

THE EUROPEAN PATENT WITH UNITARY EFFECT – A UNITARY PATENT PROTECTION FOR A UNITARY MARKET?

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Abstract– As patent protection is in principle attributed on a national level, it is susceptible to create a fragmented EU market and barriers to the free movement of goods. A purely national patent law and policy do therefore not mirror the objective of an EU Internal Market. In December 2012, the EU legislator adopted Regulation No 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection. Rather than drawing up a Regulation covering comprehensively the substantive law of the unitary patent, the Regulation arranges for a multi-layer patent protection consisting of public international law, especially the European Patent Convention, diverse national laws of the Member States and the Regulation itself. This leads to legal uncertainty and confusion. The Regulation brings about some advancement for the free movement of goods by eliminating national markets where products can be marketed without EU-wide exhaustion and by aligning acquisition, limitation, revocation and lapse throughout the participating Member States. Regrettably, the concept is not carried through in the area of licensing, which remains one of the neuralgic points of the area of tension between patent rights and the free movement of goods.

A. INTRODUCTION

Intellectual property rights represent a key factor in competitive economies. According to the Commission of the European Union, between 44% and 75% of the European businesses' resources are connected to intellectual property, thus rendering it as significant for industry as raw materials or the industrial base.¹ Even though the European Union's fundamental aim continues to be the establishment of an internal market without barriers to trade, the current patent protection in Europe is primarily provided for on a national law and international public law basis.

1. A First Inventory of Patent Protection in Europe

EU action in the area of patent protection lags far behind other fields of intellectual property protection and has consistently proven controversial.²

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¹ Commission of the European Union, *Twelve projects for the 2012 Single Market: together for new growth* (Press Release, IP 11/469, 13 April 2011).

² Steve Peers, 'The constitutional implications of the EU Patent' (2011) EuConst 229, 237-238; Proposal for a directive of the European Parliament and of the Council on the

The European Patent Organisation's international patent system on the other hand was established in 1973 and has been operative ever since 1978. It allows patent applicants to obtain a bundle of patent rights for the designated Contracting States following one common application procedure.³ Although granted centrally according to conditions laid down in the European Patent Convention (EPC),⁴ the patents remain legally independent national patents governed by the divergent national laws.⁵ Every Contracting State, even within the EU, remains free to demand a translation of the patent specification.⁶

With the Lisbon Treaty, Art. 118 of the Treaty on the Functioning of the European Union (hereafter TFEU) was introduced. This provision specifically acknowledges the EU's competence to set up intellectual property rights to provide uniform protection and lays down a special legislative procedure regarding the accompanying language regime.

2. Paving the Way for the Unitary Patent

The European Union's projects have long been gridlocked by controversies regarding the language regime and the structure of the court system. In March 2011, the Council decided to authorise an enhanced cooperation procedure to allow the majority of Member States to move forward.⁷ With a view to the language regime providing for English, French and German as the sole official languages of the European Patent with unitary effect (hereafter Unitary Patent), Spain and Italy refrained from participating so far. Certainly, they remain free to join the procedure at any time under Art. 328(1) TFEU. Given that the basis of the enhanced cooperation is not the lack of capacity to integrate, but a disagreement as to the terms of

patentability of computer-implemented inventions, COM (2002) 92 final, 20.02.2002, rejected by the European Parliament at the second reading; C-350/92, *Spain v Council* [1995] ECR I-1985.

³ Art. 1, 3, 52ff EPC.

⁴ Convention on the Grant of European Patents (adopted 5 October 1973, entry into force 7 October 1977) 1065 UNTS 199.

⁵ Art. 2(2) EPC.

⁶ Art. 65 EPC; for its application within the EU, cf. Case C-44/98, *BASF v President of German Patent Office* [1999] ECR I-06269.

⁷ Council Decision 2011/167/EU authorising enhanced cooperation in the area of the creation of unitary patent protection [2011] OJ L76/53; approved by the CJEU, Joined Cases C-274/11 and C-295/11, *Kingdom of Spain and Italian Republic v Council of the European Union* [2013] not yet published.

integration,⁸ this does not seem likely in the near future. Spain is still fighting the legal framework approved by Commission, Council and Parliament.⁹

The Proposal for a Regulation implementing enhanced cooperation in the area of unitary patent protection was put forward by the Commission in April 2011.¹⁰ Negotiations between representatives of the Commission, the European Parliament and the Polish Presidency of the Council lead to a political agreement on an EU patent package consisting of the Unitary Patent Regulation, an accompanying language regime and an agreement on a unified patent court.¹¹ This political deal was subsequently approved by the Parliament in the first reading on 11 December, 2012.¹² However, the final vote was first delayed by the debate about the Unified Patent Court's seat¹³ and then due to the Council's wishes for amendments.

Finally, the Regulation No 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection was adopted in December 2012.¹⁴ Council Regulation No 1260/2012 implements the enhanced cooperation with regard to the applicable translation arrangements.¹⁵ According to Art. 18 of Reg No 1257/2012 and Art. 17 of Reg No 1260/2012, they shall apply as of 1 January 2014 or the date of entry into force of the Agreement on a Unified Patent Court (UPCA)¹⁶, whichever is the later. According to Art. 89(1) of this Agreement, it does not enter into force before the ratification by thirteen Member States including the three Member States with the most European

⁸ Matthias Lamping, 'Enhanced Cooperation – A Proper Approach to Market Integration in the Field of Unitary Protection' (2011) IIC, 879, 910.

⁹ Case C-146/13 Spain v Parliament and Council and C-147/13 *Spain v Council*, pending.

¹⁰ Commission 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, COM (2011) 215 final.

¹¹ Council of the European Union, *Analysis of the final compromise text* (2011), Doc. 17578/11.

¹² European Parliament, *Position of the European Parliament* (2011) Doc. TC1_COD (2011)0093.

¹³ For the debate in the UK House of Commons, *Oral Evidence taken before the European Scrutiny Committee on 1 February 2012*, to be published as HC 1799-ii.

¹⁴ Regulation No 1257/2012 of the European Parliament and of the Council [2012] OJ L361/1.

¹⁵ OJ L361/89.

¹⁶ Council of the European Union, Agreement on a Unified Patent Court [2013] Doc. 16351/12.

patents. There is no guarantee that this ratification process on a national level does not fail as ratifications of earlier EU patent projects¹⁷ have.¹⁸

3. The Importance of an EU Patent Protection

The creation of *uniform* law within the EU is not a goal in itself, but must be justified with view to the European Union's objectives. The starting point and at the same time the essential regulating principle of intellectual property is the principle of territoriality, according to which the sovereign's power to attribute exclusive rights is limited to its respective territory.¹⁹ National, independent patents isolate the national markets and thus lead to obstacles to the free movement of goods.²⁰

As the conditions for patentability and the effects of patents are in principle determined on a national level, inventions can only be exploited within the entire territory of the European Union by working with various national laws and accepting different levels of protection. A purely national patent law and policy neither mirror the market reality nor the objective of an EU Internal Market.²¹ The competition for innovations does not stop at national borders, but takes place on transnational markets.²² Since the acquisition of the exclusive right depends on the patentee's application, he will select the legal orders to the detriment of less populous or

¹⁷ Convention for the European Patent for the Common Market, signed 15 December 1975, 15 I.L.M. 5; Agreement Relating to Community Patents (1989) OJ L401/1.

