

THOMAS JAEGER*

Delayed Again? The Benelux Alternative to the UPC

What news have we heard from the Unified Patent Court (UPC) lately? None, other than there is yet another holdup from yet another constitutional complaint in Germany? Or, none, other than the Court of Justice of the European Union (CJEU) has by now repeatedly indicated that the model is incompatible with EU law? True: ten years into the UPC Agreement, all is still on hold and functional, and legal challenges are as unresolved as ever. But no news in this case is good news, it allows time to ponder alternatives. One alternative is actually quite obvious: the Benelux Court of Justice, which just gained significant new powers in mid-2018. This article looks at the lessons to be learned from the Benelux Court and outlines a Benelux-plus Patent Court as a legally safe alternative to the UPC.

I. Context

Ten years is a long time. If you had a baby somewhere between the years 2009 and 2013, like I did, you will realize how much the world has changed since then: instead of the crib, your little one is in middle school, instead of a pacifier and a cuddle, they crave a smartphone and time with their friends. Worries are not less, but different. The baby you once had is no longer there. We need to accept this and change alongside them, answering to new needs, challenges and joys.

The same is true for the Unitary patent system, which was set up over those years: starting with the CJEU's negative Opinion on the predecessor model in 2009,¹ via the Council's authorization for enhanced cooperation in 2011² and its implementation through the two Unitary Patent Regulations of 2012³ to the conclusion of the Unified Patent Court (UPC) Agreement⁴ in early 2013. While that system has been frozen for the last ten years, the world around it has very much changed and evolved.

The world and the EU have experienced several major disruptions to business as usual over the last decade (the financial and Euro crisis, migration crisis, rule of law crisis, etc.). Some have had a direct bearing on the Unitary patent system: there was Brexit, which entailed the UK's withdrawal from the UPC in 2020. That withdrawal fundamentally changes the parameters and assumptions behind the setup of the UPC – politically, legally and not least financially.⁵ First, the UPC system was designed

with the presumption that it would eventually be self-sustaining or close to that, financed out of fees.⁶ If, however, the number of UK patent cases⁷ that were part of that calculation break away, the equation might change. Second, the same is true as regards the perspective of undertakings and their cost savings in patent validation and maintenance and cross-border litigation, which were historically the most important single argument for politics to justify the system's setup.⁸ If, however, the notoriously expensive UK litigation system is taken out of the equation, cost savings may no longer be as significant as projected.

Brexit is therefore a massive game changer. But even beyond Brexit, the last ten years brought a shift in policy priorities. There were Fridays for Future, the EU's emphasis on a Green Deal and the landmark climate change judgment of the German Federal Constitutional Court (*Bundesverfassungsgericht*).⁹ And there was the COVID-19 pandemic with its public challenge to patent protection for vital pharmaceuticals.¹⁰ Such developments highlighted the urgent need for a modern, balanced approach to patent limitations and for effective (compulsory or other) licensing rules.¹¹ Such concerns are not reflected

⁶ cf arts 35 and 36 UPC Agreement (n 4).

⁷ For data, cf Katrin Cremers and others, 'Patent litigation in Europe' (2017) 44 Eur J Law Econ 1, 22 ff; Nicholas Fox, 'Brevets sans Frontières: How Much Litigation Will Actually Take Place in the Unified Patent Court?' (2018) 40 EIPR 85, 85 ff.

⁸ For validation and maintenance, cf Commission Staff Working Paper on an Impact Assessment for the Unitary Patent System, SWD(2011) 482 final, 21 ff; for litigation costs, cf Dietmar Harhoff, 'Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System' Final Report to the European Commission 2009, Tender No MARKT/2008/06/D, 53 ff.

⁹ Order of 24 March 2021, 1 BvR 2656/18 and others – KSG.

¹⁰ cf Reto M Hilty and others, 'Covid-19 and the Role of Intellectual Property' Position Statement of the Max Planck Institute for Innovation and Competition of 7 May 2021.

¹¹ cf Hanns Ullrich, 'Select from Within the System: The European Patent with Unitary Effect' in Christophe Geiger (ed), *Quel droit des brevets pour l'Union européenne?* (Lexisnexis 2013) 207, 211 ff; Alina Wernick, *Mechanisms to Enable Follow-On Innovation* (Springer 2021), 205 ff; Hugh Dunlop, 'Compulsory licensing under a unitary patent' (2017) 39 EIPR 393, 393 ff; Hilty and others (n 10) 1 ff.

* Chair in European Law, University of Vienna. This paper is an elaborated and extended version of a presentation given on 27 May 2021 at the CRIDES and AIDE joint 'UPC Workshop', hosted by the UC Louvain.

¹ Opinion 1/09 *EEUC* ECLI:EU:C:2011:123.

² Reg. 2011/167/EU, [2011] OJ L76/53; upheld by Case C-274/11 *Spain and Italy v Council* ECLI:EU:C:2013:240.

³ Reg. 1257/2012, [2012] OJ L361/1; Reg. 1260/2012, [2012] L361/89; upheld by Case C-146/13 *Spain v Parliament and Council*, ECLI:EU:C:2015:298.

⁴ [2013] OJ C175/1.

⁵ cf already Hanns Ullrich, 'The European Union's Patent System after Brexit: Disunited, but Unified?' in Matthias Lamping and Hanns Ullrich (eds), *The Impact of Brexit on Unitary Patent Protection and its Court* (2018) Max Planck Institute for Innovation and Competition Research Paper No 18-20, 25, 25 ff and 55 ff.

in the Unitary patent system.¹² On a different page, renewed doubts have recently surfaced concerning the compatibility of the complaints mechanism of the European Patent Office (EPO) with the fair trial guarantees of Art. 6 of the European Convention on Human Rights (ECHR), Art. 47 of the EU Charter of Fundamental Rights (CFR) and German constitutional law.¹³ The Unitary patent system, of course, fully relies on the EPO's internal appeals mechanism.¹⁴ If any incompatibilities are indeed found, the EPO's role in the Unitary patent system will also have to be reformed.

In short, a patent system thought up and designed today would likely look quite different than the one from ten years ago. This concerns especially the setup and competences of its enforcement leg, the UPC. While the system was never ideal,¹⁵ it is today more questionable than ever – both as regards its democratic legitimacy as well as its ability to support innovation and growth in the internal market and to answer to modern socioeconomic challenges.¹⁶

At the same time, the system is still stalled and will probably remain so for some more time to come: after a first constitutional complaint against the UPC was upheld by the German Federal Constitutional Court in 2020,¹⁷ another round of complaints has meanwhile been lodged and will take some time to decide (more below). Already before that, the Hungarian Constitutional Court had likewise found the UPC to be incompatible with its legal system¹⁸ and Poland had withdrawn from the cooperation for similar concerns.¹⁹ Moreover, the CJEU has issued a number of increasingly unambiguous *obiter dicta* over the past ten years, indicating that a court model like the UPC is indeed incompatible with EU law (again, elaborated below).

The opportunity of this latest holdup should be seized to stop, pause and rethink: do we really still want this system as it was cast out ten years ago? Is the baby ready to face the challenges of the world around and to prove its ability to stand up to those challenges? And most of all, how may the CJEU's concerns about the UPC's incompatibility with EU law be countered? What adaptations are required?

This contribution focuses on the latter aspect and outlines legally viable alternatives to the current setup of the UPC. To that end, the contribution first briefly looks both back on the CJEU's line of case law determining the EU law limits for international courts, and second down on the deficits of the UPC, in order to finally reflect upon a new way forward.

The model that will be proposed below under the name of the 'BX-plus' Patent Court takes the tested example of the Benelux Court of Justice and adapts it to patents. While BX-plus would involve deep changes or even a replacement of the UPC Agreement, the UPC – or rather a modernized version of it – still also sponsors many of its features. In other words, the proposal for a BX-plus model launched here²⁰ draws upon a wide pool of experiences and seeks to combine them in order to devise a better, stronger and actually functional patent court model – the best of both worlds.

