenge facing the Unified Patent Court will be to ensure a uniform interpretation of the European patent law, especially concerning those rules which have led national courts to decide discordantly over the years. In this perspective, it will be essential to foster the dialogue with the Court of Justice, which remains the core institution for the correct uniform application of the law in the territory of the Union. The key to the Unified Patent Court's potential success mainly resides in the judges' high specialisation, selected among professionals with great legal and technical skills, and in their exclusive competence for a wide range of actions. However, as already extensively emphasised in the present work, some critical issues emerge from the analysis of the Unified Patent Court Agreement.<sup>748</sup> To name but a few, as regards the functioning of the Court, the UPC provides for bifurcation of the proceedings in certain circumstances, considering that it has drawn inspiration from the German legal system. Bifurcation can be defined as the situation in which the action for infringement and the counterclaim for patent's revocation are

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<sup>748</sup> See Alison Brimelow, *Concluding Remarks*, in *THE UNITARY EU PATENT SYSTEM* 191-194 (Justine Pila & Christopher Wadlow eds., 2015). The Author provided an interesting overview of the main critical issues concerning the development of the unitary right.

treated in two different proceedings.<sup>749</sup> Concerns about bifurcation are strongly tied to suspicions that there may be a gap between the infringement hearing and the validity hearing, considering that there is a real risk that a lower court may issue an injunction before the patent is officially pronounced valid by the upper court.<sup>750</sup>

Besides the substantive critical issues concerning the Unitary Patent Package (UPP), extremely compelling problems arise from the withdrawal of the United Kingdom. The UPP is inextricably linked to the European Union and the internal market, despite including legal sources not formally embedded within the European framework. In this context, the UPC Agreement is explicitly open only to Member States and the nature of the Unified Court as a common court guarantees for the respect of the Union law principles. Nevertheless, it should be observed that the British withdrawal from the Agreement will lead to a reduction in value of the European patent with unitary effect, since the unitary effects will not be extended to the UK territory. From a constitutional perspective, the United Kingdom's departure from the EU and ultimately also from the unitary patent system is not significant. However, from the market operators' viewpoint, it is relevant that a major economic power in Europe will no longer be able to participate in the unitary patent protection.

Given the recent developments, it would be reasonable to consider different paths in pursuing the intention to establish a single efficient jurisdiction on patent matters within the EU context. The current difficulties could lead to a reformulation of European patent law with a view to create a genuinely unitary framework to ensure a harmonised and unified patent protection and litigation system throughout the Union. In this perspective, Brexit could represent a turning point, also considering that the

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<sup>749</sup> Bifurcation of patent litigation occurs when actions for patent infringement and counterclaims in which its validity is contested are not heard by the same court in the same proceedings. Conversely, they are dealt with separately by different courts with the risk of reaching very different results.

<sup>750</sup> Luke McDonagh, *Exploring perspectives of the Unified Patent Court and the Unitary Patent within the business and legal communities*, in EUROPEAN PATENT LITIGATION IN THE SHADOW OF THE UNIFIED PATENT COURT 124 (2016).

United Kingdom had been the greatest opposer to the introduction of substantive rules in the European regulations on the new European patent with unitary effect.<sup>751</sup>

It seems that there are no insurmountable obstacles to the future establishment of a new international law court within the European Union legal system. However, at the end of the comprehensive studies carried out in the past years, it seems reasonable to conclude that this stalemate should be taken as an opportunity to partially rethink the project and solve some systemic problems that are inherent in its structure. If this is not done, the real risk is that the Unified Patent Court will encounter further obstacles and further delays. And the idea of creating a specialised patent court across Europe, which has been cultivated for more than twenty years, might never be realised. Concluding, the current uncertainties had important consequences for the overall achievability of the unified patent project. It seems reasonable to argue that the German complaints and Brexit seized the opportunity to pause for a moment and consider whether the current proposal is as yet beneficial. In light of the findings of the present study, it might be consistent to assert that it would be desirable a profound reconsideration of the current unified patent project, given that it seems capable to “create a more complex and fragmented European patent landscape at the supranational level”.<sup>752</sup>

It seems like we are somehow closer to the establishment of the Unified Patent Court, after many constitutional, political, and legal obstacles. Europe should know that the economic challenges can be addressed if we are able to find a way to innovate and if we succeed in having growth as a target. In this respect, the legislation plays a crucial role, as innovation fosters where there is a regulatory landscape that allows it to do so. And yet it is so evocative to consider that the most innovative regions of the world apply a unified system of granting and enforcing patent. For instance, a unified patent system is established at the federal level in the United States, which are still

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<sup>751</sup> See *supra* paras. 1.4 and 2.1.2. of Chapter III.

<sup>752</sup> A similar reasoning was taken into account in commenting the possible scenarios post-Brexit, see Aisling McMahon, *Brexit and the unitary patent package: a further compromised future?*, 15 SCRIPTED: A JOURNAL OF LAW, TECHNOLOGY AND SOCIETY 175, 207 (2018).

leading in innovation. This is due to the fact that companies may rely on a predictable and homogeneous structure, which ultimately can allow investments and can attract talents from abroad, choosing the USA to patent their inventions. The Unified Patent Court project has repeatedly and justifiably been criticised. As Europeans, we can certainly do better, but we must not lose this political momentum and this unique opportunity to revitalise the single market.



## APPENDIX

### Main chronological steps of the European Patent System's unification

1949	Council of Europe advocates a European Patent Office (EPO)
1963	Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Invention
1973	European Patent Convention (EPC) signed in Munich
1975	Community Patent Convention (CPC) signed in Luxembourg
1989	Agreement relating to Community patents signed in Luxembourg
Mar. 2011	CJEU Opinion No. 1/09: CJUE states the incompatibility of a draft agreement on the creation of a European Patent Court with EU law
Dec. 2012	Adoption of Regulations regarding the creation of unitary patent protection (Reg. 1257/2012) and the applicable translation arrangements (Reg. 1260/2012)
Feb. 2013	Unified Patent Court (UPC) Agreement
May 2015	C-146/13 and C-147/13: CJUE rejects the arguments made by Spain against the UP regulations and dismisses the claims
Apr. 2018	The United Kingdom deposits its ratification of the UPC Agreement

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