¹⁸ Kevin Mahne, 'A Unitary Patent and Unified Patent Court for the European Union: An Analysis of Europe's Long Standing Attempt to Create a Supranational Patent System (2012) 94 J.Pat.Off.Soc'y 163, 190; Thomas Jaeger, 'Hieronymus Bosch am Werk beim EU-Patent?' (2013) EuZW 15, 20; for Poland's reservations, Jacek Ciesnowski, 'Poland takes wait-and-see approach on unitary patent', Warsaw Business Journal, 4 February 2013.

¹⁹ Bernhard Jestaedt, *Patentrecht – ein fallbezogenes Lehrbuch* (Carl Heymanns Verlag, 2nd edn, 2008), para. 663.

²⁰ Albrecht Krieger, 'When Will the European Community Patent Finally Arrive?' (1998) IIC, 855, 857; 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) IIC, 817, 821.

²¹ Hanns Ullrich, 'Harmony and Unity of European Intellectual Property Protection', in David Vaver and Lionel Bently (eds), *Intellectual Property in the New Millennium* (CUP 2004), 20, 28; Georg Artelsmair, 'Europäische Patentpolitik unter den Bedingungen der Globalisierung - Die Entwicklung des europäischen Patentsystems im Spannungsfeld von Internationalisierung, Regionalisierung und nationalen Interessen' (2004) GRUR Int 1, 8; Albrecht Krieger, 'When Will the European Community Patent Finally Arrive?' (1998) IIC 855, 857.

²² Hanns Ullrich, 'Patent Protection in Europe: Integrating Europe into the Community or the Community into Europe?' (2002) ELJ, 433, 436.

commercially relevant EU countries and thus to the detriment of a unitary market.²³ The same remains true for the bundle of national patents granted centrally by the European Patent Office (EPO) and acquired for the desired Contracting States only.²⁴ The classic EPO system thus also allows for a fragmentation of the Internal Market along the lines of the applicant's economic interest.²⁵ In this framework, the European Union's interests are not effectively pursued.

A unitary EU patent regime could advance the establishment and the functioning of the Internal Market. It would eliminate²⁶ or at least reduce impediments to the free movement of goods and provide for equivalent protection throughout the European Union. The need for a supranational unitary patent protection is illustrated by the fact that the protection of intellectual property is a competence assigned to the federal level in federal systems.²⁷ With the inventions' efficient exploitation in the EU market, not only the economic value of the patent right,²⁸ but also legal certainty, cross-border trade and technological progress would grow. Hence, the European Union's objectives call for such a unitary protection for a unitary market.

The Unitary Patent's benefits for the EU market will be evaluated against that background. Following an overview of the Regulation's Guiding Principles (B), this assessment will be twofold. First, the Unitary Patent's unitary character will be questioned with regard to the composition of substantive law governing a Unitary Patent (C). Then, the unitary effect of exhaustion, transfer, revocation, lapse and licensing will be analysed with regard to the free movement of goods (D). Finally, conclusions and perspectives will be presented (E).

B. THE REGULATION'S GUIDING PRINCIPLES

The Regulation's central aspects will be briefly described. The Regulation No 1257/2012 is based on Art. 118(1) TFEU, which allows for the creation

²³ Alasdair Poore, 'The European Patent System: off course or on the rocks?' (2011) *EIPR*, 409, 410; Thomas Jaeger, 'The EU Patent: Cui Bono et Quo Vadit?' (2010) *CMLR*, 63, 70.

²⁴ Artelsmair (n 21) 8; Ullrich, 'Harmony and Unity' (n 21) 30.

²⁵ Hanns Ullrich, 'Patentschutz im europäischen Binnenmarkt' (1991) *GRUR Int*, 1, 11.

²⁶ Wolfgang Kahl, 'Angleichung der Rechtsvorschriften, Art.118' in Christian Calliess and Matthias Ruffert (eds), *EUV/AEUV, Das Verfassungsrecht der Europäischen Union mit Europäischer Grundrechtecharta* (C.H.Beck 2011) para. 7.

²⁷ *Ibid*, para. 8; cf. e.g. Art. 1(8), clause 8 U.S. Constitution.

²⁸ Thomas Jaeger and others (n 20) 820; Jaeger (n 23) 70; Commission, *Green Paper on the Community Patent and the patent system in Europe* (COM 314 final, 1997) para. 7f.

of uniform intellectual property rights. The Regulation is not comprehensive and to matters not covered, the EPC and national laws, including rules of private international law, apply.²⁹

Rather than replacing the European Patent Organisation's system, the Regulation uses its existing structures (see Art. 9(1)). The Unitary Patent is supposed to coexist alongside national and European Patent Organisation's patents. The Regulation shall represent a special agreement according to Art. 142 EPC (see Recital 6, Art. 1(2)). Art. 142 EPC allows any group of Contracting States to the EPC to lay down that an EPO patent may only be granted jointly in respect of all those States. Proprietors of EPO patents can request the registration of the unitary effect if the patent is granted with the same set of claims in respect of all participating Member States (see Art. 3(1)). The Unitary Patent excludes an additional protection by a classic EPO-Patent, as is shown by Recital 8 and Art. 4(2).³⁰ Double national protection on the other hand may be available according to the national legal orders.³¹

The unitary character of the new EU patent protection is its key feature. Art. 3(2) stipulates that the Unitary Patent shall have unitary character and shall provide uniform protection and have equal effect throughout the participating Member States. As the EU's action regarding the Unitary Patent is justified with regard to the establishment of an EU internal market, its unitary character has to be analysed in this context.

The Unitary Patent protection provides for a single application and centralised fees for the entire Union.³² But from the outset, it can be said that it relies so strongly on the EPC and the national law, that it cannot be described as a self-contained, autonomous system.³³ Rather than drawing up a Regulation covering comprehensively the substantive law of the Unitary Patent, the EU legislator opted for a multi-layer patent protection consisting of provisions from the Regulation, national patent law and private international law and the EPC.

²⁹ See Recital 9. Hereafter, articles and recitals without reference to the legal source relate to the Regulation No 1257/2012.

³⁰ Stefan Luginbühl, 'Das europäische Patent mit einheitlicher Wirkung' (2013) *GRUR Int* 305, 307.

³¹ *Ibid.*, 307.

³² Hanns Ullrich, 'National, European and Community Patent Protection: Time for Reconsideration' in Ansgar Ohly and Diethelm Klippel (eds), *Geistiges Eigentum und Gemeinfreiheit* (Mohr Siebeck 2007), 61, 93.

³³ Ullrich, 'Harmony and Unity' (n 21) 28.

C. UNITARY PATENT PROTECTION THROUGH UNIFORM SUBSTANTIVE LAW?

In order for the Unitary Patent to actually be acquired, assigned, limited and revoked with effect for all participating Member States, a homogeneous application of substantive patent law throughout these Member States would have to be achieved.