II. A look back: limits imposed by the CJEU

The doubts over the UPC's legality arise from a conflict with fundamental principles of EU law on a number of levels. The most essential problem, among others (e.g. competence issues),²¹ consists in the UPC's direct application of EU law (from EU patent legislation to general principles).²² In a nutshell, the UPC thereby: (1) likely infringes EU competences, (2) compromises the autonomy of EU law, (3) tampers with the relationship between the CJEU and national courts in the preliminary rulings procedure known as the dual system of judicial protection and, thereby, (4) harms the complete system of remedies under EU law, i.e. the principle *ubi ius ibi remedium*.²³

1. Synopsis of limits

Simply speaking, these principles limit cooperation of the CJEU regarding the interpretation and application of EU law exclusively to the courts of EU Member States: no third entities do or may partake in that system of cooperation, dialogue and evolution of the body of EU law.²⁴ There is no room for any direct application of EU law by third courts or tribunals. Which bodies qualify as courts of a Member State as opposed to those which do not qualify is defined autonomously and exclusively by the CJEU.²⁵ The criteria on the one hand are of a structural and organizational nature, as is familiar from the fair trial principle under Art. 6 ECHR and Art. 47 CFR; on the other hand, the CJEU explicitly also requires a real link between the body and the judicial system of a Member State.²⁶ The EU legal basis for this dual system of legal protection, composed by the CJEU on the one hand and the courts of the Member States on the other, is found in Art. 19 Treaty on European Union (TEU)

¹² cf Reto M Hilty and others, 'The Unitary Patent Package: Twelve Reasons for Concern' (2012) Max Planck Institute for Intellectual Property & Competition Law Research Paper No 12-12, 3 ff.

¹³ cf cases pending with the German Federal Constitutional Court, 2 BvR 2480/10, 2 BvR 421/13, 2 BvR 786/15, 2 BvR 756/16, 2 BvR 561/18 and others.

¹⁴ cf Hilty and others (n 12) 10.

¹⁵ *ibid* 1 ff.

¹⁶ See Alain Strowel and others, 'The Unified Patent Court system is not the best solution for Europe and for innovation' CRIDES/UC Louvain Position Paper of 15 October 2020 <<https://uclouvain.be/fr/instituts-recherche/juri/crides/actualites/upc-alternatives.html>> accessed 22 July 2021.

¹⁷ Order of 12 February 2020, 2 BvR 739/17 – EPGÜ-ZustG.

¹⁸ cf Hungarian Constitutional Court of 26 June 2018, X / 01514/2017.

¹⁹ cf Johannes Graf von Luckner, 'Stay home, stay healthy' [2021] EuR 209, 213.

²⁰ cf similarly already Thomas Jaeger, *System einer Unionsgerichtsbarkeit für Immaterialgüterrechte* (Springer 2013) 778 et seq.

²¹ cf Thomas Jaeger, 'The EU Patent: Cui Bono et Quo Vadit' [2010] CML Rev. 63, 103 ff.

²² cf art 24 UPC Agreement (n 4).

²³ On those fundamental judicial principles, cf Koen Lenaerts, Ignace Maselis and Kathleen Gutman, *EU Procedural Law* (Oxford University Press 2014) paras 1.02 ff; Thomas Jaeger, 'Gerichtsorganisation und EU-Recht: Eine Standortbestimmung' [2018] EuR 611, 615 ff; Thomas Jaeger, *Introduction to European Union Law* (facultas 2021) 78 ff.

²⁴ cf Thomas Jaeger, 'Unionsrecht und völkerrechtsbasierte Gerichtsbarkeit am Beispiel CETA' in Andreas Kumin and others (eds), *Liber Amicorum for Hubert Isak* (Brill 2020) 119, 133 ff.

²⁵ cf Lenaerts, Maselis and Gutman (n 23) 3.08 ff; Jaeger, *Introduction* (n 23) 90 ff; Jaeger, 'Gerichtsorganisation und EU-Recht' (n 23) 631 ff.

²⁶ cf Jaeger, 'Gerichtsorganisation und EU-Recht' (n 23) 620 ff, 623 ff and 626 ff.

and Art. 267 Treaty on the Functioning of the European Union (TFEU).²⁷

We have, of course, known all this for quite some time. Scholars have highlighted the limits imposed by EU law and warned from early on that the UPC, like its predecessor, did not fulfill them.²⁸

The EU legislator also knew about this. It sought to tackle the incompatibility by waiving EU competences and by amending the Brussels Regulation in 2013. However, those changes adopted a formal and merely cosmetic approach and did not address the CJEU's substantive concerns.²⁹ The problematic effects of the system thus remained in place. In terms of its basic functioning and setup, the UPC is essentially a copy/paste of the old European and European Union Patents Court (EEUPC) model, just with the EU and non-EU European Patent Convention (EPC) states out and with a lot of additional compromise on controversial issues in.

2. Consistent case law from the 1970s to date

The limitations applying to any transfer of jurisdiction over EU law to international law-based tribunals are laid down in a long and consistent line of CJEU case law. That line of case law starts well before the CJEU's infamous *EEUPC* Opinion of 2011³⁰ and in fact dates back to the 1970s.³¹ Milestones from before the 2009 Opinion are the 1991 and 1992 Opinions on the EEA Agreement (and its court system),³² the prominent *Dior* judgment of 1997³³ and the 2002 Opinion on the European Common Aviation Area Agreement (ECAA).³⁴

Even more importantly, the CJEU has reiterated and clarified its reading of those limits in five subsequent cases since the *EEUPC* Opinion. Those are the *Miles* judgment³⁵ handed down shortly after the *EEUPC* Opinion in 2011, the 2014 Opinion on *Accession to the ECHR* (and submission to the jurisdiction of the European Court of Human Rights (ECtHR)),³⁶ the 2015 *Oberto* judgment³⁷ essentially reconfirming *Miles*, the 2018 *Achmea* judgment (applying those limits to investor-state dispute settlement (ISDS) bodies)³⁸ and finally the 2019 Opinion on the EU-Canada Comprehensive Economic and Trade Agreement (CETA) (and its compatible ISDS mechanism).³⁹ Moreover, three additional cases are currently pending before the CJEU, which involve the issue of international law-based jurisdiction and from which a further

reconfirmation of this line of jurisprudence can be expected.⁴⁰

Some of those cases since the *EEUPC* Opinion specifically mention the incompatibility of the patent court system and contrast that incompatible system with the features of other, compatible, court models like the Benelux Court of Justice in particular.⁴¹ For an illustration of that argument applied by the CJEU, only three citations shall be highlighted from among that considerable body of case law.

3. Illustrations: *Miles*, *CETA*, *PL Holdings*

The first quote is taken from the *Miles* judgment. The Court there instructively explains why the Benelux Court is compatible with EU law while other tribunals are not:

'It is true that the Court of Justice has held, in ... *Dior*, that ... a court common to a number of Member States, such as the Benelux Court of Justice, [is] able to submit questions to the Court of Justice, in the same way as courts or tribunals of any of those Member States. ... However, the Complaints Board [at hand] is not such a court common to ... Member States[.] Whereas the Benelux Court ... procedure ... is a step in the proceedings before the national courts leading to definitive interpretations of common Benelux legal rules ... , the Complaints Board does not have any such links with the judicial systems of the Member States. ... Moreover, although the Complaints Board was created by all the Member States and by the Union, the fact remains that it is a body of an international organisation which, despite the functional links which it has with the Union, remains formally distinct from it and from those Member States.'⁴²

The decisive element according to *Miles* for tribunals to be allowed, or not allowed, to apply EU law in cooperation with the CJEU thus consists in the existence of clear functional links between those tribunals and the Member States' courts. Where the international law-based tribunal partakes in a procedure that originates in, or is intrinsically linked to, the national judiciary, the international court will qualify as part of the system devised by Arts. 19 TEU and 267 TFEU irrespective of its international legal basis. Where, by contrast, the body is formally distinct and isolated, it is not part of that system of cooperation and dialogue.

A more recent example, and one that includes an explicit reference to the incompatibility of the patent court system, is given by this quote from the Court's 2019 Opinion on *CETA*. The CJEU reiterates that *CETA*'s ISDS mechanism

'must be distinguished ... from ... unified patent litigation. ... The "applicable law" in the [EEUPC Agreement] included ... "directly applicable

²⁷ Arguably, art 344 TFEU should also come into play here, but the CJEU adopts a narrow reading for that provision (no application in disputes between private parties); cf Opinion 1/09 *EEUPC* ECLI:EU:C:2011:123, para 63.

²⁸ cf, eg, Hilty and others (n 12) 4 ff; Matthias Leistner and Philipp Simon, 'Auswirkungen des Brexit auf das europäische Patentsystem' [2017] GRUR Int 825, 827 ff; Thomas Jaeger, 'Reset and Go: The Unitary Patent System Post-Brexit' (2017) 48 IIC 254, 282 ff.

²⁹ cf Leistner and Simon (n 28) 828; Thomas Jaeger, 'Zukunft der Investitionsschiedsgerichtsbarkeit' [2019] ecolex 645, 648 ff.

³⁰ cf Opinion 1/09 *EEUPC* ECLI:EU:C:2011:123, para 74.

³¹ cf already Opinion 1/76 *European laying-up fund for inland waterway vessels* ECLI:EU:C:1977:63, paras 17 ff.

³² cf Opinion 1/91 *EEA Agreement I* ECLI:EU:C:1991:490, paras 30 ff; Opinion 1/92 *EEA Agreement II* ECLI:EU:C:1992:189, paras 13 ff.

³³ Case C-337/95 *Dior* ECLI:EU:C:1997:517, paras 19 ff.

³⁴ Opinion 1/00 *ECAA Agreement* ECLI:EU:C:2002:231, paras 6 ff.

³⁵ Case C-196/09 *Miles* ECLI:EU:C:2011:388, para 41.

³⁶ Opinion 2/13 *ECHR II* ECLI:EU:C:2014:2454, paras 178 ff.

³⁷ Joined Cases C-464/13 and C-465/13 *Oberto and O'Leary* ECLI:EU:C:2015:163, para 33.

³⁸ Case C-284/16 *Achmea* ECLI:EU:C:2018:158, paras 35 ff.

³⁹ Opinion 1/17 *CETA* ECLI:EU:C:2019:341, paras 123 ff.

⁴⁰ cf Case C-109/20 *PL Holdings* ECLI:EU:C:2021:321, Opinion of AG Kokott, para 37; Joined Cases C-798/18 and C-799/18 *Anie and Athesia* ECLI:EU:C:2020:876, Opinion of AG Saugmandsgaard Øe, para 93; Opinion 1/20 *Energy Charter Treaty (dispute settlement mechanism)* [2021] OJ C53/15.

⁴¹ eg Case C-284/16 *Achmea* ECLI:EU:C:2018:158, paras 36, 43 and 57; Opinion 1/17 *CETA* ECLI:EU:C:2019:341, paras 123 ff; Case C-196/09 *Miles* ECLI:EU:C:2011:388, para 35.

⁴² Case C-196/09 *Miles* ECLI:EU:C:2011:388, paras 40, 41 and 42.

Community law, in particular ... Regulation ... on the Community patent. ... The ... patent court ... would be called upon to interpret and apply not only the provisions of the agreement in question, but also the ... regulation ... and other instruments of European Union law, [including] fundamental rights and general principles of European Union law, or even to ... the [decide upon] validity of an act of the European Union. [This] would have altered the essential character of the powers that the Treaties confer on the EU institutions and on the Member States and that are indispensable to the preservation of the very nature of EU law'.⁴³

The Court in *CETA* thus explicitly distinguished the *CETA* dispute settlement mechanism from the patent litigation system: the CJEU reaffirmed that in line with its standing case law, for example the one in *Miles* that was just quoted, only courts of the Member States in the sense of Art. 267 TFEU are entitled to apply EU law in cooperation with the CJEU. Tribunals separated from the national judicial systems remain outside that cooperation mechanism. As a consequence, they must not hold jurisdiction involving a direct application of EU law or else the principles mentioned at the outset – autonomy, *ubi ius* and others – would be jeopardized: where a patent court is 'called upon to interpret and apply' 'the ... regulation on the Community patent and other instruments of European Union law', 'the preservation of the very nature of EU law' is at stake.⁴⁴

All this boils down to one concern, concisely and transparently summed up in the 2021 Opinion of AG Kokott for the case *PL Holdings*, which concerned an ISDS mechanism in a bilateral investment treaty (BIT) between two Member States.

'It is true that the Court regularly derives a threat to the autonomy of EU law from situations in which a body outside the EU system interprets provisions of EU law'.⁴⁵

There is nothing to add to this charmingly brief summary of the CJEU's long-standing case law since the 1970s.

The focus of the proposals elaborated hereunder rests on overcoming this challenge, i.e. designing a court structure that will overcome this particular concern. Only once that basic structure stands should the details for implementation and organization, and the lessons learned from the pros and cons of the UPC model, be reflected upon.

III. A look down: where do we stand with the UPC?

The UPC, of course, shows precisely the aforementioned features of high concern for the CJEU. The criticism is well known, from the literature in particular,⁴⁶ so it will be kept brief here: like the EEUPC, the UPC still applies EU law directly although it is procedurally not linked to the Member States. Like the EEUPC, the ECtHR or the

tribunals in *Miles* and *Oberto*, it is an entity formally and functionally separate from national jurisdiction and thus not entitled to partake in the direct application of EU law.

1. EU law compatibility: why the UPC does not conform

It was pointed out that the substance of the UPC was essentially copied and pasted from the EEUPC model.⁴⁷ The changes remained restricted to formal aspects. Archetypical examples for this cosmetic approach are the removal of both the EU and all non-EU members of the EPC as parties to the UPC Agreement or the change to the Brussels Regulation to make explicit space for the UPC.⁴⁸ Thereby, the narrative was invented that the UPC is a court common to the Member States. It is not, of course, because the functioning and jurisdiction of the court remained the same as envisaged for the EEUPC.

Most importantly, both the EEUPC and the UPC are jurisdictional islands in a void between national law and EU law: like the EEUPC, the UPC is entirely detached from the national jurisdiction and fully replaces national courts. At the same time, the UPC, like the EEUPC before it, directly applies EU law, namely all relevant 'Union law, including Regulation (EU) No. 1257/2012 and Regulation (EU) No. 1260/2012'.⁴⁹ This may thus include both primary law (e.g. the CFR, general principles of EU law like effectiveness, protection of legitimate expectations, etc.) and any relevant secondary legislation beyond the two Unitary Patent Regulations (e.g. compliance with the IP Enforcement Directive).⁵⁰

The most crucial problematic aspects of the former EEUPC are therefore also present with the UPC. As a consequence, the UPC is not part of the system established by Art. 267 TFEU, to which qualitative, not formal criteria apply.

It is thus highly likely that if given the chance, the CJEU would declare the UPC incompatible with EU law in the same way that the EEUPC was declared incompatible. An opportunity for CJEU review might arise at the latest once the UPC is operable: plaintiffs could raise the issue of the competent forum before a Member State patent court whose competences were transferred to the UPC, which might in turn refer the question to the CJEU.

2. Recurring hold-ups: currently Germany (again)

In addition to its doubtful compatibility with EU law, the UPC faces a multitude of other issues. In fact, the project seems to hit a bump in the road every couple of years, resulting in more delays and more compromise to overcome challenges. Where the recurring series of encumbrances starts is difficult to pinpoint, given that the project has been fruitlessly dragging on with proposal after proposal since the late 1950s.⁵¹

The UPC's more recent history of handicaps starts in 2011⁵² with the decision to reduce the patent to enhanced cooperation in order to sidestep Spain and Italy in a

⁴³ Opinion 1/17 *CETA* ECLI:EU:C:2019:341, paras 123, 124 and 125.

⁴⁴ All quotes from Opinion 1/17 *CETA* ECLI:EU:C:2019:341, paras 124 and 125 in changed order.

⁴⁵ Case C-109/20 *PL Holdings* ECLI:EU:C:2021:321, Opinion of AG Kokott, para 37.

⁴⁶ cf Hilty and others (n 12) 4 ff; Leistner and Simon (n 28) 827 ff; Jaeger (n 28) 282 ff.

⁴⁷ cf Leistner and Simon (n 28) 828; Jaeger (n 29) 648 ff.

⁴⁸ cf art 71a para 2 Reg. 1215/2012, [2012] OJ L351/1; inserted by Reg. 542/2014, [2014] OJ L163/1.

⁴⁹ art 24 UPC Agreement (n 4).