While licensing is available not only in respect of the whole, but also in respect of part of the participating Member States' territories, limitation, transfer, revocation and lapse of the Unitary Patent shall have unitary effect according to Art. 3(2). Yet, their conditions are not dealt with in the Regulation. The EPC naturally governs the conditions of the grant (Arts. 52-57 EPC). In addition, its influence extends to the post-grant phase as far as invalidation (Art. 138 EPC) and the fundamental aspects of protection such as the period of protection (Art. 63 EPC) and the scope of protection *ratione materiae* (Arts. 64(2), 69 EPC) are concerned. Problems not covered by the Regulation nor by the EPC are left to the national legal orders. In principle, every legal order of the participating Member States offers an answer to every legal question. Most notably, the Unitary Patent as an object of property is governed by national law (Art. 7) and the acts against which the patent provides protection are defined on a national level as well (see Art. 5(3) referring to Art. 7).

1. The law applicable to the Unitary Patent as an object of property

According to Art. 7 and Recital 14, the Unitary Patent as an object of property shall be treated as a national patent of one participating Member State throughout the territory of the participating Member States. The wording of Art. 7 evokes the formulation of Part II, Chapter IV EPC. Art. 74 EPC designates the national law applicable to the European Patent Application as an object of property.

The Unitary Patent is subject to the national law of the Member State where the applicant has his residence or principal place of business (Art. 7(1)(a)) or subsidiarily a place of business (Art. 7(1)(b)) on the date of filing of the application. Where the applicant does not have a residence or place of business in one of the participating Member States, the law of the Member State where the European Patent Organisation has its headquarters according to Art. 6(1) EPC, thus German law, is applicable.

As the preeminent connecting factor for the national law applicable to the Unitary Patent is the residence or principal place of business on the date of filing of the patent application, the composition of the rules governing a Unitary Patent is not obvious. The applicant's principal place of business might not be known to interested persons. The probability of changes regarding this connecting factor over the term of 20 years renders a look into the register indispensable. The key role of the register is also underlined by Art. 7 itself, which deems the residence or place of business as registered rather than the location of effective management decisive. The register thus ensures legal certainty as to the national law applicable to the Unitary Patent "as an object of property".

The applicability of German law in the case of applicants established outside the participating Member States appears to be fairly well accepted.³⁴ As a consequence of this dynamic referral to the EPC, Art. 7 assures that only one law is applicable, while leaving it up to the Contracting States of the EPC and not EU institutions to control the law applicable to a third country applicant's Unitary Patent via the determination of the headquarters.

2. The Integration into the Framework of Private International Law

As the referral in Art. 7 is limited to the law applicable to the Unitary Patent as an object of property and Art. 5 in conjunction with Art. 7 only determines the decisive criterion for the law applicable limited to the cease and desist claim,³⁵ the EU and national private international law plays and designates the law applicable to other questions regarding the Unitary Patent. In particular, the Regulations Rome I³⁶ and Rome II³⁷ contain pertinent provisions.

Regarding Rome I, the relevant fields of application in patent law are the contractual transfer of intellectual property rights and licence agreements. As the project of inserting a special provision for the law

³⁴ Contra only Chartered Institute of Patent Attorneys (CIPA), 'The Unitary Patent and the Unified Court: the CIPA view' (CIPA, 30 November 2011) <<http://www.cipa.org.uk/pages/news/article?5CBE0D61-C05A-4F50-8A62-A42EBE86CD00>> accessed 11 June 2013.

³⁵ Winfried Tilmann, 'The compromise on the uniform protection for EU patents' (2013) *JIPLP* 78, 80.

³⁶ Regulation No 593/2008 of the European Parliament and of the Council on the law applicable to contractual obligations [2008] OJ L177/6.

³⁷ Regulation No 864/2007 of the European Parliament and of the Council on the law applicable to non-contractual obligations [2007] OJ L199/40.

applicable to a contract relating to intellectual property rights has been abandoned,³⁸ the general rule in Art. 4(2) Rome I applies. According to this provision, the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence is applicable. Licence contracts will therefore typically be governed by the law of the country where the licensor is established.³⁹ This is however not necessarily the case, since the rights assigned or licenced can be exploited in the State of the licensee's or assignee's habitual residence or principal place of business and the contract may also include a corresponding duty of exploitation.⁴⁰ The characteristic obligation has to be identified in the light of the specific circumstances of the case and the applicable law varies therefore from case to case.

According to Art. 8(2) Rome II, non-contractual obligations arising from an infringement of a "unitary Community intellectual property right" are governed by the *lex loci delicti*. Art. 13 Rome II states that for the purposes of chapter II, including unjust enrichment and *culpa in contrahendo*, the rule set out in Art. 8 is also applicable. Insofar, uniform conflict of laws rules have already been created.

The addition of a clarification that the application of Art. 7 of the Regulation No 1257/2012 shall not prejudice the application of the Regulations Rome I and Rome II was proposed by MEP Wallis and Wikström, but rejected in the JURI Committee. Nevertheless, it seems to be common ground that the Regulation is not supposed to affect the national or the EU private international law.⁴¹ Hence, in addition to the substantive law contained in the Regulation, the EPC and the law

³⁸ Committee on Legal Affairs, Draft Report on the Proposal for a regulation of the European Parliament and of the Council on the law applicable to contractual obligations (Rome I) (2005/0261, 2006), under which the law of the country in which the person who transfers or assigns the rights has its habitual residence was applicable.

³⁹ Jaeger (n 23) 69.

⁴⁰ European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP), 'Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations ("Rome I") of December 15, 2005 and the European Parliament Committee on Legal Affairs' Draft Report on the Proposal of August 22, 2006' (IVIR, 4 January 2007) 4, available at www.ivir.nl/publications/eechoud/Clip_Rome_I_Comment.pdf.

⁴¹ Martina Blasi, Commission of the European Union, DG MARKT, *Personal Interview*, Brussels, 26 April 2012; Bernhard Rapkay, Rapporteur 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, *Personal Interview*, Brussels, 26 April 2012.

applicable to the Unitary Patent as object of property, the EU and national rules on the conflict of laws play.

3. The State of Harmonisation of Substantive Patent Law in the EU

The national laws designated by Art. 7 or private international law provisions govern the Unitary Patent to a large extent. The homogeneity of the new patent protection thus hinges on the comparability of national patent laws. A significant harmonisation has been reached as a result of the Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions 1963⁴² and the EPC, which took the Strasbourg Principles on board.⁴³ Regarding the post-grant phase, the EPC and the Community Patent Convention⁴⁴ stimulated a certain approximation of national laws.⁴⁵ The provisions governing the *infringement* of a patent right and its consequences are mainly standardised only by virtue of the nature of things.⁴⁶ Requirements for *licences*, which are wholly governed by national laws, also still vary significantly. Whereas e.g. German, Danish and British law do not impose any formal requirements to patent licence agreements,⁴⁷ the written form of the contract is prescribed under French and Greek law.⁴⁸ Under German law,

⁴² Ullrich, 'Patent Protection in Europe' (n 22) 435, n. 6.