⁵⁰ Dir. 2004/48/EC, [2004] L157/45.

⁵¹ cf Jaeger (n 20) 583; Jaeger (n 21) 63.

⁵² cf n 2.

language dispute, via the need to invent the Hieronymus Bosch-like⁵³ fiction of transformation (of the Unitary patent granted by the EPC into an EU law right) in 2012 as means to keep the CJEU out of patent litigation to cater to the UK in particular,⁵⁴ via the survival of two rounds of actions for annulment in 2013 and 2015 respectively,⁵⁵ only to be faced with the Brexit turmoil starting in 2016 and resulting in the UK's eventual withdrawal from the UPC in 2020.

Flanking, the UPC Agreement faced repeated constitutional challenges from the Member States. One constitutional court complaint was upheld in Hungary in 2018,⁵⁶ another one in Germany in 2020.⁵⁷ The German complaint was particularly significant, as Germany is the last mandatory party⁵⁸ required to ratify the Agreement in order for it to enter into force.

The Federal Constitutional Court upheld the first constitutional complaint of formal deficits in the ratification process, so the two chambers of German parliament re-ratified the agreement at the end of 2020.⁵⁹ In immediate reaction, two follow-up complaints were lodged with the Federal Constitutional Court in December 2020.⁶⁰ They include an application for interim suspension of the act. The complaints are not yet public, so the details of the pleas are unknown at this point.

While these complaints are pending, the Federal Constitutional Court has requested the German President to withhold his final signature for the ratification act while it considers the interim injunction application.⁶¹ For the time being, therefore, the German act of ratification cannot enter into force and UPC's entry into force is accordingly delayed again. Moreover, additional complaints could follow during 2021, as the procedural deadline for bringing them is still open until the end of the year.⁶²

How long the ratification will be stalled is difficult to predict: the Federal Constitutional Court's judgment on the first UPC complaint took three years to hand down. The Court might of course rule on the application for a preliminary injunction earlier, thereby indicating already the direction that the final judgment would take. Regarding the first UPC complaint, however, the Federal Constitutional Court did not take a separate decision on the preliminary injunction that had been applied there too.

Should the Federal Constitutional Court request a preliminary ruling from the CJEU on the issue of the UPC's EU law compatibility, that procedural loop might entail some additional delay of 16 months on average. It is not likely, however, that the Federal Constitutional Court

will request a preliminary ruling: first, such requests are extremely rare from the Federal Constitutional Court.⁶³ Second, the last time around, in the infamous *Gauweiler-Weiss-PSPP* saga, the dialogue between the courts did not turn out so well.⁶⁴

Considering all this together, however, the overall chances of success of the second round of complaints in Germany are probably slim: already for the first complaint, three judges had submitted a dissenting opinion, calling the admissibility of that complaint into doubt.⁶⁵ They argued that standing only be granted where the German parliament's decision to accede to the UPC would have to be considered manifestly *ultra vires*, i.e. lying clearly beyond the scope of its authority. If that high standard under German constitutional law is adopted for the currently pending complaints and, at the same time, the points of EU law go unchecked for lack of a preliminary reference to the CJEU, it is very likely that those complaints will eventually be unsuccessful.

For users of the patent system, of course, this is not good news: the legality and future of the system will remain in limbo for even longer. Moreover, even without considering the second round of complaints in Germany, some commentators estimate that Brexit and the other hold-ups have set back the UPC at least five years.⁶⁶ If that were true, the UPC will not be operative before 2025.

3. Other issues: territorial truncation, dysfunctions

Each of the aforementioned hold-ups created the need for more compromise as a means to reinvigorate the process. The many compromises thus woven into the Unitary patent and court resulted in an intrinsically flawed and dysfunctional system.⁶⁷ The points of scholarly criticism should just be recalled here, without repeating their details or elaboration. Suffice it to say that because the system was on hold for ten years, that criticism still applies unchanged.

One major point of criticism is that the system remains complex and fragmented, leading to all the negative side effects associated with this for businesses in terms of costs, legal and economic certainty and access to protected knowledge. Fragmentation is present on all levels, territorial scope, substantive patent law and patent enforcement.

Substantively, four distinct types of patents, not counting sub-forms, coexist: Unitary patents, patents granted by the EPO and subjected to the UPC, patents granted by the EPO not subjected to the UPC, and purely national patents. Hand in hand with this goes the lack of consolidating patent jurisprudence. Depending on the type of

⁵³ cf Thomas Jaeger, 'Hieronymus Bosch am Werk beim EU-Patent' [2013] *EuZW* 15, 16 ff.

⁵⁴ cf n 3.

⁵⁵ cf n 2 and 3.

⁵⁶ cf Hungarian Constitutional Court of 26 June 2018, X / 01514/2017.

⁵⁷ cf German Federal Constitutional Court of 13 February 2020, 2 BvR 739/17.

⁵⁸ cf art 89 UPC Agreement (n 4).

⁵⁹ cf Redaktion MMR-Aktuell, 'Bundestag: Zustimmung zum europäischen Einheitlichen Patentgericht' [2020] MMR-Aktuell 434349.

⁶⁰ 2 BvR 2216/20 and 2 BvR 2217/20.

⁶¹ cf Christina Schulze, 'German ratification of UPC on hold' (*JUVE patent blog*, 11 January 2021) <<https://www.juve-patent.com/news-and-stories/cases/new-upc-complaint-ingve-stjerna-does-it-again/>> accessed 31 May 2021.

⁶² cf § 93 para 3 German Constitutional Court Law (BverfGG).

⁶³ cf Sara Poli and Roberto Cisotta, 'The German Federal Constitutional Court's Exercise of Ultra Vires Review and the Possibility to Open an Infringement Action for the Commission' [2020] *German L J* 1078, 1082.

⁶⁴ cf eg Hanns Ullrich, 'BVerfG contra EuGH: Der PSPP-Konflikt' [2021] *EWS* 301, 301 ff; Jaeger, *Introduction* (n 23) 49 ff; Poli and Cisotta (n 63) 1079.

⁶⁵ cf 2 BvR 739/17 (n 57) 73 ff.

⁶⁶ Willem Hoyng: today's decision sets back UPC at least five years (*The IPKat*, 20 March 2020) <<https://ipkitten.blogspot.com/2020/03/willem-hoyng-todays-decision-sets-back.html>> accessed 31 May 2021.

⁶⁷ cf already Hilty and others (n 12) 1 ff; Leistner and Simon (n 28) 827 ff; Jaeger (n 28) 282 ff.

patent, four different tribunals can have the final say: this might be either the CJEU, the UPC, the EPO, or national courts. There is no unifying apex, no mechanism of consolidation for that jurisprudence.

Moreover, the setup and organization of the UPC is riddled with intrinsic ineffectiveness. This concerns, first, the scope of jurisdiction, which is limited – for example by excluding compulsory licensing. Second, compromise was struck regarding procedural issues, such as, importantly, bifurcation, which remains optional for local divisions. Third, organizational issues are likely to hamper the unity of UPC jurisprudence, such as a predominantly national composition of the bench in large local divisions (divisions in Member States with more than 50 cases over three years, e.g. Germany).

And finally, as perhaps the most important of all of these deficits, the UPC is significantly truncated territorially. This was already highlighted in the introduction above and must be reiterated here: the UPC is a miniature version of the EEUPC in that it excludes any EPC states that are not at the same time members of the EU, e.g. Switzerland, Norway or Turkey, as well as (because of enhanced cooperation) a number of EU Member States (Spain, Poland and Croatia). And most significantly, since 2020, it has become manifest that the UK will also not participate. Economically, financially and legally, the exit of the UK in particular further disrupts the functionality of the UPC and its ability to achieve the goals of unification, simplification and cost savings for which it was set up.

Should the UPC model be renegotiated, changed or replaced again, the intrinsic dysfunctionalities should be remembered and removed for whatever follow-up model:⁶⁸ for businesses, these flaws mean increased costs, uncertainty as regards economic and financial planning, delays in both innovation cycles and enforcement, barriers for access to innovation and increased exposure to abusive practices like trolling, forum shopping or procedural torpedoes.

IV. A look forward: alternative patent court models

The time to pause and reset the UPC to remedy all of the aforementioned legal and other systemic deficits is now. In fact, several viable alternatives are on the table. They are just not to everyone's taste.

This section outlines four sets of alternatives to the current UPC. The first two relate to previously tabled proposals and are thus merely discussed briefly here. Those are patent court systems shaped after the example of the existing enforcement system for trademarks and the European Patent Litigation Agreement (EPLA) model, a solution developed entirely outside the framework of EU law.

The latter two options are discussed in more detail. They constitute two distinct variants of an international law-based patent court modeled on the example of the Benelux Court of Justice, which the CJEU has repeatedly highlighted as an example of international law-based IP litigation that is perfectly compatible with EU law.

A statement to that effect was in fact already included in the Court's *EEUPC* Opinion⁶⁹ and prompted some formal changes to the system (e.g. the limitation of parties, change to the Brussels Regulation, etc.). However, those changes misconceived the problem, which was about the patent court's substance (setup and jurisdiction), not its form. The present section undertakes to show what genuine substantive changes would mean and how a Benelux-inspired patent court system might be designed.

1. A copy of the trademark model?

The first model, recently discussed more intensely again, is the mix of Member State court and CJEU competences we know from the existing trademark model. This model comes naturally to mind when reflecting on the enforcement of a mix of EU law-based *sui generis* and harmonized national rights.

Accordingly, such a model has already been proposed twice in the EU patent's history, both times unsuccessfully:⁷⁰ already the First Community Patent Convention of 1975⁷¹ proposed to hand enforcement to the Member States' courts, linked to the CJEU by preliminary references. Patents would have been granted and administered by (special divisions within) the EPO and appeals against EPO decisions would have been handled by the CJEU directly. Similarly, the Patent Reg. proposal⁷² submitted by the Commission in the year 2000 already foresaw an EU law-based Community IP Court, a fully centralized jurisprudence for infringement and invalidity litigation (excluding only administrative appeals *ex* the EPO). That proposal, however, predated the introduction of specific legal bases in primary law for such a court model in 2003 (by the Nice Treaty). In a modernized form that took those legal bases already into account, the 2004 proposal for an EU Patent Reg.⁷³ sought to create a specialized court for EU patents based on Art. 257 TFEU, called the Community Patent Court. It would have dealt with infringement⁷⁴ and invalidity litigation while administrative appeals were kept within the EPO's jurisdiction. Appeals would have been decided by the EU's General Court (GC).⁷⁵

The trademark litigation model shows a maximum intensity of EU integration: it has the charms of being doubtlessly compatible with EU law and of allowing for a combination of EU *sui generis* and national patent rights. The necessary legal bases all pre-exist in primary law in the form of Arts. 257, 262 and 267 TFEU. So the system could be implemented fast. Also, due to the involvement of Member States' courts, it would be largely familiar to users and litigants. Not least, the system would also curb the proliferation of specialized courts, which should be handled with care.⁷⁶

However, the historic proposals did not go down well with stakeholders: it seems that the patent community harbors some deep distrust vis-à-vis the CJEU and its

⁶⁹ cf Opinion 1/09 *EEUPC* ECLI:EU:C:2011:123, para 82.

⁷⁰ For more, cf Jaeger (n 28) 255 ff; Jaeger (n 21) 79 ff.

⁷¹ [1976] OJ L17/1.

⁷² Com(2000) 412 final.

⁷³ cf Council Doc. No 7119/04.

⁷⁴ cf art 262 TFEU.

⁷⁵ cf art 256 TFEU.

⁷⁶ cf Jaeger (n 20) 139 and 555.

⁶⁸ On design elements to safeguard quality of jurisprudence, cf Jaeger (n 21) 95 ff; Jaeger (n 20) 554 ff.

ability to adjudicate on patent law. Brexit might have changed the stakes a bit in that regard, however, as one particularly fierce opponent of CJEU involvement had been the UK, which has meanwhile left the game.

However, some trademark scholars are likewise critical of that litigation model for alleged intrinsic deficits and discourage its use as an alternative to the UPC in patent litigation.⁷⁷ The criticism extends to unresolved conflicts of international jurisdiction and applicable law, but also to a general incoherence of the system and the absence of a unitary catalogue of sanctions.

So in spite of its undisputed benefits, further alternatives to the UPC should perhaps be explored beyond a copy/paste of the existing trademark model.

2. A revived EPLA model?

As another alternative, the proposal for a European Patent Litigation Agreement launched in 2003 (and refined in 2005) could be contemplated.⁷⁸ EPLA was drawn up under the auspices of the EPO as a litigation model outside of the EU law sphere, with a specific view to complement the existing EPO system and remedy its deficits in cross-border patent enforcement.⁷⁹ It proposed the creation of an international law-based, two-instance court, the so-called European Patent Judiciary for infringement and invalidity claims. The first instance of that court would have been decentralized, similar to the UPC. Administrative appeals, however, would have remained within the EPO.

EPLA is diametrically opposed to the trademark litigation model in terms of EU integration: it is entirely detached from EU law. EPLA is about completing the Munich-based, European patent system by setting up a single court for cross-border patent litigation. The EPLA model thus deepens EPC integration instead of EU integration.

EPLA was apparently liked by stakeholders, but disliked by the EU: the Commission and European Parliament ended the EPLA aspirations by arguing it would infringe EU competences.⁸⁰ This is probably true,⁸¹ but the same applies to the UPC. For the latter, the EU has (at least implicitly) waived competences.⁸² So the competence issue no longer bites.⁸³

However, EPLA was and is not without certain deficits. One of them is that it does not give the possibility to set up or include an EU patent. Another deficit is that EPLA might still, although to a lesser extent, be affected by the concerns of incompatibility with EU law that were discussed here in relation to the UPC. In particular, a revived

European Patent Judiciary would need to, at least indirectly, apply some EU law, like the Biotech Directive 98/44/EC,⁸⁴ the CFR or general principles.

Of course, the EPO Boards of Appeal have already applied the Biotech Dir. indirectly for a long time, via a factual takeover of its provisions into the EPO regime. That takeover may look voluntary on its face, but it was of course mandated by the need for EU Member States to bring their EPO membership in line with obligations under EU law. Adhering to an international organization that grants patents with effect for Member States in breach of EU law would constitute an infringement of those Member States' EU law obligations.

While the constitutional legality of the EPO's system of judicial protection is under review in Germany,⁸⁵ the EU institutions and the CJEU in particular have to date not declared the indirect application of EU law within the EPO system to be a problem. In the same vein, Advocate General Kokott in her above-cited Opinion in *PL Holdings* suggests that an indirect application of EU law by an international law-based tribunal might be tolerable from an EU law perspective, insofar as it poses merely a 'low risk'⁸⁶ for the autonomy and integrity of the EU legal order.

Thus, in sum, a revival of the EPLA proposals in a modernized form seems not entirely out of the picture. At the same time, this would probably not be a preferred option either, both for remaining qualms about its EU law compatibility and because it would shut off EU patent integration. So, again, yet more alternatives to the UPC should be explored.

3. A genuine Benelux-type patent court

The final two alternatives presented here are based on the example of the Benelux Court of Justice. Hereunder, the two alternatives sketched out are designated as BX and BX-plus patent court models, respectively, to better distinguish them from the existing Benelux court.

As we know from repeated references to the Benelux court by the CJEU, a BX model may safely be seen as legal from an EU point of view:⁸⁷ it counts as part of the Member States' judiciary in the sense of Art. 267 TFEU due to the existence of direct procedural links. Unlike the UPC, the Benelux court extends and complements national jurisdiction instead of replacing it. And unlike EPLA, a BX model combines jurisdiction for EU and European patents at one forum.

Like the trademark and EPLA models discussed just above, the BX proposals discussed here are not entirely without precedent:⁸⁸ the Second Community Patent Convention of 1989⁸⁹ proposed a court of appeals based on international law only, the so-called Community Patent Appeals Court. It would have held jurisdiction over appeals *ex* the EPO (which would have granted and administered an EU patent) in combination with a

⁷⁷ cf Annette Kur, 'Easy Is Not Always Good' (2021) 52 IIC (forthcoming); Jaeger (n 20) 431 ff.