⁴³ Ilya Kazi, 'Will we ever see a Single Patent covering the EU, let alone spanning the Atlantic or Pacific?' (2011) *EIPR*, 538, 539; Klaus Grabinski and Thomas Adam, 'Kommentar zur Präambel' in Jochen Ehlers and Ursula Kinkeldey (eds), *Benkard – Europäisches Patentübereinkommen* (2nd edn C.H. Beck 2012), para. 2.

⁴⁴ See n 17.

⁴⁵ Resolution on the Adjustment of National Patent Law, OJ 26.1.1976, L17/41; Amiram Benyamini, *Patent Infringement in the European Community* (VCH Publishers 1993) 15f; Kraßer (n 60) 7; Hanns Ullrich, 'Harmony and Unity' (n 21) 25.

⁴⁶ Klaus-Jürgen Mellulis, 'Kommentar Art. 52 EPÜ' in Jochen Ehlers and Ursula Kinkeldey (eds), *Benkard - Europäisches Patentübereinkommen* (OUP 2012, 2nd edn), para. 29.

⁴⁷ For Germany see Eike Ullman 'Kommentar §15 PatG' in *Benkard - Patentgesetz, Gebrauchsmustergesetz* (10th edn 2006), para 75 ; for Denmark Thomas Riis, *Intellectual Property Law in Denmark* (Kluwer Law International 2000), 98; for the United Kingdom, William Cornish and David Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (6th edn, Sweet&Maxwell 2007), Chapter 7, para. 16.

⁴⁸ For France, Art. L613-8 Code de la propriété intellectuelle and Albert Chavanne and Jean-Jacques Burst, *Droit de la propriété industrielle* (6th edn, Dalloz 2006) paras. 278, 318; Dominique Legeais, *JurisClasseur Commercial* (LexisNexis 2012) Fascicule 658, para. 61 for Greece, Athanassios Liakopoulos, *Intellectual Property Law in Greece* (Kluwer Law International 1999), 100.

an exclusive licensee has a right *in rem* and the licensor only retains a formal patent right.⁴⁹

According to French law, on the other hand, the licence contract is merely a transaction, giving rise to obligations, while the licensor preserves the right to exploit the patent.⁵⁰ Another legal problem that is solved differently is the classification of products that have been manufactured during the term of the licence agreement, but are sold after its expiration while the patent protection is still valid. According to German Law, the licensee has a right to market the products produced during the time of the duration of the contract also after the expiration.⁵¹ The French Law on the other hand prohibits the sale of rightfully produced goods once the licence agreement has been terminated.⁵² As these few examples show, it does very much matter, which national law is applicable to questions regarding the Unitary Patent. Moreover, it results that even comparable national stipulations are applied differently by national courts in the light of linguistic differences and legal traditions.⁵³

4. The Inclusion of Substantive Patent Law in the Regulation - the Council's Change of Heart

In the political agreement resulting from the *trilogue* of November 2011, the institutions agreed on the inclusion of rudimentary substantive law provisions. Arts. 6-8 of the Proposal defined the right to prevent direct and indirect use and the limitations of the effects of the Unitary Patent, regarding notably acts for non-commercial and experimental purposes. The request to delete these articles had been uttered by interest groups and legal professionals and had also been picked up during the debate in the JURI Committee.⁵⁴ While the amendments proposed to that end had been

⁴⁹ Ullman (n 47) paras. 92 and 95; Mellulis (n 46) para. 23a.

⁵⁰ JurisClasseur Commercial, *supra* note 48, para; 7. Cécile Dauby, *Internationale Patentlizenzverträge* (Dr.Kovac 2008) 131.

⁵¹ Ullman (n 47) para. 203.

⁵² See Art. L613-6 Code de la propriété intellectuelle; JurisClasseur Commercial (2012) (n 48), para. 94.

⁵³ Christopher Wadley, 'Can the Unitary Patent Regulation strut its stuff without Art.6-8?' (2013) *JIPLP* 207, 209; Mellulis (n 46) Rn. 32; Anne-Sophie Gourdin-Lamblin, 'Le brevet communautaire: entre fonctionnement efficace du marché intérieur et diversité linguistique' (2005) *SUBB Jurisprudentia* 65, 66; Rüdiger Rogge, 'Der Neuheitsbegriff unter besonderer Berücksichtigung kollidierender. Patentanmeldungen' (1998) *GRUR Int* 186, 187.

⁵⁴ European Parliament, *Voting List* 0093 COD (2011), Amendment 65, 67, 75; Intellectual Property Judges Association (IPJA), 'Resolution' (*IPJA*, 2 November 2011)

rejected in Committee, the Council unexpectedly called these articles into question in June 2012.⁵⁵ With the Council favouring a deletion of these articles and the European Parliament defending these “key articles”,⁵⁶ a political agreement could not be reached before December 2012. Their compromise can now be found in Art. 5. According to Art. 5(1), the Unitary Patent 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 Art. 5(2), it is stressed that the scope of that right and its limitations shall be uniform. Art. 5(1) speaks of the conferral of a patentee’s right, but its content is not further defined except for its unitary character (Art. 5(2)).⁵⁷ While the general idea of equal protection throughout the EU is reiterated in Art. 5(1) and (2), Art. 5(3) in fact refers to the national law that is applicable to the Unitary Patent as an object of property in order to fill this EU remedy with life.

The deletion of the substantive law provisions initially agreed upon represents above all the attempt to escape the CJEU’s jurisdiction.⁵⁸ Just as national stipulations,⁵⁹ these articles to be included in the Regulation might have needed judicial clarification.⁶⁰ The CJEU is seen as an unsuitable forum for patent law.⁶¹ Substantive patent law is rarely to be found before

< www.ipeg.eu/.../Venice-Judges-Resolution-2011.doc > accessed 8 June 2013; CIPA (n 34).

⁵⁵ Council of the European Union, *Conclusions of 29 June 2012* (Doc.EUCO 76/12, 2012) sub. 1.3, following the demand of Prime Minister David Cameron.

⁵⁶ Klaus-Heiner Lehne, Chair of the Committee of Legal Affairs, ‘EU patent: Parliament postpones vote due to Council’s last-minute change’ (*European Parliament*, 3 July 2012) available at <http://www.europarl.europa.eu/news/en/pressroom/content/20120703IPR48182/html/EU-patent-Parliament-postpones-vote-due-to-Council's-last-minute-change>.

⁵⁷ Tilmann, ‘The compromise’ (note 35), 81; Wadley (note 53).

⁵⁸ Jochen Pagenberg, ‘Die EU Patentrechtsreform – Zurück auf Los?’ (2012) *GRUR* 582, 586ff; Ingve Björn Stjerna, Die Beratungen zum “Einheitspatent” und der zugehörigen Gerichtsbarkeit - Auf dem Weg ins Desaster (2012) *Mitt* 54, 56.

⁵⁹ Winfried Tilmann, ‘Draft agreement on a Unified Patent Court and Draft Statute – Written evidence before the European Scrutiny Committee of the House of Commons’ (*UK Parliament*, 28 January 2012) para 5, available at www.publications.parliament.uk/pa/cm201012/cmselect/cmeuleg/writev/1799/upi10.htm.

⁶⁰ 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’ (*IPEG*, 18 October 2011) 2ff, available at www.ipeg.eu/wp-content/uploads/Prof-Krasser-opinion-on-EU-Patent.pdf.