⁷⁸ EPO Working Party on Litigation, December 2005 Draft Agreement on the establishment of a European patent litigation system <https://web.archive.org/web/20061018103942/http://patlaw-reform.european-patent-office.org/epla/_pdf/ewl0510.pdf> accessed 31 May 2021.

⁷⁹ For more, cf Jaeger (n 28) 256; Jaeger (n 21) 66 ff.

⁸⁰ cf Jaeger (n 21) 103 ff; Thomas Jaeger and others, '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' (2009) 40 IIC 817, 819.

⁸¹ cf Ansgar Ohly and Rudolf Streinz, 'Can the UK stay in the UPC system after Brexit?' [2017] GRUR Int 1, 7 ff; Jaeger (n 21) 104 ff.

⁸² cf answers by Commissioner Barnier to the European Parliament's written questions No E-011256/2013, [2014] OJ C216/1, and No E-014067/2013, [2014] OJ C273/1.

⁸³ cf already Jaeger (n 21) 103 ff; similarly Ohly and Streinz (n 81) 7 ff.

⁸⁴ [1998] OJ L213/13.

⁸⁵ See the pending cases of the Federal Constitutional Court cited in n 13.

⁸⁶ Case C-109/20 *PL Holdings* ECLI:EU:C:2021:321, Opinion of AG Kokott, para 37.

⁸⁷ cf Opinion 1/09 *EEUPC* ECLI:EU:C:2011:123, para 82; Case C-196/09 *Miles* ECLI:EU:C:2011:388, para 40.

⁸⁸ For more, cf Jaeger (n 28) 255 ff; Jaeger (n 21) 80 ff.

⁸⁹ [1989] OJ L401/1.

competence to take preliminary rulings from national patent courts of second instance. On important questions of EU law (an evidently open notion), the Appeals Court would in turn have had to request preliminary rulings from the CJEU.

The Appeals Court shows similarities in some key respects to the BX patent court model advanced here, and therefore, in turn, also to the existing Benelux Court of Justice, which the BX model closely follows. All three models are based on international law. All three courts are competent for preliminary references *ex* the national IP courts, so that the final decision remains in the hands of the referring national courts. All three courts would in turn be required to refer certain aspects of the questions onward to the CJEU by way of a second, interim preliminary rulings procedure.

Of course, this reference-in-reference structure sounds artificial and inert, and it probably is. It begs a makeover to render it more effective. This may be the reason why the Appeals Court never saw the light of day. It may also be the reason why the Benelux Court of Justice, although formally entitled to do so,⁹⁰ has to date apparently never asked for a preliminary ruling from the CJEU. And it is the reason why the BX patent court model is presented hereunder for the sake of comparison, but it is not the model finally suggested as the optimal way forward.

a) The Benelux Court of Justice

To better understand the BX and BX-plus models, a brief overview of the Benelux Court of Justice is called for.⁹¹ The Benelux Court was set up by an international agreement in 1965⁹² to complement the Benelux Economic Union of 1958. It has been operative since 1974. Its seat is in Luxemburg, but the Registry is in Brussels. The Court is composed of judges and advocates general from the supreme courts of the three Benelux countries (who continue to serve on those courts in parallel). Article 350 TFEU contains a specific authorization for the Benelux Union and its institutions within the sphere of EU law.⁹³

The mission of the Benelux Court of Justice is to ensure uniformity in the application of legal rules that are common to the Benelux countries in a wide variety of fields. Most prominently, this includes trademarks and designs. Benelux integration of trademark and design laws is actually so deep that national trademark and design laws no longer exist and were replaced by the Benelux Convention on IP.⁹⁴ The Court's jurisdiction, however, also includes diverse other areas beyond IP, such as car liability insurance, on-call services, visas, certain issues of taxation and even bird protection.

⁹⁰ cf Case C-337/95 *Dior* ECLI:EU:C:1997:517, paras 19 ff.

⁹¹ cf also Mehdi Belkahlia, 'Benelux Court of Justice' MPILux Working Paper 2 (2017), 1 ff; Bruno de Witte, 'The European Union's Place among the International Cooperation Venues of its Member States' [2014] *ZaöRV* 445, 448 ff; Jaeger (n 20) 483 ff; Frédéric Dumon, *La Cour de Justice Benelux* (1980) *passim*.

⁹² *Traité du 31 mars 1965 relatif à l'institution et au statut d'une Cour de Justice Benelux*, available (in current version) at <<https://www.courbeneluxhof.be/fr/basisdocumenten.asp>> accessed 31 May 2021.

⁹³ cf Case C-230/15 *Brite Strike* ECLI:EU:C:2016:560, para 66.

⁹⁴ Benelux Convention of 25 February 2005 on Intellectual Property, available (in current version) at <<https://www.boip.int/en/document/benelux-convention-on-intellectual-property-bcip>> accessed 31 May 2021. The Convention replaced older Benelux trademark and design law dating already from the 1960s, cf the overview in Case C-230/15 *Brite Strike* ECLI:EU:C:2016:560, paras 14 ff.

The Benelux court was historically limited to an instance taking preliminary references under a procedure that is similar to that of EU law under Art. 267 TFEU: when a national court of a Benelux country is seized with a question of application of a Benelux provision of uncertain meaning, courts of lower instance may, and courts of last instance must, refer the question of interpretation to the Benelux Court. Unlike under Art. 267 TFEU, governments are also entitled to refer questions. The proceedings before the national judge are provisionally stayed until the Benelux Court's judgment is handed down. That judgment is binding for the referring court. In its fields of competence, therefore, the Benelux Court can be regarded as the highest court in the Benelux region. Also, the Benelux Court has always been competent to hear Benelux staff cases. So in that respect too, it was not a pure preliminary reference body.

In addition, the jurisdiction of the Benelux Court was recently expanded: since mid-2018, the Court has exercised full jurisdiction over appeals against final decisions of the Benelux Office for Intellectual Property (BOIP).⁹⁵ To that end, a specific chamber was set up within the Benelux Court. Its decisions may be appealed within the Court itself (to the First Chamber of the Court). The newly added competence for appeals *ex* the BOIP has led to a significant increase in cases decided by the (otherwise rather limited) jurisdictional activity of the Benelux Court.⁹⁶

Whenever an issue of EU law arises before the Benelux Court, it is, like any other Member State court, entitled and obliged to request a preliminary ruling from the CJEU.⁹⁷ It should, however, be pointed out that to date, the Benelux Court has apparently never actually requested a preliminary ruling from the CJEU.⁹⁸ One reason for this might be the traditionally low number of cases decided by the Benelux Court in total. The addition of jurisdiction over appeals *ex* the BOIP might therefore change this too in the future.

The Benelux litigation system, and its flaws, shows several similarities to the patent system and the EPO: the single application procedure at the BOIP results in decisions that create directly effective national rights in the three Benelux states. Before the introduction of the Benelux Court's single appeals competence, appeals against the BOIP's decisions had to be done at the national level before the courts of The Hague, Brussels and Luxembourg. This meant differing procedural rules, deadlines and sometimes divergent case law. As a consequence, litigants would resort to forum shopping, i.e. their case was brought before the Benelux jurisdiction considered most favorable for the case.

From a practical perspective, the Benelux Court's jurisdiction for appeals from the BOIP improved this situation significantly. It enhances legal certainty and consistency

⁹⁵ cf art 1 para 4 of the Revised Benelux Court Treaty (n 92); art 1.15^{bis} Benelux IP Convention (n 94).

⁹⁶ See the breakdown of Benelux Court judgments between preliminary rulings and direct appeals at the website of the Court <https://www.courbeneluxhof.be/fr/arresten_lst.asp> accessed 31 May 2021.

⁹⁷ cf Case C-337/95 *Dior* ECLI:EU:C:1997:517, paras 19 ff.

⁹⁸ In spite of a Benelux checkbox being available on the search form of the CJEU (<<https://curia.europa.eu/juris/recherche.jsf?language=fr>> accessed 31 May 2021), the search did not yield any results at the time of writing of this contribution.

as to the interpretation and application of Benelux IP law and ends forum shopping among the three Benelux jurisdictions. It also speeds up proceedings for undertakings filing or opposing trademark applications and likely also decreases their litigation costs.

b) A BX patent court model

A Benelux-type patent model that closely follows the example of the Benelux Court of Justice would be a preliminary reference court. Such a model is outlined here under the name BX Patent Court. Considering the repeated references of the CJEU to that effect, such a model would be compatible with EU law beyond any doubt.