⁶¹ CIPA (n 34); European Patent Lawyer’s Association, ‘Resolution on the Draft Agreement’ (*EPLAW*, 2 September 2011), available at

the CJEU.⁶² Regarding other areas of intellectual property law however, the CJEU has dealt with questions of trademark and design protection.⁶³ Both the Trademark and the Design Regulation contain a cease and desist claim in the case of infringement.⁶⁴ Most importantly, patent law in the EU is closely linked to EU law.⁶⁵ The EU patent protection is a mechanism to realize EU commercial policy. As such, the CJEU is the most experienced court to deal with the integration of intellectual property rights into the EU legal environment. The area of tension between the free movement of goods and the patent right has already been tackled by CJEU jurisprudence, which has been affirmed by the Regulation. The CJEU's involvement ensures the coherence with its jurisprudence concerning other areas of law, including other intellectual property law and competition law. The Court's suitability to decide patent cases does not exist in spite of, but precisely because of its function as "constitutional court"⁶⁶ of the EU.

It remains to be seen whether the CJEU will allow its exclusion from its original mission to interpret EU law.⁶⁷ As the Unitary Patent's unitary effect cannot be reached without unitary rules on infringement, the CJEU may derive its competence to review from the unitary character itself.⁶⁸ In addition, Arts. 25 – 27 and Art. 28 UPCA deal with aspects of substantive patent law. It is questionable whether a transfer of provisions relevant to the Unitary Patent to a separate international treaty can affect their character as EU law. It has been put forward that the referral in Art. 5(3) of the Regulation concerning the injunction claim has to be understood as an incorporation of the UPCA provisions mirroring the deleted Arts. 6-8, thus demonstrating the Union law character.⁶⁹ In any case, the Regulation explicitly refers to the participating Member States' national laws, which

www.eplawpatentblog.com/eplaw/2011/09/eplaw-the-unified-patent-court-eplaw-resolution-on-the-draft-agreement.html ; Kraßer (n 60) 7.

⁶² Poore (n 23) 411.

⁶³ Tilmann (n 59) para 33.

⁶⁴ Art. 102 Council Regulation 207/2009 on the Community trade mark [2009] OJ L78/1; Council Regulation 6/2002 on Community Designs [2002] OJ L3/1.

⁶⁵ Contra Poore (n 23) 411f; Jochen Pagenberg, 'Little hope for an EU patent court after the CJ opinion' (*EPLAW*, 5 April 2011). available at www.eplawpatentblog.com/eplaw/2011/04/eucj-little-hope-for-an-eu-patent-court-after-the-cj-opinion.html.

⁶⁶ Kraßer (n 60), 7.

⁶⁷ Rapkay (n 41); Winfried Tilmann (n 59), para. 29.

⁶⁸ Hanns Ullrich, 'Select from within the system: The European patent with unitary effect' (*SSRN*, October 1, 2012) 36, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2159672##.

⁶⁹ Tilmann, 'The compromise' (n 57) 81.

will incorporate the UPCA according to the Member States' constitutional provisions.⁷⁰

Substantive law flowing from the EU Regulation is also significant with view to Art. 118(1) TFEU, which serves as legal basis for the Regulation.⁷¹ According to Art. 118(1), the EU “shall establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union”. This wording suggests that the measure creating the EU intellectual property right itself, in this case the Regulation, must provide for rules of uniform protection.⁷² In addition, Art. 118 TFEU was based on the model of prior EU intellectual property regulations like the Trademark and Design Regulation, which included a cease and desist order.⁷³ The reliance on national law only is susceptible to calling the Unitary Patent's character as an EU right into question.⁷⁴

Hence, the Regulation went out of the CJEU's frying pan into the fire. Its livelihood now depends on how far the CJEU is willing to go. Either the CJEU construes the Regulation as incorporating the UPCA provisions or as authorizing the jurisprudence to determine the Unitary Patent's contours and hereby developing homogeneity of protection. Or the CJEU accepts the removal of substantive patent law from the Regulation as intended by the Council – and consequently declares that the conditions laid down in Art. 118(1) TFEU are not fulfilled. Of all possibilities, the confirmation of Art. 118(1) TFEU as legal basis while negating its jurisdiction appears to be the least probable jurisprudential assessment. Ironically, in trying to minimise the CJEU's role, the legislator has put the Unitary Patent's fate in the hands of this court.

5. Concluding Remarks

One could see a certain improvement brought about by the Regulation by stipulating which law is applicable to the Unitary Patent as an object of property (Art. 7) and to a cease and desist claim (Art. 5 in conjunction with Art. 7). Patentees whose state of origin is a Member State benefit from the applicability of their national laws to their Unitary Patents as object of property as their costs of accessing and working with these laws are low.

⁷⁰ Wadley (n 53).

⁷¹ Tilmann, ‘Draft agreement’, (n 59) para. 21; Ullrich, ‘Select from’ (n 68) 32.

⁷² Tilmann, ‘Draft agreement’ (n 59) para. 24.

⁷³ See supra n 64; Tilmann, ‘Draft agreement’ (n 59) para. 25.

⁷⁴ Ullrich, ‘Select from within the system’ (n 68) 35.

Other interested parties on the other hand, e.g. prospective licensees or market actors trading patented goods, have to assess numerous diverse national laws governing the Unitary Patents they are dealing with. In addition, proprietors of various Unitary Patents might own Unitary Patents governed by different laws due to acquisition or merger⁷⁵ or change of their principal place of business. Transaction costs are thus shifted, but not reduced.⁷⁶

This extension of national law, established by the national legislator and interpreted by national courts for the purposes of a national application in the specific legal environment, is suboptimal in relation to EU rules. While it is true that EU sources might also be considered additional sources to consult, the crucial difference is their accessibility and its suitability. EU law is part of every Member State's legal order. Its sources as well as the methodology are known and not external to the Member States' legal systems. It is made for application in various Member States and available in all official languages. Its suitability for the legal contexts of all Member States is taken into consideration at the time of drafting, decision-making and interpretation.

By choosing to include only blurry concepts in the Regulation and to largely rely on national laws, including the UPCA once ratified, the EU legislator dismisses the creation of a set of genuine EU rules for the Unitary Patent. He thereby contradicts the unitary character of the new patent protection. The legal patchwork governing each Unitary Patent cannot assure comparable terms of protection throughout the participating Member States. With the applicant's residence or place of business as relevant criteria for the law applicable to the Unitary Patent as an object of property and the private international law designating the law applicable to other aspects, each Unitary Patent becomes subject to a distinctive multi-layer set of rules. The objective to "avoid the legal confusion created when dealing with differing national patent laws"⁷⁷ by introducing a unitary patent protection has not been achieved.

⁷⁵ Ibid, 27.

⁷⁶ Hanns Ullrich, 'Harmonizing Patent Law: The Untamable Union Patent' (*SSRN*, March 22, 2012) 37, available at www.ssrn.com/abstract=2027920.

⁷⁷ Committee on Legal Affairs, 'A step closer to an EU Patent' (*European Parliament*, 22 November 2011), available at www.europarl.europa.eu/news/de/pressroom/content/20111121IPR31956/html/A-step-closer-to-an-EU-patent.

D. THE UNITARY PATENT PROTECTION AND THE FREE MOVEMENT OF GOODS

As Advocate General Jacobs once put it, Art. 34 TFEU is an expression of the principle that “all undertakings which engage in a legitimate economic activity in a Member State should have unfettered access to the whole of the Community market, unless there is a valid reason for denying them full access to a part of that market”.⁷⁸ As patent protection is in principle attributed on a national level and therefore creates a fragmented EU market, barriers to the free movement of goods arise. According to Art. 36 TFEU, the principle of the free movement of goods does not preclude prohibitions or restrictions on imports or exports justified on grounds of the protection of industrial and commercial property. The CJEU has developed principles that limit the intellectual property rights’ use hindering the free movement of goods. By eliminating barriers to the free movement of patented products, the Internal Market becomes the relevant market for the patent’s exploitation.

In the Regulation, Art. 6 provides for the exhaustion of the rights conferred by the Unitary Patent, while establishing the exception of “legitimate grounds for the proprietor to oppose further commercialisation of the product”. On the basis of the CJEU’s jurisprudence, the Unitary Patent’s exhaustion will be analysed (1.). Subsequently, the advancements for the free movement of goods in the Internal Market in the fields of transfer, revocation and lapse (2.) and in particular in the field of licensing (3.), the exhaustion doctrine’s main area of application, shall be examined.

1. The Unitary Patent’s Exhaustion

The CJEU has developed rules that govern the national patent’s exhaustion within the EU. The Unitary Patent’s exhaustion will be determined in accordance with this body of case law (see Recital 12).

(a) The CJEU’s Jurisprudence on Exhaustion of National Patents

The CJEU restricts the use of national intellectual property rights insofar as it hinders the import of products voluntarily placed on the Internal Market. Since the national legislator determines the conditions and terms of

⁷⁸ Opinion in Case C-412/93 *Société d’importation Edouard Leclerc-Siplec v. TF1 Publicité SA & M6 Publicité SA* [1995] ECR I-179.

national patent protection, the CJEU accepts its existence, while controlling its exercise in respect of the free movement of goods principles.⁷⁹

Art. 36 TFEU allows for impediments to the free movement of goods, where the protection of industrial and commercial property so requires. The CJEU interprets this “protection of industrial and commercial property” as limited to the specific subject matter of such a right. In *Centrafarm v. Sterling Drug*, the CJEU defined a patent’s specific subject matter as “the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licenses to third parties, as well as the right to oppose infringements”.⁸⁰ This definition of the subject-matter is decisive for the exhaustion of the right. It does notably not contain any control over the selling-on of the product after the initial sale.⁸¹

Once the product has been put on the market by the patentee or with his consent in a Member State, the patent holder can no longer rely on his exclusive national right attributed by another Member State to prevent the importation and marketing in that latter Member State. He has exhausted his right to sell and use this product for the entire European Union. By introducing this doctrine, the CJEU intended to prevent the isolation of national markets that would endanger the Treaties’ underlying objective of a Single Market. The key factor for the exhaustive effect is the patentee’s consent.⁸² Thus, in the case of parallel national patents held by economically and legally non-linked proprietors, restrictions to trade within the EU are not prohibited.⁸³

(b) The Exhaustion of the Unitary Patent

The improvement of the functioning of the Internal Market brought about by a unitary patent protection would be compromised if the proprietor of a Unitary Patent still had power over the distribution and use of the products after they were sold with his consent or by himself.⁸⁴ Art. 6 stipulates that the rights flowing from the Unitary Patent do not extend to acts concerning the product covered by that patent, which are carried out within the

⁷⁹ Joined Cases 56/64 and 58/64 *Consten and Grundig v Commission* [1966] ECR 299.

⁸⁰ Case 15/74, *Centrafarm v Sterling Drug* [1974] ECR 1147, para 9.

⁸¹ Catherine Seville, *EU Intellectual Property Law and Policy* (Edward Elgar 2010), 323.

⁸² *Ibid*, 327; Benyamini (n 45) 305.

⁸³ *Centrafarm* (n 80) para 11.

territories of the participating Member States after that product has been put on the market in the Union by the proprietor of the patent or with his consent.

The CJEU's jurisprudence already harmonised the exhaustion of national patents within the EU.⁸⁵ In fact, the improvement brought about by Art. 6 lies in the elimination of a national market where marketing does not have the effect of exhaustion in the entire Union. The putting on the market of products protected by a Unitary Patent by the patentee or with his consent anywhere in the EU leads to exhaustion with regard to all of the participating Member States.

Recital 12 affirms the applicability of the CJEU's jurisprudence on exhaustion also to the Unitary Patent. In fact, this jurisprudence holds great value for the Unitary Patent's exhaustion. It has been met with great approval and has been included in other legislative acts.⁸⁶ As the Unitary Patent offers only optional union-wide protection and it is a matter of enhanced cooperation only, the coherence of the exhaustion doctrine for Unitary Patents and national patents within the EU also needs to be ensured.

The inclusion of the exception of "legitimate grounds for the proprietor to oppose further commercialisation of the product" was not intended to revolutionize the exhaustion doctrine. Such a clause has to be seen as a common instrument used by the Council to secure Member States' interests for the future.⁸⁷ The legislator also left scope to the CJEU for future developments. General legal principles common to all Member States like the principle of good faith and the prohibition on the abuse of rights will continue to apply in the framework of EU law.⁸⁸ So far, the CJEU interpreted all exceptions to exhaustion and thus to the free movement of goods principle strictly.⁸⁹ Within the Unitary Patent system, the legitimacy of the proprietor's grounds to oppose further commercialisation must remain an exception *a fortiori*.

⁸⁴ Benyamini (n 45) 300.

⁸⁵ Hanns Ullrich, 'Immaterialgüterrecht, A. Gewerblicher Rechtsschutz und Urheberrecht im Gemeinsamen Markt' in Ulrich Mestmäcker and Ernst-Joachim Immenga (eds) *Wettbewerbsrecht, EG – Teil 1 – Kommentar zum Europäischen Kartellrecht* (5th edn. C.H. Beck 2012), para. 7.

⁸⁶ Art. 7 Council Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks, OJ L40/1; Community Trade Mark Regulation, Art. 13.

⁸⁷ Rapkay (n 67).

⁸⁸ Benyamini (n 45) 364.

⁸⁹ *Ibid*, 363.