The BX model comprises an international law-based patent court competent only for preliminary references from national courts of any type, i.e. both civil and administrative, and any instance. It would therefore be competent in both infringement and revocation cases, essentially along the lines of what is now in the UPC Agreement (or rather: a modernized version of it, e.g. including compulsory licenses).

Just like the Benelux Court of Justice, the BX Court would render a binding judgment on the question submitted. The application of the judgment to the original case would remain in the hands of the referring court. Because the BX Court would thus prolong and complement, but not replace, the roles and procedures of national patent courts, it would be intrinsically linked to Member States' judiciaries in the sense of Art. 267 TFEU and included in that provision's notion of Member State courts. There would be no need for any flanking adaptations of EU law.

As an Art. 267-type court, it would itself be entitled and obliged to submit preliminary references to the CJEU where appropriate. As is the case for all courts of last instance, however, it would not need to refer any case that involves EU law to the CJEU, but only such where the answer is not evident from pre-existing case law in particular.⁹⁹ Given that the Second Community Patent Convention proposed to limit the Appeals Court's obligation to request preliminary rulings on important questions (cases of 'risk of an interpretation ... inconsistent with [EU law]'),¹⁰⁰ a similarly more far-reaching limitation might be contemplated for the BX Patent Court as well.

A slight modification as compared to the Benelux model proper would be an inclusion of non-EU courts in the jurisdiction of the BX Patent Court. However, it follows from the functional approach of the CJEU to the system of cooperation under Art. 19 TEU and Art. 267 TFEU that a court of a Member State does not lose that status just because it is also competent for cases which fall outside the scope of EU law (and thus outside of the system of cooperation under Art. 267 TFEU). In fact, such a 'double hat' of Member State courts in terms of cases or aspects of cases which concern EU law versus aspects of their jurisdiction which do not concern EU law is a regular feature of Member State courts and intrinsic to the

The BX Patent Court

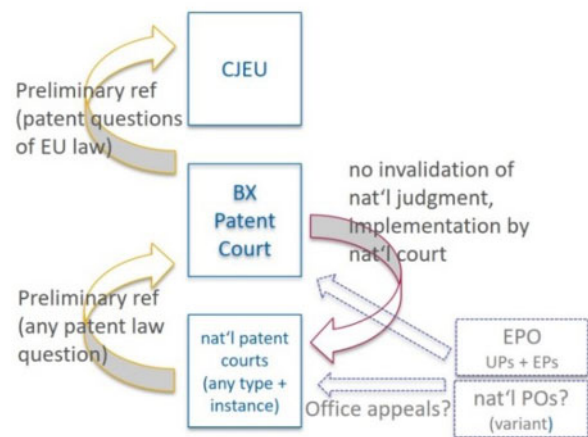


Fig. 1: BX Patent Court

system of Art. 267 TFEU. That only part of the jurisdictional activity of the BX Patent Court comes within the sphere of EU law would thus not deprive it of its status as a Member State court, even where it was also competent to hear cases submitted by courts from third states, which therefore do not involve EU law. In short, contrary to the erroneously formalistic approach taken by the EU legislator in the wake of Opinion 1/09, there appears to be no need to leave third states out of a BX Patent Court system in order to make it compatible with Art. 267 TFEU.

A separate question is how to deal with appeals from patent offices, both regarding the EPO and national offices. The position of national offices depends on whether purely national patents should be included in the BX Patent Court system, i.e. going beyond the current UPC model. As regards the EPO, the question of direct appeals hinges upon the future of the EPO's internal Boards of Appeal. Of course, the BX Patent Court could be aligned to the current Benelux model in taking appeals directly from the EPO. While the like would require a reform of the EPO's structure, any inclusion of direct EPO or other office appeals seems perfectly possible at least from the point of EU law.

The BX Patent Court of course has some flaws: as a mere preliminary reference court, it would help harmonize patent litigation in Europe, but it would not fully unify it. The final decision in a given case would still rest in the hands of national courts, with all the positive as well as negative side effects associated.¹⁰¹ Also, of course, preliminary references prolong the procedure, especially when taking into account an onward reference to the CJEU. This is time consuming. Therefore, in sum, the BX Patent Court is probably not an ultimately optimal solution. Yet another model should be contemplated.

Fig. 1 illustrates the proposed model. In sum, the BX Patent Court

- takes preliminary references from (any) national patent courts;
- has jurisdiction for infringement as well as invalidity for EU (Unitary) and EPO (European) patents;

⁹⁹ So-called exceptions of *acte claire* and *acte éclairé*, cf Case C-283/81 *CILFIT* ECLI:EU:C:1982:335, paras 5 ff; note also the proposal to reform those criteria in Case C-561/19 *Consorzio Italian Management* ECLI:EU:C:2021:291, Opinion of AG Bobek, para 134.

¹⁰⁰ art 2 para 2 Second CPC (n 89).

¹⁰¹ cf Annette Kur (n 77) 4; Jaeger (n 20) 431 ff.

- renders a binding judgment, but the final judgment remains with the referring national court;
- is included in Art. 267 TFEU's definition of Member State courts, so there is no need for further EU legislation;
- is consequently entitled as well as obliged to refer (relevant) questions of EU law to the CJEU;
- is open for an optional inclusion of appeals *ex* patent offices (EPO or national offices), depending on the desired scope the system.

Differences between the UPC and the BX Patent Court include that the latter

- extends and complements, not replaces, the role and procedure of Member State patent courts;
- renders a binding interim judgment, but no final judgment;
- comprises a single instance only;
- allows for an inclusion of non-EU states.

c) A BX-plus patent court model

Another model that is still inspired by the Benelux Court of Justice, but constitutes a significant evolution compared to it, is what is here called the BX-plus Patent Court. The 'plus' seeks to indicate that a more progressive approach is adopted as compared to the Benelux and BX Patent courts.

The key concept of a BX-plus Patent Court is to take the direct appeals tool already vested in the existing Benelux Court model for appeals from the BOIP and transform it into an appeals procedure *ex* national courts. From an EU law point of view, direct appeals would make no difference for the compatibility of the system. The CJEU has also highlighted the EU law compatibility of the Benelux system both in judgments from the time when it was essentially a preliminary reference court as well as after that, when it already exercised its direct appeals functions.¹⁰² Indeed, direct appeals would even strengthen the link required by the CJEU between the BX-plus Patent Court and the national judiciary as envisaged by Art. 267 TFEU.

The tool suggested for these appeals is an instrument called successive jurisdiction or successive competence: some national legal systems may find it difficult to directly link the procedures of national courts to an international court. Any direct invalidation of a national sovereign act by an international organization such as the BX-plus Patent Court may be deemed incompatible with national constitutional law for reasons such as the principles of democracy, rule of law, separation of powers and the like. In short, national constitutional law may require the spheres of national and international law to be kept formally separate. Consequently, a procedural tool is needed to link the procedures between domestic courts and the BX-plus Patent Court, and to give domestic effect to the latter's rulings, while formally keeping the spheres separate. In fact, the principle of primacy (i.e. the preferential application of EU law over Member State law in case of conflict)¹⁰³ is a similar tool developed for the

same reason of respect of the formal separation of the legal spheres of Member State law and EU law.

Successive competence means that a case is transferred from one body or court to another for a fresh, second review from scratch.¹⁰⁴ The second court undertaking the review is not bound in any way by the findings of the first court (e.g. as regards facts, evidence, etc.), nor is the second court allowed to invalidate or lift the decision of the first court. However, there is also no need for such a formal invalidation, because the second court's decision simply replaces that of the first court (which must thus be disapplied, similarly to the functioning of EU law's primacy principle).