2. The Unitary Effect of Limitation, Transfer, Revocation and Lapse and the Advancement for the Free Movement of Goods

According to Recital 7 and Art. 3(2), the Unitary Patent should only be limited, transferred, revoked or lapse in respect of all participating Member States. If the patentee chooses the Unitary Patent protection, his patent will have effect throughout the territory of these participating Member States. In that case, different proprietors of parallel patents due to separate national patent granting institutions and procedures are prevented from the offset. The simultaneous *lapse* of the Unitary Patent in all participating States then naturally results from the synchronized beginning of the patent protection.⁹⁰ Uniform *revocation* and *limitation* throughout the Participating States ensure the same level of protection and thus prevent barriers to the cross-border movement of goods. Revocation and limitation procedures before the EPO are already in place.⁹¹ In case the products have already been put on the market in the Member State where a national patent is revoked, the revocation's *ex tunc* effect⁹² renders this situation comparable to the situation where no patent protection was available in the first place. For the latter case, the CJEU has already held that the patentee cannot block the import of his own products from this Member State where he has put it into circulation without protection, since it was his decision to market it under these conditions.⁹³

In addition, the patentee also bears the risk of the patent's *invalidity*⁹⁴ when deciding to exploit an invention with patent protection. In the case of *transfer*, the Unitary Patent protection facilitates the free movement of goods considerably. Up to now, assignments still permit territorial segregation as long as owners are economically and legally not linked, since the fundamental condition for exhaustion, the patentee's consent to the putting on the market, is not fulfilled. In that case, each patentee can block the parallel import of goods originating in a Member State where the right was acquired by or assigned to an independent owner. The common

⁹⁰ Art. 63(1) EPC.

⁹¹ Arts. 105a and 105b EPC and Implementing Regulations to Part V of the Convention, R. 90-96.

⁹² Art. 68 EPC.

⁹³ Case 187/80, *Merck&Co. Inc. v Stephar BV* [1981] ECR 2063.

⁹⁴ Art. 138(1) EPC for the grounds of invalidity.

origin of these rights is irrelevant.⁹⁵ With respect to a Unitary Patent on the other hand, there is only one proprietor in all participating Member States.

3. Licensing and the Free Movement of Goods

While the transfer of the Unitary Patent can only be effectuated with regard to the entire territory of all participating Member States, licensing remains possible in respect of the whole or part of their territories (see Art. 3(2) and Recital 7). Due to the particular relevance of the consent for the exhaustive effect of the putting on the market of goods covered by patent protection, licensing is the neuralgic point in the area of tension between intellectual property rights and the free movement of goods. Firstly, voluntary licensing and its consequences for the free movement of goods shall be examined (a) before inspecting the situation regarding compulsory licenses (b).

(a) Voluntary Licensing

The Commission's original proposal to allow licensing of the Unitary Patent only for the territory of all participating Member States had been amended in the Committee on Legal Affairs as recommended by the rapporteur and agreed upon in the inter-institutional compromise.⁹⁶ For the industry, licensing of the Unitary Patent for only part of the territories of the participating Member States can be attractive. Licensees might not want to be active on the entire Internal Market. Patentees might be able to get a greater reward from the entire market by granting several licenses for different territories. These choices are part of the possible strategies of exploiting their exclusive right in order to get a reward for the invention on the EU market. A licence granted for a territory within the EU generally excludes the blocking of parallel imports into the country where the licensor's national patent was granted, as the licence includes consent to the putting on the market by the licensee. Consequently, voluntary licensing is the exhaustion doctrine's main area of application.

Yet, contractual restrictions can lead to market fragmentation. They can have an *in rem* effect, rendering a breach of such a contractual

⁹⁵ Ullrich, 'Patentschutz im' (n 25) 6.

⁹⁶ Bernhard Rapkay, *Report for the Committee on Legal Affairs* (European Parliament, 2012) Doc A7-0001/2012, 5f, 12f.; Alajos Mészáros, *Opinion of the Committee on Industry, Research and Energy* (European Parliament, 2011), Doc A7-0001/2012, 29, 32, 34f.; Compromise Agreement (n 11).

restriction a patent infringement. Products that are marketed in this infringing manner are excluded from exhaustion.⁹⁷ Contrary to earlier EU projects,⁹⁸ the Regulation does not provide a uniform rule on the *in rem* effect of contractual stipulations. Hence, the participating Member States' national laws determine whether territorial or other restrictions are safeguarded by patent law or by contract law only. As the EU principles flowing from the free movement of goods have to be respected, the CJEU's definition of the specific subject matter of the patent right in the sense of Art. 36 TFEU, has to be considered.⁹⁹

The CJEU's jurisprudence on exhaustion implies that, in principle, the products put on the market by licensees should be free to be marketed anywhere in the EU.¹⁰⁰ The *in rem* effect of contractual restrictions therefore has to be regulated in a very restrictive manner. Especially the possibility of an *in rem* effect of territorial restrictions negates the unitary character of the new patent protection. With regard to the Unitary Patent's objective, the advancement of the functioning of the Internal Market,¹⁰¹ the diversity of the patentee's options to obtain a reward for his invention must not be valued higher than the requirements of a unitary market. The demarcation line between restrictions and conditions that are only relevant *inter partes* and *in rem* restrictions according to the applicable national law is difficult to draw. Considerable legal uncertainty not only for the parties to the licence agreement, but for all players active in the unitary market is inevitable. At the same time, contractual claims appear sufficient to guard the proprietor's legitimate interests - especially as the patentee has chosen licensing to exploit his exclusive right as well as his licensee. Licensor and licensee could still negotiate contractual terms and sanctions *inter partes*, while prohibiting their use of patent law to the detriment of the free movement of goods. Allowing the Unitary Patent's Proprietor to contractually erect the barriers that the Regulation strives to tear down

⁹⁷ Benyamini (n 45) 319.

⁹⁸ Art. 19(2) of the Proposal for a Council Regulation on the Community patent, Council, *Records of the Luxembourg Conference on the Community Patent* (Luxembourg, 1981) rendered all contractual breaches relevant to the patent right; Art. 42(2) CPC 1989 specified that only the breach of a contractual restriction relating to territorial allocation also constitutes a patent infringement (Art. 42(2) in conjunction with Art. 42(1)).

⁹⁹ Benyamini (n 45) 319.

¹⁰⁰ *Centrafarm* (n 80); Georg Albrechtskirchinger, 'The Impact of the Luxembourg Conference for the Establishment of a Community Patent on the Law of License Agreements' (1976) IIC 447, 457.

¹⁰¹ Recital 1 referring to Art. 3(3) Treaty on the European Union; Recital 2 referring to 118 (1) TFEU.

contradicts the Unitary Patent's *ratio legis*. As the territorial lines alongside national borders have a long tradition, the same territorial restrictions are likely to be reinstated.

(b) Compulsory Licensing

The CJEU affirmed that it must be possible to exploit a patent even against the proprietor's wishes if this is in the public interest.¹⁰² Still, compulsory licensing is not regulated at EU level. According to Recital 10, put forward by the Council,¹⁰³ compulsory licences for Unitary Patents shall be governed by the laws of the participating Member States as regards their respective territories.

National law and national authorities are thus called upon.¹⁰⁴ While international conventions have had a certain harmonizing influence on the grant of compulsory licenses, each Member State defines the public interest justifying the grant of a compulsory license. Generally, three basic types of compulsory licenses can be distinguished, namely the case of non-use¹⁰⁵, the case of dependent patents that cannot be exploited without a licence for the basic patent¹⁰⁶ and thirdly the licence due to other, overriding public interest like public health or national security. As national interests are reflected,¹⁰⁷ the willingness to grant compulsory licenses may differ in spite of the same legal grounds. In the Netherlands for instance, compulsory licenses are only rarely issued.¹⁰⁸ In Germany, compulsory

¹⁰² Case C-30/90, *Commission v United Kingdom*, [1992] ECR I- 00829.