Successive competence is not a new invention. It is known in some procedural systems of the Member States. One example is Austria,¹⁰⁵ where successive competence is a tool to allow civil court review of cases which in a first or lower instance have been decided by an administrative body or court. Examples include the review of arbitration awards, expropriation decisions by a public body with compensation decided by a civil court, administrative decisions on social benefits reviewed in civil court and more.¹⁰⁶ The initial decision *de lege* ceases to apply once a remedy is lodged with the competent civil court.¹⁰⁷ Successive competence is needed in the Austrian system to overcome the formal separation of powers between the executive and the judicial branches.¹⁰⁸

The jurisdiction of the ECtHR is set up in a similar manner, resembling successive competence (albeit less evolved): an application for a fresh, separate review of the ECHR aspects of a national judgment may be lodged with the ECtHR upon exhaustion of national remedies.¹⁰⁹ The final judgment of the ECtHR is binding on the contracting parties and they are obliged to implement it in a suitable manner using their domestic legal instruments, but there is no direct invalidation of the national judgments by the ECtHR judgment (unless voluntarily accorded by a convention member state).

The tool of successive competence devised to allow appeals from national patent courts with the BX-plus Patent Court is thus not entirely novel. It is based on precedents of similar mechanisms in place at the ECtHR, in national systems and not least also at the Benelux Court of Justice.

The appeals mechanism based on successive competence that is envisaged for the BX-plus Patent Court here would therefore amount to the following: the judgment of a national patent court could be subjected to a second, formally separate and comprehensive review of the national case by the BX-plus Patent Court. When an appeal is brought, the national judgment should cease to apply *de lege* as a matter of national law or, at least, must be barred from being enforced. The case would be transferred to the BX-plus Patent Court, which would hold full

¹⁰⁴ cf Theo Öhlinger and Harald Eberhard, *Verfassungsrecht* (12th edn, facultas 2019) 275 ff.

¹⁰⁵ *ibid.*

¹⁰⁶ eg §§ 67 ff Austrian Labour and Social Court Law (ASGG); § 32 Tyrolean Nature Preservation Law (TirNSchG); Markus Schifferl, 'Sukzessive Kompetenz und Schiedsvereinbarung' [2018] *ecolex* 327, 327 ff.

¹⁰⁷ cf § 71 Austrian Labour and Social Court Law (ASGG).

¹⁰⁸ cf Austrian Civil Supreme Court of 12 April 2011, 10 Ob 165/10b; Austrian Constitutional Court of 14 June 1985, G 17/85.

¹⁰⁹ cf arts 34 ff ECHR.

¹⁰² eg in Opinion 1/17 *CETA* ECLI:EU:C:2019:341, paras 123 ff.

¹⁰³ cf Jaeger, *Introduction* (n 23) 21 ff.

jurisdiction over all aspects of the case and would not be bound by the findings or dispositions of the national court. Of course, however, those findings and dispositions would be part of the arguments before the BX-plus Patent Court and inform its assessment. The final judgment of the BX-plus Patent Court would not directly invalidate or annul the national judgment. The BX-plus Patent Court judgment would have direct effect on the national level, just as was envisaged for the UPC or is the case for judgments of the CJEU.

In spite of successive competence, procedural links between the national and the BX-plus Patent Court would have to be close. Most importantly, this would require its mandatory jurisdiction and a fixed appeals possibility for parties. Also, details such as access to the files of the previous proceedings, the legal effects on the previous judgment and so forth would have to be worked out.

Another question is the instance of the national patent judiciary against which an appeal for successive review by the BX-plus Patent Court should lie. The answer is actually flexible and allows for different solutions, although it must be taken into account that too many instances are to be avoided. Where, for example, appeals would come *ex* the second national instance, there should only be one single review instance by the BX-plus Patent Court. In turn, if the appeals possibility is set immediately after the first national patent court instance, the BX-plus Patent Court might comprise a two-instance system, equal to what is currently in place at the Benelux Court for appeals *ex* the BOIP or what was envisaged for the UPC.

The remaining design elements of a BX-plus model would be the same as those outlined before for a BX appeals court: the BX-plus Patent Court would qualify as a court in the sense of Art. 267 TFEU and thus be under an obligation to request preliminary rulings with the CJEU on patent issues concerning EU law. No legislative changes would be required for this. Just like the BX model, the BX-plus model also could and should include both EU (Unitary) and EPO (European) patents and cover both infringement and invalidity issues. Likewise, the BX-plus model would easily allow one to re-include non-EU states of the EPC in the system. And it would also allow one to include direct appeals *ex* the EPO and/or *ex* national patent offices, subject to a political choice that the system should be opened for this. For such office appeals too, the tool of successive competence might be used to overcome separation issues.

Fig. 2 illustrates the proposed model. In sum, the BX-plus Patent Court

- has jurisdiction over direct appeals based on successive competence;
- is competent for infringement as well as invalidity cases for EU (Unitary) and EPO (European) patents;
- takes appeals *ex* national patent courts of one certain instance (first or second national instance);
- comprises either one instance (where appeals come from the second national instance) or two instances (where appeals come from the first national instance);
- renders binding, final judgment with direct effect on the national level;
- is included in Art. 267 TFEU's definition of Member State courts, so there is no need for further EU legislation;

The BX-plus Patent Court

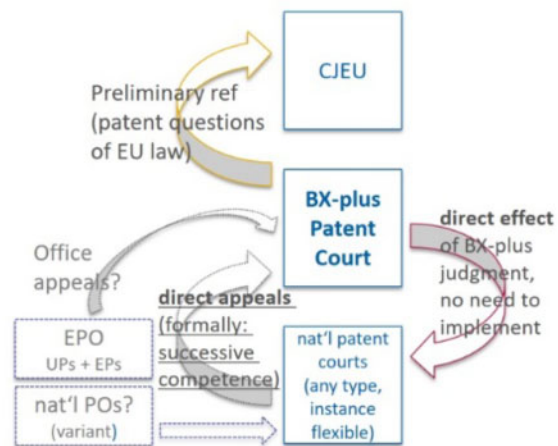


Fig. 2: BX-plus Patent Court

- is consequently entitled as well as obliged to refer (relevant) questions of EU law to the CJEU;
- is open for an optional inclusion of appeals *ex* patent offices (EPO or national offices), depending on the desired scope the system.

Differences between the UPC and the BX-plus Patent Court include that the latter

- extends and complements, not replaces, the role and procedure of Member State patent courts;
- allows for an inclusion of non-EU states.

V. Final remarks

The EU's patent plans and the UPC in particular have hit quite a number of bumps in the road over the years. The UK's decision to withdraw from the system in 2020 has dealt the UPC a fundamentally damaging and perhaps fatal blow: what good is a system without the UK in it? Will it still be able to operate as planned (e.g. financially) and achieve the goals initially envisaged (e.g. in terms of cost savings, facilitation of cross-border litigation, end to forum shopping and strategic patenting, etc.)?

The world has changed a lot since the Unitary patent system saw the light of day. An open, transparent and democratically legitimate debate is called for to discuss and ascertain if the EU and stakeholders still wish to implement this system, including the UPC, in its anachronistic form today. The more time passes until the UPC finally becomes operative and the more road bumps are hit along that way, the more pressing the question becomes whether we should really abandon the high-quality service today rendered by national patent courts throughout the EU and EPC territories and replace it with a creature that is not just unknown, but significantly ailing from its very start in so many respects.

The German Federal Constitutional Court will likely not topple the UPC in the end and/or even ask the CJEU for its opinion on the UPC's EU law compatibility. Still, the issues of legality and functionality of the UPC will continue to haunt it for the years to come and undermine user trust and thus the system's use and chances for

success. The sooner the CJEU is given the opportunity to clarify the increasingly clear limits for the role of international law-based courts in the EU legal order and to apply (or disapply) them to the UPC, the better for everyone involved in the system.

The second round of holdups from constitutional complaints in Germany provides an opportunity to conduct a debate as to whether the UPC is still needed and wanted. Are there better alternatives out there, for which the stakes might have improved over the last ten years? Who says that the compromise that needed to be struck ten years ago to get the system running and cater to certain Member States' interests (e.g. those of the UK) is still needed today? Perhaps some features of compromise

currently present in the design of the UPC could be done away with, thus paving the road for a better and stronger system that more effectively contributes to innovation and harmonization in the internal market.

This contribution sought to show not only that there are several alternatives, but also that they could be easily implemented, drawing upon existing experience. There is no need to reinvent the wheel to replace the UPC with something better and functional. The legal bases for a trademark model are there. Likewise, the legal requirements applicable to an international law-based preliminary reference or appeals court are clear from CJEU jurisprudence. All that is needed is debate to answer the question: what do we really want?