¹⁰³ Council, Analysis (n 96).

¹⁰⁴ Klaus Grabinski and Thomas Adam, in Benkard, *Europäisches Patentübereinkommen* (2nd edn, C.H. Beck 2012) Vor Präambel, No 74; but, for the exclusion of compulsory licenses through EU law primacy, Reto Hilty and others, 'The Unitary Patent Package: 12 reasons for concern' (MPG, October 17, 2012), available at http://www.ip.mpg.de/files/pdf2/MPI-IP_Twelve-Reasons_2012-10-17.pdf and Ullrich, 'Harmonizing Patent Law' (n 76) 39.

¹⁰⁵ Art. 5A(4) Paris Convention for the Protection of Industrial Property (PCPIP), 828 UNTS 305.

¹⁰⁶ Art. 31(1) TRIPS, Agreement on Trade-Related Aspects of Intellectual Property Rights [1994], 1869 U.N.T.S. 299, 33; for national implementation see e.g. §24 (2) PatG; Art. 31 (1), 2° Loi sur les Brevets d'Invention in Belgium; Section 48A(1)/b)(i), (4) Patent Act 1977.

¹⁰⁷ Ullrich, 'Select from', (n 68) 28.

¹⁰⁸ Bas Pinckaers and Ricardo Dijkstra, Chapter 18 – The Netherlands, in: Global Legal Group (pub), *The International Comparative Legal Guide to Patents 2012* (Ashford Colour 2011) 103, 106.

licenses are granted on a case-by-case basis and reserved for exceptional cases.¹⁰⁹

National granting institutions also differ from state to state. While courts mostly grant licenses in the case of dependent patents,¹¹⁰ licenses in the public interest like health and public safety are often granted at high administrative level.¹¹¹ In order to obtain compulsory licenses for the entire territory of the EU or the participating Member States, numerous applications to all competent national authorities are required, causing additional costs for every country. As a result, the potential licensee may choose not to apply for such a licence in economically less important countries, even if the chances of grant are comparable. At the same time, the risk of not obtaining a licence for all countries also represents a disincentive to implement union-wide economic strategies.¹¹² A one-stop-shop for the grant of compulsory licenses would reduce the costs as well as the duration of application procedures, and thus considerably facilitate access to compulsory licenses and increase legal certainty.¹¹³

Such a mechanism would especially constitute a noteworthy advancement for the internal market, as there is no exhaustion in the case of national compulsory licenses according to the CJEU. In *Pharmon v. Hoechst*, a compulsory licence had been granted for one Member State and the licensee sold patented products, in breach of an export prohibition, to a third party in another Member State where the proprietor held a parallel patent.¹¹⁴ The CJEU held that the conditions for exhaustion were not fulfilled, since the proprietor cannot be deemed to have consented in the case of a compulsory license.¹¹⁵

It is not surprising that the EPO-system does not include rules on compulsory licensing, since there is no common EPO interest behind the bundle patent that would justify such a license.¹¹⁶ The concept of the Unitary Patent on the contrary is the expression of EU policy, including in particular the advancement of the internal market by removing obstacles to the free movement of goods. This objective could be furthered by a single

¹⁰⁹ See §24(1) German PatG; Jestaedt (n 19) para. 780.

¹¹⁰ See e.g. for France L.613-12 and L.615-17 French Code de la propriété intellectuelle.

¹¹¹ See e.g. Art. 31 bis (1) Belgian Loi sur les Brevets d'Invention and Art. L.613-16, L.613-18 French Code de la propriété intellectuelle.

¹¹² Ullrich, 'National, European' (n 32) 92.

¹¹³ Jaeger and others (n 20) 821; Jaeger, 'The EU Patent', (n 23) 71f.

¹¹⁴ Case 19/84 [1985] ECR 2281.

¹¹⁵ Ibid, para. 20.

¹¹⁶ Ullrich, 'National, European' (n 32) 92.

and uniform grant of compulsory licenses on an EU level. The national attribution of compulsory licenses on the other hand leads to different qualities of the patent and different conditions on national markets. As the first marketing by virtue of a compulsory licence excludes exhaustion, union-wide compulsory licenses are necessary in order to allow for the free movement of goods and market integration.

The functioning of the Internal Market especially demands an EU solution to the question of compulsory licensing in the cases of patent dependency.¹¹⁷ The proprietor's unwillingness to licence will likely be encountered throughout the territory of the participating Member States. The basic patent should not be utilised to prevent the exploitation of innovation derived from the first one and diminish incentives to improve existing innovations.¹¹⁸

For these reasons, it is deplorable that the Regulation does not set out a uniform rule on the grant of compulsory licenses on a supranational level, but neglects this issue despite its relevance for a unitary patent protection in a unitary market.

E. CONCLUSIONS AND PERSPECTIVES

Considering that the unitary character lies at the heart of the Unitary Patent's conception, the implementation of this policy falls short of expectations. While the project of creating a unitary patent protection within the European Union is certainly desirable in principle, the Regulation No 1257/2012 can hardly be said to offer a unitary protection regarding the patchwork of applicable laws and the acceptance of damage to the free movement of goods.

The procedure of enhanced cooperation, the political strategy of *trilogues* behind closed doors and the superficiality of substantive solutions seem to underline the strong political will to finally reach a result. While it might be true that the goal of the European unification in patent law justifies compromises,¹¹⁹ the least common denominator must still be measured against the objectives justifying the introduction of such a protection. The decision for the enhanced cooperation already meant leaving unity behind in the name of a unitary protection. The advancement

¹¹⁷ Ibid 92.

¹¹⁸ Cornish and Llewelyn (n 47) para. 44; Ullrich, 'Select from' (n 68) 29; Jaeger, 'The EU Patent' (n 23) 71.

¹¹⁹ Dieter Stauder, 'The Future of Patent Infringement Proceedings in Europe' (1975) IIC 168, 186.

of the functioning of the Internal Market as rationale behind the Unitary Patent clearly called for a more fundamental approach. After so many years of efforts, more than anything it should be about the quality of the outcome. Once an EU patent protection is agreed upon, the incentive to tackle remaining problems will be even more reduced, especially with the EPO system as good “second best solution”¹²⁰ already available. The Unitary Patent cultivates the unitary market in some respects. If unitary protection is chosen, the patent protection exists throughout the participating Member States and the patent’s lapse, revocation, limitation and transfer will in principle have effect throughout these states. With the Unitary Patent, there is no national enclave where patented products can be put on the market without exhaustive effect. However, the reluctance to legislate at EU level in the area of substantive patent law results in an unnecessarily complex multi-layer system, giving rise to legal confusion. 25 national laws are extended throughout the Union and applicable to the Unitary Patent according to the applicant’s origin. No attention is paid to crucial questions like compulsory licensing and the *in rem* effect of contractual restrictions, leading to market fragmentation.

Therefore, the new patent protection adopted by the Council and the European Parliament does not amount to a unitary patent protection for a unitary market. The EU legislator has punted the ball to the CJEU and the Member States that still have to ratify the UPCA to let the EU Regulation implementing enhanced cooperation in the area of unitary patent protection enter into force.

¹²⁰ Artelsmair (n 21) 12.